

491.2(103)
Special file

I.B.

HIGH LEVEL CONSULTATIONS
EUROPEAN COMMUNITIES/UNITED STATES OF AMERICA
29, 30 and 31 OCTOBER 1973

1. A delegation of the Commission headed by Sir C Soames and comprising amongst other officials Messrs. Hijzen, Rabot, Spaak and Grierson was in Washington from 29 to 31 October 1973 for the 7th round of the periodical high level consultations with the US Administration. The US delegation was lead by William J. Casey, Under-Secretary of State for Economic Affairs.
2. Attached are the records of the plenary meetings (Annex 1), together with records of separate discussions held by individual members of Sir C Soames' delegation with their opposite numbers on the US side (Annex 2).
3. Discussions of a general political character (e.g. on the Year of Europe, on overall EC-US relations, etc.) are for the most part not recorded.
4. All the records are for internal Commission use only. They may not be divulged to third parties, or to the press.

Copies :

Commissioners' Cabinets

Mr. Noël

DG I : Messrs. Wellenstein, Hijzen, de Kergorlay,
Ernst, Fielding, Stakhovitch, Direc-
torates A, C, D, E, F.

DG III : Messrs. Grierson, Lewis

DG VI : Mr. Rabot

DG VIII : Mr. Krohn

DG X : Mr. Ronan

DG XVII : Mr. Spaak

Spokemen's Group : Mr. Vasey

Washington Delegation : Messrs. Mazio, Heidenreich, Leng

PLENARY SESSION

WASHINGTON TALKS - 29, 30 and 31 OCTOBER 1973

I. Industrial Policy

1. Discussion was of a general character, covering the Commission's philosophy rather than the detail of specific initiatives.
2. Messrs Casey and Armstrong wanted to learn more about the Community's position on public procurement, sectoral policies, competition policy, state aid policy, multinational companies, product standardisation, product certification, industrial property and investment policy.
3. On public procurement, they emphasized the importance that they attached to the development by the Community of an internationally acceptable policy which should be ready for negotiation within the framework and timetable of the forthcoming multilateral trade negotiations. Without this, there could be little progress on MTB's. Sir C Soames and Mr Grierson said that the opening-up of public procurement for intra-Community trade was under study and would in practice be beneficial to non-Community-based companies with subsidiaries within the Community. The Community had not yet, however, an internally accepted procurement policy, let alone an international negotiating position. The Community was nevertheless prepared to play an active role in the MTN; and would seek an appropriate mandate from the Council. In this context, the Commission was in the process of setting up a study group of three experts to consider the practical rather than legal aspects of Community procurement and it was agreed that their terms of reference would, if possible, be extended to take account of international aspects too. US representatives could come to Europe to talk to the experts in the course of their study.
4. Mr Grierson expressed concern at the practices of certain US states in overriding federal procurement practices with their own discriminatory policy. Messrs Armstrong and Morris confirmed that the U.S. would try to pass binding legislation in this field and that this would be greatly facilitated in the context of an internationally negotiated agreement. The Commission delegation took note of the US position.
5. Regarding sectoral policies, Mr Casey wanted to know which sectors were currently under review and what would be the effect for the U.S. when these policies came into effect. Mr Grierson answered that sectoral policies for aeronautics, computers, shipbuilding and pulp and paper would shortly be or had already been proposed to the Council and that an initiative in the field of textiles would follow. These policies were primarily designed to coordinate at a Community level already existing national policies and the U.S. should have no reason to fear any radical departure from the Community's traditionally liberal approach.

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6. Regarding competition policy, Messrs Armstrong and Fox asked whether the Commission would consider it worthwhile to bring the competition Directorate General into regular consultation with the US Anti-Trust authorities. It was subsequently agreed not to place "anti-trust" explicitly in the US/Commission agenda in order not to attract too much outside attention; but to discuss the problem under the heading of industrial policy. ("We have to bring people in without advertising it.")

7. Regarding state aid, Messrs Fox and Morris wished to know whether, in the context of MFN negotiations on NTB's, the Community would put together a "package" including formal limits on its aids. Mr Grierson affirmed that the present situation under the Treaty was that aids were generally regarded as incompatible with the Common Market, but made no commitment to setting up a "package" including state aids.

8. Regarding multinational companies, Mr Grierson explained the present status of the preparation of the Commission's document, which would shortly be presented to the Council for discussion. There was no intention to limit the legitimate activities of multinationals or to discriminate against those of non-Community origin.

9. Regarding product standardisation and certification, Mr Kelly stated that the US were in favour of harmonisation at a Community level, as this meant that nine standards would be replaced by one. This should not be made into a weapon for use against US products. The U.S. were also concerned about the problem of the compatibility of Community and US standards, particularly with respect to the motor industry and wine products. They would like to be consulted during the drawing up of such standards. They also hoped to see the drawing up of a general "code" agreement on product standards (quality insurance system) before the end of the multilateral trade negotiations on the basis of mutual recognition of national standards. The Commission representatives took note of their comments and agreed to look further into them. They also were open to receiving more details of US complaints.

10. Regarding industrial property, Mr Kelly asked about the work that the Commission was engaged upon in this field and proposed that the subject should be included in the next round of discussions. The Commission representatives agreed.

11. Regarding investment policy, Mr Korp referred to the work being done in the framework of OECD and expressed the hope that a mechanism could be established for interchanging views with the Community at regular intervals. The Commission representatives agreed to consider this.

II. Energy Policy

12. The main points of discussion were:

1. The Community's priority action programme
2. The present oil supply crisis.

13. Mr Spaak outlined the three main features of the Community's priority action programme:

- (a) Cooperation amongst the main consumer countries
 - (i) the avoidance of outbidding for crude oil (e.g. through a system of agreed reference prices);
 - (ii) research and development
 - to be tackled early next year;
 - (iii) crisis management
 - the Community had insisted on the urgency of an allocation system.
- (b) Relations with producer countries
 - to maintain producer countries' interest in keeping production going.
- (c) Establishment of a common energy market.

14. On the present oil supply crisis, Mr Spaak made the following points:

- The situation of the EC was worse than the US situation, as the U.S. imported only 12% of their oil needs, whereas the EC imported nearly 100% of its oil needs; this represented 60% of total EC energy requirements.
- The U.S. used more than 50% of their oil for transportation; the EC used more than 50% for industrial fuelling and electric power production.
- Our Member States had tried to deal with these problems separately, for instance by imposing export licensing systems. The Commission proposed to replace the national systems by an immediate information system about movement within the Community.

15. Mr Casey said that Europe appeared to be reluctant to share oil supplies with the U.S. for fear of adverse reaction from the Arabs. Producer dictation was clearly here to stay; the need in the West was to develop new sources of energy and to try to reduce consumption.

16. Mr Julius Katz argued that outbidding was no longer the immediate issue; supply decline was of much more direct concern. He and Mr Di Bona questioned the usefulness both of reference prices (which the U.S. had also considered) and of joint action by consumer countries. "The more the consumer nations squabble together, the more the producer nations are strengthened in their position." On Mr Spaak's figures, Mr Katz said that it would be more correct to state that 70% of the US oil consumption was destined for industrial purposes. The first impact of the oil shortage on the US economy had been generally the same as on the EC economy. The U.S. was not better off - American social and agricultural patterns were built round the extensive use of energy and cut-backs would be very painful. Of the lost two million barrels a day, only one-quarter could be made up from other sources - e.g. from coal or from domestic wells which were operating at less than capacity. There would be new energy resources (e.g. oil shale) in the longer run; but research and development would not yield results before 1980 in any significant degree.

17. Mr Casey said that high prices of \$8 - \$10 a barrel would in themselves discourage consumption and encourage the exploitation of marginal new sources. But this process could take at least five years to achieve a balance of supply and demand.

18. Mr Katz went on to say that we were all faced with the alternatives of either paying very high prices in the shorter and medium terms or of cutting back imports substantially. The latter was the better collective course. He asked whether it was possible to limit EC imports and to allocate shares to member countries. Mr Spaak answered that the first priority was to avoid any spectacular action, and to concentrate on getting as much oil off the Arabs as possible. It was better to practice political solidarity, and not to talk about it.

19. Sir C Soames asked whether the US side wanted to add to or subtract from the Community's action programme as outlined by Mr Spaak; and did the U.S. see any areas which were suitable for EC/U.S. cooperation to face the present crisis? Mr Casey replied that he had no further comment on Mr Spaak's outline. On research and development, the U.S. were ready to identify areas for cooperation. It was hard to see what else could be included at the present time.

III. Trade Policy Issues

A. Relations with the LDC's

20. Sir C Soames pointed out that the reversed preference problem still remained unresolved in the Protocol 22 negotiations. The Commission would be ready to discuss the matter further with the U.S. at a later stage ("before things become frozen"). Messrs Casey and Eberle emphasized the importance of these questions and asked for consultations at an early date. It was agreed to arrange a meeting through Ambassador Greenwald at a time when Protocol 22 negotiations had become clearer (probably early next year).

21. Discussion then turned to the Asian countries (Joint Declaration of Intent on the development of trade relations with Ceylon, India, Malaysia, Pakistan and Singapore in the Treaty of Accession). Sir C Soames said that there were problems for certain commodities (e.g. jute, plywood, tobacco) which would lose free access to the British market. The EC had not so far committed itself to any specific course. For 1974, the EC would undertake a bridging operation in the framework of the GPS. In the long run, these problems should be resolved in the multilateral trade negotiations. Mr Eberle commented that tobacco was of major concern for the U.S. and that "it could be harmful to create additional irritations".

22. Mr Eberle then raised in more general terms the LDC's participation in the multilateral trade negotiations. He suggested early consultations to find out what LDC's exactly want. Sir C Soames stressed the Community's interest in the US efforts to implement the GPS. Mr Eberle explained that it would need a year after approval of the Trade Bill and could not be expected to work before the early part of 1975.

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B. Relations with Japan

23. Messrs Casey and Eberle said that US-Japanese trade relations had improved considerably and that the trade balance now looked more favourable on most fronts. There were nevertheless still four issues which needed further effort on the Japanese side: import quotas, liberalisation of investment policy (administrative "guidances"), government procurement, and imports of agricultural products. In addition to this, an internationally supervised safeguard system has to be discussed. Sir C Soames said that the Community had now taken over a large part of Japanese exports and that our trade balance with Japan showed a substantial deficit. There was, nevertheless, room for considerable expansion of EC-Japanese trade. But the mistakes of the past should not be repeated: trade had to be broadly balanced and Japanese exports should not concentrate on particular sectors. Mr Eberle explained that the U.S. did not aim to balance trade with every trade partner, but that the imbalance in US-Japanese trade had grown to an extent that it had affected the multi-lateral US trade position.

C. Relations with Eastern European countries

24. Sir C Soames said that the Commission had no illusions: the Russian motive in the Comecon's approach to the Community was to get control over the Community's relations with the individual Eastern European countries. There was an internal EC problem with respect to cooperation agreements. The Commission had proposed to coordinate the activities of Member States. The Russians had already agreed to an EC clause in the German-Russian deal. The Roumanian bid for GPS was politically significant.

D. US Trade Bill

25. Mr Pearce gave an optimistic account of the Bill's progress. It was a good Bill in its present form. The so-called Vanik Amendment, which had attracted a great deal of House support, aimed, however, at amending the Bill to make the granting of export-import bank credits to the Soviet Union also contingent on free emigration policies. To avoid delaying the Bill any further, the Administration was now ready to drop Title IV (MFN treatment for State Trading companies). Paradoxically, the reason for its original inclusion had been to broaden the support of the Trade Bill as a whole. Mr Pearce said that the next two weeks would be crucial; but the chances were good that a satisfactory Trade Bill would become law by March 1974. The successful struggle against domestic inflation and the improvement of the trade balance, both work in favour of this.

26. Sir C Soames pointed out that the enactment of the Bill had initially been expected for September this year. Our timing depended very much on the US timing. Both sides must keep in step. The problem for the interim period is to maintain the momentum in Geneva; doing nothing was harder than doing something.

27. In view of the fact that the Community had had the opportunity to comment on the Trade Bill, Mr Eberle asked for informal discussions in the interim period on how the Community envisaged translating the general approach into negotiation directives. Sir C Soames answered that the Trade Bill was the equivalent of the Community's global approach and that such consultations would in fact be anticipated negotiations.

E. Multilateral Trade Negotiations (MTN)

28. Mr Eberle said that analytical and preparatory work had to be done "without prenegotiations". As to the question how to organise this in Geneva (Trade Negotiations Committee), the ball was in the Community's court. Mr Hennessy expressed doubts whether existing rules, for example in GATT, or in the Committee of the 20, were still appropriate. Mr Hijzen said that it would be better to wait and see whether any changes were in practice needed, rather than to promote theoretical changes in advance.

Agriculture

29. Mr Casey said that the US Administration were re-examining their existing concepts in preparation for the World Food Conference to be held next year. They wanted to engage in "brain storming", both bilaterally with the Commission and with others, and multilaterally in the OECD. The U.S. saw no conflict or overlap between the proposed Conference and the multilateral trade negotiations. The former would provide the framework in which a broad international exchange of views might take place on the world's future food supplies and how to improve them. The MTN would deal with specific matters which called for precise negotiation, e.g. stock-piling and the avoidance of trade distortions in agricultural products.

30. Mr Casey then expounded the US proposal for a study of the world food situation by a group of independent experts in the OECD framework, who would, among other things, look at long-term policy alternatives. Mr Hijzen said that he found this proposal worrying. It would serve to freeze the positions of different governments. Moreover, really independent experts in this field simply did not exist. Sir C Soames asked that the Commission should have time to think about the proposal.

31. Mr Goodman foresaw a greatly eased world situation for feed grains; despite low fish catches and high Soviet purchases, the U.S. would have 240 million bushels of soybeans carry-over from the present crop. Mr Rabot, welcoming this statement, said that the Community would try to increase its own protein production and would have a soybean crop of perhaps 100 000 tons per annum in two or three years time. A deficiency payments system would be used to encourage this crop, which needed special soil, humidity and sunshine. He expected that the Community would continue to import soybeans at the present level from the United States.

EFTA Rules of Origin

32. In response to expressions of American concern, Sir C Soames said that the Commission would stand by their offer of last summer, namely to look at individual cases of possible hardship to US exporters. Mr Hijzen said that the Commission would do so without commitment to any new theory of protection which the US side might now be wishing to put forward.

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Textiles

33. Mr Eberle said that agreement was needed in Geneva by the end of the year; and that negotiations should therefore be started as early as possible in November. He explained that this had been the understanding which the Administration had reached with US industry; any slippage would be embarrassing. Mr Hijzen said that the Commission agreed that it was important to try to get this matter out of the way before the MFN started to get down to business.

Article XXIV:6 Negotiations

34. The US side expressed some doubts about the adequacy of the anticipated Community offer; but there was no substantive discussion, the Commission side pointing out that the Council of Ministers had not yet reached a final decision on what the offer should be.

Ferrous Scrap

35. Mr Hijzen rehearsed the difficulties which this year's US export embargo had caused the Community, and stated the Community's case for advance consultation before the US Administration decided whether to maintain restrictions on exports of ferrous scrap in 1974. It was agreed that a further round of consultations should take place for this purpose in mid-November.

Semi-conductors

36. Mr Casey said that the US Administration continued to be worried by the rates of duty which member governments were now applying to imports of semi-conductors from the U.S. The Administration would shortly be addressing a legal memorandum on the subject to the Commission.

List of participants

US-Administration

State Department

William J. Casey
Willis C. Armstrong
George S. Springsteen
Joseph A. Greenwald
Julius L. Katz
John C. Renner
Abraham Katz
Anthony Albrecht

Department of the Treasury

John M. Hennessy
Howard Worthington
Murray Ryss
Hugh McPadden

Department of Commerce

Lawrence A. Fox
Forrest Abbuhl

Department of Agriculture

Carroll G. Brunthaver
David Hume
Richard J. Goodman
Gordon O. Fraser

Department of Labor

Herbert N. Blackman

National Security Council

Helmut Sonnenfeldt
Charles Cooper

STR

William Eberle
William Pearce
Harold Nalmgren
Herbert Propps

CIEP

Deane R. Hinton
Robert Morris

Council of Economic Advisers

Mr. Stein
Gary Seevers

Special Consultant to the President

Charles DiBona

Commission

D.G. I

Theodorus Hijzen
Leslie Fielding
Eckehard Loerke
Günter Burghardt

D.G. III

Ronald Grierson
Roger Lewis

D.G. VI

Georges Rabot

D.G. XVII

Fernand Spaak

Cabinet of Sir Christopher Soames

David Hannay
Richard Hay

WASHINGTON TALKS 29-31 OCTOBER 1973

Records of individual meetings.

Summary

- A. Mr. Hijzen's meeting with Messrs. Malmgren, Renner and others.
- B. Mr. Rabot's meetings with Mr. Brunthaver and Messrs. Julius and Abe Katz.

WASHINGTON TALKS 29-31 OCTOBER 1973

CALL ON MR MALMGREN, 30 OCTOBER

Those present:

Mr Hijzen	Ambassador Malmgren	(Ambassador Eberlé at
Mr Fielding	Mr Renner	the close)
Mr Loerke	Mr Albrecht	
	Ambassador Greenwald	

EFTA Rules of Origin

1. Mr Renner expressed US concern at the effect of the Community's rules on US exports to EFTA countries, with particular reference to car and electronic components. The US Administration needed, for political reasons, to be seen to be engaged in discussion of the rules with the Commission, and to be able to raise individual borderline cases. Mr Greenwald suggested that, if the foregoing would be difficult for the Community Member States, informal talks might nevertheless take place between the US Mission and the Commission. Mr Hijzen agreed to pursue this question further in Brussels with Mr Greenwald.

Textiles

2. Mr Malmgren expressed concern at the delay in establishing a Community mandate, and at reports that the Commission might not be able to enter into substantive negotiations until as late as February. Mr Hijzen assured him that the Commission's firm aim was to reach a satisfactory settlement before the end of the year.

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3. Mr Hijzen cleared up US misunderstandings on the attitude adopted by the Commission in Geneva towards Mr Long's compromise proposals to deal with the problem of Committee structure. The Commission had said neither yes nor no to the Chairman's proposal; and hoped that, if the Chairman went ahead to convene a meeting in the second half of the month, the Commission would be authorised by the Member States to attend.

World Food Conference

4. Mr Malmgren explained US thinking on the link between the proposed World Food Conference and the GATT, by referring to his statement at Geneva of 26 October. The US hope was that this Conference would permit a general exchange of ideas and the evolution of broad lines of guidance; but that the negotiation and conclusion of actual agreements would be the exclusive task of the GATT.

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Antidumping

5. Mr Hijzen expressed the Commission's serious concern at recent instances in which the US authorities had failed to respect the code of conduct on anti-dumping procedures. He cited in particular the US habit of initiating anti-dumping proceedings without first ascertaining that there was a case to answer; and of allowing claims of injury that were vague and indirect. He left an unofficial bout de papier summarizing the Commission's arguments. Mr Renner agreed to look into this complaint.

6. Mr Eberlé, arriving late, renewed earlier US complaints of a systematic lack, or withdrawal, of Community cooperation in various trade matters. It was explained to him that these had already been dealt with point by point. Mr Hijzen said that there was no justification for US concern, which sprung from a series of misunderstandings.

Entretiens Soames/Casey: aspect agricole.

La partie agricole des entretiens qui ont eu lieu au cours de la visite de Sir Christopher Soames se résume, à ma connaissance, à deux rencontres:

- celle que Monsieur Rabot a eue avec le Sous-Secrétaire Brunthaver;
- celle que Messieurs Rabot et Hijzen ont eue avec Julius et Abe Katz.

Au cours du premier entretien, c'est essentiellement le problème des accords de produits qui a été discuté et en particulier les différents éléments qui pourraient entrer dans ces accords.

Brunthaver en a mentionné quatre sur lesquels son attitude serait positive:

- des consultations réciproques
- une politique de stockage
- l'aide alimentaire
- une discipline en matière de restitution et de subsides aux exportations.

En revanche, sur la question d'accord sur le niveau des prix, la position américaine ne semble pas avoir évolué.

Un sujet plus spécifique a été abordé: les disponibilités américaines en soja pour la campagne prochaine.

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A ce propos, les Américains nous ont assurés que les récoltes envisagées étaient suffisantes pour assurer une reconstitution des stocks et pour permettre des exportations normales vers les pays importateurs (y compris en cas de besoin accru du Japon et de demande de la part de l'U.R.S.S.) et terminer la campagne 1973/74 au 1er octobre 1974 avec un stock de report de 240 Mio. de boisseaux.

Au cours de l'entretien au Département d'Etat avec Julius et Abe Katz, les trois questions suivantes ont été abordées:

1. la préparation de la conférence mondiale proposée par le Secrétaire d'Etat Kissinger;
2. l'utilité de réunions se tenant dans le cadre de l'O.C.D.E. sur la demande et les ressources de produits agricoles;
3. la proposition américaine d'établir dans le cadre de l'O.C.D.E. un groupe de travail d'experts indépendants devant évaluer les perspectives à long terme en matière de ressources et de besoins agricoles.

Bien que Julius Katz ait laissé entendre qu'un projet d'ordre du jour pour la conférence mondiale serait prêt rapidement, il ne semble pas que cela soit encore le cas et, par conséquent, le Secrétaire à l'Agriculture Butz ne sera vraisemblablement pas en état de faire des propositions à ce sujet au cours de la réunion de la F.A.O. à Rome. Les choses ont suffisamment avancé cependant pour que lors de sa rencontre avec Monsieur Lardinois le 15 novembre à Bruxelles il puisse lui en donner les grandes lignes.

En ce qui concerne la création d'un groupe d'experts indépendants dans le cadre de l'O.C.D.E., aucune conclusion n'a été atteinte lors des réunions à Washington, mais il a été clair que la Commission marquait sa réticence.