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Directorate-General
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Special file

NOTE FOR THE RECORD

EC-US High Level Consultations 29 - 30 April 1976

Plenary 30 April 1976

Present: see attached list

1. Sir Christopher Soames remarked that separate talks had been held on specialty steel and soya.

2. Mr Hijzen reported on the previous day's discussions of the working group on trade issues.

Points raised by the EC side:

(i) Information on float glass submitted by the Italian government to the US Treasury had been useful, but insufficient to permit the Treasury to change its position on countervailing duty.

(ii) In the matter of court actions to challenge Treasury decisions on float glass and rolled steel, the Community preferred not to intervene directly, but stood ready to provide information or other help to the Treasury.

(iii) The general discussion of the automobile antidumping case underlined its enormous political and economic importance. The technical discussion had focussed on the means of minimizing the scale of the problem.

3. Points raised by the US side:

(i) Complaints under Section 301 of the Trade Act of 1974

(a) Minimum import prices on canned fruit and vegetables. It had been pointed out to the US side that a steady market, where

very low cost supplies from Asia and elsewhere were excluded, served the interests of US exporters. For the present, MIP applied only to tomato concentrate. The Commission was ready to discuss levels of MIP, though the subject was somewhat theoretical in view of the small US trade interest in tomato concentrate. Nevertheless, the US was concerned that MIP might be extended to other canned fruit and vegetables, and therefore intended to proceed against the principle of MIP under GATT Art. XXIII, 2.

- (b) The sugar added levy had been part of the Kennedy Round package accepted by the U.S. However, they were concerned at the implementation of the levy. The EC was ready to have discussions, but had asked the US side for a short note on the complaint before arranging meetings of experts.
- (c) The egg albumen complaint was not well understood in the Community. The EC was willing to continue discussions in Brussels if the US so wished.
- (d) The US regarded the flour complaint as the most serious of the Sect. 301 cases, because of the powerful interests and the amount of trade involved, and because it aimed at export refunds, a basic feature of the CAP. The EC maintained that refunds on flour had not been used to win new markets at US expense, but to preserve traditional markets in LDCs. In certain cases, US exports under PL 480 had disturbed these markets. The US side replied that food aid under PL 480 was meant not to disrupt normal commercial markets. They would like to know more about the developments that had caused concern to the Community. It was agreed that a full discussion of all the various aspects of the flour issue should be held between the responsible officials of both sides.
- (e) On barley malt, the EC had acknowledged and corrected its error: there was now no refund, and exports had turned down. However, existing commitments could not legally be cancelled. The EC could do no more.

(ii) EEC/EFTA rules of origin were being discussed in Geneva, but there was some impatience on the US side. Review of the matter would continue on a case-by-case basis. It was noted that the EC had already made three packages of modifications, and a fourth was on its way.

(iii) Anti-inflation export insurance schemes were disliked by the Commission. The Italian scheme was inoperative for lack of funds. The Commission had proposed to the Council that the remaining (French and British) schemes be phased out.

4. Turning to the automobile antidumping case, Sir Christopher Soames urged that the problem be reduced to the minimum possible scale. Significant contributions could be made by the Treasury's treatment of exchange rates, the valuation of pollution equipment not required in Europe, changes in pricing since the reference period, and by the treatment of cases on a model-by-model basis, instead of country by country.

5. Continuing, Sir Christopher said that the American decision would be shot through with economic and political consequences. A preliminary determination of dumping could cause irreversible damage to a manufacturer's distribution network even though the ITC might later find that there had been no injury to the US industry. The position was particularly delicate for Volkswagen, whose sales in the US had been dropping for the last three years, and whose plans for investment in North America could be ruined. US action could have grave political consequences because the car industry occupied a key position in Europe not least in the weaker economies of Italy and the U.K. Bitterness and resentment would be engendered if the US took drastic action when their own car industry was booming, when they had a colossal surplus on the balance of trade, and when the main beneficiaries would be Japanese exporters. Sir Christopher asked Mr Macdonald to make these concerns known to Secretary Simon.

6. Mr Macdonald replied that under US law, if "price discrimination" were found, the risk of damage during the remainder of the investigation should be placed on the foreign exporter, and not on the domestic industry. He observed that Volkswagen had never offered price assurances for the future, even though it was conceivable that matters might be settled on that basis. He would report Sir Christopher's remarks to Secretary Simon. He gave his assurance that the political and economic arguments would be translated into legal considerations to the extent that there was a margin for interpretation, and that discretion would be exercised wherever possible in favour of exporters.

7. OECD Trade Pledge

Mr Hijzen said that a decision would be required in two weeks whether to prolong the trade pledge for another year. The Commission favoured prolongation, and would prefer not to risk changing the text. Mr Yeutter's immediate personal reaction was to agree. The US authorities would be discussing the matter in the next few days.

8. Mr Wellenstein reported the previous day's discussions of the working group on North-South relations, treating the Paris conference and UNCTAD IV, Nairobi, together. The Group of 19 had made a declaration of dissatisfaction, with particular reference to the lack of results from the Raw Materials Commission. Mr Wellenstein felt that participants were withholding their best cards on raw materials in order to be able to play them at Nairobi. After Nairobi, some 12 or 15 items for further consideration in the dialogue would have to be selected, in which some progress could be achieved in the second half-year, in order to offer some satisfaction to each of the interest groups involved. He would propose to the Canadian co-chairman that a whole day be devoted by the Group of 8 to the selection of items for further work.

9. The US side agreed with this analysis of the situation, adding that they had never expected **much real progress** in the first half-year of the Conference but more in the second half. With this perspective, the Group of 19's declaration of dissatisfaction could be viewed simply as a tactical reaction to the Manilla declaration of the Group of 77. Mr Hartman said that in general, he felt encouraged by the attitude of the Group of 19.

10. The US side gave its preliminary thinking for Nairobi, **focusing** on:

(a) mechanisms to promote investments in raw materials in developing countries, to supplement but not replace the World Bank scheme; and
(b) a response to the "integrated programme for raw materials". The US, like the EC, was ready to join in common studies of all products, but they considered that action to be taken should be decided after such studies, not before.

11. On commodity-linked export financing, the US was committed to the principle of compensatory financing, and supported the IMF scheme discussed at Kingston. When a trust fund had been created by the sale of IMF gold, one use of the fund would be compensatory financing, but for the moment no funds were available.

12. Both sides agreed that there was scarcely any point in a world conference on indebtedness. Among the LDCs themselves, there was little enthusiasm for such a discussion, and some opposition. Both US and EC remained ready to consider requests for help on a case-by-case basis. It might be necessary to make a statement to that effect at Nairobi, and to refer to the easing of loan procedures, but neither the US nor the EC side was yet able to suggest a suitable wording.

Sir Christopher Soames remarked that the developed countries **must not give the impression that they were dragging their feet on indebtedness.**

13. On technology transfer, the main question was whether the US and the EC would support a code of conduct. It was agreed that it would be unwise to oppose the LDCs on such a point, and so both the US and EC would be prepared to say "yes" to a code provided the contents were acceptable, and provided it was not obligatory.

14. Sir Christopher Soames suggested that the EC and the US ought to compare lists of commodities and ideas on indebtedness for further work in the second half-year of the Paris conference. Mr Greenwald agreed, and added that the US would be happy to see the Paris conference extended, since it was a useful, non-polemical forum. Mr. Wellenstein warned against any statement that the dialogue must go on, since this would be seen by developing countries as a delaying tactic. If concrete results emerged in the second half year, it might be possible to prolong the conference for work on additional topics.

EC/US High-Level Consultations

29/30 April, 1976

PARTICIPANTS

For the United States:

From the State Department:

Arthur A. Hartman, Assistant Secretary for European Affairs;
Joseph A. Greenwald, Assistant Secretary for Economic and Business Affairs;
Ernst H. Preeg, Office Director for OECD, European Community and Atlantic
Political-Economic Affairs, Bureau of European Affairs;
Michael Boerner, Office of International Commodities, Bureau of Economic and
Business Affairs.

From the Office of the Special Trade Representative:

Ambassador Clayton Yeutter, Deputy Special Trade Representative.

From the Department of the Treasury:

David R. Macdonald, Assistant Secretary, Enforcement, Operations and Tariff
Affairs;
John Ray, Director of the Office of Trade Policy and Negotiations.

From the Department of Commerce:

Forrest Abbuhl, Deputy Director of the Bureau of International Economic
Policy and Research.

From the Department of Agriculture:

Gordon Fraser, Assistant Administrator, International Trade Policy.

From the Department of Labor:

Joel Segall, Deputy Under Secretary.

For the Commission:

Sir Christopher Soames, Mr Finn Olav Gundelach

Mr Fernand Spaak

Mr Th. Hijzen (DGI), Mr. J. Loeff (DGIII), Mr L. Rabot (DGVI), Mr L. Williams (DGXVII)

Mr E. Gallagher (DGI), Mr M. Caspari (DGI), Mr A. Pizzuti (DGVI)

Mr A. Stakhovitch (DGI), Mr R. Phan Van Phi (DGI), Mr L. Fielding (DGI),
Mr B. Meynell (DGI), Mr F. Boyer de la Giroday (DGII), Mr D. Maltzahn (DGIII),
Mr P. Malvé (DGVI), Mr J. Durieux (DGVIII).

Mr. R. Simonnet, Mr E. Loerke, Mrs L. Archibald, Mr D. Goodchild, Mr H. Beseler,
Mr A. Maes (DG I), Mr H. Marmulla, Mr M. Jacquot (DG VI), Mr A. Russell (DG VIII).

Mr D. Hannay, Mr M. Richardson (Cabinet Sir Christopher Soames)

Mr H. Wijnmaalen (Cabinet Mr Lardinois)

A G E N D A

EC/US HIGH-LEVEL CONSULTATIONS

29 April 1976

10.00 a.m. to 1.00 p.m. - Room Berlaymont 13A

WORKING PARTY I : Bilateral Trade Issues

Co-Chairmen: Mr Hijzen
Ambassador Yeutter

1. Issues to be raised by EC side
 - US escape clause procedures
 - . Steel cases
 - US anti-dumping procedures
 - . Automobile cases (and Customs clearance backlog)
 - US countervailing duties procedures
 - . Float glass (Italian case; Customs Court Appeal)
 - . Rolled steel (Customs Court Appeal)

2. Issues to be raised by US side
 - Non-fat dry milk (US soya exports)
 - Complaints under Art. 301 of the Trade Act (minimum import prices on fruits and vegetables; sugar-added levy; egg albumen; flour; barley malt; etc.)
 - EC/EFTA rules of origin
 - EC anti-inflation export insurance scheme

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3.30 p.m. to 6.00 p.m. - Room Berlaymont 13A

WORKING PARTY II : North/South Relations

Co-Chairmen: Mr Wellenstein
Mr Greenwald

1. Progress in Paris Conference
2. Preparation of Nairobi UNCTAD
3. Improved EC/US coordination in UN

Dinners hosted by Ambassador Hinton and Mr Morris

30 April 1976

10.00 a.m. to 12 noon - Room Berlaymont 13A

PLENARY

1. Bilateral Trade Issues
2. Any Other Trade Business
3. North/South Relations

1.00 p.m. Luncheon hosted by Sir Christopher Soames
(for all participants at Berlaymont 13th floor)

END OF CONSULTATIONS

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