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EUROPEAN COMMISSION EXPRESSES CONCERN OVER US WINE EQUITY BILL.

The Commission of the European Communities follows with attention and concern the developments in the US Congress related to the various draft Bills known as the "Wine Equity Bill".

On several occasions the Commission has expressed its concern over the recent initiatives to introduce protectionist measures against wine which constitutes the most important item in the Community's agricultural exports to the US. Any such action would inevitably strengthen pressures in the Community in favour of protectionist measures against agricultural imports from the US.

Although the Bill passed by the US Senate last week in certain respects differs from previous drafts, this latest Bill, as was the case with the previous ones, aims at achieving reciprocity in a single sector by means of protectionist pressures against US wine imports from the Community.

The sectoral reciprocity approach is contrary to the very concept which is the foundation of the open trade system established in the framework of the GATT, namely the concept of overall reciprocity.

If each country had sought reciprocity sector by sector it would have been impossible to arrive at the reductions in trade barriers that have been achieved over many years through negotiations in the GATT from the Dillon Round to the Tokyo Round.

If the concept of sectoral balance were to be the norm it would be detrimental not only to the general process of gradual reduction of trade barriers but also to US agricultural exports in particular. The US is a net exporter of agricultural produce world-wide and it had in 1983 a net surplus in agricultural trade with the Community of some 5 billion dollars.

The version of the "Wine Equity Bill" passed by the US Senate on September 19 (as an amendment to the Omnibus Trade Act of 1984) is not only inconsistent with the basic concept on which the GATT system is founded but, by extending the definition of a "domestic industry", it also amends existing US anti-dumping and countervailing legislation in a way which would make US law in this field inconsistent with the letter of the GATT Code on Dumping, Subsidies and Countervailing Duties, to which the US is a party.

The amendment is clearly designed to encourage the imposition of countervailing duties on wine imports from the Community. It could oblige the US Government to introduce anti-dumping and countervailing duties on agricultural products even though the conditions stipulated in the GATT Code on Subsidies and Countervailing Duties for such action were not fulfilled. If adopted this Bill would burden the GATT system with new disputes and would greatly complicate the work in progress in the GATT aimed at improving GATT rules and disciplines relating to agricultural trade.