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Brussels, 20 February 1986.

**RELATIONS BETWEEN THE COMMUNITY AND THE UNITED STATES
STATEMENT BY MR WILLY DE CLERCQ
"THE COMMUNITY IS KEEPING ITS COOL"**

"One of the parties involved in this matter has to keep its cool, Mr De Clercq said. The economic stakes are too high for us to indulge in an irresponsible escalation of restrictive measures. It would be disastrous if international trade problems were to be turned into a fighting match.

As regards the conflict over steel, the Community had no choice but to react, as it had said it would, to the unilateral measures taken by the United States against exports of semi-finished products from the Community. These measures were economically unjustified and contrary to the Arrangement negotiated on 31 October 1985.

We regretted having to do this and we constantly reiterated in our contacts with the United States authorities that we were prepared to seek a more satisfactory solution for both sides. A period of 45 days elapsed before our measures entered into force, more than time enough to resume the dialogue on this problem.

The US authorities nevertheless considered that the time was not ripe for this.

Let common sense prevail. The Community is open to discussion in order to find a negotiated, reasonable solution.

The question of US grain exports to Spain and Portugal must be examined in the general context of enlargement. The United States, like other non-member countries, will benefit greatly from the dismantling of the two new Member states' tariffs. The advantages and disadvantages of enlargement for non-member countries' trade must be considered as a whole and negotiated in accordance with standard GATT procedures.

CONFLICT CONCERNING STEEL

Background :

On 15 February the Community introduced quantitative restrictions for the next three years on imports of fertilizer, beef fat and coated paper from the United States.

These measures were a moderate response to the unilateral measures taken by the United States to limit imports into the United States of Community semi-finished steel products to 600 000 t a year for a period of three years.

The Community considers that these measures are unjustified and run counter to the Arrangement negotiated on 31 October 1985.

Unjustified, because the increase in imports of Community semi-finished products results from the US steel industry's requirements, notably for good quality products. The increase is also due to the high level of the dollar, which was triggered off imports of all kinds of products from a large number of sources.

The measures run counter to the Arrangement of 31 October 1985 because Article 10 of the Arrangement, which was invoked by the United States, lays down that measures may be taken if trade is "disturbed". This means that if limits were placed on exports of certain products, the exporting firm could react by increasing its exports of products not subject to limits. The economic facts quoted above show that there was no deflection of trade. It should also be pointed out that the increase in exports of semi-finished products to the United States was a general phenomenon, involving countries like Sweden and Brazil, which were not subject to any limits and so could not be accused of deflection of trade. There was therefore no legal basis in the Arrangement for the unilateral measures taken by the United States.

EXPORTS OF CEREALS FROM THE UNITED STATES TO SPAIN AND PORTUGAL

Background

1. The arrangements applicable from 1 March to agricultural imports into Spain and Portugal will result from the implementation of the Treaty of Accession. This means that for certain products variable levies will be introduced in accordance with the mechanisms of the common agricultural policy. For other products, particularly in the case of Portugal, transitional arrangements will apply until the full Community system is adopted at a later date. In the latter cases, the measures applicable after 1 March are based on Portugal's national arrangements prior to accession.
2. An overall view must be taken of the enlargement of the Community and the effects on other countries' trade. The United States, like other non-member countries, will benefit from substantial tariff reductions in Spain and Portugal and new commitments on tariffs. These advantages will greatly outweigh the unfavourable effects which might result from the application of levies on certain special products.

What is more, Spain and Portugal have already - since 1 January - lifted large number of quantitative restrictions.

3. The Community is not trying to make the United States pay, as has been alleged. All it wants is that the advantages and disadvantages of enlargement for non-member countries' trade be considered as a whole and negotiated in accordance with standard GATT procedures.

