



JULY 94

PROGRESS REPORT ON EU-US RELATIONS

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INTRODUCTION

This 1994 summer edition of the Progress Report on EU-US Relations looks back on the months April to July, four months during which the EU and the US achieved significant progress in resolving the lingering conflict over the liberalisation of their respective procurement markets, the Uruguay Round was concluded formally, and the second EU-US Summit 1994 was held.

Increasingly and in step with the deepening of European integration, the transatlantic partners extend their cooperation to new areas. The dialogue on foreign and security policy is well established, regular consultations are taking place and President Clinton used his two recent visits to Europe to lend his full political support to its further intensification. European cooperation on justice and home affairs on the other hand is still a fledgling, nevertheless, the transatlantic partners have already committed themselves to look into means of establishing closer transatlantic links. Joint initiatives such as the "Workshop on Immigration in Western Societies" featured in this Report are an important contribution to that end.

Multifarious contacts exist of course in the field of trade and economic policy. Given the volume of goods and services crossing the Atlantic and the magnitude of direct investment in each other's economies, it is not surprising that the "New Developments" section of this edition also has a number of problems to report. All of them, however, are kept under constant review and all of them are the subject of consultations or negotiations. This being so, in trade and economics as well, the transatlantic partnership is looking towards new frontiers. This Report highlights two technological challenges - the Information Society and Satellite Communications - that call for close cooperation. The "new trade issues" will figure high on the agenda of the

WTO, the future World Trade Organisation, and require joint EU-US leadership to be tackled successfully.

A general word on the Progress Report: it addresses all those interested in external relations and wishing to be informed on EU-US relations in more detail. It provides information on some of the issues currently under discussion between the EU and the US, denoting progress achieved and obstacles encountered. It has no claim to completeness nor does the fact that some developments are reported about while others are not constitute a judgement as to their importance. This issue is the first to feature a detailed statistical annex which will undoubtedly be of interest to many readers. All information contained in the annex has been supplied by Eurostat, the EU's Statistical Office, whose cooperation we gratefully acknowledge. More general information on the transatlantic relationship and copies of the Transatlantic Declaration are available on request. Of particular interest are the Commission's annual "Report on US Barriers to Trade and Investment", the annual "General Report on the Activities of the Communities" and the monthly "Bulletin of the European Union". These last two publications include chapters on EU-US relations, with the Bulletin focusing on the ongoing dialogue at the highest political level. For further information on economic and trade aspects, please contact Ms A Schomaker, DG I.B.1, Tel .. 32-2-299.01.73; on political aspects please contact Mr I Czigány, DG I.A.C.1. tel ..32-2-299.07.03, both with the European Commission in Brussels. Questions relating to the statistical annex should be addressed to Mr F Schönborn, Eurostat, tel ..352-43013 38.81. Alternatively, the addresses of our information services in the US are listed on the front page.

1994 - A NEW "YEAR OF EUROPE"?

Echoing US Secretary of State Kissinger's 1973 proclamation, and in an attempt clearly to distinguish the focus of the US Administration from that of the previous year, 1994 has unofficially been termed the new "Year of Europe". The second EU-US Summit confirmed the impression that this characterisation is an apt one, as did the President's discussions with various Member States and his visit to Eastern Europe, as featured in the chapter of this report dealing with EU-US political relations. Setting the stage for these visits, US Ambassador to the EU Eizenstat underlined Europe's central place on the US agenda.

SECOND EU-US SUMMIT 1994

On 12 July, President Delors, Chancellor Kohl, currently holding the EU Presidency, and President Clinton met in Berlin for this year's second EU-US Summit. Mirroring the excellent atmosphere of the 10 January Summit, it emphatically confirmed the need to develop closer ties and more effective cooperation and consultation between the United States and the European Union as a means of furthering common political and economic goals.

Rather than discussing the full range of current international issues, the three leaders focused on a small number of substantive points. On the countries of Central and Eastern Europe (CEECs) they agreed to strengthen efforts to support their economic and political reform processes, to cooperate closely on all aspects of the respective assistance programmes and to draw CEECs closer to the European Union during the coming years. The three Presidents further agreed to ask EU and US experts for a report - to be examined at the next Summit - on the definition of ways and means to strengthen democracy and economic cooperation with and between Central and Eastern European countries through combined US-EU actions.

With respect to growth and employment, the Summit found that despite the improved outlook for growth, problems persist with both the quality and quantity of jobs. It further agreed on the importance of improving workers' skills while condemning protectionism and resistance to technological progress as being job-destructive.

Further, the Summit examined for the first time the issue of international organised crime and drug trafficking, and agreed that the common efforts necessary to tackle this problem had to be strengthened. To this end the three leaders agreed that a more efficient and better organised dialogue between the EU and the US was needed. A study group will look more closely into this issue and define ways and means for improved joint efforts. It will report to the next Summit.

This report will go hand in hand with an analysis of how joint efforts in international relations can be improved, as well as with that on the Central and Eastern European countries mentioned above. The three Presidents agreed that the reports would be an integral part of their efforts to make EU-US Summits more effective and operational.

AN AMERICAN VIEW OF THE TRANSATLANTIC RELATIONSHIP - AMBASSADOR EIZENSTAT ADDRESSES CONFERENCE IN VERSAILLES

In a major speech on "The Current State of US-EU Relations" held in Versailles on 27 May 1994, the US Representative to the EU, Ambassador Stuart Eizenstat, provided a positive and encouraging assessment of the transatlantic partnership and reflected on its future development. He believed that now was a "time of very positive developments in US-EU relations" given the Uruguay Round agreement and the ratification of the Treaty of Maastricht, which promised a more consolidated Union. Such a Union was of great importance because it offered "a common address for decision-making on a broad range of issues of direct importance to the US". Ambassador Eizenstat

maintained that the EU was already "an essential partner whose cooperation we consider central to the accomplishment of our major foreign policy goals".

With respect to the implementation of the Maastricht Treaty, Ambassador Eizenstat emphasised the importance to the US of European cooperation in the field of justice and home affairs. He acknowledged that there were "important institutional and procedural matters" to be resolved within the Union in order for European cooperation to succeed in these areas and suggested that the US must pay close attention to EU activities in these fields "because US interests are very much involved".

Ambassador Eizenstat considered the development of a common foreign and security policy (CFSP) "the most difficult challenge" that the EU had set for itself in the years ahead. He argued that "the foreign policy part will be far more difficult to achieve than collaboration in the area of security", given that history is full of examples of military alliances, whereas finding an example of nation states adopting a common external policy is much more difficult.

Turning to the challenges facing the US-EU relationship, Ambassador Eizenstat confirmed that the US was paying more attention to its hemispheric neighbours and the rapidly growing economies of Asia. This was not, however, done in an exclusionary sense, but to promote economic and political liberalisation, which Europe also benefits from. It did not mean that the US could or would pull back from Europe, given the fact that security in the post-Cold War world was very much based on economic and political cooperation. The US would remain engaged in Europe and support European integration because it was in their own, most fundamental interest. The solution to virtually every significant international problem required the US to work with Europe.

Looking to the future, Ambassador Eizenstat argued that the US and the EU needed to look at new ways to ensure that the strong relationship continued. He highlighted the importance of the 1990 Transatlantic Declaration and the usefulness of the twice-yearly Sub-Cabinet meetings in advancing the dialogue on trade and economic issues. On the question of developing more formal ties between the US and the EU, Mr Eizenstat considered that the possible options were not yet clear. He maintained however that in the long term, with a further strengthening of the EU's role in trade policy and a consolidation of its new-found competencies, it would be in a better position to present a single face to the outside world. "When that time comes, the US should be ready to enter into a more formal relationship. What form that relationship should take would depend on developments on both sides of the Atlantic."

Ambassador Eizenstat concluded by saying that the US-EU relationship is sound and thriving and that both

sides recognised that in the post-Cold War world, security must be firmly grounded in economic strength and political cooperation. He maintained that the EU today was even more central to the US' agenda "than it

was when the Berlin Wall still stood" and ended his speech by describing the EU as the appropriate partner with which to advance into the new century.

EU-US POLITICAL RELATIONS; FOREIGN AND SECURITY POLICY

During the reporting period, the EU-US political dialogue at various levels covered a wide range of subjects of mutual interest. Two events in particular marked its progress: the two visits by President Clinton to Europe in June and July, and the EU Troika-US Political Directors' Meeting.

TWO PRESIDENTIAL VISITS TO EU MEMBER STATES AND EASTERN EUROPE

President Clinton's recent visits to Europe were mainly aimed at reinforcing bilateral relations and reassuring Poland and the Baltic states of unfaltering US support in the perspective of the integration of a "broader Europe".

President Clinton's visit to Europe in early June in the context of the celebrations of the 50th anniversary of D-Day took him to Italy, France and the United Kingdom. The President's first stop was in Italy where he gave his support to the new Italian government of Silvio Berlusconi and said he was sure the country would live true to its democratic destiny.

Addressing the French Parliament a day after the D-Day ceremonies in Normandy, President Clinton pledged that America would stand by Europe in the post-Cold War era and also expressed support for a further enlarged Europe. "America will remain engaged in Europe. The entire transatlantic alliance benefits, when we, Europe and America, are both strong and engaged". The reassurance of the US commitment to Europe as its main ally to face new global challenges was the main political message conveyed. While Europe's strength depended on its greater unity, the integration of the whole continent could be promoted by a strategy containing three sets of bonds: security cooperation, market economics and democracy.

President Clinton was the first American President to address the National Assembly since Woodrow Wilson in 1919 thereby once again highlighting the importance of Europe for America and the strength of the EU-US relationship.

Returning to Europe in July, President Clinton first visited Poland and the Baltics, then travelled to Italy for the G-7/G-8 Summits (see below) and ended his visit in

Germany for both bilateral talks and the EU-US Summit.

On the occasion of his visit to Latvia President Clinton explained to the Heads of State of the Baltic countries the US strategy for a democratic, free, integrated and united Europe including Eastern Europe. He again stressed the US commitment to freedom and independence of these countries, insisting on the necessity for Russia to withdraw its troops by the agreed deadline.

In Warsaw, responding to the security concerns of the region, he argued that a grey zone of security was not in the interests of the US and no state should have the right to hinder others from participating in European integration. He reiterated the statement made at the NATO Summit in January that "The question is no longer whether NATO will take on new members, but when and how we will do it."

President Clinton's first visit to Germany on 11-12 July coincided with the departure of the Berlin Brigade and the constitutional court ruling allowing for German troops to participate in future UN operations outside the NATO area. US and German views converge on the need for EU enlargement and cooperation with Russia, and President Clinton therefore stressed the importance of US-German relations in the context of EU-US relations. Assessing future prospects for the relationship, President Clinton reiterated that "our best partner, as we look forward toward the 21st century for prosperity and peace, is a Europe united in democracy, in free markets, in common security."

**US DEPUTY SECRETARY OF STATE TALBOTT
IN BRUSSELS, 13 APRIL**

Mr Hans van den Broek, Commissioner for External Political Relations, met with Deputy Secretary of State Strobe Talbott in Brussels. Mr Günther Burghardt, Director General for External Political Relations, also participated. Mr Talbott, who was returning from a trip to India, Pakistan, Poland and Slovakia, reviewed US approaches and policies in these countries. There was also a very constructive exchange of views on a wide variety of international issues such as Central and Eastern European countries, Russia and NIS.

**EU TROIKA-US POLITICAL DIRECTORS'
MEETING, WASHINGTON, 18 MAY**

In the framework of regular consultations, the 20th meeting of political directors took place in Washington. The Commission was represented by Director-General for External Political Relations, Mr. Günther Burghardt. The meeting covered a wide range of issues, namely former Yugoslavia, Central and Eastern Europe, Russia/NIS, Middle East/Maghreb and South Africa. It constituted also an occasion to contribute to the preparation of the Transatlantic Summit of 12 July in Berlin.

**NATO MINISTERIAL MEETING, ISTANBUL,
9 JUNE**

The principal focus of the NATO ministerial meeting in Istanbul was to review the progress made in implementing the decisions taken at its Summit in January. It reaffirmed the "enduring validity and indispensability of the North Atlantic Alliance" and reiterated the "commitment to a strong transatlantic partnership between North America and Europe developing a Common Foreign and Security Policy and taking on greater responsibility on defense matters." The final communiqué underlined the "full support given by the January NATO Summit to the development of a European Security and Defense Identity." The Ministers also recalled that "the Summit decisions have set the course for cooperation including the readiness of the Alliance to make its collective assets available, on the basis of consultations undertaken by the European allies in pursuit of their Common Foreign and Security Policy."

**NORTH ATLANTIC COOPERATION COUNCIL
MEETING, ISTANBUL, 10 JUNE**

The day after the conclusion of the NATO Ministerial meeting, the same subjects were discussed in a wider group composed of the 16 NATO members, 22 states of the former Warsaw Pact and other Partnership for Peace members. The focus was on progress achieved in the implementation of the decisions taken at the NATO-Summit in Brussels.

On this occasion Secretary of State Christopher reaffirmed US commitment to NATO expansion. The Partnership for Peace programme is meant to pave the way towards it. He also reiterated that all states join as equal partners; special status will not be granted to any applicant. At the same time each partner can develop with NATO an individual cooperation programme which reflects its interests and capabilities.

**BOSNIA: MINISTERIAL MEETINGS , GENEVA,
13 MAY AND 5 JULY**

Regarding the conflict in Bosnia, EU and US pursued intense consultations in the context of the "Contact Group".

On 13 May, Foreign Ministers of the Troika and Foreign Ministers of France, UK, Russia and the US as well as Commissioner Hans van den Broek were able to agree a joint approach to the conflict in Bosnia-Herzegovina, which took up key points of the EU Plan of Action.

On the basis of the work done by the "Contact Group", a further ministerial meeting held in Geneva on 5 July agreed on a peace plan to be submitted to the parties. The Plan contains notably a map based on a 51% - 49% partition of the territory between Muslims/Croats and Serbs respectively as well as a package of incentives and disincentives.

G-8 SUMMIT IN NAPLES, 9 JULY

For its political discussions the G-7 economic summit (see below) on its second day turned into a G-8 for the first time with the full participation of Russian President Yeltsin.

The discussions in the G-8 framework resulted in a strong call on the parties to the conflict in Bosnia to speedily accept the peace plan presented in Geneva on 6 July.

The G-8 leaders also urged North Korea to continue the dialogue on nuclear matters and to fully comply with its non-proliferation obligations and expressed its encouragement for non-proliferation efforts in South Asia and the Middle East, inviting all States to join the Nuclear Non-Proliferation Treaty whose extension in 1995 they supported.

Devoting particular time to the situation in Africa, the G-8 Summit called for the uninterrupted continuation

of the UN humanitarian action in Rwanda and expressed support for efforts towards a settlement of the Angolan conflict.

Finally, the G-8 leaders committed themselves to include Russia in their cooperation on transnational crime, money laundering and nuclear safety.

The next G-8 Summit will take place in Halifax, Canada in the Summer of 1995.

EU-US TRADE AND ECONOMIC RELATIONS - RECENT DEVELOPMENTS

HIGH LEVEL DISCUSSIONS

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Sir Leon Brittan in Washington, 24-26 April

During his first visit to the US since the conclusion of the Uruguay Round, Sir Leon Brittan, EU Commissioner for External Economic Affairs, met with several senior members of the Administration and Congress. Discussions focused in particular on the implementation of the Uruguay Round, negotiating approaches towards Japan, developments in Eastern Europe and Russia, as well as the Chinese accession to the GATT. In the absence of any major bilateral trade disputes, all meetings were held in a friendly and cooperative spirit.

As regards the implementation of the Uruguay Round, information was exchanged about the state of play on both sides of the Atlantic (see below). On Japan, a subject discussed with the United States Trade Representative (USTR) Kantor, the Department of Commerce and the Council of Economic Advisers, it was agreed to continue exchanging information about the mutual negotiating approaches as well as on sectoral issues. The meeting with the State Department served primarily as an update and exchange of views on policies towards Russia and Eastern Europe, but the problem of a possible Chinese accession to GATT was also touched upon, as it was in the meeting with USTR Kantor. Ambassador Kantor and Sir Leon finally managed to narrow down certain differences with regard to the ongoing OECD negotiations on shipbuilding.

G-7 Summit in Naples, 8 July

Against a background of extraordinary change in the world economy, the twentieth G-7 Summit was held in Naples on 8 July. The Heads of State and Government and the President of the European Commission

gathered to discuss a wide variety of issues including jobs and growth, trade, the environment, developing countries, nuclear safety and the political and economic transformation of the Central and Eastern European countries.

With regard to jobs and growth, the G-7 leaders reconfirmed the growth strategy they had drawn up in Tokyo. However, the participants agreed that, with over 24 million unemployed in the G-7 countries alone, unemployment remains unacceptably high. The G-7 leaders therefore decided to accelerate labour market reforms so as to improve the capacity of their economies to create jobs. Amongst the structural measures they chose to concentrate on were increasing investment in people and reducing of labour rigidities, both of which were discussed at the Detroit Jobs Conference in March.

The Summit welcomed the economic progress of many developing countries but were concerned by the stagnation and continued poverty in some countries, particularly in Africa. Since rapid population growth had aggravated poverty in many countries, the importance of a positive outcome of the Cairo Conference on Population and Development was stressed. The G-7 leaders also pledged their continued commitment to enhancing development assistance as well as promoting trade and investment.

Turning to the reform efforts of the countries in transition, the Summit welcomed the progress on the economic and political transformation already made and reaffirmed its support for the reform process.

All the participants agreed that the less formal Summit procedure, agreed in Tokyo last year, had facilitated a freer exchange of views and enabled the leaders to forge a closer understanding. The next G-7 Summit will take place in Halifax, Canada in the Summer of 1995.

THE URUGUAY ROUND: AN ONGOING STORY



The Marrakech Conference

The conclusion of the Uruguay Round - the largest set of multilateral negotiations ever conducted - was aptly termed an "historic achievement" by the more than 100 Ministers assembled in Marrakech on 15 April for the formal signature of the "Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations". The commitments contained in 28 agreements and covering some additional 26 000 pages of national schedules of goods and services are expected to add some US\$ 755 billion to world exports and raise global incomes by some US\$ 235 billion annually. In parallel, the EU and the US, together with a number of other states also signed the new Government Procurement Code (see below).

The signature of the Final Act in Marrakech also implies that the Uruguay Round negotiations are to be continued on a number of issues. In particular in the services sector so-called "unfinished business" remains with regard to basic telecommunications, maritime transport, movement of natural persons and financial services. Furthermore, continued negotiations are necessary on the conclusion of a Multilateral Steel Agreement (MSA) and on civil aircraft. Subsequent issues of this publication will report in more detail on progress achieved in these areas.

Already on 14 April Ministers had taken a series of decisions which will shape the future of world trade, amongst them the "Decision on the Establishment of the Preparatory Committee for the World Trade Organisation". The Preparatory Committee is headed by GATT Director-General Peter Sutherland and has the task of bringing about an orderly transition from the GATT to the World Trade Organisation (WTO), making sure the latter is operational as of the date of its establishment.

Another important decision taken on 14 April was that on "Trade and Environment". The decision ensures that the linkages between trade policies, environmental policies and sustainable development will be taken up as a priority in the WTO. This topic is of special relevance for EU-US relations as the transatlantic partners are particularly committed to furthering discussions on this issue on the basis of a broad and flexible agenda. The recent GATT Panel decision on the tuna-dolphin case has highlighted the importance of this issue in bilateral trade relations, as do the current discussion on bans on leg hold traps (on both see below) and the EU-US disagreement over US car taxes on which a panel will decide shortly.

Apart from the formal decisions taken at the Conference, a number of the countries represented

used the opportunity to float their ideas with respect to the future WTO agenda. EU Commissioner Sir Leon Brittan and USTR Kantor voiced similar concepts as to what they regarded as priorities to be tackled in the WTO context. Apart from the interface between trade and the environment, both place great emphasis on addressing distortions of trade caused by competition law and practice in different countries as well as the issue of trade and labour standards. On this latter point Sir Leon Brittan feels that any work done in this field should be closely co-ordinated with the International Labour Office and other international organisations. In addition, the EU puts particular emphasis on the WTO ensuring close cooperation between itself, the IMF and World Bank as foreseen by the "Declaration on the Contribution of the WTO to Achieving Greater Coherence in Global Economic Policymaking" forming part of the Final Act.

■ Implementation is making progress

The importance of speedy ratification of the Uruguay Round results was highlighted by many ministers while addressing the Marrakech Plenary. The EU and the US and the other signatories have all committed themselves to completing the implementation process in the course of 1994 so that the WTO can take up its work on 1 January 1995. That the implementing legislation put forward on either side of the Atlantic is not only on time but also faithful to letter and spirit of the Final Act commitments remains a focus of attention of both partners.

... In the US

So far the implementation process in the US has not suffered any serious set-backs. Certain dangers are perceived now due to the Administration tying a controversial proposal for fast track extension to the implementing Bill.

As to substance, there are two key issues under debate in the US Congress. "How to finance the Round" has indeed become a major bone of contention in the House. Despite the expected major economic gains the Round is to yield, this question retains its validity since the so-called "pay-as-you-go" principle of US legislation requires Congress to balance the predicted loss of revenue from reduced tariffs by spending cuts or increased revenue in other areas. However, the pay-as-you-go legislation does provide for a waiver and it now appears that such a waiver might have a good chance, if only in the autumn. The question then is, of course, what price the waiver's current opponents will be asking to drop their opposition.

The second issue threatening obstruction of the implementing legislation is the perceived loss of sovereignty which some argue the US will suffer. At the core of this complaint are the WTO's new

provisions on dispute settlement which provide for panel rulings to be binding on the parties to the dispute. With a number of conservative lobbying groups now having endorsed the Round, the argument has however lost some of its force.

Certain aspects of the "Draft Statement of Administrative Action" can be seen as further attempts to appease opponents of the Round. In this respect grave concerns have been raised by the proposals which reserve the right for the US not to change a law or regulation condemned by a WTO panel; confirm that Sec. 301 will continue to be used unilaterally for non-WTO matters, and state that the provisions of the Dispute Settlement Understanding (DSU) will not discourage the US administration from taking non-GATT authorised trade actions in certain cases.

Other major areas in which the EU is closely scrutinising the emerging implementing legislation are anti-dumping and countervailing duties, as well as Sec. 337 of the Trade Act of 1930 dealing with unfair methods of competition.

... and in the EU

In the EU as well the implementation procedure is on track.

On the substance, the US has expressed only one concern, which relates to the implementation of the EU's agricultural commitments on tariff reductions. While the US agricultural tariff reductions are to take effect on 1 January 1995, the EU's will come into effect with the beginning of the marketing years of agricultural products i.e. on 1 July 1995 unless explicitly provided otherwise.

As to procedure, the US is concerned that the ongoing debate within the EU about the correct legal basis for implementation might delay the whole process. In fact, the Commission submitted the Uruguay Round Agreements to the Council of the European Union for adoption on 18 April, immediately after the Marrakech Conference. The persistent differences of view between the Commission and the Member States as to the legal basis for adoption have however meant that the text is currently blocked in the Council and has not yet been transmitted to the European Parliament for its approval.

The debate about the legal basis for implementation is essentially one of competence. While the EU maintains its exclusive competence, Member States argue that since the Final Act also covers trade in services and trade-related aspects of intellectual property rights, the Agreements are of a "mixed" nature i.e. falling partly under Community and partly under Member State competence. With a view to resolving this issue, the Commission as early as 6 April submitted a request for an opinion to the European Court of Justice, which is expected to pronounce itself towards the end of September. Depending on what the - binding - opinion

of the Court is, ratification will then proceed accordingly either in the EU alone or in the EU and its Member States, some of which have already initiated the relevant procedures.

SPOTLIGHT



■ Maritime Developments: Transport and Shipbuilding

Maritime Transport

The conclusion of the Uruguay Round did not see as much progress in the area of maritime transport as had been hoped for. Though included in the GATS agreement, maritime transport is to be the subject of further negotiations aimed at commitments to eliminate restrictions on international shipping, auxiliary services, and access to and use of port facilities. Moreover, participants in these further talks agreed at Marrakech not to apply any measure affecting trade in maritime transport services except in response to measures applied by other countries or with a view to maintaining or improving the freedom of provision of maritime transport services.

Since then, we have become concerned about a number of pieces of pending US legislation which, if implemented, would appear to breach the understanding made at Marrakech. This legislation seeks to address US concerns about the competitiveness of its flag - both the US and Member States are witnessing a trend among ship owners to flag-out their vessels to third country ship registers which impose lower operating burdens on their fleet.

The US response is contained in the Maritime Security and Trade Bills (HR 4003 and S 1945) progressing through Congress with the support of the Administration. These Bills propose increasing tonnage fees on vessels entering US ports in order to fund payments to a number of US-flagged vessels. While adding new restrictions to maritime transport, some of the proposals may also amount to an infringement of US existing obligations under the GATT, and they would certainly provide a bad example to other countries which might be eager to imitate them. Similar concerns arise in relation to the proposed Murkowski and Stevens Bill (S 1993), and Thomas Bill (HR 4369), which could effectively reserve the carriage of Alaskan oil exports to US flagged vessels.

The maritime sector is, however, not only governed by GATT rules - the OECD is active in this area, as is of course the International maritime Organisation (IMO). Here again the US is considering unilateral measures which the EU is convinced would be more properly handled in a multilateral contexts.

The Clay Bill (HR 1517) and the Wofford Bill (S 1855) also progressing through Congress, seek to impose on foreign-flag vessels calling at US ports certain provisions of US labour legislation. The EU, and other trading partners, consider these proposals, if enacted, would breach international law and customary practice under which flag States remain solely responsible for the application of labour laws to ships on their register.

The EU is concerned at the unilateral approach taken by the US with regard to maritime safety in the Oil Pollution Act 1990 and by similar State-level legislation. In taking such action the US is rejecting the international oil pollution compensation Fund Convention adopted through the International Maritime Organisation. Moreover, the US approach of involving direct and unlimited liability may well cause serious disruption to maritime trade to and from the US and place marine insurance companies in the position of guarantor and thereby place at risk the continuation of the world-wide availability of marine oil pollution insurance cover, particularly through reinsurance. The EU considers that a multilateral solution to the problems of oil pollution spills lies in the US ratifying the IMO protocols to the Fund Convention.

Shipbuilding

In mid-July, the leading shipbuilding nations, including the EU and US, reached an historic agreement to scrap all subsidies to their shipyards, bringing to an end five years of negotiations. The final negotiations were able to resolve the few outstanding major contentious issues between the EU and the US viz. export credit financing policies and the United States' Jones Act which is the US cabotage law reserving US coastal trade from point to point within US boundaries to US-flagged, US-built and US-crewed ships. The agreement, scheduled to enter into force in 1996, will help avert a potentially serious trade dispute and subsidy war. In the run up to the final meeting, there have been intensive contacts between the EU and US, including by Sir Leon Brittan and USTR Kantor when they met in April.

Meanwhile, still pending in Congress is legislation such as the Gibbons Bill (HR 1402) and the Breaux Bill (S990) which will provide for retaliatory measures against countries failing to achieve an agreement to discipline shipbuilding subsidies. Representative Gibbons is now pressing for a floor debate of this legislation.

Apart from funding vessels, the Maritime Security and Trade Act (see above) also provides for the Series Transition Payments programme which would provide assistance to US shipbuilding yards. The European Union joined the Governments of a number of other maritime countries in a demarche presented to the US State Department in May to express their concerns about the provisions of the Bill.

■ **Progress on procurement**

On the basis of the May 1993 EU-US Memorandum of Understanding (MOU) on procurement and of the new GATT Government Procurement Agreement (GPA) concluded on 15 December 1993, the EU and the US completed their bilateral negotiations on procurement on 13 April 1994. The new agreement is an important step towards liberalising procurement markets. It expands commitments on both sides for coverage under the plurilateral GATT Government Procurement Agreement and opens some areas on a purely bilateral basis. It reconfirms the coverage agreed at central level in the GPA negotiations of 15 December 1993 and contains the following new components:

- at sub-central level (Category "B"), the US is to bind the major part of its procurement for 37 States for goods, works and services into the GPA and to eliminate the major part of discrimination faced by EU suppliers, with respect to two more States and seven of the 24 largest cities. For its part, the EU is to bind procurement of goods only;

- for the electrical sector, in order to expand mutual coverage, services are added to goods and construction which are covered under the existing MOU. Moreover, the US has agreed that the New York Power Authority should be covered by the GPA and will waive "Buy America" restrictions when financing power generation projects by the Rural Electrification Administration. The US is reducing its threshold for supplies and services to \$250,000. These additional guarantees give greater security to EU suppliers to the US electrical market. The EU would continue not to apply Article 36 of the consolidated Utilities Directive (93/38/EEC) for the electrical sector to the US and amend its offer in the GPA accordingly;

- for utilities (Category "C"), other than the electrical and telecommunications sectors, the US is to bind into the GPA procurement of goods, works and services for the Port Authorities of New York and New Jersey (which includes three major airports) and Baltimore (which also includes its airport) and on a bilateral basis to eliminate the major part of discrimination faced by EU suppliers with respect to the procurement of goods, works and services for the Massachusetts Port Authority (which includes Boston's Logan Airport). The EU, subject to certain exceptions, would for its part bind procurement of goods, works and services for its ports.

As a result of the agreement the two parties will nearly double the bidding opportunities available on each side of the Atlantic under the GATT Government Procurement Code - the market opening is worth \$ 100 billion on both sides. The legislative framework has been designed to help create a genuine internal market enabling firms to have a fair chance of participating in the awards procedures. Three important characteristics of it are:

- Information: public procurement contracts worth above a certain threshold have to be advertised;
- Technical specifications: these cannot be framed in such a way that they act as a barrier to trade;
- Transparency: the system against which bids are to be judged must be clear and understandable, and the same rules must apply to all bidders.

However, as no agreement was concluded on telecommunications - the most important single procurement sector - the US is to maintain the sanctions it imposed in May 1993 against EU bidders under Title VII of the 1988 Trade Act. The counter sanctions implemented by the EU on 8 June 1993 will also remain in force.

EUROPEAN COMMISSION REPORT ON BARRIERS TO TRADE AND INVESTMENT AND USTR NATIONAL TRADE ESTIMATES REPORT RELEASED

The conclusion of the Uruguay Round is removing a significant number of trade irritants between the European Union and the United States. However, given the magnitude of the bilateral trade and economic relationship, it is not surprising that both sides remain concerned about the number of barriers they encounter in each other's markets.

In this context, the services of the European Commission in May issued their tenth report on US Barriers to Trade and Investment. The report is not only a useful guide and reference for bilateral trade negotiations between the European Union and the United States, but also summarises the remaining obstacles inhibiting the free flow of transatlantic trade and investment and the main trade barriers which European businesses face in a number of US markets.

The major horizontal and sectoral issues and areas identified in the Report as being problematic include:

- unilateralism in US trade legislation
- extraterritorial application of national trade provisions
- extensive use of national security considerations
- public procurement and "Buy America" legislation
- high tariffs and excessive invoicing requirements
- tax legislation
- multiplicity of standards
- protection of intellectual property
- conditioning of the granting of national treatment to non-US controlled economic operators in the US
- anti-dumping and countervailing duties
- agriculture, fisheries, services, telecommunications and broadcasting sectors
- maritime and aviation sectors.

The above list serves to demonstrate that domestic concerns over the competitiveness of US industry continue to exercise considerable influence on the formulation of US trade policy within both Congress and the US Government. The revitalisation of the "Super 301" procedures, proposals to install "green" and "blue" 301 provisions to cover environmental and social concerns, the unreasonable application of anti-dumping and countervailing duty measures against exports from the EU, and the growing proliferation of conditional national treatment provisions, either still pending in Congress or already enacted, are indicators of a residual undercurrent of protectionism and unilateralism in the US. All these measures are anathema to an open world trading system which should be based on one set of negotiated multilateral rules and procedures fairly applied to all contracting parties in the GATT.

At the end of April the US published its annual National Trade Estimates Report (NTER) as part of the implementation of its trade policy agenda. The report surveys significant foreign barriers to US exports and is prepared by the US Trade Representative with the assistance of other Government agencies and private sector trade advisory committees. Under US trade law, the NTER can provide the basis for the imposition of unilateral trade sanctions against third countries alleged to maintain unfair trading practices or barriers to trade whether or not they are inconsistent with international trading rules.

The 1994 NTER for the first time subsumes the Member States of the European Union under the general heading of the European Union. Due to the successful conclusion of the Uruguay Round negotiations and the overall positive progress in bilateral negotiations and consultations, the NTER takes up only few alleged barriers in the EU and individual Member States which were not included in last year's report. These are import quotas licensing for bananas, procurement discrimination in utilities, lack of intellectual property protection, standards setting, services, and certain investment barriers.

GATT ISSUES

Panel Report on Tuna/Dolphin

In May, an EU-US GATT dispute settlement panel found US embargoes on imports of tuna under the Marine Mammal Protection Act of 1972 (MMPA) to be in violation of GATT Articles III and XI. The panel therefore reinforced the findings of the earlier Mexico - US tuna/dolphin panel.

The panel observed that the issue in this dispute was not the environmental objectives of the United States to protect and conserve dolphins. The issue was rather whether, in pursuit of environmental objectives, one country could impose trade embargoes in order to secure changes in environmental and conservation policies which another sovereign country pursued within its own jurisdiction. The answer is negative. However, the panel further noted that the relationship between environmental and trade measures would be considered in the context of preparations for the World Trade Organisation. It is understood that the US is currently discussing with Mexico ways and means to amend its legislation.

NEW DEVELOPMENTS

MRA negotiations

In late June, negotiators from the Commission and the US authorities met for discussions on a Mutual Recognition Agreement (MRA) for conformity assessment. An MRA, if concluded successfully, would enable EU firms to seek assessment of conformity to US standards by European laboratories - in many cases, the same body assessing conformity to EU standards. Products could then be placed immediately onto the US market. Equally, US firms will benefit from reciprocal advantages vis-à-vis EU markets. The benefits of this would be particularly felt among small and medium-sized enterprises.

At present European companies wishing to export goods to the US, which are subject to safety or other regulations, often need to take them across the Atlantic beforehand to have them assessed in US laboratories for conformity to the local standards; US firms face the same burdensome and expensive procedure in reverse. An MRA does not seek to harmonise current provisions, and consequently does not threaten to lower standards, but merely seeks mutual recognition of each country's ability to test to the other's standards.

The negotiations are currently at an early stage and cover sectors as diverse as telecommunications equipment, recreational boats and certain medical

devices. Good progress was recorded during the recent discussions although the EU remains concerned about the US desire to conclude a fairly limited initial agreement. The next session is likely to take place in late Autumn, but meanwhile experts will be continuing to improve their understanding of each other's system, with a view to identifying those sectors in which mutual recognition would lead to the greatest mutual economic advantage.

The aircraft industry

US and European Commission officials met on 6-7 July 1994 to hold their third round of formal bilateral consultations under the 1992 Bilateral Aircraft Agreement. The meeting focused on a number of issues including capital infusions into Aérospatiale, US export promotion and Saudi Arabian Airlines procurement, the US High Speed Civil Transport programme and the progress of ongoing GATT negotiations on civil aircraft. There was also an exchange of information as provided for in Article 8 of the 1992 Agreement.

The US asked a number of questions about the infusions of government money into the French aircraft manufacturer Aérospatiale, the French partner in the European Airbus consortium.

The EC then pressed the US over the direct involvement of President Clinton and senior officials in helping Boeing and McDonnell-Douglas secure a major contract from Saudia for which Airbus had been competing. The US denied the existence of any "linkages" or any understanding between the two governments, and maintained that the Saudia's choice had been exclusively based on the evaluation of competing bids.

Turning to the US High Speed Civil Transport (HSCT) programme, the EU expressed its concern that the project constituted direct government support to the aircraft industry and as such should be notified to the EU under Article 4 of the Bilateral Agreement. The US claimed that the present research programme on High Speed Civil Transport was at a pre-competitive stage and there was no specific high speed plane programme in place. Unsatisfied by this response, the EU drew attention to the very specific objectives of the programme as often reiterated by NASA and in US government official publications. The US however maintained their line, insisting that the HSCT was only a research programme into what was viable and not a specific project related to civil aircraft.

There was disagreement between the two sides on how the GATT negotiations should proceed. In the light of problems with the chairman's text, the US felt that efforts should now be limited to securing an agreement on large civil aircraft as this area offered the greatest likelihood of success. But, despite the difficulties with

the text, the EU felt that it should not be rejected as the basis for negotiations and discussions should not focus on one specific area.

■ Air Transport

At the EU's request for an urgent meeting, delegations from the Commission and the US Administration met on 14 June to discuss the discrimination created by the US rules on Computer Reservation Systems (CRSs) (14 CFA 255.10) relating to the provision of marketing, booking and sales data generated by CRSs. These rules provide that only information on international routes has to be made available to non-US carriers. As a result, information on domestic services is not available to EU carriers. Such information is very important to carriers for marketing and planning purposes. The EU rules on CRSs do not discriminate between Community and non-Community carriers: a CRS which chooses to provide these data to one carrier has to provide them to all participating carriers.

As a consequence of this meeting the US Administration has informed system vendors that the legislation permits the provision of data concerning the domestic legs of international services. The dialogue on the deletion of all restrictions on the provision of data will continue.

■ Nuclear Energy Cooperation

As reported in the December issue of this Report, negotiations for the conclusion of a new EU-US Nuclear Energy Cooperation Agreement are underway, with the current Agreement expiring on 31 December 1995. While negotiations so far have brought about a large measure of agreement on a substantial number of important commercial, industrial and safeguards aspects, the two sides are divided over the application of certain requirements of the US Nuclear Non-Proliferation Act (NNPA) of 1978. These requirements include in particular an obligation for the US to obtain certain "consent rights" over reprocessing, enrichment and for certain storage and alterations in form and content of nuclear material supplied in accordance with a nuclear agreement. The European Union considers these claims as intrusive and incompatible with the essence of a fair agreement between equal partners equally strongly committed to non-proliferation.

A high level Commission demarche pointing to the fact that the NNPA includes the possibility of a waiver and addressed to Secretary of State Warren Christopher in March has recently met with a negative reply from the US Administration. The economically and politically disturbing deadlock thus continues and threatens to impair overall EU-US relations. The Commission and Member States are currently examining the US

response in detail and are considering possible reactions.

■ Energy Charter

Negotiations on the conclusion of the Energy Charter Treaty (ECT) continued throughout the reporting period, with a final plenary session in Brussels from 7 to 11 June. At this meeting consensus was reached on most issues so that it is now expected that the Treaty will be ready for signature in September or October this year. However, as the EU and the US remained at loggerheads over a number of important issues, repeated informal talks have been held, most recently on 6-8 July, between the EU Presidency, the Commission and US representatives. The basis for the talks was a request from the chairman of the Energy Charter conference to the EU and US to get together and try to sort out outstanding issues and to report the results to other participants.

The parties attempted in particular to reach agreement on three problem areas. Most importantly, there is the issue of exceptions from most favoured nation treatment. Here the EU would like to make sure that certain benefits resulting from so-called "Economic Integration Agreements" (EIA), eg the Rome Treaty, need not be extended to other contracting parties of the ECT. The problem is one of clarification and making sure that the definition of an EIA is compatible with the relevant provisions of the GATT and GATS. The US for its part claims certain exemptions from the principle of national treatment, insisting on its right to allow some US federal research and development programmes to give preferential treatment to national companies. US programmes aimed at promoting business ventures by minorities or socially disadvantaged groups, or promoting investment abroad, they claim, must be exempted from the rule of national treatment.

The other disputed issues concern sub-federal or sub-national entities and national sovereignty over energy resources. With regard to the former, the US argues that, while constitutionally possible, for political reasons it cannot accept the obligation to ensure that the ECT is also applied by State and local authorities. Strong EU opposition to a carve-out for the sub-federal level is based on the assumption that it could be used by sub-federal entities in Russia and other CIS Republics to empty the treaty of any value for Western investors. As to national sovereignty over energy resources, the US contends that it cannot accept the present text as it is too far reaching and might be interpreted as giving a right to nationalise or confiscate foreign owned energy resources without proper compensation, thus sending the wrong signal to some countries, in particular republics of the former Soviet Union.

Another round of US-EU talks will be held at the end of

July, after which the Chairman will be left with the task of incorporating the conclusions into the draft ECT and circulating a new revised text to all contracting parties soon afterwards.

■ Unitary taxation

In the absence of a federal policy on unitary taxation and in violation of bilateral US taxation treaties, California and at least 11 other US states have introduced a system of unitary taxation for multinational companies operating within their states. The basic objective of the states' legislation was to overcome tax evasion through transfer pricing and thus to raise additional tax revenue. Under unitary taxation no attempt is made to adjust transfer prices between affiliated companies. Instead, the overall income of the group of companies is assessed and a proportion determined as arising within the state according to certain factors (eg the level of turnover in the state compared with worldwide turnover).

New legislation in California, introduced in summer 1993 modified its unitary taxation law, allowing companies to opt for the so-called "water's edge" alternative, which taxes foreign subsidiaries as if they were independent businesses. However, since this resolved neither the issue of principle nor the question of whether or not California would have to refund taxes previously collected under the unitary system, the EU continued its strong opposition to unitary taxation and supported the case brought against California to the Supreme Court by Barclays Bank. On 20 June the US Supreme Court ruled that Californian tax legislation did not infringe any US constitutional provisions and practices. Justice Bader Ginsberg, who wrote the Court's judgement, underlined the role of Congress, stating that when it discussed outlawing unitary taxation it "refrained from exercising its authority".

In view of the growing interdependence and globalisation of trade and services, the EU is of the opinion that the Court's decision sends a worrying signal to foreign investors in the US. The EU therefore expects US states not to revert to unitary taxation, even though they are legally free to do so. The EU will continue to monitor carefully any further developments.

■ Customs Valuation

The Commission services are currently discussing a draft proposal amending the rules for determining the customs value of goods imported into the EU with a view to curbing current abuse of the EU system. The present rules allow an importer of merchandise subject to a chain of prior sales before reaching the EU to use any one of these sales prices as the customs value

when the goods enter the EU. This would for example mean that the customs value of a jacket produced in Hong Kong, then sold to Tokyo, from Tokyo to Los Angeles, from Los Angeles to Chicago and then finally from Chicago to Brussels could be based on the Hong Kong - Tokyo transaction, provided that the importer can provide sufficient information and details of the sale. Trading margins (including possible royalties) of intermediaries are thus often left outside the value assessment and related parties have a considerable advantage over unrelated ones in that they are much more often able to provide the required information about earlier sales.

The proposed new EU valuation rule would cut down on permissible chains of sale. This would i.a. create a more level playing field for related and unrelated parties. The proposal has met with strong criticism from US industry and government who claim that the new EU rules would actually lead away from the aim of international harmonisation of valuation rules provided for in the GATT Valuation Code. US industry has in particular drawn attention to the fact that some exporters may face higher import duties, which they perceive as an impairment or nullification of GATT concessions in violation of Article II.3.

■ AD Duties on Fuji Photographic Paper

In March, the US Department of Commerce (DoC) imposed provisional anti-dumping duties on imports of photographic paper from Japan (360%) and the Netherlands (320%). The exports from the Netherlands are produced in a plant owned by Fuji, the biggest Japanese producer of the product.

While the dumping margin for Japan is based on a straightforward price to price comparison, the margin for the Netherlands is also based on data pertaining to the Japanese market; this is a consequence of the application of the so-called Multinational Corporation Clause (MNC, Sec. 773 (d) of the Tariff Act of 1930). The MNC was apparently created to combat circumvention of existing or potential anti-dumping duties. It is targeted against multinational companies which shift their production to third countries but have their new production sites exclusively supply export markets. The EU is of the opinion that recourse to section 773(d) was not warranted in the present case as, inter alia, the majority of the production of Fuji's plant in the Netherlands is sold on the Dutch and European markets. In addition, the EU considers the MNC clause to be in violation of the GATT Anti-dumping Code. Consultations on the contentious issues raised by this case are underway.

Ban on leg hold traps

In 1991 the EU prohibited the use of leg hold traps in the EU and the introduction into the EU of pelts and manufactured goods of certain wild animal species originating in countries, among them the US, which catch them by means of leg hold traps or trapping methods not meeting international humane trapping standards. This prohibition is currently due to take effect as of 1 January 1995 against countries where the Commission has determined there are neither adequate administrative or legislative provisions in force to prohibit the use of the leg hold trap or the trapping methods used do not meet internationally agreed humane trapping standards. However, the Commission is now considering the postponement of the prohibition for a further year if it determines that sufficient progress is being made in developing humane methods of trapping in the countries concerned.

Canned Tuna and Sardines

At the beginning of 1993, the EU established quotas for the import into the EU of canned tuna and sardines. This system replaced national quantitative restrictions which had been maintained by France, Italy and Spain. However, it will be in place for a limited period of only four years until the full liberalisation of the EU market. The quantities allowed for 1993 were determined on the basis of 1991 imports plus an annual increase of 10% (until 1996). This criterion is generous given that 1991 quantities were the highest of the preceding five years. Nonetheless the US requested consultations under GATT Article XXIII, which took place in May but which proved inconclusive.

NEW TECHNOLOGICAL CHALLENGES:



NII

Proposals for the 'information society' have recently been published on both sides of the Atlantic. The Bangemann Group's report, Europe and the Global Information Society, to the European Council proposes an agenda of measures to establish the Information Society. In this sense, it has a similar goal to the US administration's National Information Infrastructure: Agenda for Action, published last year.

At a general level, the Bangemann Group report highlights above all the need to accelerate the process of liberalisation in the telecommunications sector, as a means to encourage the huge investment needed by the private sector to prepare for the information society. With its telecommunications industry already largely out of public hands, the US proposals naturally also stress the pre-eminent role of the private sector.

Nonetheless, the Administration also identified a need for public sector involvement in a number of areas, and has given the central coordinating function of the NII Initiative to the Information Infrastructure Task Force.

Turning to the detail of the reports, there are many similarities between the approaches suggested on both sides of the Atlantic. Included are the following:

1. universal service: the need to avoid a situation of information 'haves' and 'have-nots'.
2. Promotion of innovation: the US is stepping up support for Government-industry research partnerships in the telecommunications area. The EU already uses part of the funds made available to R&D for telecommunications (the RACE programme).
3. seamless, inter-operable systems: the need for information to be fully transferable is obvious. Standards are the main element in achieving compatibility, and these will need to be worked out at a global level.
4. Security: the tension between privacy and legitimate public interest (e.g. for crime prevention) is noted in both reports. In the Union, the situation is complicated by the existence of twelve different systems; international hacking and the possibility of hiding information abroad highlight, however, the need for action at the Union-level.
5. intellectual property rights: entrepreneurs require the security that the results of their research efforts will be protected so that they can earn royalties and charge licensing fees for their products.
6. Better government: Governments hold enormous amounts of potentially useful information for the private sector which should be made generally and equitably available. Equally, cost savings could be made by moving progressively towards the 'paper-less office'. The Bangemann report suggests the development of a European public administration network which would link together public administrations and then subsequently to improve access to Government information for European citizens.
7. international cooperation: telecommunications is an inherently global sector, which can only produce the full expected benefits if its development is coordinated on an international basis. Last February, the sub-cabinet agreed to reinstate the EU-US telecommunications dialogue - the first meeting should take place in the Autumn. This will enable those responsible for the world's two largest markets to discuss a wide range of issues pertaining to the information society.

In addition, a particular feature of each report is the suggestion of pilot projects to test the technology and to develop a more widespread understanding of the possibilities arising from the information society. Some of these proposals coincide, and the Commission is considering the possibility of working with international partners in these sectors.

Satellite personal communications

A revolution in personal communications is due before the end of the century, with the entry into service of a new generation of satellite communications equipment. This new service will use so-called Low earth orbiting satellites (LEOs) which fly much closer to the earth than existing satellites and will enable communications with individuals using a simple handset. At their lower altitude, however, LEOs have a smaller terrestrial 'footprint' and a network of satellites is required to provide a comprehensive service. Since LEOs also traverse the sky (they are not geostationary), a LEOs network has inherently global applications.

The investment in the satellites needed to develop a global network is huge and potentially no more than three such services could be provided profitably; possibly only one. The US lead the world in satellite technology, and are likely to dominate this part of the market - at least 6 consortia have so far expressed an interest in developing mobile satellite services (MSS) using LEO technology. The US authorities are now considering how to licence the potential operators. However, the Commission is concerned about two aspects of the Federal Communications Commission's (FCC) recently published draft proposals.

the International Telecommunication Union (ITU, a UN agency) has allocated only a very limited supply of frequencies for MSS. Each country is entitled to regulate the use of these frequencies, and satellite operators must therefore apply separately to operate services in each country. Yet, to be cost effective, satellite operators will probably need to secure the use of a set of frequencies throughout the world. The FCC's proposals would licence the whole available spectrum to US-led consortia, and pre-empt any European applications. Moreover, there will be considerable pressure on other countries to follow suit, since to do otherwise would lead to their systems being incompatible with the US. Equally, similar unilateral action by the EU could undermine the viability of the services eventually licensed by the US. the Commission has therefore called for a full international dialogue on this issue.

While US firms do dominate the satellite sector (as a result of work initially carried out to meet defence contracts), some EU firms do feature in the consortia currently seeking licences. The European interest is, however, greater for ground services but even here, there is a risk that the licensing arrangements for satellite providers could distort competition in this market too.

Secondly, the FCC is proposing to extend certain existing mobile phone regulations to cover MSS. Included among these are provisions preventing non-US firms from applying for radio frequencies to provide telecommunications services. These provisions are

already a major concern for the EU (see for instance, the Commission Services' 1994 Report on US Barriers to Trade and Investment, page 98). Telecommunications was one of the few sectors not covered by the Marrakech trade agreements - negotiations are being conducted presently, and the FCC's proposed extension of these ownership requirements is therefore a worrying signal of US thinking.

The Commission submitted a demarche to the State department and the FCC last month regarding the EU's concerns and will be following up the issue in other contacts.

COMMON INTEREST IN THIRD COUNTRIES



■ US/Japan trade relations

On 23 May the US and Japanese governments decided to resume their bilateral trade negotiations under the July 1993 Framework Agreement, focusing in particular on the priority areas of autos and auto parts, procurement in medical technology, telecommunications, insurance, intellectual property, financial services and glass. They agreed upon a two-page text, formally confidential, which complements the Framework Agreement.

According to information issued by Inside US Trade of 27 May 1994 and by the US Administration, it was agreed that the purpose of each sectoral agreement was to achieve concrete and substantial results in the market, ie increased access and sales. This solved one of the key disputes between the US and Japan over the interpretation of the overall goals of the Framework Agreement.

Moreover, the US publicly confirmed that it was not seeking numerical targets but only criteria to measure progress in achieving access to the Japanese market. Working groups will define qualitative and quantitative criteria for assessing the implementation of sectoral agreements.

The US Administration recently softened its stance towards Japan, by no longer requesting the conclusion of a whole package on the priority areas. During the 8-10 July US-Japan Summit no further progress on this issue was achieved. Japan thus remains under the threat of Super 301 of the US Trade Act of 1988, under which the designation of the target countries should be decided by 30 September. Furthermore, at the end of July the US Administration will again decide whether to target Japan for trade sanctions under Title VII over its barriers in government procurement of telecommunications and in medical equipment.

China

In the context of the business community's year long campaign to lobby both the Administration and Congress, President Clinton went along with the majority view of US business and renewed the MFN tariff treatment to China on 26 May. This decision may be seen as a compromise between the US Administration's intention to champion the cause of human rights and its concern to find ways to expand US jobs.

However, the pressure on China to improve its human rights record will be maintained. In particular, Chinese exports of munitions and ammunition to the US are now banned and the US ban on exports of certain high tech items to China which was established after the Tiananmen Square Massacre remains in force. Moreover, the US intends to increase aid to non-governmental organisations working in the human rights area in China and to work with the business community to develop a voluntary set of principles on human rights protection.

On trade issues the US remains deeply concerned about the lack of protection of intellectual property rights for US products in China. On 30 June USTR designated China under the "Special 301" provisions of the US Trade Act and initiated an investigation of China's practices in that area.

China's GATT/WTO application bid is proceeding in parallel. This is a major negotiation, as it involves the integration of China into the WTO system and thus the respect of all of its provisions, including those in the field of goods, agriculture, services and intellectual property. China's reforms towards a market economy, although impressive, are far from complete and this gives the negotiations added complexity. Special disciplines thus need to be negotiated to ensure that China's reform process is put on "automatic pilot". For its part, the EU, as part of its support for China's GATT/WTO bid, has indicated its readiness to negotiate the above disciplines in time for China to become a founding member of the World Trade Organisation.

Cooperation with US on policy towards Central and Eastern Europe

An increasing number of Central and Eastern European countries (CEECs) are now indicating a desire to join the Union at some future stage; two countries (Poland and Hungary) have already formally applied for membership. The Council has already agreed in principle that membership should in time be extended to the east, and policies to help achieve this common goal have progressively been introduced - most notably beginning with the Association Agreements (so-called Europe Agreements) now signed with 6 countries. The Union has become the biggest trading partner of the

CEECs and, including the Member States' bilateral aid, provides the majority of financial assistance to the region.

Needless to say, eventual accession to the Union is a particularly demanding issue, and the Commission held an internal seminar in March to take stock of the results of the Union's policies to date, and to consider what steps would be needed in future. Discussion ranged over economic, commercial and security issues, and the ideas developed during the seminar will form the basis of Commission policy over the years to come.

The security requirements of the CEECs and their adjustment to market economies are, of course, common concerns for the EU and US. The Commission and US authorities have met frequently over the last few months to try and improve coordination of our bilateral economic and trade policy and assistance measures vis-à-vis the CEECs. Mr Krenzler, Director-General of DG I, and Ambassador Eizenstat met in early April and, since then, two meetings with Ambassador Shifter, who coordinates the White House's policy towards CEECs, have also taken place. The subject of cooperation constituted the main focus of the biannual EU-US Summit in Berlin on 12 July.

Initial indications from all these contacts are positive and it is hoped by the EU and the US that the first fruits of the coordination on assistance programmes will be seen early next year. Technical level follow-up meetings are now being organised, with the possibility that some of these be able to take place in the CEECs themselves. In addition, as reported above, the Berlin Summit has agreed to have an expert working group further look into this issue and report to the next Summit.

FIRST JOINT EU-US SEMINARS

The first of a series of activities jointly sponsored by the European Commission and the US Mission to the EU, two conferences have taken place since the last Progress Report. Although their subject matter could not have differed more - growth/ employment and immigration - both shared the philosophy that the EU and US should seek to learn from each other, in order to tackle common problems more effectively.

The Conference on growth and employment was held at the Corsendonck Priory in April. Its conclusions largely reaffirmed the policy prescriptions presented in the Commission's White Paper on Growth Competitiveness and Employment. Robert Reich, US Secretary for Labour, gave the keynote speech by video, emphasising the need to invest heavily in human capital, while simultaneously improving labour market flexibility. He also highlighted the value of improving the incentives for job hunters to use the social security safety net as a 'trampoline' to bounce into new employment - this would be a central theme of forthcoming welfare legislation in the US.

A major part of the conference was given over to the causes of the seemingly ever declining demand for unskilled labour. US and European speakers all stressed the pre-eminent role of technological progress, with increasing globalisation playing a subsidiary part. Nevertheless, many speakers argued that restructuring leads eventually to overall welfare gains, and that the

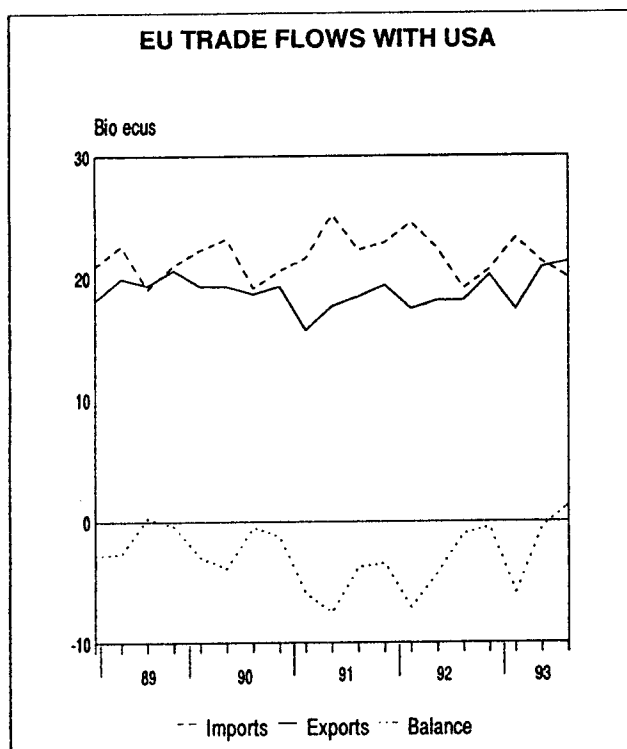
real task should be to promote policies which ease restructuring, rather than prevent it.

the "Workshop on immigration into Western Societies" took place during May in Charleston, South Carolina, and addressed many aspects of immigration policy. The primary focus was on the concerns prevalent in Western Europe, with the discussion addressing both practical policy matters as well as the many moral and philosophical questions which underpin the subject.

The prevailing view was that immigration represents a substantial challenge to Western countries. Simply to legislate against immigration will not halt the inflows, and runs contrary to the essentially liberal spirit of the West. A better policy would be to try and change adverse conditions in the sending countries, although the results of this might only be felt in the longer run once existing immigrants had fully reunited their families in their new place of residence.

Although neither the scale of inflows, nor their economic impact can be clearly determined, the Conference recognised that Western governments will continue to develop policies to maximise their perceived national interests. As for the EU, two avenues of action were identified: to define common denominators among the immigration regimes of the Member States, or to elucidate specific EU interests in this area, and develop common policies to achieve them.

EUROPEAN UNION TRADE WITH THE UNITED STATES (USA) - Results until September 1993 -



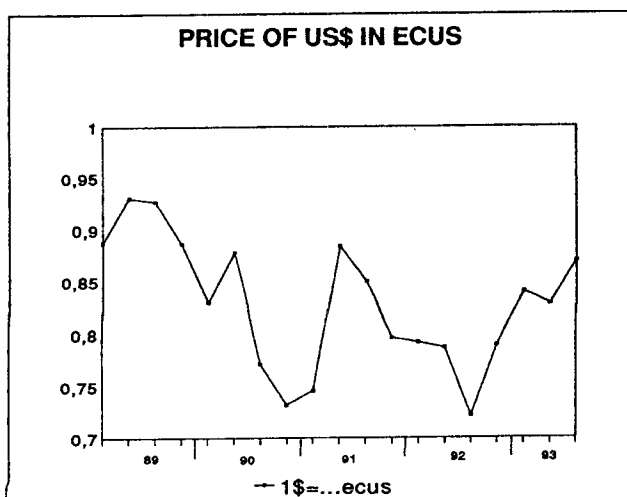
Part I: Summary

The European Union had a surplus of 1.3 billion ecus in its trade with the United States in the third quarter of 1993 compared with a deficit of one billion ecus in the third quarter of 1992. Between these two periods, the value of EU exports to the United States increased by 17.7% whilst imports from the United States rose by 4.6%. However, in volume terms the difference between the rise of EU exports to the United States by 7.5% and a fall of EU imports from the United States by 12.4% is much more pronounced. This is mainly due to a sharp rise in the value of the dollar against the ecu of 20.6% between the third quarter of 1992 and 1993.

On the EU export side, road vehicles, iron and steel products, and machinery contributed most to the increase. On the import side, the development by product groups was more mixed. A substantial rise in miscellaneous manufactured products, electrical machinery and telecommunication and sound equipment was counterbalanced by a sharp fall in transport equipment other than road vehicles.

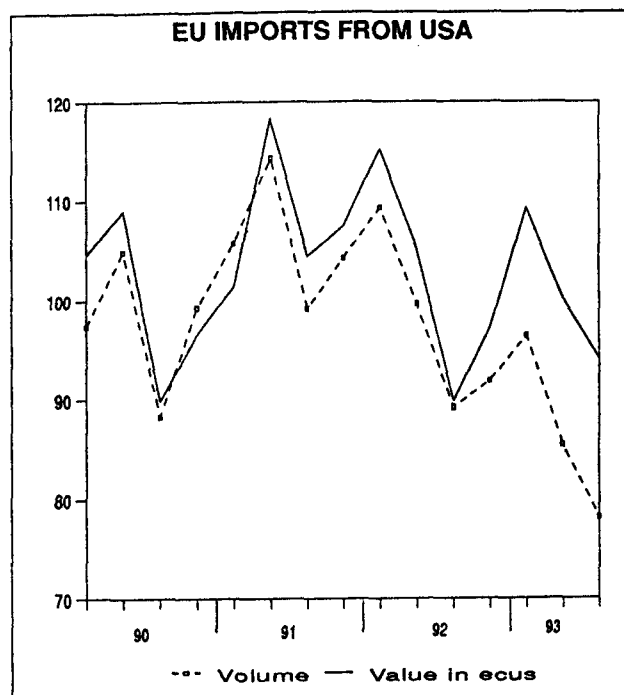
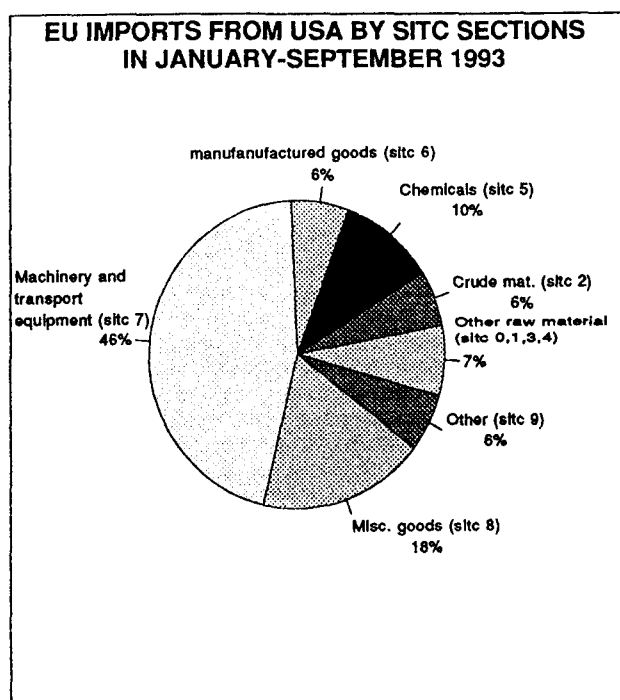
Germany had a surplus of 1.7 billion ecus in trade with the United States in the third quarter of 1993, compared with 1 billion for the third quarter of 1992. Italy recorded a surplus of 1.3 billion ecus with the United States, representing an increase of 0.5 billion ecus. Spain, France and The Netherlands had deficits of 0.4, 0.8 and 0.7 billion ecus respectively in their trade with the United States in the third quarter of 1993. The other Member States had more or less balanced results for their trade with the United States.

The European Union's deficit in its trade with the United States for the first three quarters of 1993 was about 5 billion ecus compared with about 12 billion for the corresponding period of 1992. Exports to the United States rose by 11% while imports from that country fell slightly (-2.2%). In volume EU exports rose by some 4% against a fall in imports of about 13%.



1 billion = 10⁹

Part II: EU imports from United States by Member States and product sections



The European Union's imports from the United States rose by 4.6% in ecus between the third quarters of 1992 and 1993, whilst the dollar increased in value by some 21%. In volume terms, these flows represent a net decline (-12.4%).

The flow of manufactured products (SITC 5 - 8) imported from the United States into the European Union increased by about 8% in the third quarter of 1993 compared with that of 1992, which is a steeper increase than for total imports from the United States (4.6%). This trend was moderated by that of imports of raw materials categories SITC 2 - 4 which were down. Imports of food products (SITC 0+1) from the United States rose in value by 3.2%.

Imports of manufactured products increased in value by 7.9% but fell in volume by 10.7%. Machines and transport equipment (SITC 7) and miscellaneous manufactured goods (SITC 8) imported from the United States increased in value by 2.4% and 45.7%. Imports of chemicals (SITC 5) and manufactured goods classed by material (SITC 6) fell by 4.7% and 8.6% compared with their level in the third quarter of 1993. Among manufactured products (SITC 5-8), miscellaneous manufactured goods are the only heading for which volumes of imports increased (27.3%), the others receding by about 20%.

EU IMPORTS FROM USA BY SITC SECTIONS

VALUE	91	92	92 III	92 IV	93 I	93 II	93 III	92
	annual rate of increase in %							Bio ecus
Total (SITC 0-9)	7,9	-5,6	-14,0	-9,6	-5,2	-4,8	4,6	86,8
Food, etc..(SITC 0+1)	3,4	3,1	-13,8	2,9	-5,5	-13,7	3,2	4,4
Crude materials (SITC 2+4)	-7,3	5,1	-7,5	8,9	-2,0	-21,1	-7,7	5,9
Fuel products (SITC 3)	21,0	-21,9	-26,0	-50,7	-45,0	-34,0	-15,1	2,9
Manufactured products (SITC 5-8)	10,8	-6,5	-13,4	-9,4	-0,6	-1,2	7,9	67,4
Chemicals (SITC 5)	9,9	4,2	5,3	5,1	-5,4	-8,4	-4,7	9,6
Manufactured goods (SITC 6)	7,6	-6,0	-11,0	-7,6	-13,3	-12,2	-8,6	5,9
Machinery, transport equipment (SITC 7)	11,9	-11,0	-18,7	-15,0	-9,5	1,8	2,4	39,7
Miscellaneous manuf. (SITC 8)	8,9	1,5	-8,5	-0,7	40,7	0,4	45,7	12,2
MEMORANDUM ITEMS								
Total extra-EU imports	6,8	-1,3	-5,7	-2,8	-4,8	-3,8	3,4	487,7
Total imports of the United States*	1,3	4,2	-5,9	8,8	16,4	16,4	29,4	427,4
\$= ...ecu	2,8	-4,5	-15,1	-0,9	6,1	5,2	20,6	-
VOLUME								
	annual rate of increase in %							
Total (SITC 0-9)	3,7	-6,6	-10,1	-11,9	-11,8	-14,3	-12,4	
Manufactured products (SITC 5-8)	5,8	-8,5	-9,7	-12,2	-8,4	-13,4	-10,7	
Chemicals (SITC 5)	4,8	3,1	12,6	3,9	-11,6	-13,0	-19,1	
Manufactured goods (SITC 6)	9,6	-6,1	-9,0	-7,5	-17,7	-15,4	-19,3	
Machinery, transport equipment (SITC 7)	7,3	-13,3	-15,1	-18,9	-16,1	-13,9	-17,2	
Miscellaneous manuf. (SITC 8)	-0,3	-1,8	-5,5	-3,0	31,0	-5,3	27,3	

* CIF component estimated. Source: US Department of Commerce News

Part III: EU imports from United States by detailed products

The increase of 4.6% of EU import values coming from the United States in the third quarter of 1993 as compared to the third quarter of 1992 are the result of a rather mixed growth of different SITC divisions.

The products classified under miscellaneous manufactured products (SITC 89) alone are responsible for 6.1 growth points for total imports into the EU from the United States. Imports of this product group more than doubled compared with their level in the third quarter of 1992. Electrical machinery (SITC 77) and power generating machinery (SITC 71) increased by 26.5% and 24.1% respectively thus contributing by 1.8 and 0.9 growth point to the total increase of imports. An increase

above average has also been recorded for road vehicles (SITC 78) (+8.6%), precision instruments (SITC 87) (+6.6%); office machinery and computers (SITC 75) (+5.9 %) and medical and pharmaceutical products (SITC 54)(+5.7%).

On the other hand, transport equipment other than road vehicles (SITC79) fell by some 34 % reducing the total imports by 3.5 growth points in the third quarter of 1993 as compared to the same quarter in the previous year. Other product divisions recording the strongest reductions are non metallic mineral manufactures (SITC 66) (-36.9%), pulp and waste paper (SITC 25) (-28.1%), and plastics in primary forms (SITC 57) (-18.6%).

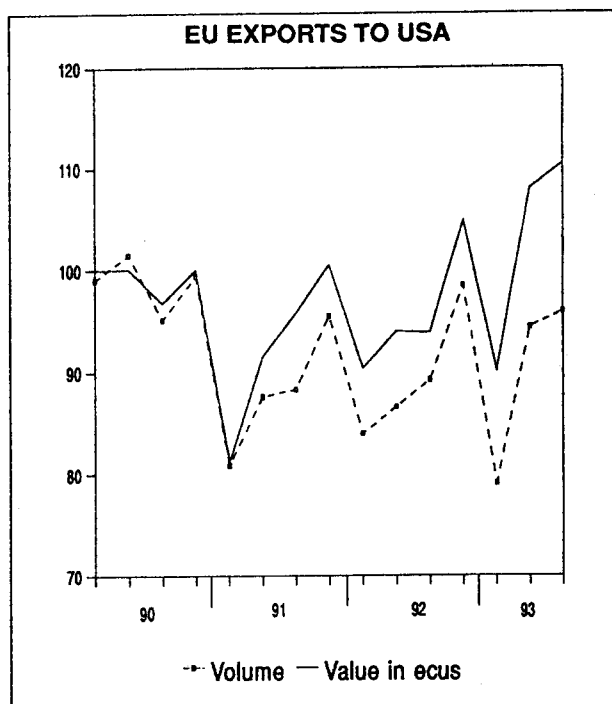
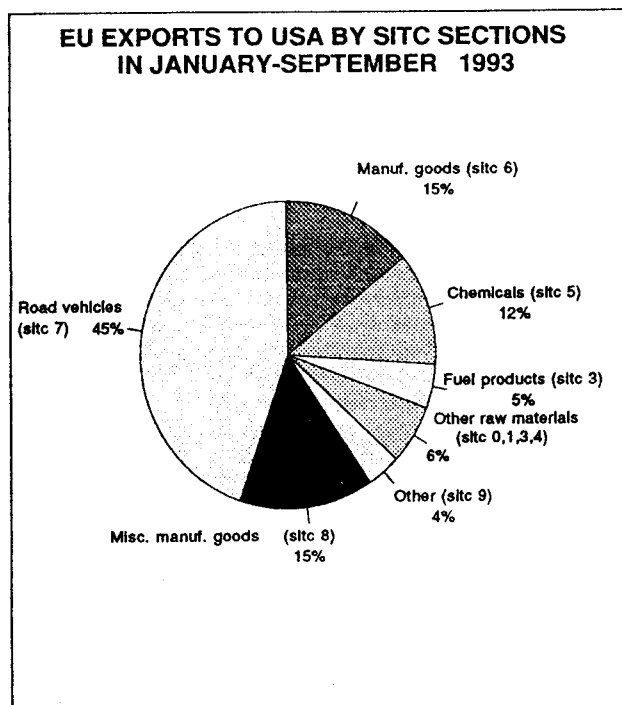
EU IMPORTS FROM USA BY MAIN SITC DIVISIONS 3rd quarter of 1993

SITC Codes	PRODUCTS	level	annual variation	contribution to growth*compared to 92 III	share in		
		Bio ecus	%	in percentage growth points	Extra-EU imp. by products**	Imp. from the United States	
						%	% cumulated
75	Office machinery and computers	2,24	5,9	0,6	37,1	11,2	11,2
79	Other transport equipment	1,31	-34,0	-3,5	46,4	6,6	17,8
71	Power generating machinery	1,52	12,6	0,9	44,8	7,6	25,3
77	Electrical machinery	1,64	26,5	1,8	23,8	8,2	33,5
89	Miscellaneous manuf. goods	2,24	108,1	6,1	31,9	11,2	44,7
87	Precision instruments	1,19	6,6	0,4	47,6	5,9	50,6
74	General ind. machinery	0,87	2,8	0,1	27,0	4,3	54,9
51	Organic chemicals	0,59	-6,9	-0,2	29,8	3,0	57,9
78	Road vehicles	0,55	8,6	0,2	9,7	2,8	60,7
72	Machinery for special ind.	0,52	4,4	0,1	24,3	2,6	63,3
32	Coal, coke, and briquettes	0,38	-22,5	-0,6	34,4	1,9	65,2
76	Telecom. and sound equip.	0,55	24,1	0,6	13,5	2,8	67,9
54	Medical and pharmaceutical products	0,45	5,7	0,1	23,9	2,2	70,2
22	Oil seeds and oleaginous fruits	0,13	-9,0	-0,1	15,5	0,6	70,8
59	Chemicals	0,40	3,9	0,1	44,0	2,0	72,8
66	Non metallic min. manuf.	0,14	-36,9	-0,4	4,4	0,7	73,5
25	Pulp and waste paper	0,20	-28,1	-0,4	23,4	1,0	74,5
57	Plastics in primary forms	0,24	-18,6	-0,3	23,9	1,2	75,7

*The contribution to growth is the difference between the level of each product flow in the last period and the level in the reference period, divided by the level of total product's flow in the reference period.

** i.e. EU imports of a product from USA related to total EU imports of this product.

Part IV: EU exports to United States by Member States and by product sections



Exports from the European Union to the United States increased sharply in value between the third quarters of 1992 and 1993: by 17.7% compared with 7.5% in volume. EU exports were favoured by a 20.6% rise of the dollar value against the ecu. This contributed to a substantial fall of export unit values in dollar terms of about 9%.

The increase in export values was underpinned by all product sections. Strongest increases were reported for manufactured goods classified by material (SITC 6) +28.1%, chemicals (SITC 5) +22.3% and machinery and transport equipment (SITC 7) +19.4%. The rise of

food and commodity exports was much less vigorous: food (SITC 0+1) rose by 11.6%, crude material (SITC 2+4) by 9.8% and fuel products by 4.6%.

In volume terms the average rise of manufactured goods substantially outpaced that of raw materials. Amongst manufactured products, the 18.3% increase of manufactured goods classified by material is well above the increase of machinery and transport equipment (+9.3%) and the other manufactured products (about 5%). The big difference of 16 percentage points between export values and export volumes recorded for chemical products indicates that most of the rise of the dollar rate was passed onto the American importers. This applies to a much lesser extent for the other product sections.

EU EXPORTS TO USA BY SITC SECTIONS

VALUE	91	92	92 III	92 IV	93 I	93 II	93 III	92 Bio ecus
	annual rate of increase in %							
Total (SITC 0-9)	-7,0	3,8	-1,9	4,4	-0,2	15,0	17,7	73,9
Food, etc. (SITC 0+1)	-5,5	2,9	-3,5	-7,3	-2,7	-11,7	11,6	4,0
Crude materials (SITC 2+4)	-0,7	2,0	-5,5	-1,8	14,3	4,8	9,8	0,9
Fuel products (SITC 3)	-27,5	8,1	5,7	15,9	54,5	44,9	4,6	2,8
Manufactured products (SITC 5-8)	-6,0	3,6	-1,9	4,6	0,3	17,4	19,9	62,5
Chemicals (SITC 5)	8,8	12,2	4,0	9,3	7,1	12,0	22,3	8,4
Manufactured goods (SITC 6)	-8,2	-3,0	-3,9	-5,3	1,6	18,1	28,1	10,0
Machinery, transport eq. (SITC 7)	-7,6	5,1	-1,7	9,7	-2,2	21,6	19,4	33,0
Miscellaneous manuf. (SITC 8)	-8,0	-0,2	-4,7	-4,0	1,2	8,6	12,4	11,1
MEMORANDUM ITEMS								
Total extra-EU exports	0,9	2,9	0,3	1,5	1,3	11,4	12,7	435,7
Total exports to the United States*	10,1	1,5	-9,8	4,8	8,5	9,8	23,3	346,5
\$= ...ecu	2,8	-4,5	-15,1	-0,9	6,1	5,2	20,6	-
VOLUME	annual rate of increase in %							
Total (SITC 0-9)	-12,9	2,4	1,0	3,1	-5,8	9,0	7,5	
Manufactured products (SITC 5-8)	-12,7	0,7	0,4	2,9	-7,4	10,1	9,5	
Chemicals (SITC 5)	0,1	8,0	3,8	-1,6	1,7	1,1	5,2	
Manufactured goods (SITC 6)	-9,8	-1,0	3,3	-3,3	3,4	16,8	18,3	
Machinery, transport eq. (SITC 7)	-16,6	0,4	-1,7	6,3	-8,8	14,1	9,3	
Miscellaneous manuf. (SITC 8)	-14,3	0,4	-0,8	-2,2	-3,1	4,6	4,7	

* Source US Department of Commerce News

Part V: EU exports to United States by detailed products

EU export values to the United States increased by 17.7% in the third quarter as compared to the same quarter of the previous year. Virtually all product divisions contributed to this growth; however, most of the increase resulted from a strong expansion of those export flows on which the EU exports to the United States have already been concentrated.

Road vehicles (SITC 78) increased by 35.5% thus solely accounting for 2.5 growth points of the increase of total

EU exports to the United States. This sharp increase lifted the share in total EU car exports which goes to the United States to 18%. Electrical machinery (SITC 77) + 30.6% and machinery for special industries (SITC 72) +27.5% contributed together more than 3 growth points to the export increase. Iron and steel products (SITC 67) increased by 82.9% thus adding 2.1 growth points to the total export expansion. Exports of paper and paperboard (SITC 64) also recorded an increase significantly above the average i.e. +29,5%.

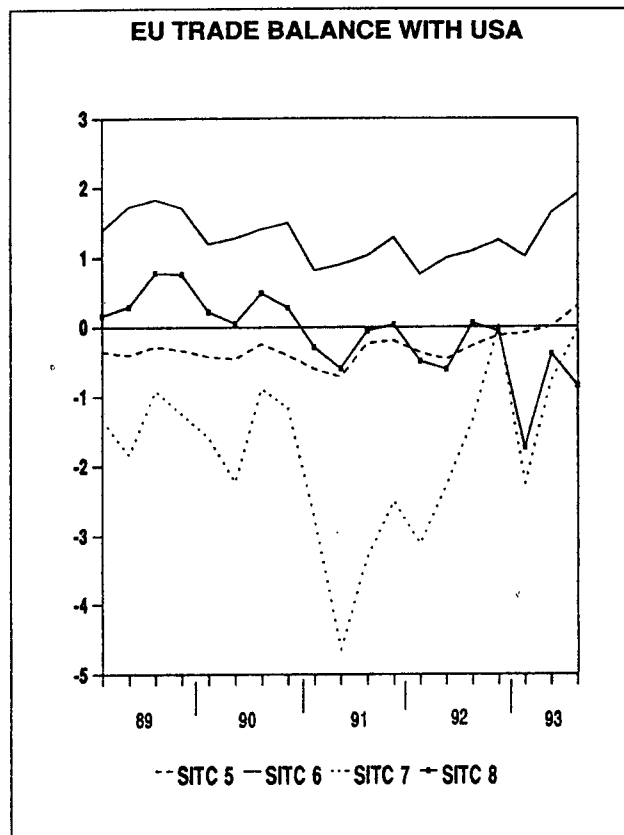
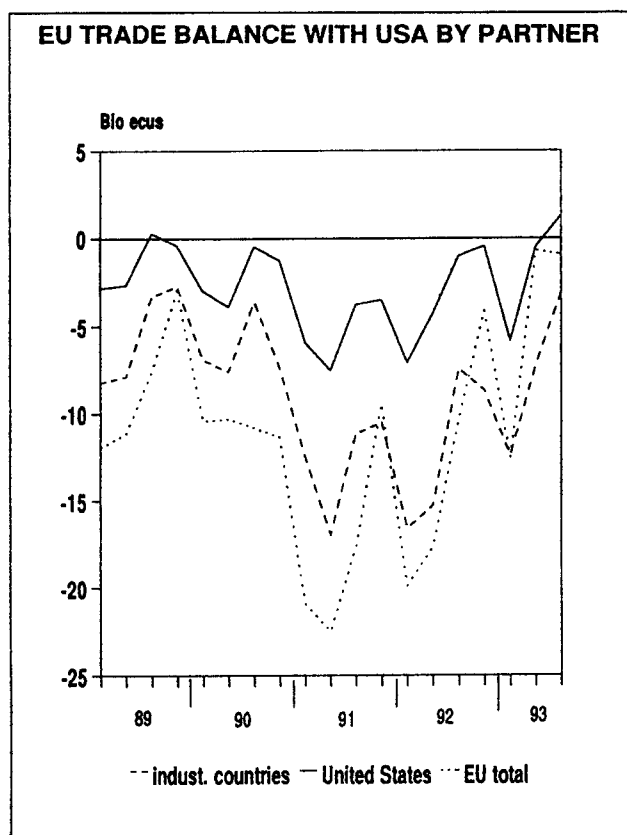
EU EXPORTS TO USA BY MAIN SITC DIVISIONS 3rd quarter of 1993

SITC codes	PRODUCTS	level	annual growth	contribution to growth compared to 92 III*	share in		
		Bio ecus	%	in percentage growth points	Extra-UE exports by products**	Exp. to the USA	
						%	% cumulated
71	Power generating machinery	1,40	0,4	0,0	33,0	6,6	6,6
78	Road vehicles	1,70	35,5	2,5	18,0	8,0	14,5
79	Other transport equip.	1,21	14,1	0,8	22,1	5,7	20,2
72	Machinery for special ind.	1,29	27,5	1,5	17,1	6,0	26,3
89	Miscellaneous manuf. goods	1,16	13,5	0,8	21,3	5,5	31,7
77	Electrical machinery	1,23	30,6	1,6	16,5	5,8	37,5
74	General ind. machinery	1,07	15,9	0,8	14,2	5,0	42,5
75	Office machinery and computers	0,98	17,6	0,8	30,5	4,6	47,1
51	Organic chemicals	0,84	27,0	1,0	25,6	4,0	51,1
66	Non metallic min. manuf.	0,84	13,0	0,5	20,3	3,9	55,0
33	Petroleum, petroleum products	0,90	2,9	0,1	25,3	4,2	59,2
87	Precision instruments	0,66	16,7	0,5	22,1	3,1	62,3
11	Beverages	0,65	18,5	0,6	31,5	3,1	65,4
67	Iron and steel	0,83	82,9	2,1	20,7	3,9	69,3
54	Medical and pharmaceutical products	0,48	18,5	0,4	13,5	2,2	71,5
69	Manufactures of metals	0,38	18,1	0,3	12,6	1,8	73,3
65	Textile yarn fabrics	0,42	16,3	0,3	12,1	2,0	75,3
64	Paper, paperboard	0,20	29,5	0,3	13,0	0,9	76,2
88	Photograph. and optical equip.	0,36	13,4	0,2	24,8	1,7	77,9

* The contribution to growth is the difference between the level of each product flow in the last period and the level in the reference period, divided by the level of total product's flow in the reference period.

** i.e. EU exports of a product to USA related to total EU exports of this product.

Part VI: EU trade balance with United States by products sections



The European Union's trade balance with the United States totalled a surplus of 1.3 billion ecus in the third quarter of 1993. The corresponding period of 1992 showed a deficit of 1 billion ecus.

Most of the recovery is due to the development in manufactured products. The surplus in manufactured products classified by material (SITC 6) reached 1.9 billion ecus compared with 1.1 billion in the third quarter of 1992. Machinery and transport equipment (SITC 7)

were in balance after having recorded a deficit of 1.3 billion in the third quarter of the previous year. As for chemicals (SITC 5), the deficit of 0.3 billion ecus in the third quarter of 1992 turned round to reach a surplus of 0.3 billion ecus in the third quarter of 1993. The balance of miscellaneous manufactured goods (SITC 8) deteriorated by 0.9 billion ecus.

As for food and commodities, improvements have been recorded across all sections but in relatively small amounts, totalling 0.3 billion ecus altogether.

EU TRADE BALANCE WITH USA

in billion ecus	90	91	92	92III	92IV	93I	93II	93III
Total (SITC 0-9)	-8,6	-20,7	-12,8	-1,0	-0,4	-5,9	-0,5	1,3
Food, etc...(SITC 0+1)	0,1	-0,3	-0,3	0,2	-0,1	-0,3	0,0	0,3
Crude materials (SITC 2+4)	-5,2	-4,7	-5,0	-0,8	-1,3	-1,5	-1,0	-0,7
Fuel products (SITC 3)	0,6	-1,1	-0,1	0,3	0,3	0,2	0,6	0,4
Manufactured products (SITC 5+8)	-0,9	-11,8	-4,9	-0,5	1,1	-3,1	0,5	1,3
Chemicals (SITC 5)	-1,5	-1,7	-1,2	-0,3	-0,1	-0,1	0,0	0,3
Manufactured goods (SITC 6)	5,4	4,0	4,1	1,1	1,3	1,0	1,6	1,9
Mach. transport equip. (SITC 7)	-5,9	-13,2	-6,7	-1,3	0,0	-2,2	-0,8	0,0
Miscellaneous manuf. goods (SITC 8)	1,1	-0,9	-1,1	0,1	-0,1	-1,7	-0,4	-0,8
MEMORANDUM ITEMS								
UE trade balance (total)	-42,9	-70,5	-52,0	-10,4	-4,1	-12,6	-0,7	-0,9
USA trade balance	-95,2	-68,9	-80,9	-25,2	-24,6	-22,1	-27,0	-37,4
100\$= ...ecus	78,5	80,7	77,0	72,1	78,9	84,0	82,8	86,9

Part VII: EU trade balance with United States by detailed products and by Member States

The EU's trade balance with the United States recovered by 2.3 billion ecus between the third quarter of 1992 and the third quarter of 1993. Most of the improvements occurred with product divisions for which the European Union had structural surpluses with the United States during the last years.

The surplus for road vehicles (SITC 78) increased by 0.4 billion ecus to reach 1.2 billion ecus. For iron and steel products (SITC 67) the surplus also increased by 0.4

billion to attain 0.8 billion ecus. Significant increases of 0.2 billion ecus each had been recorded for machinery for special industries (SITC 72), non-metallic mineral manufactures (SITC 66) and organic chemical products (SITC 51).

As for the largest deficits by product sections, only miscellaneous manufactured articles (SITC 89) deteriorated substantially by 1 billion ecus whilst most of the others stagnated or changed only slightly.

Germany had a surplus of 1.7 billion ecus in trade with the United States in the third quarter of 1993, compared with 1 billion for the third quarter of 1992. Italy recorded a surplus of 1.3 billion ecus with the United States, representing an increase of 0.5 billion ecus. Spain, France and The Netherlands had deficits of 0.4, 0.8 and 0.7 billion ecus respectively in their trade with the United States in the third quarter of 1993. The other Member States had more or less balanced results for their trade with the United States.

EU TRADE BALANCE WITH USA BY MAIN SITC DIVISIONS

HIGHEST SURPLUSES (Bio ecus)		90	91	92	92III	92IV	93I	93II	93III
SITC	PRODUCTS								
78	Road vehicles	6,94	3,22	2,90	0,75	1,18	1,17	1,39	1,15
67	Iron and steel	2,11	1,67	1,63	0,38	0,44	0,29	0,58	0,77
72	Mach. for special. ind.	2,68	1,79	2,10	0,51	0,73	0,49	0,72	0,77
33	Petroleum and petroleum products	2,54	1,23	2,05	0,79	0,61	0,55	0,95	0,75
66	Non metallic min. manuf.	2,38	2,18	2,09	0,52	0,57	0,66	0,69	0,70
11	Beverages	2,08	1,88	1,99	0,50	0,44	0,36	0,50	0,61
84	Clothing and accessories	1,11	0,81	0,68	0,24	0,14	0,18	0,13	0,27
85	Footwear	1,12	0,88	0,85	0,22	0,22	0,18	0,24	0,25
51	Organic chemicals	0,04	0,21	0,37	0,02	0,22	0,20	0,16	0,25
65	Textile yarn fabrics	0,44	0,34	0,44	0,14	0,13	0,13	0,19	0,20
74	General industry mach.	0,29	-0,11	-0,02	0,08	0,08	0,02	0,09	0,20
LARGEST DEFICITS (Bio ecus)		90	91	92	92III	92IV	93I	93II	93III
SITC	PRODUCTS								
75	Office machinery and computers	-7,07	-7,00	-6,06	-1,28	-1,63	-1,67	-2,28	-1,26
89	Miscellaneous manuf. articles	-0,10	-0,67	-0,78	-0,05	-0,13	-1,58	-0,35	-1,07
87	Precision instruments	-2,22	-2,61	-2,50	-0,55	-0,56	-0,71	-0,63	-0,53
77	Electrical machinery	-1,75	-1,95	-1,78	-0,35	-0,43	-0,53	-0,46	-0,40
32	Coal, coke, and briquettes	-2,00	-2,26	-1,89	-0,49	-0,32	-0,37	-0,36	-0,38
76	Telecom. and sound equipment	-0,85	-1,09	-1,07	-0,24	-0,25	-0,35	-0,30	-0,33
08	Feeding for animals	-1,06	-1,03	-1,14	-0,25	-0,28	-0,40	-0,29	-0,24
25	Pulp and waste paper	-1,20	-1,10	-1,10	-0,27	-0,25	-0,22	-0,22	-0,19
24	Cork and wood	-0,66	-0,71	-0,72	-0,15	-0,18	-0,18	-0,19	-0,16

Part VII: EU trade balance with United States by products groups and by Member States

