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SUMMARY OF THE E.C. STATEMENT AT THE I.T.C. REMEDY HEARING

The European Community warned that its interests would be seriously hurt if measures going beyond the terms of the October 1982 U.S.-E.C. Carbon Steel Arrangement were to be imposed on U.S. imports of steel from the E.C.

Claus-Dieter Ehlermann, Director-General of the Legal Service for the E.C. Commission in Brussels, reminded the International Trade Commission that the steel arrangement had been warmly received by President Reagan in 1982. Furthermore, Secretary of Commerce Malcolm Baldrige, U.S. Trade Representative William Brock and U.S. Steel and Bethlehem Steel corporations had expressed satisfaction with the operation of the arrangement, he added.

Mr. Ehlermann said the Community believes Bethlehem Steel has violated its explicit undertaking as spelled out by the arrangement by filing a petition under Section 201 of the U.S. Trade Act asking for increased protection for the American steel industry.

Under the 1982 Carbon Steel Arrangement, the E.C. agreed to limit its shipments of 10 categories of steel for three years. In exchange, the U.S. steel industry withdrew trade complaints against the Community. Mr. Ehlermann pointed out that since the arrangement came into effect, E.C. exports to the U.S. had declined by 26.5 percent, which is evidence that the arrangement is working satisfactorily and that E.C. exports are not the cause of injury to the U.S. industry.

In expressing the E.C.'s frustration at the continuing efforts of the U.S. steel industry to limit imports, Mr. Ehlermann cautioned the I.T.C. that unilateral U.S. restrictions on steel trade were also likely to upset the balanced international framework established by the 1977 Organization for Economic Cooperation and Development Consensus on burden-sharing among steel-producing countries. The E.C.'s own

internal and external steel policy is part of this coherent framework, Mr. Ehlermann said, stressing the interdependence of the world steel industry.

Mr. Ehlermann recalled that Article 19 of the General Agreement on Tariffs and Trade provides for compensation to and eventually retaliation by the affected parties. Referring to the petitioner's claim that such compensation requests were improbable, he pointed to the July 1983 U.S. specialty steel case. In return for U.S. restrictions, both the E.C. and Canada took countermeasures. No doubt the E.C. reaction would be similar in this case, he said.

Mr. Ehlermann made his comments during a June 21-22 hearing on possible remedies for injury to the American steel industry caused by steel imports. In a decision on Bethlehem Steel's trade petition last week, the I.T.C. determined that parts of the industry had been seriously injured by imports.