

# A Letter From EUROPE

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A monthly update on the European Community  
from its Delegation in Washington

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## GALE WARNINGS ACROSS THE ATLANTIC

Trade relations across the Atlantic resemble the famous message of Victorian times: "Along the electric telegraph the message came. He is no better he is much the same". On February 21 in Brussels the European Community's Council of Ministers, its major decision-making body, discussed the latest state of the relationship. Here are their conclusions:

"The Council took note with disquiet of the rising tide of protectionist pressures in the United States.

A DANGEROUS  
TIDE

Escape clause petitions have been filed on a range of important products including steel and footwear. Recently anti-dumping and countervailing duty investigations have been opened against imports of wine from the European Community. Shortly the US Administration will be deciding on a petition by the US machine tool industry to limit imports. These and other actions cover \$4.7 billion worth of European Community exports to the United States.

SOME FIRM  
STANDS

The Council recognised that on a number of issues the US Administration had taken a firm stand against protectionist pressures. They had opposed Domestic Content legislation, proposals for a global 15 percent limitation of steel imports and the Wine Equity Bill.

RISK TO  
SYSTEM

Nevertheless the picture is still alarming. The Council's view is that the present difficulties in certain sectors of the US economy cannot be resolved by protectionist measures. This is even more striking given the relatively more favourable economic situation in the US than in Europe. Such measures could lead to a dangerous increase in trade restrictions and to a rapid erosion of the open multilateral trading system, which has had the support of the US and Europe for the past four decades and on which the basis of world prosperity has depended.

The Council therefore stresses the crucial importance it attaches to a strict adherence to the commitments entered into at Williamsburg and other meetings "to halt protectionism

and as a recovery proceeds to reverse it by dismantling trade barriers". Here the Community has already given a lead and hopes it will be followed."

A WORD  
ON WINE

To this summing up a word needs to be added on wine. This of course is only one of the areas where there is the possibility of action restricting imports. But the Community does view the US grape industry's petitions calling for anti-dumping and countervailing duties on ordinary French and Italian table wines with special concern. In our view the problems faced by the US wine industry do not result from any action by the Community. Mr. Hathaway, Deputy General Counsel in the Office of the US Trade Representative, clearly stated on November 15 at a meeting of the Subcommittee on Trade of the Ways and Means Committee that the current problems of the US wine industry result from the recent US economic recession and the increase in the value of the dollar since 1981 vis-a-vis the currencies of the major wine exporting nations. Even then in 1983 despite an exchange rate favouring imports into the US, wine imports from the EEC have increased by only 5 percent. On the other hand US production of grapes in 1982 reached a record high contributing to large US inventories and the current market problems of the industry.

POLICY KEEPS  
PRICES  
STABLE

Secondly, the Community wine policy's essential aims are to maintain market equilibrium by withdrawing surplus production from the market through storage and distillation. These measures are designed to stabilize prices and improve quality. They do not depress prices nor lead to an increase in exports. There are no EC subsidies for wine exports to North America.

Thirdly, we do not think that petitioners are sufficiently representative of the US ordinary table wine industry nor do we find convincing proof of dumping or injury submitted by the US industry concerned.

Fourthly, wine is a major export from the Community to the United States - in an area (agricultural goods) where in 1983 the EEC imported nearly 5 billion dollars more from the United States than it exported.

EMOTIONAL  
IMPACT

A fifth point is the mirror image of the argument often used with us by American friends, that any attempt to limit exports of certain basic agricultural commodities from the United States would encounter strong emotional overtones in the Mid-West. But the same is true of wine from Europe. To a Frenchman or an Italian wine is not simply an agricultural product. The story is told of an aged European smashed in a railway collision. Someone poured wine on his lips to revive him. "Pauillac 73", he murmured and died. For Europeans wine is part of our way of life. All the more reason therefore for us all to work together to make sure that over the next few months frictions can be kept to a minimum.

*Ray Janner*

# VINDOW ON THE EUROPEAN COMMUNITY

## COMMISSION SAYS WINE DUTIES COULD HAVE BROAD IMPACT ON US-EC TRADE RELATIONS

A decision by the US to impose penalty duties on imports of French and Italian wines could lead to a series of anti-dumping and countervailing duties and other protectionist measures in the agriculture sector, with wide-ranging consequences for US-EC trade relations, the EC Commission said this month.

The Commission's warning came in response to an announcement that the US Department of Commerce had agreed to investigate charges that the US wine industry has been hurt by imports of subsidized and unfairly priced ordinary table wines from France and Italy. The charges were made in a series of petitions filed with the Commerce Department by a US industry group called the American Grape Growers Alliance for Free Trade. The petition called on the US government to impose countervailing and anti-dumping duties on French and Italian table wines. Countervailing duties are levies designed to offset the competitive advantages enjoyed by products that benefit from government subsidies, while anti-dumping duties are designed to counter the impact of dumping (exporting products at less than their fair market value).

The EC vigorously denied the charges that French and Italian wines were being subsidized or dumped on the American market or that the US industry had suffered because of imports from these two EC countries. The Commission said that the petitioners did not appear sufficiently representative of the US ordinary table wine industry to bring such a complaint. In addition, the Commission said the group did not

provide evidence that the harm, if any, suffered by the US wine industry has been caused by imports from France and Italy.

The French and Italian wines covered by the investigations account for about \$300 million worth of US-EC trade. In 1983 the EC exported a total of \$3.7 billion worth of farm products to the US. Meanwhile, US agricultural exports to the EC totaled \$9.5 billion, including \$5 billion worth of soybeans and soybean meal, \$750 million of corn and \$500 million worth of corn gluten feed.

## SLIGHT GAIN IN EC ENERGY NEEDS FORESEEN IN 1984

Economic growth in 1984 is expected to boost the Community's energy needs for the first time in five years, the EC Commission said this month in a report on Europe's energy situation. The anticipated 2% increase in the EC's gross domestic product this year will raise the Community's energy demands slightly, but not by enough to spur energy imports, the Commission said.

In 1983 the EC's energy consumption fell by just over 1%, following steeper declines in each of the previous three years. Energy prices weakened in 1983 as the Community's energy markets found themselves faced with lower than expected electricity demand, surplus refining capacity, surplus contracted gas directed to power stations and larger coal stocks. The Community's oil demand fell by 4.6%, while oil imports fell by 12%. Imported oil now accounts for only about 32% of the EC's energy requirements, a figure that is expected to change little, if any, in 1984.

Coal demand in the EC fell by 4% last year, while demand for natural gas and electricity each increased by

about 2%. There was a 22% increase during the year in the amount of electricity produced by nuclear power plants. Over 20% of the EC's electricity now derives from nuclear sources.

#### INFORMATION TECHNOLOGY PROGRAM GETS DEFINITIVE OKAY FROM EC

EC Research Ministers gave their definitive approval this week for the EC to launch the first 5-year phase of a decade-long program designed to help Europe catch up with its American and Japanese competitors in the field of information technology. The plan, the European Strategic Program for Research and Development in Information Technology, "ESPRIT" for short, will have a budget of 1.5 billion European Currency Units, or about \$1.2 billion. Half of the money will come from the EC budget, while the other half will be put up by private industry.

The Ministers had agreed in principle last November to give the go-ahead for ESPRIT. However, formal approval of the program was delayed pending clarification of how the EC's contribution to the program would be met and assurances that that contribution would fit within the EC's tight budget constraints.

The research carried out under the ESPRIT program will be aimed at providing a technological base for a new generation of products and systems in the areas of microelectronics, advanced information processing, software technology, office automation and computer-integrated manufacturing. The research will be focused at the so-called "pre-competitive" level, well short of actual new product development. The EC Commission proposed

the ESPRIT program after European firms issued a warning that the European information technology industry, which has long lagged its foreign competitors in innovation, faced extinction without a major new research push. The EC's trade deficit in information technology products exceeded \$10 billion in 1982.

#### EC COUNCIL APPROVES TERMS OF GREENLAND'S EXIT FROM THE EC

The EC's Council of Ministers, the Community's top decision-making body, has agreed on the terms for Greenland's planned withdrawal from the Community next year. On the key issue--fishing rights--the Council agreed that the Community will compensate Greenland in exchange for guaranteed access to Greenland's waters.

The fisheries protocol is part of an overall 10-year accord that defines Greenland's future relationship with the EC. Under the accord, which will take effect after ratification by the EC Member States, Greenland will have "Overseas Country and Territory" status. That will allow Greenland's products to enter the EC with preferential treatment.

The Community will be allowed under the agreement to catch specified quotas of fish in Greenland's waters for an initial period of five years. In return, the Community will pay Greenland 26.5 million European Currency Units, about \$23.5 million, annually.

Greenland entered the Community in 1973 as part of Denmark but was granted a degree of autonomy in 1979. Greenland's citizens voted to leave the Community in a 1982 referendum.