

A Letter From EUROPE

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

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ARE IMPORTS A BAD THING?

Over the international trade scene the sky is darkened by the wings of chickens coming home to roost. There is talk in Congress of action to counter the growing Japanese trade surplus with the U.S. and hints from some that action to cut imports would not be limited to Japan. Steel imports into the U.S. are being cut and the E.C. faces some delicate negotiations over the next few weeks. There is talk of U.S. retaliation if the E.C. will not grant new concessions on citrus. The U.S. grape-growers are considering filing an injury application against the import of European wines. The International Trade Commission has recommended to the President that imports of footwear be cut. Subsidised U.S. agricultural sales to third countries seem certain to generate heat between the U.S. and the E.C. in the coming weeks.

Another - and even more depressing - piece of news has been the New York Times-CBS poll (NYT 9 June) on American attitudes to imports. Based on 1509 interviews conducted between 29 May and 2 June, of those who ranked foreign trade as the first or second most important problem:

- 47% thought foreign trade hurt the U.S. economy;
- 74% thought imports cost jobs for the U.S.;
- 58% thought foreign trade hurt their own community;
- 54% thought a strong dollar was good for U.S. trade;
- 76% thought limiting imports was a good idea.

All this shows how right Oscar Wilde was when he wrote, "Moderation is a fatal thing; nothing succeeds like excess."

For foreign trade has been one of the mainstays of American prosperity. Between 1950 and 1982, U.S. exports rose in volume terms by a factor of five. Forty percent of American farmland is devoted to exports. One sixth of all jobs in the manufacturing sector depend on sales abroad. Foreign trade as a percentage of American GNP has risen dramatically from 4-5%, which had been the figure for a hundred years after the Civil War, to over 12% and still rising. All this has played a vital part in the trebling of American GNP between 1950 and 1982.

So massively restricting imports - for the U.S. or any other major trading country - is the closest equivalent to shooting oneself in the foot. Who can forget the Smoot-Hawley Tariff of 1930? - the retaliation which followed from twenty five countries, the massive restrictions on trade in Europe and the rest of the world, and the unemployment and misery this caused worldwide. Do those who believe that bashing the foreigner is a good thing really want to go back to the 1930's, to stockbrokers selling apples and "Buddy can you spare a dime"?

And as for a strong dollar being a good thing for U.S. trade, the mind boggles. A strong dollar makes U.S. exports less competitive and gives imports an advantage against domestic goods. A strong dollar is the main reason for the high U.S. trade deficit - a record \$123 billion in 1984 and likely to be even higher in 1985. So what is needed, as Secretary of State George Shultz said in his recent speech at Princeton, is action to reduce the Federal budget deficit. We welcome the efforts of the Administration to this end. And this must be coupled with resistance by all the major trading nations to the siren voices of protectionism.

In that context the European Community stands foursquare behind the idea of a new round of multilateral trade negotiations. The argument at the recent Summit in Bonn about the date does not affect this stance. We believe that trying to fix a date among a few developed countries before a consensus has developed widely in Geneva is putting the cart before the horse. What we must all push ahead with is the forging of this necessary consensus. We hope that the recent meeting of Ministers in Stockholm has made some progress towards the launching of a new round. And this will be taken further by a meeting of senior officials in Geneva - which we suggested - later this summer.

But central to the success of a new round - and to the preservation of the one world trading system - is a determination to resist protectionist sentiments and to hold the line on new import restrictions. This is a task for us all.

Ray Jenman

WINDOW ON THE EUROPEAN COMMUNITY

PRESIDENT REAGAN AT THE EUROPEAN PARLIAMENT

In an address to the European Parliament on May 8, the 40th anniversary of VE day, President Reagan praised the growth of a strong and unified Europe from the rubble of WW II and outlined a four-point plan for reducing tensions in East-West relations.

"I am here to tell you that America remains, as she was 40 years ago, dedicated to the unity of Europe," Reagan told Europe's directly elected representative body. "We continue to see a strong and unified Europe not as a rival but as an ever stronger partner. I do not believe those who say the people of Europe today are paralyzed and pessimistic. You are, today, a new Europe on the brink of a new century - a democratic Community with much to be proud of."

Recalling John F. Kennedy's vision of Europe and America as twin pillars of a larger community that shared common goals and values, President Reagan went on to say, "We were at your side through two great wars; we have been at your side through 40 years of a sometimes painful peace. We are at your side today because, like you, we have not veered from the ideals of the West - the ideals of freedom, liberty and peace. Let no one - no one - doubt our purpose."

While a small number of Parliamentarians left the chamber in protest when President Reagan referred to Soviet involvement in Central American affairs, the speech was interrupted by applause more than 30 times and was met with a standing ovation at the end.

EC "REGRETS" US WHEAT SALES TO ALGERIA

The US plan to subsidize wheat sales to Algeria could destabilize world markets and hurt the prospects for a new round of multilateral trade negotiations, the EC warned in a recent statement.

The Commission said it would study the initiative, the first under the new 2 billion dollar American export subsidy program, to determine its compatibility with GATT regulations, particularly those relating to price undercutting.

The Commission also denied that the Community's agricultural policies were responsible for US difficulties on international agricultural markets, blaming these on the evolution of the dollar and declining world demand. It said it "regrets this action, which threatens to destabilize the international agricultural market," and reaffirmed its intention to defend EC interests in international farm trade.

STEEL TALKS TO BEGIN

Intensive and wide-ranging talks on US-EC steel trade begin this month in Brussels, following an agreement allowing the EC to ship an additional 100,000 tons of line pipe beyond the quota limit in 1985, for use in the construction of the All American Pipeline.

The 100,000 short tons of pipe will be imported under a "special issue license," rather than under the "short-supply" clause of the Pipe and Tube Arrangement, the application of which has been disputed.

Talks this month, scheduled to conclude by mid-July, will focus on a US request for EC licensing and restraint of exports of so-called "consultation products." Negotiations are also to begin soon on extending and possibly modifying the 1982 US-EC carbon steel agreement, which ends this year. Future talks on a possible extension of the current Pipe and Tube Arrangement may also be forthcoming.

NICARAGUAN EMBARGO

The EC Commission recently expressed its "grave concern" over the US decision to impose a trade embargo against Nicaragua, saying such measures can only aggravate the misery of the country's people.

"In the Commission's view," Commissioner Stanley Clinton Davis told the European Parliament on May 9, "(the embargo) will make it even more difficult to restore badly needed stability to the whole Central American region...and could seriously jeopardize the steps being taken in the context of the Contadora process."

The Commission approved in May plans for negotiations aimed at increasing political and economic cooperation between the EC and the Contadora group countries (including Panama). Increased economic assistance, enhanced trade, and the development of a political dialogue between Europe and Central America are the main elements of the new framework cooperation agreement, which now awaits final approval from the Council of Ministers.

STANDARDS SIMPLIFICATION

One of the more tenacious obstacles to the realization of a complete common market in Europe has been the proliferation of national technical and industrial standards, which have often served as effective non-tariff barriers to intra-EC trade. While repeated attempts have been made to develop Community technical standards and thus liberalize the market, these have enjoyed only a mixed success and the barriers have remained.

The decision taken on May 7 in the Internal Market Council to adopt a new approach to technical harmonization and standards in Community markets is expected, therefore, to have an important impact on internal European trade. The new approach will simplify the standards procedures: from now on the EC will only set standards for safety, health and related areas, and any products that conform will be allowed to circulate freely in the Community.

According to the new procedure, member states will set their own national technical standards. These standards, which must conform to the appropriate

Community safety directives, must then be approved by a procedure at Community level managed by the Commission.

The aim of the new approach, as the Commission sees it, is both to complete the complex process of harmonizing technical legislation and to promote the development and application of European standards - essential conditions for increasing the competitiveness of European industry.

COMMUNITY BRIEFS:

Accession treaties with Spain and Portugal were signed on June 12, with full entry of the two countries into the Community expected on January 1, 1986, following ratification by each of the Member States...The final vote on the Community's 1985 budget will be taken in June's plenary session of the European Parliament; approval is expected on the budget, which has been increased since the EP rejected the original version in December...China and the EC have signed new- five year agreement on trade and economic cooperation...The second meeting of the Trade Expansion Committee (TEC) took place in Tokyo May 30-31, with EC officials reporting little progress on outstanding trade and market problems with the Japanese...EC trade officials met in May with Brazilian officials to explain the Community's support of a new round of multilateral trade talks and to try to get Brasilia to re-examine its opposition...The Commission has adopted a proposal that would allow Central Banks of non-EC countries to hold European Currency Units (ECUs)... EC research ministers have given the go-ahead for an ambitious research program in advanced telecommunications (known as RACE) aimed at putting a vast communications network in place in Europe by 1995...EC Agriculture Ministers fixed farm prices for the 1985-86 marketing year at the May 16 Council meeting, but the price package, which provides for marginal rises in most products with cuts for some fruits and vegetables, was adopted without any cereals prices due to opposition from Germany.