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EC COUNCIL CHALLENGES U.S. MEASURES

The following is the text of a statement issued by the EC Council of Foreign Affairs Ministers at the end of their meeting in Luxembourg, Tuesday June 22nd. It expresses the Community's grave concern over U.S. measures on EC steel exports and the extension of sanctions on the export of American oil and gas equipment to the Soviet Union.

STEEL

"The Council has taken note with grave concern of the announcement on June 11 by the United States Department of Commerce of preliminary determinations in their counter-
vailing investigations against Community steel exports to the United States.

This decision will disrupt traditional trade flows, virtually eliminate steel exports of substantial value from certain member states and have serious indirect effects for other member states.

It should be viewed against the general background of escalating trade disputes between the United States and the Community, not just in relation to steel, but also to agriculture, export credits and textiles.

The Community has over these last few years adopted a number of difficult, painful and far-reaching measures to restructure its steel industry. It has already reduced and will continue to reduce production capacity very considerably: all aids granted by national governments to their steel industry must be submitted to the Commission and authorized; only aids which contribute to the restructuring and reduction of capacity can be authorized; no aids will be authorized after 1985.

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The recent decision by the Department of Commerce will undermine the Community's efforts towards restructuring in so far as they will seriously aggravate all problems leading to a lowering of prices on the internal Community market, growing unemployment, and consequent pressures for increased aid.

The Council has noted with particular concern that the Department of Commerce preliminary determinations constitute a major innovation in world trading rules in that they reflect a series of extreme and unilateral findings on subsidies with far-reaching implications for many countries and industries currently exporting to the United States. In the Council's views these Department of Commerce decisions did not take adequate account of the reasoned case submitted by the Commission and will result in significant trade disruption and pre-empt future GATT policy under the Subsidies Code if they become US policy for all countervailing duty investigations.

For that reason the Community is calling for an immediate meeting of the GATT Subsidies Committee. At that meeting it is the Community's intention to contest certain of the Department of Commerce decisions (e.g. as to what programs constitute subsidies and the method used for calculating the level of subsidies). The Subsidies Code procedures provide for the possibility of the Community being authorized to take counter-measures if its contention meets with general acceptance.

The Community intends to take the occasion of the forthcoming meeting of the OECD Steel Committee to challenge the compatibility of the US action with the aims and commitments of the OECD consensus on steel.

The United States action on alleged subsidies to Community steel exports to the United States has led the Council to consider the United States system of disc (whereby export subsidiaries of a wide range of United States firms are in effect deferring for an indefinite period of time payment of part of US corporate income tax.) The GATT has found that this practice, which costs the US Treasury approaching one billion dollars a year, must be regarded as an export subsidy. The Commission will, therefore, put forward proposals for consideration at the meeting of the Council about the action which the Community might take under the GATT rules.

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PIPELINE SANCTIONS

The attention of the Council has also been drawn to the recent decision of the United States Administration to extend sanctions on the export of oil and gas equipment to the Soviet Union through the adoption of new regulations to include equipment produced abroad under licenses issued by US companies.

This action, taken without any consultation with the Community, implies an extraterritorial extension of US jurisdiction which in the circumstances is contrary to the principles of international law, unacceptable to the Community and unlikely to be recognized by EC courts.

These United States actions not only have grave consequences for international trade, but in the case of steel clearly represent an attempt to overturn in the interests of one contracting party the general balance of advantage reached in the Tokyo Round in the rules dealing with subsidies and countervailing duties.

The Council deeply regrets the unilateral nature of the US response to these problems, and considers that, in view of the implications for what was decided at the Versailles Summit concerning international trade, and in particular, the importance attached to the Ministerial Meeting of the GATT planned for November of this year, action is needed at the highest levels to find solutions through constructive discussions."
