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EC CALLS FOR WITHDRAWAL OF U.S. PIPELINE SANCTIONS

The European Community today delivered a note and legal comments to the U.S. State and Commerce Departments on the new export administration regulations issued by the U.S. Department of Commerce on June 22, 1982. The Department invited public comment on these rules to be made before August 21. These documents were delivered by Otto R. Borch, Ambassador of the Royal Danish Embassy, representing the Presidency of the European Communities Council of Ministers and Roland de Kergorlay, Head of Delegation of the European Communities Commission. The complete text of the legal comments is available from the European Communities Information Service upon request.

"The European Community wishes to draw attention to the importance that it attaches to the legal, political and economic aspects of the United States' measures, including their impact on the commercial policy of the Community. As to the legal aspects, the European Community considers the U.S. measures contrary to international law, and apparently at variance with rules and principles laid down in U.S. law.

As to the political and economic aspects, it is clear that the U.S. measures are liable to affect a wide variety of business activities while their primary purpose is to delay the construction of the pipeline to bring Soviet gas to Western Europe. The European Community holds that it is unlikely that the U.S. measures will in fact delay materially the construction of the pipeline or the delivery of the gas.

The pipeline from Siberia to Western Europe can be completed using Soviet technology and production capacity diverted from other parts

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of their current program. Furthermore the recent U.S. measures provide the Soviets with a strong inducement to enlarge their own manufacturing capacity and to accelerate their own turbine and compressor developments, thus becoming independent of Western sources. Gas could still flow to the Community starting as scheduled in 1984 owing to the existence of substantial spare capacity in the existing pipeline system, sufficient to cover the requirements of the early phases of the delivery program.

One of the main elements of the Community's policy of reducing the vulnerability of its energy supply is based on diversification of sources. Gas from the Soviet Union will help to conserve the Community's own stock of gas, oil and other fuels, and will reduce the Community's reliance on other foreign sources. Use of Siberian gas will not create a dangerous dependence on that source. Even when gas is flowing at the maximum rate, in 1990, it will represent less than 4 per cent of the Community's total energy consumption.

Whatever the effects on the Soviet Union, the effects on European Community interests of the U.S. measures, applied retroactively and without sufficient consultation, are unquestionably and seriously damaging. Many companies interested as sub-contractors, or suppliers of components, have made investments and committed productive capacities to the pipeline project, well before the American measures were taken. Though they may use no American technology, they will suffer complete loss of business if the European contribution to the project is blocked. Some of these companies may not survive. Major European companies that can survive the immediate loss of business, will nevertheless suffer from lower levels of capacity utilization and loss of production and profits, while workers will be laid off temporarily or permanently.

In the longer term, the European Community companies may be damaged by the disruption of their contracts concluded in good faith, because they may cease to be reliable suppliers in the eyes not only of the Soviet Union, but also of their actual and potential business partners in other countries. One inevitable consequence would be to call in question the usefulness of technological links between European and American firms, if contracts could be nullified at any time by decision of the U.S. administration. Another consequence to be feared is that the claim of U.S. jurisdiction accompanying U.S. investment will create a resistance abroad to the flow of U.S. investment. Thus, these export control measures run counter to the policy aims of the United States of easing the transfer of technology and of encouraging free trade in general. There will be other far-reaching effects upon business confidence. These measures thus add to the climate of uncertainty that is already pervading the world economy as a whole.

The European Community therefore calls upon the United States authorities to withdraw these measures."
