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PROTECTIONISM IN U.S. STEEL SECTOR
A THREAT TO WORLD TRADE, SAYS SIR ROY DENMAN

Growing efforts to protect American steel from foreign competition threaten the "one world trading system" that has supported Western prosperity since World War II, Sir Roy Denman, Head of the European Community's Delegation to the United States, said December 5.

"These threats are not just to one sector of trade", Sir Roy told the American Institute for Imported Steel in New York. "The protectionist bell does not toll for one. It tolls for us all".

Sir Roy warned that an escalation of trade restrictions between the U.S. and the Community, who are at odds over steel, would lead to the unravelling of the GATT system. "We would be back to the wasteland of the thirties, the years of stifling unemployment, of hope foregone, of 'Buddy, can you spare a dime?' and of all the terrible political ghosts which cluster in a dark and hopeless time".

Sir Roy mentioned, among other examples, two recent actions by the U.S. which affected the E.C.: The ITC's preliminary findings, in the Gilmore case, last month that imports of hot-rolled carbon steel plate from Belgium and Germany had injured the American industry, and the Administration decision of July to impose tariffs and quotas on specialty steel imports. The E.C. is seeking compensation under the GATT for the latter measure and has threatened to take retaliatory action against U.S. exports in case no satisfactory solution can be found. "We hold that the causes of the plight of U.S. specialty steel producers are the U.S. recession and the strong dollar and not imports from the Community, which amounted to less than 10 percent of the market," Sir Roy said.

Other examples cited by Sir Roy were the "Fair Trade in Steel Act of 1983", a bill introduced in the House of Representative which would limit steel imports to an average of 15 percent of the U.S. market for five years, and a threat by the U.S. steel industry to launch a broad attack against steel imports from all sources under Section 201 of the Trade Act.

With American steel mills operating at under 60 percent of their capacity, cutting imports can seem attractive, Sir Roy said. But the problems of the American steel industry would only be aggravated without foreign competition. Plant modernization, already lagging behind that of competitor countries, would be further delayed.

Without imports, productivity would decline further, leading to higher prices that "would have an adverse effect well beyond the steel industry". The wide range of domestic industries that use American steel would also lose competitiveness, and they might be tempted to seek increased protectionism as well.

Sir Roy was also concerned about the current attitude vis-a-vis imports from developing countries, where he detects a feeling here that "those countries have no business to be exporting any substantial quantities at all".

First of all, he said, developing countries need foreign exchange so that they can continue to pay for their imports, including imports from the U.S. Certainly in the current changing world "there is no international statute that says that production of steel should be limited to the North American and European continents". Rather than trying to "stop the tide" of competition from developing countries, he said, "should we not employ the skill and the inventiveness of the peoples of North America and Europe to move into more technologically advanced production, both in steel and elsewhere?"

Meanwhile, the European steel industry over the last eight years has taken "a considerable battering," Sir Roy said. Between 1974 and 1982, employment in the Community steel industry was cut by more than one third, while total steel production dropped from 115 to 98 million tons, he said. This reflects Community-enforced cuts in steel production agreed to "after long and painful discussion". Furthermore, the E.C. has decided to phase out all subsidies by 1986. In the meantime subsidies are only authorized if they are linked to a reduction in capacity.