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Background note

on

US-EC relations in the field of

high technology

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DIRECTORATE-GENERAL FOR COMMITTEES
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There are two main tendencies in US high technology policy. They are apparently contradictory: the Americans seek liberalisation of trade and investment while at the same time they adopt an increasingly restrictive attitude towards the transfer of (high) technology.

Liberalisation

United States position

The United States continue to press for special attention at the international level to the removal of obstacles to freer trade in high technology goods and services, such as problems of market access, technical standards, subsidies, government sponsored R & D programmes, procurement policies. There is still no agreed definition of high technology, but for the US it would normally include at least telecommunications equipment, computers, robotics, data processing precision instruments, semi-conductors, computer parts or software. The United States want the new GATT round of trade negotiations to include inter alia an agreement on liberalisation of trade and investment in high technology. But more liberal trade has also to go hand in hand with more effective international cooperation in the enforcement of intellectual property rights (e.g. to combat counterfeiting).

The US seek to maximise their own economic advantage by the removal of certain barriers to US exports of high technology goods in areas where they are competitive or dominant, and by tightening their grip on US intellectual property which in 1983 yielded a \$4.7 billion surplus to the balance of payments in licensing fees.

Community position

The vital importance of high technology in the perspective of strengthening European competitiveness, in particular vis à vis the US and Japan, is reflected in Community policy (e.g. ESPRIT, ERITE and proposed FACE programmes). The subject was discussed at the European Summit on 29/30 March. Community reaction to US initiatives on possible negotiations in the GATT on this sector has however been cautious. The Council Declaration on the new GATT round (19.3.85) therefore does not refer to high technology: it states only "Other possible new items should be examined on their merits".

For the Community there is little evidence that trade in high technology goods is subject to unique obstacles needing special trade policy treatment. There is also suspicion that the US may seek to expose and challenge national policies, including the nature and extent of government assistance in the sector and in R & D expenditure. The US could, for example regard publicly financed R & D as a subsidy and liable to countervailing duty. It is also essential to counter any US argument that high tech policies in Europe constitute examples of industrial targeting, by reference to the massive (\$60 bn in fiscal year 1986) federally funded R & D programme in the US. Suspicion of US motives in GATT is perhaps confirmed by the current petition by a US firm alleging unfair subsidisation of Ariane satellite launching service. (In addition European participation in the manned space station could be threatened by differences over technology transfer.)

The Community has however been prepared to discuss high technology with the US bilaterally. Establishment of an EC/US High Technology Working Group was agreed at the 1983 EC/US Ministerial meeting in Brussels and confirmed in December 1984. High-tech cooperation with the US also takes a more tangible form, involving participation of European subsidiaries of US firms in the ESPRIT programme.

Restrictions on transfer of technology

The US considers that the acquisition of advanced technology from the United States can enhance Eastern Bloc military capabilities so as to pose a threat to US national security. But, the key issue is not whether trade to the Soviet Union and its allies should be tightly controlled: it already is. The issue is primarily about tighter controls on trade with non-Communist countries from which technology of US origin might leak to the Soviets.

A number of lists of goods subject to controls are currently used.

A commodity control list has been established by the American Department of Commerce based on the Export Administration Act; the Munitions Lists has been established on the basis of the Arms Export Control Act which is managed by the Department of State; in addition the Department of Defence has set up a "Military Critical Technologies List" (MCTL). The MCTL covers a very wide range of dual-purpose technologies i.e. capable of military and civilian use.

On the basis of its laws the United States is anxious to control re-exports or exports of products from outside the United States containing American components and technology. This can put European economic interests at risk. The Urengoy pipeline affair was a classic illustration raising in addition the sensitive problem of extraterritorial application of American law. The Defence Department has recently been given authority to review licence applications for exports of goods and technology to certain non-Communist countries. So far none of the ten Community Member States is included.

The Military Critical Technologies List reflects the judgement that it is not sufficient to restrict the exports of goods but also the flow of technology and technological information.

This explains why participation in research programmes, attendance at seminars and dissemination of research results are being more restricted than in the past. In many cases these restrictions are not based on any legal instrument but on restrictions imposed by DOD when funding research including research in universities. Although growing research expenditure by DOD which will be around \$40 billion in fiscal year 1986 reflects the increased resources which are being put into defence by the United States, about 10% of this amount is for fundamental research for which DOD also tries to restrict access to foreigners.

If such restrictions proliferate, there is a risk of considerable impact on European technological development and industrial competitiveness but also the risk that European science will be discouraged from cooperating with American institutes to the detriment of both sides.

The Commission is collecting information on the scope and impact of restrictions but companies and research institutes as well as Member States are reluctant to provide information. We have suggested bilateral discussions with the United States.

CONCLUSION

The US is attempting to treat technology, including components, and manufacturing equipment, as a national resource. The justification is ostensibly on military/strategic grounds. But we know that there is growing concern in the US over economic issues, including international competitiveness and there is at least some risk that controls will be exploited for reasons of economic self interest, such, for example as maintaining and improving the US market share in high-tech products.