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Information Note

on

Trade and Tariff Act of 1984

(Omnibus Trade Act)

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TRADE AND TARIFF ACT OF 1984

The Congress of the U.S.A. adopted on 10 October 1984 by 386 votes for with one against the "Trade and Tariff Act of 1984" also known as the Omnibus Trade Bill (HR 3398). President Reagan signed the text on 30 October 1984. The essential elements of the law concern three "administration priorities: extension of the generalized system of preferences (GSP), establishment of a US-Israel free-trade area and expansion of administration authority to respond to other nations' trade practices".

This note will only deal with the last mentioned aspect of this bill, and only in as far as it is directly relevant to EEC-USA relations.

1. Steelproducts

HR 3398 gave the USA President authority to enforce voluntary restraints on steel imports, which President Reagan had recommended Sept. 18. The authority was linked to steelmakers' steps to modernize equipment and retrain workers. The bill also asked the President to reduce steel imports to between 17 percent and 20.2 percent of the domestic market.

All steel products are included in the enforcement authority such as laid down in HR 3398, which also states that if the USA policy for the steel industry does not produce satisfactory results within a reasonable period of time, Congress will consider taking appropriate legislative actions.

HR 3398 gives the USA Secretary of Commerce authorisation to request the Secretary of the Treasury to take action in connection with the Arrangement on European Communities' export of Pipes and Tubes to the USA contained in an exchange of letters dated Oct. 21, 1982. The Secretary of Commerce may permit the importation of additional quantities of specific products when he judges that conditions of short supply or emergency economic situations related to the market demand exist.

In the 1982 arrangement the USA wish to avoid diversion of steel products towards pipes and tubes was noted and the understanding was that such exports would not exceed 5,9% of the USA market. In case of distortion of the pattern of US trade, consultations would take place.

Imports declined initially, but surged dramatically in 1984. On September 18, 1984 President Reagan turned down a proposal to impose tariffs and quotas. He pledged, however, to enter into negotiations with major foreign steel suppliers on "voluntary" agreements to keep exports to about 20 percent of the domestic market. By the end of September steel imports equalled about 25% of the US market.

President Reagan's decision was provoked by an International Trade Commission (ITC) recommendation to set quota's and tariffs to aid domestic steel producers. President Reagan had turned down, on September 6, an ITC recommendation to impose barriers on copper imports.

During the negotiations in 1982 the Community had refused to include tubes and pipes in the arrangement. However, recognising the need to avoid the arrangement being upset through uncontrolled growth in deliveries of more elaborate steel products to the American market, the Community agreed that the conclusion of the agreement on ordinary steel should be accompanied by an exchange of letters devoted to tubes, in which it said it was prepared to follow an attentive and moderate policy in this sector. For 1983, a guideline percentage of 5.9% of the American internal market was decided upon, not as a commitment but as a provision. In fact, EEC exports finally represented about 8.1%, without leading to an American request for discussion, as was planned in the afore-mentioned exchange of letters. The sudden increase of Community exports in 1984, bringing the share of European tubes to more than 14% of the American market, caused the Commission, last August, to suggest a solution to this problem on its own initiative, which differed from that included in the exchange of letters of October 1982.

The EEC Council approved on 22 November last a negotiating brief, containing an offer of voluntary restraint. The Community's offer, which was a compromise (Luxembourg and Greece voted against) was to limit EEC's pipes and tubes exports to 7,6% (with some exceptions) of the USA market.

This came at a time when EEC's share of the USA market for those products was about 14%. The compromise was, according to Mr Davignon, the EEC Commissioner, the same as the formula he and Mr Haferkamp had discussed with Mr Brock and Mr Baldrige, their American counterparts, who had pledged to promote this formula before the Washington Administration, just as the Commission had promised to promote it before the Ten and Community industry.

The unilateral decision of the American administration on 27 November 1984 to suspend imports of tubes and pipes from the European Community from 29 November 1984 and for the rest of this year and at the same time to reject the offer of an arrangement which was proposed by the Community, came therefore as a surprise. The EEC, in contrast with the interpretation by the Congress and the American Administration of the 5.9% figure, never looked upon this percentage as a self-limitation undertaking. In Community milieu there was consternation about the rather cavalier and unorthodox manner in which the United States rejected, without any preliminary discussion at all, the offer of an arrangement which was negotiated in frequent contact with representatives of the American Administration during the last few weeks and which seemed to have met with approval from the American interlocutors, whose good faith is not being questioned.

The Council thereupon decided:

- to denounce unilaterally the exchange of letters of 21 October 1982 regarding the afore-mentioned products and designated Vice-President Davignon to undertake the necessary démarches to this effect;
- to note the intention of the Commission to present to the Council within a short delay, suggestions regarding further actions in particular within the framework of GATT.

By renouncing the 1982 exchange of letters the EEC expects to have removed the legal basis for the US import ban. U.S. legislation gives the President the option of applying the contents of the exchange of letters but not the option of unilaterally blocking imports, an EEC spokesman indicated.

Major USA suppliers of steel products are, beside the EEC, Japan, Canada, Argentina, Mexico, Brazil, South Africa, South Korea and Australia.

What is worrying the EEC is that other exporters of pipes to the American market, from third countries for example, - with whom there is no exchange of letters comparable to that carried out in October 1982 between Brussels and Washington - have, in fact, also considerably increased exports, and, consequently, their share of the American market.

Thus the share of supplies from South Korea to the American market increased from 4.2% in 1979/81 to 13% in 1983. Mexico's share climbed from zero to 3% and Brazil's from zero to 2.9%. In each of these cases, the rate of increase was therefore considerably higher than that for which the Community is being penalised. However, negotiations with these countries have been announced by the US.

The precise EEC position on the pipes and tubes retaliation remains vague. It cannot fashion its response exactly until it is clear on what legal basis the US is acting. It is thought the USA might take section 805, concerning enforcement authority, to carry out action concerning the USA/EEC Arrangement on Pipes and Tubes, as a legal basis for this. Further, the EEC does not yet know how the US will administer its new control. In the meantime the EEC has made it clear that it is seriously considering lodging a complaint at the GATT in Geneva.

2. Wine

The Wine Equity Act, which is part of the Omnibus Trade Bill provides the possibility for the American Administration of limiting imports of foreign wines. Not only is the American domestic industry entitled under this act to file petitions for anti-dumping on countervailing measures, but so are the grapegrowers, and this for a period of two years.

The International Trade Commission earlier this year, in denying the wine industry's petition for import relief, decided that grape growers were not part of the domestic wine industry, and therefore excluded grape data from the wine injury claim.

The European wine growers, mainly French and Italian, but also German and Greek, already in a difficult position on the eve of Spain's and Portugal's entry in the Community, are very worried about these new provisions.

The European Commission has requested consultation at meetings of the GATT Dumping and Subsidies Committees of 30 October to 2 November 1984.

The following figures give an idea of the development over the last year of EEC's wine export to the USA, and the US overall export of wine:

EUR 10 EXPORTS OF WINE¹⁾ TO USA

	VALUE (000 ECU)	QUANTITY (LITRES)
1977	254,286	1,977,635
1978	337,710	2,583,055
1979	370,053	3,030,486
1980	382,927	3,141,194
1981	508,108	5,196,244
1982	616,733	6,153,265
1983	734,516	6,244,452

1) SITC 11212

Note: Prior to 1981, figures are for EUR 9

Source: EUROSTAT, SIENA

US Trade in Wine¹⁾ 1978-1984

\$ million

Period	Imports from		Exports to		Re-exports to	
	World	of which EUR 10	World	of which EUR 10	World	of which EUR 10
1978	630.1	545.9	9.7	0.8	1.4	0.8
1979	692.2	599.2	18.5	2.7	1.0	0.5
1980	765.5	658.0	28.8	8.5	1.0	0.3
1981	832.4	719.0	40.5	13.7	1.3	0.4
1982	861.6	751.9	37.4	11.7	0.9	0.4
1983	934.7	816.7	30.9	10.1	1.3	0.6
1984 ²⁾	751.0	662.3	19.2	6.4	1.0	0.5

1) SITC 112.12 (wine from fresh grapes)

2) January - September

The Wine Equity Act also requires the US trade representative to consult with major foreign wine producers to reduce or eliminate wine trade barriers, work to correct any trade barriers the trade representative's office determines should be counteracted and report to Congress on progress made.

It should be noted that the American Administration has in the past opposed this Act, trying hard to hold the line against protectionist pressures in the US

3. Shoes. American shoe manufacturers are authorised by law to bring a case on imported shoes to the ITC which will then judge whether the imports caused closures of American companies. The International Trade Commission had turned down a bid from US shoe manufacturers for import protection. Although seven of every ten pairs of shoes now sold in the US market are imported, imports are not the cause of the flagging fortunes of US manufacturers, the Commission said June 6, 1984.

The industry had requested a ceiling restricting foreign shoes to 50 percent of the US market for five years.

4. Other

a) Exports

The law strengthens the powers of the Administration to negotiate the removal of trade barriers established by some countries against American exports, particularly farm produce. It also authorises American retaliatory measures if negotiations are unsuccessful.

b) Generalised preferences

The law renews for five years the "agreement on generalised tariff preferences", reducing customs duties on imports from 140 developing countries. Bill agreed to by voice vote.

c. Israel

The text allows the President to negotiate an agreement with Israel for the total exemption of customs duties on bilateral trade. Such an agreement, the first free trade agreement ever signed by the USA, is aimed at helping American products compete with European products which have been covered by a free trade agreement between Israel and the EEC since 1975.

Bill agreed to by a 416-6 vote.

d) GATT

The law gives the Administration the absolute authority to negotiate the reduction of barriers to service exchanges and investment, in preparation for the new multilateral GATT negotiations.

