

# A Letter From EUROPE

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## BEWARE OF JOBSDOGGLING

If a boondoggle is defined as "any project on which government funds are wasted" (Safire's Political Dictionary, p. 71), then a project which will result in the loss of jobs might fairly be called a **jobsdoggle**. A good deal of jobsdoggling is around, and can be found in some of the proposals for new trade legislation.

New trade legislation can do some very useful things. It can provide authority for the U.S. Administration to engage in negotiations in the new trade round launched in Punta del Este last September, and it could make useful contributions in such areas as training, readjustment and education. But some ideas are simply jobsdoggling and dangerous. Let me set out some examples.

### **Jobsdoggle: Reciprocity sector-by-sector.**

It has been argued that unless foreigners give the U.S. equal treatment in certain specific sectors such as telecommunications, barriers should be erected against their exports of the same products to the United States. First, deregulation in the U.S. telecommunications area, to take this as an example, did not happen overnight. The process started in 1968 and is still going on. Second, the U.S. has a surplus, not a deficit, of \$500 million with the E.C. in telecommunications equipment, and of several billion dollars if one considers telecommunications and computers together. Finally, everyone can find sectors in which one country gives better treatment than others. In the case of wool textiles, for instance, tariffs in the Community are less than half those in the United States. To some, this would be a case where the Community could insist on reciprocity.

To try and get reciprocity in every specific sector would mean massive new restrictions sprouting up everywhere on world trade. Reciprocity is essential in trade negotiations. But it can only be achieved by overall reciprocity: trading off the disadvantages in one sector for advantages in another. Forcing reciprocity in one sector by imposing trade barriers would simply lead to retaliation from the other party. Result: loss of American jobs.

### **Jobsdoggle: Action, possibly of an automatic kind, under Section 301 of the U.S. Trade Act of 1974 (unfair trading practices).**

It is all very well to ask for tough and aggressive action under domestic legislation, but unfair trade practices generally turn out to

be what the other fellow does - never what one does oneself. What really matters is whether actions by a contracting party of the GATT are in conflict with the international trading rules. Otherwise "tough" action by the U.S. will be followed by equally tough action by others against U.S. exports. And it should always be remembered that while the international trading rules on, say, subsidies and dumping may not be perfect, they are the only rules we have. Amending them should be done by multilateral agreement, not unilateral action which could simply result in retaliation by others against American exports. Result: loss of American jobs.

**Jobsdoggle: Import surcharges to reduce the trade deficit.**

But this would conflict with the international obligations of the United States as far as bound items (on which tariffs are guaranteed not to be increased without compensation) were concerned - particularly the obligation not to introduce new restrictions during the recently launched trade negotiations. Such actions risk leading immediately to retaliation. Result: loss of American jobs.

**Jobsdoggle: Requiring countries with a large current account surplus with the U.S. to cut the surplus dramatically or face a special tariff.**

This again would conflict with international obligations, throw a large wrench into the current round of trade negotiations and could easily boomerang. Other countries could pass similar legislation. In 1980 the U.S. ran a surplus with the Community of \$18 billion. Would the U.S. appreciate it if, when it gets into a surplus position again with a number of its important trading partners, tariff increases were to be imposed on American exports? In the meantime, the result would be retaliation and the loss of American jobs.

**Jobsdoggle: New textile legislation scrapping the MFA.**

A bill has been introduced which would limit imports to their 1986 level and restrict growth to 1 percent a year. This could only be achieved either by reneging on the agreements with developing countries recently negotiated under the Multifiber Arrangement (MFA), or by cutting exports of textiles to the U.S. from the E.C. and Canada. Either course would mean the end of the MFA and would be likely to provoke retaliation. Certainly, if restrictions were imposed on European exports of textiles to the U.S., the Community would be likely to retaliate with restrictions on U.S. textile exports to Europe, which are up 42 percent from last year and still rising. Result: loss of American jobs.

There is no quick fix in any country for reducing a trade deficit. To try and do so by legislation which bashes foreigners invites retaliation and is simply self-defeating. The real solution lies in reducing the budget deficit, achieving an appropriate exchange rate and increasing competitiveness. Five million American jobs now depend on exports both in the farm sector and in industry. Some of the proposals listed above may sound superficially attractive as a means of reducing the trade deficit. But in practice they would simply result in the loss of hundreds of thousands of American jobs.

*Roy Harman*

# WINDOW ON THE EUROPEAN COMMUNITY

## TRADE

• U.S. and E.C. negotiators resolved on January 29 a year-long dispute over trade in corn and sorghum that had threatened to develop into a full-fledged trade war. Under a new, four-year agreement, the E.C. will ensure a minimum annual level of imports of two million metric tons of corn and of three hundred thousand metric tons of sorghum into Spain from non-E.C. sources, through the application of reduced-levy quotas.

E.C. Commissioner Willy De Clercq, who is responsible for the E.C.'s external trade policy, called the solution "political and pragmatic" while noting that both parties remain in disagreement about interpretation of Article XXIV/6 of the GATT, around which the dispute centered. "But with this solution," he added, "we have put an end to a conflict which threatened to degenerate and could have been damaging for both partners." The dispute has been brewing since January 1986, when Spain and Portugal joined the E.C. and their external tariff rates were changed.

• The 92 Contracting Parties to the General Agreement on Tariffs and Trade (GATT) reached agreement on January 29 on structuring the round of multilateral trade negotiations—known as the Uruguay Round—launched last September. The final document notes that there is "an urgent need to bring more discipline and predictability to world agriculture trade by correcting and preventing restrictions and distortions."

• The E.C. Commission adopted a proposal on February 11 aimed at preventing foreign companies from circumventing E.C. anti-dumping duties by assembling foreign-made components within the Community. Noting that such circumvention may have occurred with products such as electronic typewriters, plain paper copiers, excavators and weighing scales, the Commission proposed levying anti-dumping duties on such products "introduced into the commerce of the Community after having been assembled in the Community."

• Figures recently released by the U.S. Commerce Department indicate that U.S. exports to the Euro-

pean Community grew by 8.5 percent in 1986 from 1985, while American imports from the E.C. rose by 11 percent. Trade with the Federal Republic of Germany was particularly brisk, with exports to that country rising 16.7 percent and imports growing by 23.1 percent.

• The U.S. and E.C. will exchange information and work toward developing common standards in telecommunications, the head of the E.C.'s Directorate General for Telecommunications and Information Technologies said in February. "A trade war between the United States and Europe would make no sense," said Michel Carpentier, "not only because of the important trade surplus enjoyed by the U.S., but also because the objectives of the Community and the United States are the same. We both want to establish a broad, open telecommunications network." The U.S. had a trade surplus of about \$500 million with the E.C. in telecommunications during 1985.

• The U.S. and E.C. held talks in early February on the question of government subsidies to Airbus Industrie, the European aircraft consortium, and the United States requested late in the month that a special meeting of the Committee on Trade in Civil Aircraft of the GATT be called to discuss the dispute. The E.C. and the member states concerned agreed to such a meeting, which will be held sometime in March. The U.S. said in its request that it "considers that its trade interests in civil aircraft manufacture have been or are likely to be adversely affected" by actions by members of the Airbus consortium.

• The European Community exported 25.2 million tons of steel in 1985, a record high for the 1980s. Most of the exports went to Asia (24.5 percent), followed by the United States (19 percent) and the European Free Trade Association (EFTA) countries (16.3 percent).

Per capita steel consumption in Europe has remained fairly stable, varying from 375 kg in 1965 to 500 kg in 1973, and was at a level of 385 kg in 1985. Per capita consumption reached 610 kg in Japan in 1985, and 450 kg in the United States. Japan and the E.C. are both

net exporters of steel, while the United States is a net importer, consuming about 27 million tons more than it produced in 1985.

• The Commission said in February that it would soon ask for a panel to be established in the GATT to examine the legality of the agreement signed last year between the United States and Japan on semiconductors, some aspects of which, the Commission believes, jeopardize international trading rules and threaten E.C. interests. Three aspects of the accord are of particular concern: The monitoring of Japanese exports to third countries and the subsequent price increase for semiconductors on the Community market; the potentially privileged access of U.S. firms to the Japanese market; and the agreement's general lack of transparency.

## FOREIGN AFFAIRS



Commissioner Claude Cheysson: pushing for "political dialogue."

• E.C. and Central American foreign ministers met in Guatemala in early February for two days of talks, in which the E.C. renewed its firm support for the Contadora peace process and discussed trade issues of mutual interest. "It is necessary to deal with all the problems that arise in Central America through political dialogue," said Claude Cheysson, the E.C. Commissioner responsible for North-South relations. The Community also confirmed its intention to "substantially increase" its overall aid to the region, and to promote economic integration in Cen-

tral America. Both sides agreed to meet again next year in Europe.

• E.C. member states issued a statement late last month expressing their concern at the heightening conflict between Iran and Iraq and renewing their appeal to both countries to cease hostilities immediately. Noting that the recent escalation of the conflict has had an enormous human cost and damaged the infrastructures of both countries—as well as involving charges of serious breaches of humanitarian standards and laws governing armed conflict—the Community stressed its concern that the conflict might spread to neighboring countries and threaten international security.

• With tensions in the Near and Middle East continuing to worsen, Foreign Ministers of the E.C. issued a statement on February 23 expressing strong support for an international peace conference on the Middle East to be convened under the auspices of the United Nations. Such a conference, the statement said, would provide a "suitable framework" for negotiations toward bringing "just, global and lasting peace to the region . . . and to allow the economic, social and cultural development which has been too long neglected."

The E.C. also noted that it hoped to see an improvement in the living conditions of the inhabitants of the Occupied Territories, and that it had already decided to grant aid to the Palestinian population in those areas and to give preferential access to the E.C. market to certain products from the Occupied Territories.

## BUSINESS

• The average annual rate of inflation in the E.C. fell to 2.7 percent in January, the lowest level in about 25 years, according to Eurostat, the E.C. statistics office. The number of unemployed in Europe rose to an all-time seasonal high of 16.4 million in December, however.

• The Commission decided on February 4 to fine the German chemical group Hoechst AG 1,000 ECU (about \$1,150) for every day that it refuses to allow E.C. officials access to its files for an investiga-

tion into an alleged price-fixing cartel for plastics in Europe. Under Community law, the Commission has the power to investigate businesses and can examine and take copies of records, ask for oral explanations, and enter any premises or means of transport of an enterprise under investigation. Companies are obliged to submit to such investigations when they are ordered to by a Commission decision—subject only to review by the European Court of Justice. Hoechst is challenging the Commission's action in the European Court.

- Commission President Jacques Delors presented the Commission's 1987 work program to the European Parliament on February 18. The program, which is focused on making the Single European Act a success, includes as its main aims: further reform of the Common Agricultural Policy; increased monetary, economic and social cooperation; new transport and environmental policies; and a new financial system that will assure the Community a stable, adequate and guaranteed source of funding.

- The Commission imposed fines of 50,000 ECU (about \$57,500) late in January on 15 steel companies (including British Steel Corporation, Hoesch, Sacilor, Usinor, Cockerill-Sambre and Thyssen) for not respecting minimum price regulations. The companies granted illegal rebates on certain steel products to automobile companies within the Community.

## SOCIETY

- The Commission brought a number of European theater experts together last month to begin preparations for an international European theater festival to be held in 1988. The panel will also promote cooperation and coproduction among E.C. theater groups, develop a system of simultaneous translation for the theater, and set up an international European School for the dramatic arts.

- The number of cases of AIDS in the European Community, which reached 3,354 last October, is doubling every nine months and is expected to reach 100,000 by the end of the decade, the Commission said in February. The Commission is proposing a fund of 2 million ECU (about \$2.3 million) for an AIDS information exchange program among E.C. member states. The

Commission also said this month it plans to set up a joint campaign with a number of African countries to help fight the disease.



**Endangered species? New farm price proposals call for a freeze in dairy and beef support prices, and agreements reached last year will cut milk production 9.5 percent by mid-1989.**

## AGRICULTURE

- The Commission proposed on February 16 its annual price package for E.C. farm products for 1987/88. The package calls for an overall drop of 0.5 percent (in ECU) in agriculture price supports, with prices frozen for high-quality wheat, dairy products, beef and veal, mutton, lamb and olive oil. The package also includes a time limitation on intervention payments for cereals and olive oil, a system of guaranteed maximum quantities for olive oil and soybeans, and adaptation of the current structural policy to the market situation. For sugar, a special levy is to be introduced to eliminate that part of the overall loss not covered by the 1986/87 production taxes.

The Commission also proposed a variable tax on vegetable oils and fats to help pay for the costs of the common policy in those products. The tax proposal, which would affect European producers as well as U.S. exporters, faces some opposition in Europe, and both it and the price proposals must be approved by the Council before coming into effect.

- The Commission recently published its annual report on E.C. agriculture, noting that there were major reforms last year on beef, veal, cereals and milk products, and that farm output increased while prices declined slightly. The report, **The Agricultural Situation in the Community: 1986**, includes chapters on the economic situation, price

decisions, farm markets, and financing of the Common Agricultural Policy, and is available for \$24.00 from the E.C. Information

Service, 2100 M Street NW, Washington DC 20037.

## ENVIRONMENT

- E.C. Environment Ministers recently approved a new and tighter system of licensing of experiments involving animals. The system, which Environment Commissioner Stanley Clinton Davis called "a major step toward a society of humane and decent values," requires prior authorization of all experiments and eliminates unnecessary duplication of tests. The E.C. also signed this month a Council of Europe Convention on the use of vertebrate animals for scientific purposes, aimed at reducing the number of experiments and the number of animals used.

- The Commission proposed in February that the E.C., as part of its adherence to the Geneva Convention on long-range transboundary air pollution, commit itself to a reduction of 30 percent in sulphur dioxide emissions by 1993.

- The Commission proposed in February the creation of a five-year program designed to explore the job-creating potential of environmental projects. Recent research has indicated that stricter environmental protection could create employment rather than inhibit it, and the Commission believes that some 3 million people could be employed in this field by the end of the century. If the program is approved by the Council, the Commission plans to finance

an average 40 percent of the costs of the 60 to 80 projects envisaged for the first phase. The cost of each job created would be between 5,000 and 150,000 ECU (\$5,750 to \$172,500).

- The Commission said this month it would provide grants for ten environmental protection projects in the Community's Mediterranean regions. The projects, which form the first phase of the Mediterranean Strategy and Action Plan (MEDSAP), will focus on water quality and supply, waste disposal and management, and land use.

## AID AND DEVELOPMENT

- The cooperation agreement signed between the E.C. and the Andean Pact countries (Bolivia, Colombia, Ecuador, Peru and Venezuela) in December 1983 finally came into effect on February 1, following ratification by all the countries involved. The accord, which grants each party Most Favored Nation status in trade, is designed to reinforce cooperation in the economic, development and commercial fields. The Commission announced in December it will be providing 3,000,000 ECU for agriculture research in the Andean Pact countries.

- Eugenia Charles, the Prime Minister of Dominica, became the first woman chairman of the Council of Ministers of the African, Caribbean and Pacific (ACP) countries on February 1. The 66 ACP countries are linked to the E.C. through the Lomé Convention.

## SCIENCE AND TECHNOLOGY

- The European Space Agency (ESA) opened the world's biggest and most advanced space simulator in Holland in January. The \$30 million device, built by a consortium of European companies, mimics the motion, vacuum and high-radiation conditions of outer space, allowing a new generation of Ariane IV-launched spacecraft to be tested before being put into orbit.

- The E.C. recently published a new directive on protecting topographies of semiconductor chips, designed to harmonize product protection in the E.C. member states and obtain protection in the United States for European semiconductors.