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REPLY BY MR FINN O GUNDELACH TO MR COUSTE'S ORAL QUESTION NO 46, WITH DEBATE, ON UNITED STATES PROTECTIONISM - EUROPEAN PARLIAMENT, LUXEMBOURG - WEDNESDAY 12 NOVEMBER 1975

Mr President,

CHECK AGAINST DELIVERY

May I begin by saying that I welcome Mr Coustè's question, and the opportunity it gives us to clear our minds on the important issues that it raises.

Although the Honourable Member is asking specifically about protectionism in the United States - and I shall deal with his specific points in a moment - I do not think that anyone in this House will doubt that these issues must be seen in a wider perspective

All over the world it is plain that the malign effects of the international recession - and in particular unemployment, under-used resources, and unsatisfactory profits - will continue for a considerable time to come.

This will be so even if the beginnings of economic recovery are now visible in the United States and are perhaps just around the corner in some,at least,of our Member States.

We all know - certainly every member of this House is in a position to know - that one of the inevitable and quite

understandable results of the situation in which the world finds itself has been the re-emergence of pressures for protection in many important quarters both within the Community and abroad.

Those Honourable Members who heard the exchanges on the textile industry or on steel at Question Time during some of the recent sessions of this House will understand what I mean.

And so we are bound quite frankly to admit that the question of protectionist pressures is not one that arises only in relation to the United States.

It is a problem for all of us - a problem that challenges not only the American commitment to the concept of an open world economy, but also our own commitment to that concept here in the Community.

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/The Honourable Member

The Honourable Member asks "what protectionist measures have so far been taken or planned by the United States".

I would like to draw the attention of the House to an important - indeed a crucial - distinction: the distinction between protectionist measures and protectionist pressures.

So far both in the United States, and indeed in the Community, those responsible for deciding policy have on the whole been able to avoid the adoption of protectionist measures.

We are all, however, facing great pressure.

Our task is to ensure that these pressures are not translated into concrete measures of protection.

In this common task we are all responsible - the Community and its Member States as much as the United States itself.

Looking at the situation in the United States, the Commission is of course very concerned about what has been happening over the past few months on the trade front.

We have been given some reason to fear that in the United States at present the road that leads from the exercise of

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pressure to the implementation of protectionist measures is dangerously open.

And this cannot but have the gravest implications for us in the Community in view of the amount of our trade with the United States that is being threatened by these pressures.

The basic fact is that until the recent American decision on steel, over $4\frac{1}{2}$ billion worth of Community exports - approaching one-quarter of the value of everything we exported to the United States in 1974 - was the subject of complaint under the Trade Act.

Even today, well over $3 billion worth of our trade is potentially at risk.

And all this is happening - paradoxically - at a time when the United States is enjoying a record surplus with the Community, amounting to more than $3 billion in the first six months of this year.

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Let me now take in turn the specific points raised by the Honourable Member.

First, there is the question of compensatory duties.

So far this year, the United States Treasury has initiated countervailing duty investigations into twelve cases affecting the Community.

Six of these cases are still pending.

They concern first the question of export refunds on exports of canned hams from Denmark and the Netherlands. $265 million worth of Community trade is involved in this investigation.

Secondly they concern the question of regional aids allegedly affecting exports of float glass from Germany, Belgium and Italy.

The value of the trade involved here amounts to some $2 million.

And thirdly, they concern the question of special

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production and export subsidies affecting exports of cap screws from Italy.

The sum involved here is $5 million.

The second point raised by the Honourable Member relates to the possible imposition of dumping duties on Community exports.

Four cases concerning Community exports are so far under investigation by the American Treasury.

By far the most important case is that which concerns the alleged dumping of motor cars from Belgium, France, Germany, Italy and the United Kingdom.

In this matter $2,530 million of Community trade are involved.

The other cases concern water circulating pumps from the United Kingdom - involving the sum of $\$\frac{1}{2}$ million; ski bindings and parts from Germany worth $1.7 million; and knitting machinery from Italy worth $2 million.

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Then there is the question of the application of safeguard clauses. The United States Administration has been petitioned by American firms to impose import quotas, or other import restraints, on Community exports of shoes (to the value of $324 million), industrial fasteners (to the value of $43 million), speciality steel ($70 million), stainless steel table flatware ($0.1 million), slide fasteners ($1 million), gloves ($3 million) and mushrooms ($0.7 million).

The majority of these cases will come up for decision early next year.

Finally, the Honourable Member asks about the enquiries being pursued in the United States into alleged restrictions on foreign trade by third countries in infringement of Section 301(of the Trade Act.

Up till now, there have been two cases of this kind affecting us.

They concern egg albumen and canned fruits and vegetables.

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All these cases are being closely watched by the Commission.

We have made our views on them perfectly clear to the American authorities.

And in the particular case of anti-dumping investigations into motor cars, we have drawn the attention of the American authorities to the fact that the initial opening and subsequent conduct of the investigation appears to us to be inconsistent with the GATT Anti-Dumping Code, of which the United States is a signatory.

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/What conclusions

What conclusions are we to draw from all this?

It is certainly true that the pressures for protective action have been mounting in the United States, and that they are formidable pressures, advancing on a wide front.

But at the same time, it is also true that so far - with the notable exception of cheese - the American Administration itself has not surrendered to these pressures.

There is no sign that the American Government's commitment to a liberal world trading order is slackening - indeed only a few months ago the Americans renewed their support for the OECD Trade Pledge against beggar-my-neighbour protectionist policies.

Ambassador Dent's further assurances on this point during his visit to the Community last month were very welcome.

And even more important - and just as welcome - was the announcement that the American Government was dismissing the complaints concerning rolled steel.

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This is evidence indeed that the Administration is putting new vigour into its efforts to resist the pressures that have been building up.

The moral we must surely draw from the present situation is that in a period of exceptional economic difficulty governments everywhere must be especially active not only in resisting protectionist pressures, but also in explaining to their citizens exactly why the protectionist soft option must be resisted.

And this applies as much to ourselves here in the Community as it does to the United States.

For if we succumb to these pressures in our own trading policies, how can we hope to persuade others to hold the line?

The case is simple.

The interdependence of the different elements of the world economy today is far greater than it was in the 1930's

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when the world-wide retreat into protectionism did such great harm to all our economies, and indeed to the very basis of our political life.

But the damage which we did to one another then inadvertently, and in ignorance, is as nothing compared to what we would do to ourselves if we were now to take that road again.

When I visit the United States next week to conduct the Commission's regular consultations with the Americans, I shall be concerned to make this point, and to drive it home.

And I shall be strengthened in the knowledge that in these matters I can speak for the Community as a whole, and - I believe - with the support of this House.

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