EDITORIAL COMMENTS

Capitol Concerns

In the Editorial Comments which appeared in this *Review* in November, 1982, we criticised in strong terms the US Government's attempt to apply, through the provisions of the Export Administration Act, 1979, an extra-territorial embargo on the supply of equipment to the Siberian–European natural gas pipeline. We suggested that the " . . . US Government would be well-advised to substitute talks for sanctions and to forego the exercise of both legislative and enforcement jurisdiction against companies located in European territory".[1] In spite of the subsequent, even if only partial, resolution of both the pipeline and the steel crises, we make no apology for returning to the subject of EEC–US relationships with the Williamsburg Summit meeting approaching fast. For both at Williamsburg and at Washington this coming summer there will be a very full agenda of "European" issues.

Inevitably, because of last year's events, the renewal of the Export Administration Act, 1979, will attract much attention. The Act regulates US shipments of goods and technology to governments deemed to be hostile to the United States. The first hearing on renewal of the Act took place before the Senate Banking Committee in February last. The Act must be renewed by 30 September, 1983, when it expires. The Commerce Department, which exercises a central position of responsibility for overseeing strategic exports has not, at the time of writing, adopted an "official position", but the proponents of a policy which would lead to a substantial tightening of the existing export controls are strongly entrenched and unlikely to be easily overcome. The legislative history of the present Act, and of the earlier Export Administration Amendments of 1977 should not be foregotten; nor should the linkage seen by many in the United States between this issue and the others which figure currently on the European agenda of Congress.

The complaint most frequently heard on Capitol Hill is that an unequal trading relationship has developed with Europe. Agricultural products are regarded as the single most sensitive issue. US complaints

1. "*Does Mr Reagan's writ run in Europe?*", 19 CML Rev. 1982, 497–500, at 500.

over alleged Community unfair practices in the agricultural trade sector are not, of course, new, but they have been revived in recent weeks following the discouraging outcome of the ministerial meetings of the GATT last November – when the effects of agricultural export subsidies on world trade (together with other elements of agricultural support) was again under review. The Community saw no reason for re-opening, after three years, the difficult negotiations that had marked this sector of the Tokyo Round settlement. Nevertheless, the Community and the US did set in train a series of expert level meetings which were intended to explore the margins of manoeuvre between the two systems and to defuse the conflict. Can this process result in more than the basis for a truce?

The background to the confrontation is very clear. The overall value of world trade in agricultural products increased by over 450 per cent in the 1970s. As is well known, the Community is a substantial net exporter of agricultural products. In 1981 the US sold $.43 billion worth of farm products abroad, including $.9 billion worth to the Community, its largest single foreign customer. In that same year the US registered a $.26 billion surplus in its agricultural trade – a bright sector in an otherwise depressing set of balance of trade figures. Inevitably, as economic factors have made it more difficult for the US to sell agricultural produce abroad, so criticisms of the CAP have increased. The US has, in particular, claimed that it has suffered severe erosion of its markets in wheat flour, pasta, poultry, canned fruit, raisins and sugar because of CAP export subsidies or export refunds. These complaints have been taken to the GATT. The Community has defended its position by arguing that export refunds are not used to undercut the prices of competing goods but to bring down relatively high internal Community prices to world levels. The latter are determined primarily by the volume of crop production within the US, by demand within importing countries, and by the strength of the dollar. The Community also points, with justification, to the $.11 billion to be spent by the US this year – out of a total agricultural budget of $.30 billion – on commodity price supports, as well as to a battery of other subsidies, credit guarantees, subsidised interest rates and concessional sales programmes employed by the US in the promotion of agricultural exports.

The two-year study of the impact of agricultural subsidy schemes commissioned by the GATT last November, together with the EEC–US discussions now in progress, will not soften the more strident voices in Congress. Much of the criticism of Community policies there has found a focus in the efforts of Senator Jesse Helms, the chairman of the Senate Agriculture Committee, to initiate appropriate new legislation. At the moment over a dozen separate bills are under consideration. Perhaps the most significant is Senator Helms's own bill, the *Agricultural Export Equity Act of 1983* (S. 251). This would, if it became law, require sales of surplus US dairy products at "competitive" prices, *i.e.* prices below those charged by European competitors. It would also require the Secretary of Agriculture to report on countries which subsidize their agricultural exports and enable the preparation of a "sinners list" for use by the US Government in retaliatory action.

When the current EEC–US discussions end, the report to Ministers will, of course, cover a wide range of subject areas – and interpretations of trade "protectionism". The signs from Washington, however, are that common sense and understanding will be hardest to achieve in the area of agricultural exports.