

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

RESTRICTED

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ARTICLE XIX - ACTION BY THE UNITED STATES

Specialty Steel

Communication from the United States

Addendum

The following communication, dated 17 February 1984, has been received from the delegation of the United States.

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- A. The following information is provided to the CONTRACTING PARTIES in regard to the session of the GATT Council to review the EC proposal (contained in L/5524/Add.15) for suspension of concessions in response to the United States Article XIX action on certain specialty steel products.
- B. The United States does not question the right of the EC, under Article XIX, to suspend substantially equivalent concessions. However, we believe that the actions proposed by the EC against United States exports are in excess of the level which could be considered "substantially equivalent" to the United States action, and that the proposed action should be disapproved if not modified by the EC to conform with the criteria of Article XIX.
- C. We believe that the excessive character of the EC's proposal results from statistical discrepancies concerning existing United States exports to the EC, denomination of the quotas in value terms without taking into account exchange-rate changes, and tariff increases on United States products which will have a significantly more restrictive effect than the United States tariff action is having on EC products.
- D. United States export data show that the United States trade in items subject to the proposed quotas is significantly higher than is indicated by the EC import data:

1982 Trade

(millions of dollars)

Product	US exports (Schedule B)	EC imports (Nimexe)	Difference
Styrene	64.4	36.6	27.8
Polyethylene	24.3	19.5	4.8
Sports Guns	10.7	10.5	0.2
Gym Equipment	6.8	5.1	1.7
Snow Skis	4.8	5.5	-0.7
Totals	111.0	77.2	33.8

E. These differences cannot be satisfactorily explained by differences in the United States and EC classification systems. The item accounting for the largest part of the difference, styrene, is similarly defined and specifically named in both systems. Furthermore, it is unlikely that transshipment or inward processing of United States exports could explain these differences.

F. Denomination of the EC quotas in ECUs rather than in terms of quantities also contributes to making the EC quotas excessively restrictive. The EC used the 1982 exchange rate of ECU 98 to \$100 in expressing the quota levels in dollar terms. The current exchange rate is only ECU 80 to \$100. This results in an increased dollar impact of the quotas, even using EC trade figures. At today's exchange rate the proposed quota of ECU 54.1 million is worth only \$43.3 million, resulting in a trade reduction of \$33.9 million, about 44 per cent, based on 1982 EC trade figures. Applied to the United States trade figures this quota level cuts back United States trade by \$67.7 million, nearly a 61 per cent reduction as compared with the 30 per cent reduction indicated in the EC proposal. We understand that the EC is giving consideration to making adjustments in the quotas which will address this point. However, such modifications have not yet been made.

G. Furthermore, we are concerned that denomination of the quotas in terms of value rather than volume will be inherently more restrictive over the life of the proposed quotas. Due to price changes over time, volume quotas, like those imposed by the United States on specialty steel, tend to result in increased returns per unit exported, so that the value of EC exports would be reduced less than their volume over time. Conversely, value quotas, like those proposed by the EC, tend to reduce the volume of exports over time, producing a more restrictive effect.

H. Although the United States believes that EC estimates of the effect of the United States quotas on EC specialty steel exports may be exaggerated, the action proposed by the EC greatly exceeds even its own estimate of trade loss when these factors are taken into account.

I. Regarding the items on which the EC has proposed tariff increases, there is again a major discrepancy between United States reported exports and EC reported imports:

1980-82

(millions of dollars)

Product	US exports (Schedule B)	EC imports (Nimexe)	Difference
Methanol	19.8	16.3	3.5
Vinyl acetate	41.1	19.8	21.3
Alarms	29.9	20.8	9.1
Totals	90.8	56.9	33.9

J. Because United States statistics indicate higher United States exports than reflected by EC data, the actual duties collected figure may be considerably higher than that estimated by the EC. Use of the United States export data for calculation of the additional duties collected in the first year of the measure results in a figure of \$5.9 million as compared to the EC figure of \$3.7 million.

K. We believe the increased tariffs on the two chemical items will have a much more severe impact on United States trade performance than the tariffs applied to EC specialty steel. Methanol and vinyl acetate are extremely price-sensitive, and the additional tariffs will have a considerable negative impact on United States exports. Industry analysts contend that the tariff increases have the potential to drastically reduce or even end United States exports to the EC market. This is contrasted with the slight effect on EC specialty steel exports of the United States Article XIX tariff increases. For the months August-November 1983, with the additional United States duties in place, EC trade in products subject to these tariffs declined by only 21 per cent compared to the average for the same months from 1979-1982. On average, from 1979-82, 14,808 metric tons of stainless steel sheet, strip, and plate were imported from the EC during the months August-November. During the same months in 1983, 11,660 metric tons of these products were imported from the EC. A substantial portion of this decline is due to the imposition in 1983 of anti-dumping duties on German and French sheet and strip and countervailing duties on British plate.

L. We intend to continue to seek a solution to these problems with the EC. We will be prepared to elaborate our concerns at the Council meeting. We repeat that we are not seeking to deny or abridge the EC's rights in this matter, but only to assure that the exercise of those rights remains within the provisions of Article XIX.