Trade Tensions Mount as US Bars EC Companies from Government Contracts

By John M. Broder and Joel Havemann

WASHINGTON

The Clinton administration intensified growing trade tensions with Europe Monday by barring European companies from bidding on millions of dollars of U.S. government contracts, a move that officials said was aimed at forcing "indefensible" European procurement rules.

U.S. Trade Representative Mickey Kantor, in a tough-posed statement Monday, said it was time to consider retaliatory steps if the 12-nation European Community does not change its discriminatory rules governing purchases of telecommunications and other utilities.

The administration's action is taken after three weeks of meetings in Washington and EC Trade Commissioner Sir Leon Brittan noted that they would meet next week and hinted that a negotiated deal could be reached to avoid the U.S. response.

The action follows a U.S. decision last week to impose stiff tariffs on steel from seven EC countries and to threaten to continue the tariffs if continuing U.S.-European friction over trade in agricultural goods, services and textiles.

For the new administration, which is determined to toughen trade in its early days, the harsh language and actions are in part aimed at showing how it can achieve progress on a number of bitter trade issues with European partners — particularly the European Community and Japan.

In the short term, the tough approach sends signals to international business and to European labor and its allies in Congress, that the Clinton administration is not unwilling to confront the U.S. policy of the previous Republican administration.

Kantor's strike against the Europeans came after negotiations, both public and private, between the two administrations, failed last month to resolve an impasse over the U.S. decision to ban purchases of European utilities.

Officials of the Clinton administration indicated that Clinton officials would rather see lengthy talks to put negotiators at the table before Vance and Owen meet with council members to per- probably further retaliatory steps to be taken against the Europeans.

British and other EC officials said the community's procurement rules were more liberal than numerous "Buy American" laws applied to federal and local government purchases.

"EC's directive is that the U.S. is complaining about is quite the reverse of a protectionist device," a British government official said in Brussels Monday. "It actually offers liberalization of procurement rules on the part of New York City and the U.S. is trying to force the European Community to move more quickly with the U.S.

The dispute centers on an EC rule known as the Utilities Directive, which provides for "public procurement to be allocated to enterprises of the EC nationals only if such enterprises meet certain criteria," but permits exceptions when the purchase is for a public service of general economic interest.

U.S. officials noted that the directive would allow EC states to bar companies using high technology equipment from bidding for work on state-owned telecommunications and power-generation projects.

However, the negotiators conceded that a negotiated solution is not possible either because the EC sees no reason to make any European bids virtually for any reason. Major U.S. companies such as AT&T and GTE and General Electric Co, which provide the hardware for thousands of telephone systems worldwide, complained that they were being excluded from bidding on EC contracts.

The Bush administration had, in January and again in February, issued warnings about the possible need to retaliate if the EC refused to liberalize its rules. The Clinton administration held its door open to a negotiated settlement, but insisted that negotiations not be allowed to run out for reflection.

In a statement Monday, the U.S. Trade Representative said: "In the end, it may be the one and only way to resolve this particular dispute. A negotiated settlement is preferable but bilateral action remains as an option if the parties are not willing to negotiate."