



Mr E. Liikanen
Member of the European Commission
Rue de la Loi 200
1049 Brussels

Brussels, 18 November 2002

EU-US Foreign Sales Corporations dispute

Dear Commissioner,

As you may know, ORGALIME speaks for 32 trade federations representing some 100,000 companies in the mechanical, electrical, electronic and metalworking industries in 21 European countries. These industries employ some 7.6 million people and account for 1200 billion Euro of annual output, that is a quarter of the EU's output of manufactured products and a third of the manufactured exports of the European Union.

Orgalime welcomes the efforts that have been made by the Commission to find a solution with the US administration for the FSI/ETI tax scheme. However, we would like to reinforce the messages we communicated in our letters of 5 March 2001 and 27 February 2002, i.e. that every effort should be made to avoid an escalation of the Foreign Sales Corporations trade conflict between the EU and the US. We still do hope that this trade dispute can be settled through negotiations without imposing trade sanctions from which neither side would gain. A potential "tit for tat" reaction by the US due to EC sanctions would have a severe impact on our industry.

Following your invitation to present our views and comments on the list of products that could be subject to countermeasures, as published in the EC's Notice of 6 September 2002, we would furthermore like to stress that the inclusion of many engineering products in the countermeasures is counterproductive and will have a knock-on effect on European industry, among others for the following reasons:

- many of these products, particularly electrical, electronic and mechanical components as well as subassemblies, are intended for integration into EU-manufactured engineering products. Sanctions against these products would therefore have a damaging effect on our industry's competitive position, as well as on the competitiveness of our clients, who include the rest of manufacturing industry.
- the proposed measures could be particularly damaging for US subsidiaries of EU companies producing part of their product's range in the US. Likewise, European subsidiaries of US companies, which assemble machines and cannot import components other than those coming from their head offices, would also be penalised.
- federations and companies within our sector are in continuous dialogue with their counterparts in the US, with a view to eliminating technical barriers to trade. We are concerned that these efforts could be jeopardised.

Although we are concerned by the approach the Commission has requested us to take, i.e. to comment on the list of CN-codes, and by the fact that it is difficult for us to measure at this stage the full impact that the measures may have on manufacturers, we have nevertheless attached a detailed list of the CN-codes of products for which we have received specific requests for exclusion from the countermeasures from our national federations and industry sectors. We do feel however that the list may well need to be completed and therefore ask you to consider it as a first list.

A copy of this letter has been sent to your colleague, Commissioner Lamy.

Yours sincerely,

Adrian Harris

Cc DG Enterprise: Messrs. Mingasson, Zourek, Vardakas, Montoya, Anselmann, Ayala



Annex 1: Orgalime's request to remove products from the FCS retaliation list

Following your invitation to present our views and comments on the list of products that could be subject to countermeasures, published in EC's Notice of 6 September 2002, we would like to ask you to remove as many engineering products as possible from the published list. More specifically, we ask you to consider removing especially the following products, for which we have received specific request from different national federations and industry sectors. We do feel however that the list may well need to be completed and therefore ask you to consider it as a first list.

15162010	48101391	69120090	72173019	73201090
15200000	48101399	69139010	72173019	73202020
15219099	48101411	69139091	72173039	73202081
17023099	48101419	70021000	72173039	73202089
34060019	48101491	70023200	72173090	73209010
34060090	48101499	70052130	72173090	73218190
42021110	48102919	70060090	72189991	73219000
42021190	48102920	70072191	72193100	73251099
42021211	48109290	70072900	72202099	73262050
42021219	48115900	70099100	72223091	73269097
42021250	48120000	70109071	72224010	74020000
42021299	48171000	70112000	72230019	74031100
42021910	48173000	70119000	72251100	74031200
42021990	48181090	70131000	72261190	74032100
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42022900	48184019	70133991	73030090	74032300
42023100	48204010	70139900	73043959	74040010
42023900	48237090	70140000	73043991	74040091
42029180	48239012	70169080	730531	74040099
42029211	48239014	70189090	73053100	74071000
42029219	48239030	70200030	73063059	74072110
42029291	48239050	71049000	73063071	74072290
42029298	48239090	71069220	73063078	740811
42029900	49030000	71081310	73063090	74081100
42031000	49070030	71081380	73066039	740819
42032910	49070090	71101980	73069000	74081910
42033000	49090010	71151000	73072100	74081990
42040010	49090090	71171100	73072310	740821
42040090	49100000	71171999	73079100	74082100
42050000	49111010	71179000	73102199	74091100

44012200	51021940	72042110	73102990	74091900
44013090	54071000	72043000	73121082	74092100
44071031	61161080	72044110	73121084	74111019
44091018	61169200	72044199	73121086	74112110
44121900	61171000	72071990	73144190	74121000
44129980	62032210	72072090	73151110	74122000
44140090	62033310	72089090	73170069	7413
44151010	63023990	72111990	73170090	74130091
44151090	63024000	72112351	73181210	74151000
44152020	63029190	72112399	73181290	74152100
44152090	63039990	72112950	73181300	74152900
44170000	63062200	72119090	73181410	74153300
44182010	63064900	72123090	73181491	74153900
44189090	63079010	72151000	73181520	74191000
44201019	63090000	72161000	73181541	74199100
44219091	64019990	72165010	73181549	74199900
44219098	64023000	72165099	73181559	76011000
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48043951	69091900	72171039	73181590	76042910
48059299	69111000	72171050	73181630	76042990
48081000	69120010	72171050	73181691	760511
48101311	69120030	72171090	73201019	76051100
48101319	69120050	72171090		76051900

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76061250	83026090	84238290	84609090	84799092
76061291	83030010	84239000	84615011	84804100
76061293	83040000	84243090	84615019	84805000
76071190	83059000	84249030	84622110	84806010
76072099	83062100	84249090	84622910	84806090
76082091	83062910	84251190	84623100	84807110
76082099	83062990	84251991	84623910	84807190
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76109090	83081000	84253991	84624990	84818019
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76152000	84029000	842620	84659500	84823000
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82023900	84042000	84269990	84662010	84831051
82029919	84072110	84271010	84669120	84831080
82031000	84073390	84271090	84669220	84831099
82041100	84073499	84272011	84669280	84832090
82041200	84089031	84272019	84669395	84833039
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82051000	84089036	842790	84672110	84834085
82052000	84089099	84282030	84672191	84834085
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82060000	84141030	842850	84672953	85011010
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82074010	84145190	84289030	84672970	85011099
82075010	84145930	84289079	84672980	850131
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82075070	84151090	84314980	84679200	850140
82075090	84152000	84425029	84679900	85014091
82076030	84158190	84452000	84681000	85014099

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82130000	84213971	84563019	84717051	85022091
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83014011	842220	84589120	84717059	8503
83015000	842230	84589900	84729080	85030091
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