

April 16, 2002

The Rt. Hon. Patricia Hewitt, MP  
Secretary of State for Trade and Industry  
1 Victoria Street  
London SW1H 0ET

Dear Secretary of State,

We are writing to express the concerns of the trans-Atlantic business community regarding the dangerous trend in US-EU trade relations following the recent US decision on steel and the resultant EU reaction.

BritishAmerican Business Inc (BABi)'s and the British American Business Council (BABC)'s particular perspective is the Anglo-American relationship which is unique and which relies on the respective strengths of both markets. Trade and investment are the foundation of this relationship: annual two-way investment between the US and the UK totals more than \$270 billion and two-way trade more than \$82 billion, making the US-UK economic relationship one of the most important in the world.

BABi and BABC are the largest trans-Atlantic business organizations, representing some 4000 British and American companies based in 30 cities throughout the US and UK. Our members include hundreds of major employers in both countries that make the US-UK economic relationship a reality. This partnership requires confidence for continued growth but the current dispute has the potential to undermine this and to sidetrack policy makers from issues of greater common concern. There is now real risk of an escalation of action and counter-action from which everyone will lose.

Regrettably, steel is only one of several trade issues that threatens the US-EU economic relationship. In addition to the section 201 tariffs imposed by the US on steel, and the threat of retaliatory tariffs by the EU on a variety of other products, massive new tariffs could be imposed following the World Trade Organisation's upcoming decision on Foreign Sales Corporations. Other unresolved disputes over beef, genetically modified organisms and airline support are also disrupting confidence within the business environment.

We urge the United States and the European Union in the first instance, to adhere strictly to the rules of the WTO. Rash unilateral trade actions to protect certain industries are as unwelcome as rash responses. Although nations must be free to act unilaterally, it is crucial to remember that any circumvention of WTO rules or flouting of the international body's decisions can only weaken the WTO's legitimacy and undercut arguments for liberal trade policies.

More than strict adherence to WTO rules, however, we call on officials in the UK, US and EU to act with prudence and restraint before adopting policies or making statements that inflame trade tensions. We urge that every effort be made by all parties to avoid further escalation of the current disputes. To this end, we would be most pleased to work with you and your colleagues on both sides of the Atlantic, to add the voice of business as you endeavour to resolve these issues promptly.

Sincerely,



Michael Kirkwood  
Chairman  
BritishAmerican Business Inc



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President  
British American Business Council

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