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THE EUROPEAN COMMUNITY AND THE UNITED STATES

INTRODUCTION: TWO PILLARS OF THE WESTERN SYSTEM

The European Community and the United States of America are today the two principal pillars of the western political and economic systems. Their relations at all levels are particularly intense, and their world roles largely complementary. Both constitute great experiments in the democratic organization of society, the American idea having been inspired by the Revolution of 1776 and enshrined in the American Constitution, while the European idea, born out of the political vacuum, economic devastation and social upheavals of the years following the Second World War, is expressed in the basic Treaties of the Communities and promoted by the Community's institutions. Whereas the American nation is a union of fifty States within a federation, the European Community forms the foundation of an ultimate union between diverse historic nation States, a union whose final shape - whether federal, confederal or otherwise - has yet to be determined.

The European Community and the United States share many interests and ideals based on common or comparable political and cultural experience. The Community as a whole is the foremost economic partner and political ally of the United States. After the United States, the Community is the second industrial power in the world, but the combined gross national product of the Community is now somewhat higher than that of the United States. In many regions of the Community living standards are now comparable to American ones.

For more than thirty years the United States has provided considerable support for European unification, first through the Marshall Plan, which was a key to Europe's post-war economic recovery, then through active partnership with West European countries in the OECD (formerly the OEEC) and finally through active backing for the European Community and its subsequent enlargements.

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At 270 million, the European Community's population is 50 million greater than that of the United States, although the Community's present area covers only one-sixth of the US land mass. As the West's major industrial powers, the Community and the United States face in the 1980s similar economic and social problems, especially in the areas of employment, prices, industrial policy, adaptation to new technology, energy, environmental and consumer protection, transportation, raw material supply and relations with developing countries. Their collaboration, at all levels, is therefore vital for the future of the West.

RELATIONS BETWEEN THE EUROPEAN COMMUNITY AND THE UNITED STATES

POLITICAL RELATIONS

The European Community and the United States conduct their relations within the multilateral framework of the General Agreement on Tariffs and Trade (GATT), the OECD, the Conference on Security and Cooperation in Europe (CSCE) and other international bodies, and also at a bilateral level. The Community and its ten member countries have become the United States' principal western partner in practically all matters. Once a year the Heads of Government of the leading western industrialized countries, the United States, Japan, Canada, four member countries of the Community, namely France, the Federal Republic of Germany, Italy and the United Kingdom, together with the European Community as such (the latter represented by the President of the Commission), review

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their overall economic strategies at the so-called "Western economic summits", the next of which will be held in London in June 1984. Since 1972 annual meetings between the Commission and a number of the US cabinet members (Secretary of State, of Treasury, Commerce, Agriculture and the US Trade Representative) take place for the discussion of a vast range of bilateral and multilateral economic and trade issues.

Parliamentary Relations

Members of the European Parliament meet regularly with members of the US Congress.

Representation

The United States maintains a diplomatic mission to the European Communities in Brussels. The Commission, for its part, is served by a permanent Delegation in Washington D.C.

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TRADE AND ECONOMIC RELATIONS

The European Community was the main destination for US exports in 1983 (22%); followed by Canada (19%) and Japan (11%). It is the second biggest exporter to the United States (17%), after Canada (19%) and ahead of Japan (16%), (see table A).

The Community has had a persistent trade deficit with the United States which worsened until 1980 when it reached an all-time high of around \$ 25 000 million according to the accounts of the Statistical Office of the Communities or some \$ 18 000 million according to the US Department of Commerce. According to the US Department of Commerce statistics for 1983 the Community enjoyed its first trade surplus (\$ 1.568 billion) with the United States since 1973 while figures issued by the Statistical Office of the Communities show still a deficit for the EC of \$ 2.754 billion during 1983.

The discrepancy in these figures stems mainly from the way in which costs such as insurance and transport are entered in the accounts, which affects the statistics on goods according to whether they are imported or exported, as US export fob (free on board) becoming a European import cif (cost, insurance and freight). Anyway the figures show that the reciprocal trade tends to balance because of the strength of the dollar, and the continuing low economic growth in the Community, on one hand, and the strong growth in the United States on the other hand which curbs US exports, and increases US imports.

There are a number of controversial issues in trade and economic relationships which have created a certain uneasiness on both sides of the Atlantic. In the trade field issues are for example the Common agricultural policy of the Community, or the US safeguard measures in the steel field, the US export administration act and its extraterritorial consequences on the Community, or a number of specific problems in GATT. But despite these problems, there is no reason to believe that there is a danger of trade war, neither in the short term nor in the medium term. Compared to the annual volume of trade of some 100 billion dollars, the trade conflicts are minor - 5 % of the trade - and most of the conflicts are settled before they materialise.

Both the United States and the Community are conscious of the danger that any major trade conflict between them would trigger off.

The US administration as the European Commission is basically free trade and anti-protectionist, whatever the protectionist pressures to which they are exposed.

There is a basic willingness to compromise and to negotiate arrangements. Both partners respect the same rules of GATT. Dialogue between the United States and the Community in the trade field takes place at Community level. There is one European interlocutor, the EC-Commission, negotiating with one US interlocutor, the US Government. This means that resolution of conflicts takes place between two partners of equal responsibility.

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Economic and financial policy is an area less easy to cope with. Basically the Community has, for the time being, to deal with one fundamental problem : the influence of the high US interest rates on its economy, and to the strong fluctuations of the US dollar compared to other currencies.

The US economy is the world's dominant economy. Therefore US economic monetary and fiscal policy have an overwhelming influence on all national economies of the globe, even if these US policies are fixed on the basis of national considerations. The problem is that given the overwhelming importance of the US economy the US must in the opinion of the Community take care more than they have until now of the international implication of their economic, monetary and fiscal policies.