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441.2 (103)THE UNITED STATES

LEGAL BASIS: Since the transitional period, under Article 113 of the EEC Treaty, the Community has been responsible for trade relations with third parties.

The US and the EEC are the most important participants in world trade.

Important contacts with the United States take place during biannual top-level discussions between the Commission and the U.S. administration. These talks, which at first covered trade questions only, have been broadened to include subjects as diverse as human rights, energy, economic and monetary questions and cooperation in research and technology.

OBJECTIVES: The EEC has traditional bilateral trade and other links with the United States which it is Community policy to maintain and strengthen. Furthermore, both play an active role in international fora such as the GATT.

DEVELOPMENTS TO DATE: Since the 1960s, the EEC's common policies have had an impact on world trade and commercial relations. EEC-US contacts to resolve commercial problems have in general been cordial, but some difficulties continue to pose problems.

Despite the rise in the value of the US dollar during 1981 and 1982 the EC's deficit in trade with the USA remains very large.

Agriculture: The United States plays a dominant part in the world agricultural economy. In recent years its favourable agricultural trade balance has helped to reduce an overall trade deficit. Thus agricultural exports which were a marginal factor in the 1960s have assumed a growing importance.

Agricultural trade between the US and the EC has consistently resulted in a substantial advantage for the US which had a trade surplus of \$6.5 bn in 1981 and \$5.4 bn in 1982, a year in which the Community took about 1/5 of all US agricultural exports. These exports principally consist of oil seeds and concentrated animal feeds which enter the Community at, for the most part, low or zero rates of duty.

On several occasions the European Parliament (EP) has called for the introduction of a tax on oils and other oleaginous products, whether produced in the Community or imported. Because such a tax would affect US exports, it would be strongly resisted by the Americans.

Recent bumper harvests have led to massive surpluses in the US. At the same time world markets have declined because of the economic recession and the high value of the dollar. This situation has led to increasing criticism by the US of EC export refunds paid under the CAP which the Americans claim are depriving them of markets in third countries. The Community, for its part, is concerned lest generous credit terms and low prices offered by the US on its agricultural exports should lead to a trade war. Negotiations are taking place with a view to finding an amicable solution. In this regard, the Community has taken steps to limit exports of wheat and flour to 1981-1982 levels.

Despite an informal agreement by the USA during the Tokyo Round to respect the terms of the EC's common agricultural policy, at the November 1982 ministerial meeting of the GATT further pressure was exerted by the USA on the EC to agree to a reform of its system of export refunds. Although no undertakings were given, a growing number of complaints have been lodged within the GATT concerning certain products alleged to benefit from unfair competition. Attempts are now being made in bilateral negotiations and within the GATT to establish a clearer definition of the rules of the Agreement.

Other issues: In 1982 as a result of the continued world-wide recession, trade disputes became especially acute. The US steel industry brought anti-dumping and anti-subsidy cases against imports of European steel and the ensuing crisis in trade relations was only solved after months of negotiation when the EC agreed to limit the quantities of its exports of certain products to a smaller share of US consumption.

In addition the desire of the US Administration to curb economic links with the USSR led to a grave confrontation with several EC Member States over the pipeline under construction for the delivery of natural gas to Western Europe. Several important contracts signed by EC companies and European subsidiaries of US companies were put at risk by the embargo imposed by the US administration on exports of high technology products to the Soviet Union. The EC regarded this action as an unacceptable infringement of international law concerning signed contracts and refused to accept the extra-territorial jurisdiction of the USA. The US government eventually raised its embargo in exchange for agreement to study tighter constraints on high technology exports to the USSR.

The EC remains concerned about the external impact of US domestic policy. Sharp swings in the value of the dollar and high rates of interest in the USA, which have resulted in part from a tight US monetary policy and large budget deficits, have had a serious impact on international trade.

ROLE OF THE EUROPEAN PARLIAMENT: The EP has no formal powers in regard to EEC-US relations. However, since 1972 relations with its most important partner have expanded at congressional and governmental level with visits from EP presidents and regular contacts between the EP and US Congress delegations which hold meetings on a biannual basis, in the USA and the EC alternately. From 1972 to 1983 there were 22 such meetings at which the following issues were discussed:

- the trend in EEC-US economic, trade and political relations, problems of the steel industry, monetary questions etc, etc.
- the international political situation: East-West relations, Afghanistan, Poland, European security, human rights, the Middle East, Latin America, etc.
- the international economic and energy situation, North-South dialogue, development cooperation in the developing countries, role of the dollar, foreign debts and nuclear-related issues.

During visits to Washington there are regular contacts with the White House, the State Department, the Treasury, the departments of Commerce and Agriculture and federal trade union, trade and industrial organizations.