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U.S. RELATIONS WITH THE EUROPEAN COMMUNITY

Extract from the statement by Lawrence S. Eagleburger, Assistant Secretary for European Affairs, U.S. Department of State, before the Subcommittee on Europe and the Middle East of the House Foreign Affairs Committee on Tuesday, June 2, 1981. Mr. Eagleburger was testifying at the subcommittee's hearings on U.S. relations with the countries and institutions of Western Europe.

" The U.S. remains steadfast in its support for the process of European integration, exemplified by the evolution of the European Community. The Reagan Administration considers progress toward European unity important for Europe, the West and the world. We thus place special significance on our continuing consultations, covering both economic and political issues, with the European Community and its ten member governments.

The latest round of semi-annual high-level US-EC consultations was held, May 20-21, in Brussels. Under Secretary for Economic Affairs Rashish led the U.S. delegation. We discussed a series of specific trade problems, North-South issues, the future development of the Community's Common Agricultural Policy (CAP), and energy security. We also exchanged views on current political issues of mutual interest. Given the volume and content of trade between the U.S. and the EC -- according to Commerce Department statistics, our exports to the EC were valued at \$53.7 billion in 1980 and our imports from the EC at \$36.1 billion, resulting in a \$17.5 billion surplus in our favor -- it is not surprising that problems arise from time to time. We work closely with

the Commission and the member governments to manage and resolve these problems. We believe that they should not be permitted to fester to the point where they affect our political and security relationships.

We follow the process of European integration with interest. We welcomed British, Danish and Irish membership in the mid-1970s and are pleased that Greece became the tenth member of the EC on January 1, 1981. Spain and Portugal are actively negotiating the terms of their accession and are expected to join in the mid-1980s. But, while the Community is expanding its membership, the internal process of economic integration has slowed, partly because of the wide disparity in rates of growth and inflation among its members. The Community has delayed movement of the European Monetary System (EMS) into its second stage. The Community is faced with difficult, interrelated problems -- most notably, budget reform and modification of the Common Agricultural Policy (CAP). Both problems are complicated by expansion of the Community. The Commission and the member governments are grappling with severe structural problems in the steel, textile and automobile industries. The directly-elected European Parliament is seeking a more active role in the Community's budgetary and policy-making processes.

Although internal economic integration has temporarily slowed, there has been significant progress on political cooperation by the EC-10. This development has occurred even though political cooperation is an area outside the scope of the Treaty of Rome. There has been a conscious and increasingly successful effort to coordinate the foreign policies of the Community's member states. A "European political correspondents" network has been established which permits rapid direct communications among the EC-10 Foreign Ministries. The country serving as President of the Council -- currently the Netherlands but the UK will take over on July 1 -- provides Secretariat services. Political Directors meet regularly. A number of expert working groups, each with regional or institutional responsibilities, have been established to do the staff work.

Such developments have increasing significance for the United States. Over the past year or so, there has been a common EC-10 response to events such as the Soviet invasion of Afghanistan, the Iran hostage situation, recent developments in Poland, and the Middle East peace process. The result has been higher visibility for EC political action and the expectation that the Ten will be compelled to take a position on major political events and developments. A unified EC-10

position can be helpful to the United States, as was the case with the Community's statement on the integrity of passage through the Straits of Hormuz when the Iran-Iraq war broke out. We are consulting closely with the EC-10 to ensure that their Middle East initiative will be complementary to our own efforts to establish peace in the region.

Our political dialogue with the EC-10 is an ongoing process covering a wide range of issues of mutual interest. As part of this dialogue, Secretary Haig stopped in Brussels on May 5, following the NATO Ministerial in Rome. We have been assured, however, that the EC intends to use NATO as the forum for discussion of Western defense issues, in large part because Ireland is not a member of the Alliance."

