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EC/U.S. RELATIONS - TROUBLE IN THE FAMILY

The following are excerpts from a speech delivered Monday, September 27 by Gaston Thorn, President of the EC Commission to an audience of U.S. businessmen in Chicago. The speech expresses concern over the future of U.S.-E.C. relations in light of the various trade disputes and economic problems that have aggravated tensions between the U.S. and its European allies and proposes ways to come to grips with these difficulties.

"In these days of discord, let us at the outset distill the essence of European/U.S. relations. We share a civilization founded on the principles of individual liberty. We each govern ourselves according to democratic principles ... We are, in short, members of one family.

Nevertheless, we all know that our family disputes have developed to the point that charges, counter-charges and recriminations are threatening the relationship. Let me try to assess the causes. I believe all this reflects a deep malaise, and I believe it arises from two sets of factors.

The first is the world economic recession. This is placing an increasing and dangerous strain on the world's trading and financial structure. And from this has grown an impatience with the multi-lateral agreements and institutions we have built up together since the end of the Second World War. The second is a basic difference in appreciation between us on some of the key questions in our relations with each other and

with the rest of the world If there is fundamental disagreement and misunderstanding between us on some basic questions, then inevitably things are going to go wrong.

On the world economic recession and the strains on the multi-lateral system, we are dealing with considerable and growing dangers. All of you here know that pressures to limit imports into the U.S. are growing. In the Community our unemployment -- already standing at nearly 11 million and the worst since the 1930's -- is expected to grow partly by reason of certain demographic trends by several million by the mid-1980's. All this will place a heavy strain on the multi-lateral rules and institutions which in the trade field have given the Western World for 35 years the biggest single period of prosperity in recorded history. But triumphs are never very far from disasters and this system -- which many long have taken for granted -- could unravel with frightening speed.

So far the rule of law in world trade has held. But unless hope can soon be given to the millions of unemployed and to an unconfident business community, the odds are that the system will bust.

For us in the Community, therefore, as for the United States, this makes it all the more important that the November ministerial meeting of the GATT in Geneva should be a success. It would be wrong to exaggerate expectations. Fifty or so ministers meeting for three days -- even with a lot of arduous preparatory work -- cannot hope realistically to create a new heaven and a new earth. But if we can get a genuine recommitment to the maintenance of the one world trading system, a refusal to espouse protectionist solutions and a determination to avoid unravelling the system, then the November meeting will have done a good job.

What we are aiming for at the ministerial meeting is a result in three parts. The first is a general declaration recommitting the trading nations of the world to the preservation of the open world trading system But of course, a declaration on its own is not enough. We need some operational decisions and decisions on a study programme which might enable negotiations to start in certain areas in some years time.

We agree with the U.S. that it is timely to launch a study of trade in services with a view to seeing whether a negotiation to scale down barriers in this sector of growing importance in world trade would be possible. The U.S. has asked for a study of trade in high technology. On this we are more doubtful because of the decisions on the pipeline. It is difficult to place something on the table for study and then in a smooth conjuror-like movement remove it. (On) the question of a study of investment .. we hope, like you, that this could be set in train, but we shall have opposition from a number of developing countries.

Then we come to the several central issues -- safeguards, agriculture and dispute settlement. On safeguards the simple issue is whether we can update the GATT rules that safeguard action can only be taken

on an erga omnes basis or whether we can deal with particular problems from particular countries more selectively. Supposing that we in the Community decided to take safeguard action against imports of Japanese automobiles -- would it also make sense if we also had to hit imports from the U.S., Canada, Brazil and Sweden? We think not.

Then agriculture. There can be no reasonable charge that the Community is a protectionist block. In 1980, we took a quarter of the world's agricultural imports and we have a trade deficit in agriculture of nearly 29 billion dollars. Your authorities say that agricultural subsidies are bad and must be removed; we say that this is not what the international trading rules provide . . . The Tokyo Round in 1979 confirmed and elaborated a long standing rule that agricultural subsidies are permitted provided that these did not lead to any member of the GATT obtaining more than an equitable share of world trade.

We and our U.S. colleagues are working closely together to that end as we are with a host of other countries, but the biggest single contribution we can make to the success of this meeting on which much will depend would be a resolution of some of the bilateral disputes which are straining our family relationship to a dangerous point. If by November we have not made progress on steel, the pipeline and some of our agricultural disputes, then this trouble in the family will make it significantly more difficult to get the kind of results we all want at Geneva.

The magnitude of the steel crisis in the U.S. and in Europe, the size of the trade in danger and the consequences of a failure by October 15 to avoid a breach would be very considerable. We need a settlement that represents to both sides a fair deal. The basis of a solution has been sketched out. We need it quickly. Even more because a settlement on this question would be a signal to the world that we would be able to go beyond rhetoric to tackle the other disputes dividing the alliance.

We have had enough so far of the dynamic of disagreement. What we need now is the dynamic of agreement.

I think what has gone wrong with our relations for the last few years is that we have concentrated too much on day-to-day business and not devoted enough time and effort to seeing whether we could come to a sensible joint assessment of questions essential to both our interests. For example, it seems to me that we run grave risks of almost daily explosions if we do not see whether we can come to some common view of trade with the Soviet Union.

What balance should be set between profiting from trade and building up the might of the Soviet Union? What is the relation between these and repressive measures inside the Soviet Empire? What part in this have sales of high technology and grain to play? To the extent that we do not try to get some common view on these questions we are in

constant danger of decisions being taken which cannot easily be reversed and which can do lasting damage to the broad fabric of our relationship.

We need to remember that we are a family even in difficult and troubled times and with quarrels between its members. We need to settle as quickly as we can some of the major disputes between us without either side appearing the winner or the loser. If we fail, let us be absolutely clear that neither side will win. We will both lose.

We need to go on from there to make the November GATT meeting in Geneva a success not in terms of spectacular and overambitious goals, but in terms of a practical determination not to permit an unravelling of the open world trading system.

We need urgently a revival of industrial activity in the major developed countries. And we need to sit down together more frequently and in a more timely fashion to see quietly and discreetly what common appreciation we can make of some of the major problems that affect our prosperity and survival in a shrinking world.

If we fail, we shall be left with the dynamic of disagreement. If this stays long on the loose the rift in the family will become irreparable. It is in the hope that we can avoid this that I speak to you today."
