

EUROPEAN PARLIAMENT

EUROPEAN PARLIAMENT DELEGATION

for relations with

THE UNITED STATES

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Notice to members

Please find attached the text of Mr De Clercq's statement on EC-US relations to the delegation at its meeting of 28 May 1985.

(This document exists in English and French only)

DIRECTORATE-GENERAL FOR COMMITTEES
AND INTERPARLIAMENTARY DELEGATIONS

IDEAS FOR A SPEECH BY MR DE CLERCQ FOR HIS MEETING WITH THE EUROPEAN
PARLIAMENT DELEGATION TRAVELLING TO THE UNITED STATES IN JUNE 1985

I am sure that you share my firm belief that the ties of friendship and partnership between the United States and Europe must not be jeopardized by trade disputes and selfish economic and monetary policies. I raised this same point in a speech I gave last week to the American Chamber of Commerce in Belgium.

However, we must not fool ourselves - the danger does exist. Let me briefly list the main causes and problems which could lead us into a situation of this kind, unless both sides quickly realize that it is time for a change of course.

Present difficulties in relations between the EEC and the USA are mainly over economic issues. America's successful recovery has gone hand in hand with a steadily growing budget deficit, consistently high interest rates in real terms and (until recently) a rising dollar. These factors combined have produced an enormous influx of capital into the United States, thus diverting investment capital away from other countries, including the countries of the European Community, and also causing a decline in the competitiveness of American industry on foreign markets and on the domestic American market. This has produced a steep rise in the American balance-of-trade deficit, a factor which industry is making the most of in order to press for the introduction of a general surtax on imports. Draft laws to this effect were submitted to Congress at the end of February. The Administration has so far firmly opposed the surtax. Nevertheless, the problem is potentially an explosive one as long as the American budget deficit remains at its present level. The European Parliament has already expressed its firm opposition to any such move and the Commission has continually drawn the attention of the American authorities to the risks of destabilizing the international trade system which a surtax of this kind would produce.

In 1984, against a general economic and monetary background made starker by the pre-election atmosphere, pressure groups representing industrial and agricultural interests brought their full weight to bear on the Administration and Congress to adopt protectionist measures.

So far the U.S. Administration has taken a relatively firm stand against this pressure, which has fortunately led to the refusal of a number of complaints and petitions. For instance, the Presidential decision rejecting the complaint made under Section 201 concerning carbon steel theoretically leaves the EEC-USA agreement on carbon steel intact. However, the United States is now pressing the Community to restrict its exports of those steel products not yet subject to ceilings and is threatening to take unilateral measures if the Community refuses to do so. The carbon steel arrangement is due to be renegotiated before the end of 1985.

Unilateral restrictions on imports of steel tubes and pipes from the Community were introduced last November without legal justification. This problem was settled in January 1985 by an agreement with the United States restricting the Community's share of the US market in these products to 7.6%. Since then, the United States' restrictive interpretation of the short supply provisions for pipes intended for the All American Oil Pipeline might prompt the Community to reconsider the value of the arrangement as it stands.

On 10 October 1984, new trade legislation, the Trade and Tariff Act, was adopted. This law is less protectionist than might have been feared, although it does include a set of provisions which clearly run counter to the United States' international obligations.

The major differences of opinion over controls on the export of advanced technology products on U.S. foreign policy or security grounds led in 1982 to the conflict over the Siberian gas pipeline, the most serious crisis yet in relations between the EEC and the USA. Although this particular problem was eventually resolved by raising the embargo, the general problems of access to American technology, including know-how, and of the extra-territorial application of American law have still not been settled. The outgoing Congress failed to agree on a new Export Administration Act. A new draft law has been submitted to the present Congress. Several of its major provisions, taken from the preceding version, remain unacceptable to the Community.

With regard to America's attitude within GATT, we are worried at the prospect of a move away from multilateralism in favour of arrangements based on mutual bilateral advantage, which would clearly have harmful effects on bilateral relations between the EEC and the USA and on the international trade system. I should like to suggest that in all your contacts with the Americans you stress the importance and necessity of strengthening and improving GATT.

For its part, the United States also has a number of serious grievances against Europe. Growing disappointment can be detected at the Community's lack of understanding or sympathy for the United States' most important political interests, notably in Central America.

There is similar disappointment in the United States with regard to economic issues. The United States believes that it has come through a cyclical crisis, whereas, in its view, the Community is going through a structural crisis. This 'Euro-sclerosis' must be treated by means of more flexible economic policies aimed at adapting the changing industrial environment more effectively, without recourse to unfair subsidies either in industry (steel, government purchases, export loans, etc.) or in agriculture. The CAP with its system of export refunds is seen as an obstacle to American export opportunities in third country markets. The Administration has submitted a new draft law on agriculture (Farm Bill) designed to cut back farm price support measures drastically. However, in view of the strong opposition of the farm lobby, the Farm Bill as submitted to Congress will not be adopted. Nevertheless, in the context of the efforts required by the government to have the bill adopted by Congress, America's attitude to what it sees as export subsidies introduced by its trading partners will be increasingly uncompromising, given that a reduction in incomes support is bound to mean greater export opportunities for American farmers. Paradoxically, the Administration has just adopted a programme to encourage exports, the Export Enhancement Programme, which is aimed at the Community.

The United States also considers that our preferential agreements with the southern Mediterranean countries discriminate against American products, particularly citrus fruits. They are also afraid that the enlargement of the Community to include Spain and Portugal will reduce or eliminate their export markets in these countries for both agricultural and industrial products. This attitude by the United States caused conflict within GATT over

the interpretation of Article XXIV of the General Agreement (the case of the citrus fruits panel) and is likely to provoke further conflict when Spain and Portugal join the Community. The Americans are taking a particularly hard line on this matter and seem unwilling to accept the parallel between what the Community does in the Mediterranean region and what they themselves have done in the Caribbean. I would suggest that you emphasize this parallel when you are in the United States.

With regard to the Bonn Summit and the Community's position on the new round of negotiations, a number of misunderstandings need to be cleared up. As President Delors pointed out at his press conference, all the countries taking part in the summit were in favour of a new trade round. The Council of Ministers said as much on 19 March. We are determined that it should be successful. It is for this reason, and also because the new round is being called the Brussels Round, that we attach the utmost importance to making adequate preparations. A consensus is needed and we are striving to create one. I have sent my best officials all over the Third World to persuade the developing countries to participate in this new round. We are prepared to negotiate on everything including agriculture, provided that our common agricultural policy is not called into question and provided also that this policy is part of a package.

With regard to the monetary aspect, may I simply remind you of what President Delors said at his press conference after the Bonn Summit:

'The European Community as a whole believes that in order to achieve fundamental improvements in the world economy, the three dimensions of the problem must be tackled - trade, monetary policy and finance. In two of these areas - trade and finance - we are moving steadily forward, we are making progress. With regard to monetary policy, however, there are reservations in some quarters which worry me but which will not undermine my determination and that of the Commission to strive unceasingly to ensure that this aspect of the problem is not overlooked and that pragmatic measures are taken to improve the functioning of the international monetary system'.

Let no-one say that the European Economic Community is not in favour of the Brussels Round.

I am counting on you to deliver this message to our American friends.

