

HIGH LEVEL US-EC CONSULTATIONS

Following the semi-annual high-level consultations between the Commission and the U.S. Administration, Vice-President Wilhelm Haferkamp and Under-Secretary of State Richard Cooper gave a joint press conference in which they covered the following topics:

Economic situation and prospects

The revised estimates for the current year show the U.S. economy in recession (-0.5. end 1979 over end 1978) though growth should resume in 1980. European forecasts show growth holding up reasonably well in 1979 (plus or minus 3.), falling to 2. in 1980. The present situation does not warrant basic changes in macro-economic policy but must be closely monitored. Both sides agreed that the recent oil price rise would have a significant negative effect on both growth and inflation. They agreed on the need for increased investment in both energy conservation and the development of new sources.

In the short term priority should also be given to containing the inflationary effects of the oil price rises, which corresponded to a transfer of real income to the OPEC countries.

Vice-President Haferkamp in particular emphasized that any attempt to compensate for the effect on incomes by nominal wage increases would only fuel the inflationary spiral. It would only be possible to maintain real incomes through economic growth, out of which would also have to come the resources for investment in increased production, the adaptation of our industrial structures, energy conservation and the development of new sources.

## Energy

The two sides discussed the implementation of the decisions taken at Tokyo, including oil import targets, the improved transparency of oil markets and the need for increased efforts to develop new energy technologies. The emphasis was on oil saving, in the short term through demand restraint in the long term through the increased use of alternative energies. Asked whether the U.S. accepted the exclusion of North Sea oil from national import targets, Mr Cooper said that it was clearly excluded in the Community target. Whether it was excluded in national targets was another matter which was not discussed.

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At a press conference following these talks, the following topics were covered.

## Trade questions

The two sides discussed the implementation of the MTN and particularly their translation into U.S. law. Mr Haferkamp expressed the Commission's appreciation for the U.S. Administration's efforts to get a satisfactory solution to the problem of material injury, and hoped the package would be approved by the Senate before the summer recess. The Commission will be submitting the MTN results to the Council of EC Ministers for approval in September.

## Science and Technology

The meeting discussed the expanding programme of cooperation in Science and Technology. Mr Haferkamp said that the priority sector was energy, including thermo-nuclear fusion, though cooperation was also growing in the environment, health and raw material fields.

## North-South Relations

The two sides discussed up-coming meetings in the U.N. Mr Haferkamp said that while the oil price rise would hit the non-oil producing LDCS, this was no reason for them to contract out of the GATT MTN.

Mr Cooper described 1979 as a vintage year for the Community, with the elections to the Parliament, the EMS, the accession of Greece and the successful conclusion of the MTN.

On Energy, it should be emphasized that the Community commitment at Strasbourg to keep imports up til 1985 at or below their 1978 level of 470 million tons treated North Sea oil as domestic production. It is not for the Commission to prejudge the national import targets agreed on in Tokyo, which will be discussed by the Energy Ministers in the fall.

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