

European Communities

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EUROPEAN PARLIAMENT

# Working Documents

1983-1984

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19 March 1984

DOCUMENT 1-1540/83 / A.

## Report

drawn up on behalf of the Political Affairs Committee

on political relations between the European Community  
and the United States of America

Rapporteur: Mr K. HÄNSCH

PE 88.473/fin. / A.  
Or.En.



By letter of 4 February 1982 the Political Affairs Committee requested authorization to draw up a report on the political aspects of relations between the Community and the United States of America. By letter of 18 February 1982 the President of the European Parliament authorized the committee to report on this subject. The Committee on Agriculture, the Committee on Economic and Monetary Affairs and the Committee on External Economic Relations were asked for an opinion.

At its meeting of 27-29 January 1982 the Political Affairs Committee appointed Mrs Gredal rapporteur. At its meeting of 28-30 April 1982 the committee decided to draw up an interim report and to forward it to the European Parliament/US Congress delegation, which was due to meet from 21 to 26 June 1982. This interim report was adopted by the Political Affairs Committee at its meeting of 26 May 1982 (Doc. 1-300/82) and the motion for a resolution was adopted by the European Parliament at its sitting of 16 June 1982<sup>1</sup>.

At its sitting of 14 October 1982, Parliament referred to the Political Affairs Committee the motion for a resolution tabled by Mr Croux and others on the need to improve the structures for the dialogue between the European Community and the United States (Doc. 1-698/82).

At its sitting of 16 November 1983 Parliament referred to the Political Affairs Committee the motion for a resolution tabled by Mr Kyrkos on the landing of US military forces in Grenada (Doc. 1-949/83).

At its meeting of 23 and 24 November 1983 the Political Affairs Committee decided to draw up a final report on political relations between the European Community and the United States of America and appointed Mr Hänsch rapporteur.

The Political Affairs Committee considered the present report at its meetings of 25-27 January 1984 and 28 February-1 March 1984.

At the latter meeting, the Political Affairs Committee adopted the motion for a resolution by 18 votes to 1 with 2 abstentions.

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<sup>1</sup> OJ No. C 182, 19.7.1982, p. 24

The following took part in the vote: Mr FERGUSSON, acting chairman and third vice-chairman; Mr HAAGERUP, first vice-chairman; Mrs CHARZAT, second vice-chairman; Mr HÄNSCH, rapporteur; Mr BAILLOT (deputizing for Mr MARCHAIS), Mr BOCKLET (deputizing for Mrs LENZ), Mr CROUX (deputizing for Mr DESCHAMPS), Mr DE PASQUALE (deputizing for Mr PAJETTA), Lord DOURO (deputizing for Lord BETHELL), Lady ELLES, Mr GEROKOSTOPOULOS (deputizing for Mr BOURNIAS), Mr HABSBURG, Mr von HASSEL, Mr KLEPSCH, Mr LALOR, Mr McCARTIN (deputizing for Mr PENDERS), Mr d'ORMESSON, Mr SCHIELER, Sir James SCOTT-HOPKINS, Mr SEGRE and Mr SIMMONET (deputizing for Mr BARBI).

The opinion of the Committee on Agriculture is attached. The opinion of the Committee on Economic and Monetary Affairs will be published separately. The Committee on External Economic Relations decided not to deliver an opinion.

The report was tabled on 6 March 1984.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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MOTION FOR A RESOLUTION

on the political relations between the European Community and the United States of America

The European Parliament,

- having regard to its resolution on the impact of the CAP on the external relations of the European Community<sup>1</sup>,
- having regard to the report of the Committee on External Economic Relations on economic and trade relations between the European Community and the United States of America<sup>2</sup>,
- having regard to the report of the Committee on External Economic Relations on EEC-USA trade relations in the steel sector<sup>3</sup>,
- having regard to its resolution on the political aspects of relations between the Community and the United States of America<sup>4</sup>,
- having regard to its resolution on the situation in Grenada<sup>5</sup>
- having regard to the motion for a resolution tabled by Mr CROUX and others on the need to improve the structures for the dialogue between the European Community and the United States (Doc. 1-698/82),
- having regard to the motion for a resolution tabled by Mr Leonidas KYRKOS on the landing of US military forces in Grenada (Doc. 1-949/83),
- having regard to the report of the Political Affairs Committee and the opinion of the Committee on Agriculture (Doc.                   ),

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<sup>1</sup> OJ No. C 242, 7 July 1983, p. 76

<sup>2</sup> PE 84.569

<sup>3</sup> PE 86.030

<sup>4</sup> OJ No. C 182, 19 July 1982, p. 25 and interim report by Mrs GREDAL on the political aspects of relations between the Community and the United States of America (Doc. 1-300/82)

<sup>5</sup> OJ No. C 342, 17 November 1983, p. 49

- A. conscious of the distinctive nature of relations between the European Community and the United States of America, characterized by:
1. the European origin of a large proportion of the American population and the cultural, political and economic ties between the USA and the peoples of Europe, going back more than 200 years;
  2. the same basic convictions founded on respect for human rights, the fundamental social and political freedoms and the principles of democratic government which were first developed and established by their peoples against a background of mutual influence and encouragement;
  3. the efforts of the USA to protect and preserve freedom in Europe in this century, their contribution to the reconstruction of the European economy and the promotion of European unity after the Second World War;
  4. closely interwoven economic and trade policy interests between the two most powerful industrial entities in the world;
  5. a common interest in providing, through the Atlantic Alliance, political and military safeguards for their democratic social orders which, while the differences between East and West still persist, will inevitably call for a joint strategy and coordinated responses;
  6. complementary regional and global responsibilities arising from their differing historical ties with other parts of the world and their particular economic and strategic interests;
- B. conscious of the fact that the relationship between the Community and the USA has run into difficulties which go beyond the sectoral conflicts of interests;
- C. concerned that the dispute on particular sectoral matters should not cause a deterioration in relations and should not destroy the basic trust necessary between partners and allies;
- D. recognizing that it has become necessary to take stock of the relations between the USA and the Community as a result of changes in the economic, political and military balance of power in the world, and notably:



1. the rise of the European Community to the position of a leading economic power, and its increasing political influence;
  2. the continuing world economic recession and the global shift in the terms of trade, both of which factors are jeopardizing and undermining the international economic, commercial and monetary agreements entered into since 1945;
  3. the growing dependence of an increasing number of countries on the economic and monetary policy decisions of the USA;
  4. the changes brought about by advances in weapons technology in the geostrategic basis for the military security of the Western World and the resulting tensions in the Atlantic Alliance;
  5. the intensification of the East-West conflict, which is reducing the margin for manoeuvre of the European partners;
  6. the increasing importance of the Pacific to the USA which reduced the relative importance of the European partners;
- E. recognizing that in the field of external policy a relationship between equal partners is the only relationship which corresponds to the basic internal political values of Western democracies;
- F. concerned at the danger that differences of opinion over the objectives, methods and limits of the international policies pursued by the major powers could lead to a situation in which the Atlantic partners become alienated from each other;
- G. convinced that close and lasting relations between the United States of America and the Community and its Member States will make an essential contribution to the preservation of world peace, that the prospects of a solution to the economic, commercial, external and security policy problems can be brought closer only by an improvement in the relations between Europe and America, and that to this end special efforts will have to be made on both sides of the Atlantic;

as regards current political issues

1. Notes that differences of opinion can occur due to different perceptions and interests of the USA on the one hand, and the Community on the other, and takes the view that these differences, particularly in areas such as

agriculture and steel are bound to occur in a free partnership between economic partners;

2. Believes that with good-will on both sides they are amenable to solution;
3. Is convinced, however, that the disruptions in the overall economic climate caused by high interest rates is adding considerably to the difficulties of finding a solution;
4. Stresses that high interest rates have a deleterious effect not only on the economies of Europe which depend on the dollar as a key currency but also on the economies of other countries, particularly in the Third World;
5. Considers that these factors can contribute to high unemployment and depletion of resources outside the USA and could lead to political instability in other parts of the world and run counter to Western security interests;
6. Is aware on the one hand that the consequences of this policy for Europe are so serious partly because the Community has as yet no common economic and monetary policy and draws attention to its repeated demands for progress in this field as a matter of urgency;
7. Calls on the other hand on the Government of the United States to consider the consequences for foreign policy of decisions made on the basis of domestic policy considerations and to shoulder the responsibilities arising from the country's dominant economic position;
8. Is concerned at the fact that the tensions in the Atlantic Alliance are increasingly tending to have repercussions on relations between the USA and the Community and calls for the utilization, improvement and consolidation of the machinery for consultation;
9. Takes the view that the inordinate dependence of West European States on the US security guarantee leads to one-sidedness and domination in the alliance and creates the need for an independent European contribution to Western security within the alliance and the development of a European security policy at its basis;

10. Calls for the permanent consultations in the framework of European Political Cooperation to be extended to include relations with North America and to be used to give greater weight to European interests in the Alliance;
11. Calls on the Alliance to continue its efforts towards stricter arms control and positive disarmament in both East and West;
12. Believes firmly that such a policy is in the interests of the people of this continent, that it will help to make the Alliance's security policy more effective and that it should therefore be pursued;
13. Emphasizes once again its doubts as regards the political effectiveness of trade embargos;
14. Hopes in particular that the serious dispute over the European Siberian gas pipeline project, in which the single-minded and united stance of the Ten finally caused the USA to give way, will serve as a lesson that partners must respect and take into account one another's specific interests;
15. Takes the view that, while there is a need for US involvement in the Middle East, the Community, in pursuit of the Community Middle East policy developed in the framework of European political cooperation, can also make its own contribution to a solution of the problems as a corollary of its efforts to secure peace in Sinai and Lebanon and in the context of its global Mediterranean policy;
16. Draws attention to the Community's continuous policy of association and cooperation with the countries of the Mediterranean, Africa, the Caribbean and the Pacific and to the achievements of the Community and its Member States in the field of development aid and is convinced that such forms of cooperation, which are based on partnership and help the countries of the Third World to pave the way for economic stability themselves, make an important contribution to safeguarding peace in the world;
17. Sees development policy as a suitable field for joint or coordinated endeavours and believes that the Community and the USA should, as a

matter of urgency, come to a basic understanding on the matter of co-operation with the Third World particularly in international fora;

as regards future relations

18. Reaffirms its conviction that close, trusting and lasting relations between the USA and the Community are vital to both partners and essential to the defence of their free way of life, the furtherance of the development of just and humane conditions in all parts of the world and the maintenance of world peace;
19. Believes firmly that the cultivation and extension of relations will call for special and unremitting efforts on the part of both partners;
20. Is resolved to make its own contribution to this processing;

as regards a new starting point for relations

21. Hopes that relations will be placed on a sound new footing adapted to meet the changed conditions in Europe and the world;
22. Takes as its basis in this connection the principle of a partnership between equals which alone can do justice to the strength of the two partners and the importance of their relations;
23. Proposes that the differences on economic and security policy matters should be pressed into the service of a new and fruitful cooperation and that agreement should be reached on individual but complementary and coordinated roles in international relations;
24. Is aware that the Community must speak with one voice to a greater extent than hitherto, particularly on external and security policy issues, and must put itself forward as a strong, self-contained partner of the United States;
25. Calls once again in this connection for external and security policy matters to be brought within the ambit of Community policy, for the strengthening of the Community's institutions and for a more efficient organization of its decision-making process, and draws attention to its proposals for the reform of the Community;

26. Appreciates the long constructive relationship between Europe and the USA and believes that European unity will help to bring the two partners closer together;

as regards the measures to be taken by the two partners to improve relations

27. Stresses that timely consultation and the comprehensive mutual exchange of information on all matters affecting the two parties must be central to their relations and must be taken into account by both partners;
28. Hopes that, while fully respecting the international commitments they have entered into, the USA and the Community will undertake to settle their differences on economic and trade policy issues jointly in organizations set up for this purpose (and at the appropriate levels);
29. Welcomes the high-level talks first set up in 1981 between leading US government representatives and the Commission of the European Communities and hopes that both sides will use them to the full to secure mutual agreement on and a settlement of sectoral issues and related political problems;
30. Draws attention to the machinery for maintaining contacts between the President of the Foreign Ministers meeting in political cooperation and major third countries, as provided for in the October 1981 London EPC report, and emphatically demands that this machinery should be used to the full;
31. Proposes that the USA and the Community should attempt to find new fields for political cooperation which would be of mutual interest and benefit and which would seem likely to inject new life into the partnership, examples here being modern technology and space research and, in particular, energy saving and the utilization of alternative energy sources;
32. Draws attention, in this connection, to the benefits of long-term transatlantic research into the problems common to the highly developed western industrialized societies and supports the initiatives taken in this field;

33. Believes that the European Parliament, being directly elected to represent the people of Europe is in a unique position to represent European interests in third countries;
34. Appreciates the work carried out over the last 12 years by its official delegation for relations with the United States Congress and hopes that their contacts will be improved and extended;
35. Looks forward to even more closer cooperation between the Parliament and Congress;
36. Instructs its delegation to examine the question of whether the contacts maintained in the intervals between the six-monthly meetings could be intensified, in particular by taking steps to ;
- set up, where necessary, smaller contact groups, which would discuss specific current issues and, possibly, submit joint proposals for solutions;
  - arrange for the chairmen of the two delegations to keep in touch with each other on a permanent basis with a view to exchanging information on work of interest to both parties and passing this information on to their own parliaments;
37. Favours further efforts to ensure that issues of common interest can be discussed by mutual arrangement in the two Parliaments and that agreement can be reached on joint statements;
38. Is anxious to improve contacts with all the political forces in the United States which play an important part in the formulation of political objectives, both during the meetings with Congress and in the intervals between these meetings, with a view to providing information on a permanent basis on the work and viewpoints of the Communities and of the European Parliament itself;
39. Considers it necessary that:
- its delegation should be able to visit other parts of America on the occasion of the meeting in Washington;
  - Parliament should use to the full its scope for contacts with American offices and organizations in Europe;

as regards the Commission's measures to improve relations

40. Supports the Commission in its efforts to extend and improve its contacts in the USA;
41. Calls on the Commission to ensure that its representatives make an even greater effort to provide Parliament with direct information on political events in the USA;
42. Hopes that the Commission will allow Parliament to be represented in its own right at its delegation in Washington and to send individual officials there for specific periods;
43. Proposes that the Commission should make it possible for the representatives of European groups and associations to voice their opinions more frequently themselves in the USA by bringing them together with the appropriate American representatives, for example in round table talks;
44. suggests that the Commission should open more information offices in the USA - in addition, that is, to the one in New York - so that the Community can make its presence felt and exert a political influence in other parts of this immense country with its vast regional variations;
45. Welcomes the fact that the Commission's delegation in Washington is seen by the American public as the 'embassy of the Community' and not merely of one of its institutions and therefore proposes that the Commission should give expression to the paramount importance of relations between the Community and the United States by consulting the European Parliament's Political Affairs Committee in future before appointing the leader of its delegation in Washington, in the same way as it currently gives the Committee of Permanent Representatives the opportunity to deliver an opinion before proceeding with an appointment;

as regards the measures to be taken by the Community and the Member States

46. Calls on the Community as a whole and on the individual Member States to do everything in their power to ensure that more is known about European policy in the United States and to increase public interest in relations with the European partners;

47. Hopes that, on the basis of reciprocity of entry visas, the exchange of people and ideas will be promoted and in particular that the younger generation will be encouraged to take a greater interest in the United States;
48. considers it necessary in particular that American and European opinion leaders in different fields and at different levels should be given more opportunity to meet each other and greater access to direct information;
49. Calls, as a matter of urgency, for the official Community visitors programme (ECVP) to be extended in order to give more US management representatives the opportunity to form an accurate picture of the Community and Europe;
50. Proposes that the European Community should award an annual prize for outstanding American work in the field of Atlantic relations and instructs its Bureau, working in collaboration with the Commission, to work out the criteria and arrangements for awarding such a prize and submit details to Parliament;
51. Instructs its President to forward this resolution to the Council and Commission of the Communities, the Foreign Ministers meeting in Political Cooperation, and the Congress and Government of the United States of America.



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## Report

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PART B: EXPLANATORY STATEMENT

PE 88.473/fin. / B.  
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B

EXPLANATORY STATEMENT

Background to the current state of European-American relations

1. The relationship between the United States of America and the European Community is a special one. For the United States, the European Community in many ways represents the whole of Western Europe. The strong and fundamental common interests contrast with past and present differences.

The common interests date from the birth of the United States, the constitution of which took its inspiration from Europe and in turn has had an important influence on constitutional developments in Europe. Because of the unusual continuity in the development of the United States over the last two hundred years, the ideas and principles set out in the constitution are still valid today and shape its society and political life. The United States and the Community share the same commitment to human rights and fundamental social and political freedoms and the same principles of a pluralist, democratic system of government.

The United States' interest in its own history, the widespread concern with 'roots' and the cultivation and promotion of the ideals of the first settlers have increased as a result of the swing towards conservatism since the 1980 elections - the start of the Reagan administration - and greater emphasis is placed on these values. Paradoxically, this has added to the differences between America and the changed Europe of today. It has resulted in the USA and in Europe in a certain sense of helplessness since, although natural allies, we seem increasingly to differ on far more points and agree on far fewer and there is doubt as to whether the partners can still rely on each other.

However, it is not on basic values and interests that we have ceased to agree, the differences lie in our attitudes to the possibilities, limits, methods and policy of the alliance. They have led to a reduction in joint action in the world's trouble spots and a relationship between the allies on either side of the Atlantic described by Henry Kissinger as a "troubled partnership".

President Reagan owed his election victory to the growth of a certain type of conservatism in the USA, which finds expression in the "moral majority". This moral majority regards social questions as moral or religious issues and is correspondingly uncompromising in its attitude to them. Examples of this approach are the campaign for the recognition of the biblical theory of creation as a basis for instruction in schools, the campaign for the reintroduction of religious worship in state schools, the stipulation of a conservative role for women in society and the attitude to specific groups such as homosexuals. These attitudes have had a decisive influence on American policy under the Reagan administration and have in this respect alienated it even from those political forces in Europe which share the same views on economic or defence matters.

In matters of foreign policy, this same attitude is reflected in a basic feature of American policy, which has always conflicted with the proverbial appreciation of pragmatism and reality and has to varying degrees marked the development of American foreign policy: a certain dogmatism, a tendency to ideological and abstract thought accompanied by a belief in the special status and superiority of the American nation in matters of democracy and political morality. This is an attitude which President Reagan has expressed on numerous occasions, for example in November 1982:

'I have always believed that this anointed land was set apart in an uncommon way, that a divine plan placed this great continent here between the oceans to be found by people from every corner of the earth, who had a special love of faith and freedom.'<sup>1</sup>

The Soviet Union on the other hand is, in President Reagan's words, 'the evil empire' which is responsible for evil in the world:<sup>2</sup>

'Let us not delude ourselves. The Soviet Union underlies all the unrest that is going on. If they weren't engaged in this game of dominos, there wouldn't be any hot spots in the world.'

This bipolar and ideological view of the world adopted by the present United States government is at odds with the attitudes of most western Europeans. These are based on past experience and political reality, regardless of party affiliation, and foreign policy issues are viewed and assessed in their own particular context. It is not surprising that such

different approaches to foreign policy should lead to different conclusions in practice.

The political purpose of this report is not, however, to analyse the problems but to find new possibilities for improving relations between Europe and the USA in the interests of both parties.

## 2. The crisis in relations

### Sectoral crises concerning bilateral issues

There is daily news coverage of the economic and trade problems between the United States and the Community, with sometimes a hint of American bitterness at this development.

The economic recovery of Europe after the war, particularly its dynamic growth through the creation of the European Communities, is one of the reasons why difficulties in the Atlantic Alliance have become an important daily political feature. This is not a new revelation. America's adoption of the broken Europe of the post-war years and its unprecedented aid to destitute Europeans responsible for their own suffering was succeeded some time ago by a state of rivalry between two comparable economic powers, but it is only in recent years that this change has begun to have political consequences.

The economic recovery and revival of Europe was always, it is true, the declared aim of American post-war policy. It became increasingly clear, however, that there were also definite disadvantages for the United States. The Community is today a dangerous competitor for the United States, and economic competition can sometimes lead to open conflict.

A few figures serve to indicate the extent of the risk:

The Community has become the largest trading power and the second largest economic power in the world and the United States is its most important trade partner. The United States' volume of trade with the Community increased by almost 450% during the 1970s and far exceeds its economic relations with the other Western European countries. The United States is the strongest industrial power and the second largest trade partner in the world and in 1980 over one third of its direct investments abroad went into the Community, i.e. five times more than in 1958 when the Community

was set up. The United States and the Community now compete fiercely on third markets, as is illustrated, for example, by the relentless battle over sales of agricultural surpluses.

Sectoral conflicts as such are to be expected in a relationship of free competition. They have been a permanent feature of USA-EEC relations since the 'chicken wars' in the 1960s. For a long time they did not, however, hamper or threaten the relationship between Europe and America in any permanent way. It is not the existence of such conflicts between the USA and the Community which is worrying today, but the fact that the disputes have become symptomatic of a troubled political and economic climate. This climate of mistrust and disenchantment acts as a hothouse in which disputes over steel and agricultural exports become enlarged out of all proportion.

#### The crisis in economic relations

In the economic sector, the deterioration in climate is related first and foremost to the United States' policy of high interest rates. Because of its supreme economic power and the leading role of its currency the United States holds the key to the recovery of the world economy. As Helmut Schmidt said at the beginning of December 1983<sup>3</sup>, the world has not been so dependent economically on any one power since the days of the Roman Empire during the life of Jesus Christ.

The twofold strategy adopted by the Reagan administration, aimed at reducing taxes drastically, in the liberal pattern, to revive the domestic economy, thus cutting back on public revenue, and at increasing defence expenditure in order to regain military superiority, has contributed in a large measure to the astronomical budget deficit. This deficit syphons off foreign capital which is urgently needed by Europe and the Third World for their own recovery. The external consequences of domestic policy decisions are often ignored in the United States. The US government has repeatedly denied or sought to minimize the existence of such a cause and effect relationship, for example at the world economic summits, and claimed that other factors are responsible for the problems of third countries. There are, it is true, different assessments, for example the report by Martin Feldstein, President Reagan's economic adviser<sup>4</sup>. The frequently expressed hope that the present economic upturn in the United States will solve all these problems will prove to be unfounded since the nature of the dependence will remain unchanged.

At the same time, the key role of the dollar in relation to all the economic transactions carried out in dollars is a source of major balance of payments problems, particularly in the developing nations, which many countries are now scarcely able to deal with. The desperate efforts being made to avoid a major international debt crisis are a reflection of this.

Instead of treating the symptoms and confining itself, with much hesitation, to granting a few new loans to the International Monetary Fund, the American government must remove the root causes for which it is responsible. The Community must insist that the United States fulfil the obligations imposed upon it by its dominant position. We must make clear that it should do this not only for moral reasons but in its own real interest. Even the strongest US economy cannot prosper today without a viable world economy and a sound world monetary system. For the Americans too, the days of reliance on own resources and the domestic market are over. American exports now account for one tenth of total production and their value equals the cost of the defence budget.<sup>5</sup>

Only if the USA works together with its partners in the world to find mutually acceptable solutions to this basic problem will the overall economic climate on the other side of the Atlantic also improve, and the remaining economic conflicts will then be seen for what they are: limited disputes between partners which are both normal and resolvable.

It is also vital in terms of security that America's policy of high interest rates should be changed. High unemployment, insufficient public funds for the import of essential products such as energy and food and the provision of social assistance for the poor lead directly to political unrest and susceptibility to political subversion, particularly in the chronically affected regions of the Third World. The Community and the European Parliament have repeatedly drawn attention to these consequences.<sup>6</sup> As the United States exacerbates the problems of the developing countries by its self-centred economic policy, it adds fuel to the unrest which ultimately has to be quelled, it would seem, by military intervention. Central America and the recent events in Grenada are cases in point. Security policy should not be confined solely to the creation of a defence potential. It must also include strategies to remedy hardship and dissipate social tension. It must create strength and stability and this cannot be achieved by weapons alone.

This view could also become more widespread in the United States as a result of the planned reorganization of its foreign aid. The study group set up by President Reagan to examine the aid programme stated in its report published in November 1983 that economic growth and a rising standard of living were essential preconditions for the internal stability and defence capability of the developing countries, and proposed an amalgamation of the various aid programmes together with an increase in funds.<sup>7</sup> This reorganization would, however, have to be accompanied by a change in budgetary policy.

### The crisis in the Atlantic Alliance

The crisis in the Atlantic Alliance is viewed differently on either side of the Atlantic.

The main attitude in the United States is one of irritation and disenchantment with its European allies. The United States' interest in the economic recovery of Europe after the war was always closely bound up with its desire to enlist a politically strong partner which would share with it the burden of defending the free world against the threat of the Soviet Union and Communism.

The foreseeable problems of economic competition seemed a necessary and appropriate price to pay to relieve the burden of responsibility for foreign policy and military matters. The calculation proved to be incorrect. Thirty five years after the creation of the North Atlantic Alliance, the basis of European security is still the US nuclear guarantee. The United States makes the largest contribution in absolute terms to NATO's defence expenditure. 5.5% of its gross national product is spent on defence as compared with 4.2% in France, 3.4% in the Federal Republic of Germany, 5.6% in the United Kingdom, 3.3% in the Netherlands and 2.8% in Italy. (NATO Press Service, 2.12.1983, financial and economic data relating to NATO defence).

A large proportion of the American public feels particularly strongly about this inequality in view of the fact that in recent years the United States has increased its military commitment to the allied states whose citizens seem increasingly inclined to agree with those who see in these defence efforts more danger than security for Europe.<sup>8</sup> In the American view, therefore, the expenditure does not seem to be justified by the results. This is resulting in defensiveness and a renewed tendency towards isolationism.



While the amendment by Senator Mike Mansfield proposing a large withdrawal of troops from Europe did not receive majority support and was disregarded at the end of the 1960s, proposals of this nature now stand an alarmingly good chance of finding wide support among American politicians and the general public. Only recently a Senate subcommittee voted in favour of maintaining the American military presence in Europe at its 1980 level, which would mean the withdrawal of 15,000 military personnel.

From the American point of view, the unequal distribution of the cost of military defence in the Alliance is an important reason for the crisis. It is one of the reasons why Europe is dependent on the American security guarantee, which is in itself an unhealthy situation, as Raymond Aron has pointed out<sup>9</sup>. It leads to arrogance and condescension on the one side and irresponsibility and opposition on the other<sup>10</sup> which has a bad psychological effect on relations. It is widely agreed that, whatever the means employed, Europe must do something to assume greater responsibility for its own security. This view was expressed, for example, in Parliament's *résolution* on European Security and European political cooperation<sup>11</sup> which called for determined efforts to draw up a European security policy.

It is important that the European partners should make their position clear now and take the first step forward by drawing up a European security policy with a view to exercising greater independence in defence matters and individual military power within the Alliance. They would thereby be demonstrating their willingness to eliminate one of the major structural causes of the crisis in the Alliance, even though it would take years to implement this policy in practice.

Only in a small minority of cases does the debate in Europe as to the value and desirability of the United States' military commitment reflect a general opposition to military defence and the Alliance as such. A survey carried out among eight Western nations in September 1982 by the Atlantic Institute showed that a substantial majority of people were in favour of maintaining a defence force (75% in the United Kingdom, 74% in the Federal Republic and 57% in France).

A similar survey carried out in September 1983 showed that this attitude had not changed although the answers to other questions indicated a shift in views.

The criticism of current NATO doctrine which has been expressed in the heated debate over the stationing of the missiles referred to in the twin-track NATO decision of 1979 is not, on the whole, directed simply at the Alliance itself. It is an expression of the uncertainty brought about by the development of arms technology. Europe's role and situation in the Alliance have changed; it is now a theatre in which limited conflicts may seemingly be fought and won rather than an 'advanced guard' for American defence strategy.

The necessary basis for any alliance, the conviction that the risks are evenly shared, has thus been called into question. The uncertainties have given rise to an impassioned debate on European security interests. This debate is now better understood in the United States as a result of the growth in the freeze movement since 1982.

It is essential that the United States should understand this problem and take it seriously. It must work together with its European allies to develop a new, mutually acceptable strategy if the Alliance is to be not only unharmed but also consolidated and reinforced in the long term. The stationing of the first new medium-range weapons is certainly not a solution to the problem.

It must be recognized on both sides of the Atlantic that Europe's security interests are no longer identical to those of the USA but simply overlap them in certain areas. Europe's first concern must be to prevent the outbreak of any war on its continent rather than simply to limit such a war. The way in which this is to be achieved and the choice of political and military strategies will be determined primarily on the basis of the adversary's character, motives and methods.

The fact that there are differences here between the United States and Europe as a result of the differing views of political action explained above is one important reason why the two partners have not adopted common positions in recent years on the crisis in East-West relations or on events in many parts of the Third World.

### The dispute over the value and limits of détente

The Soviet Union's invasion of Afghanistan in December 1979 and its role in the Polish crisis which came to the forefront two years later focused attention on the question of the purpose and limits of détente policy.

In the case of Afghanistan it became clear that the opinions as to what should be done depended on the analysis of the probable motives behind the Soviet action<sup>12</sup>. Was the invasion to be regarded as an act of imperialism, a demonstration of the desire for aggression inherent in the Communist system to which the West had simply been blinded during the years of détente which should be countered by a demonstration of strength and determination? Or was it more an 'act of desperation than a challenge'<sup>13</sup>, an unwarranted, and therefore unjustifiable, step but a defensive reaction intended to protect the Soviet world against Islamic unrest which brought back memories of the situation before 1914 and would have been better dealt with by means of confidence-building measures and a lessening of tension? The fear of a threat to the Soviet system in this area was not unfounded since every second child born in the Soviet Union today is a Muslim<sup>14</sup>. But is it possible to resolve conflict in one part of the world by increasing tension in another?

A debate therefore ensued on the value and limits of détente within a policy of security and cooperation, not only on the other side of the Atlantic but also within the Community. The Community ultimately decided, with the support of Parliament, to give priority to continuing the process of détente in Europe. It did, it is true, accept the American view that détente is an indivisible process and, to show solidarity with the USA and express protest at the invasion, it ensured that the American grain embargo was not circumvented. It also expressed unanimous condemnation of the invasion, demonstrated its solidarity with the Afghan people by joining with the United States Congress in declaring 21 March 1983 a day of sympathy with Afghanistan and called for the convening of a conference to settle the conflict. The Community did not, however, impose any sanctions of its own on the USSR and remained impartial on the question of a boycott of the Olympic Games in Moscow. In view of its past history and geopolitical situation, the Community considered that it should not voluntarily jeopardize détente in Europe. Since they occupy the same continent as the USSR, it is of vital importance to the countries of Europe and the Community that they should achieve a modus vivendi with this large neighbouring state to allow them to live without constant fear for their own security. It is in Europe's interest to establish a network

of economic and cultural relations which will ensure its security and is sufficiently strong to withstand pressure.

Europe has learnt that security must involve more than military defence capability, that the process of strengthening relations begun by the CSCE Conference is a prerequisite for an effective security policy in Europe. The Community and Parliament have always actively supported and played an important part in this process<sup>15</sup>. It is of economic benefit to Europe, which attaches far more importance to trade with the East than the United States whose exports to the state-trading countries in 1980 accounted in all for 0.6% of its total export figures<sup>16</sup>, and it answers the wishes of those who have benefited personally from détente through greater freedom in the East and more exchanges and family reunions. Détente has an intrinsic value for Europe. It is more than just a privilege which can be withdrawn if the adversary misbehaves.

The American view of the situation is different. Geographical remoteness alone results in other priorities. It is significant, as Congressman Lantos pointed out in his working document for the 19th Meeting of the two Parliamentary Delegations, that until 1978 the US Administration had never made a statement to Congress on American policy towards the Eastern European countries for the simple reason that such a policy did not exist. Lantos stated that attention had always been focused on the Soviet Union as the ideological opponent. Relations between the United States and the countries of Eastern Europe were quite secondary. The criticism expressed by Americans such as Congressman Don Pease, who has called for a review of the American approach to détente, is a sign of hope that this attitude may be changed<sup>17</sup>.

The differing assessment of the role of détente within a policy to secure peace is an important reason why the USA and the Community have failed to agree appropriate reactions to the crises in recent years. Every crisis, from the situation in Iran in 1979 after the occupation of the American Embassy in Tehran to the Soviet invasion of Afghanistan and the imposition of martial law in Poland, has given rise to the same dispute over the value and necessity of trade embargoes and the export of 'strategic' materials to the East. The most serious was the conflict over the construction of the European-Siberian gas pipeline.

## The dispute over the policy of embargoes

The USA's tendency to make increasing use of embargoes as a political weapon was bound to lead to disputes with its European partners who saw their long-term economic and trade relations with the East as a crucial factor in their political strategy. The situation was further complicated by differences in economic interests.

The Community is incomparably more dependent on energy imports than the USA and moreover obtains a dangerously high proportion of its imports from the crisis areas of the Middle East. The European-Siberian pipeline deal made for diversification which, from the point of view of security, was highly desirable. Taken as a whole, the likely dependence on Soviet gas supplies was much lower than the American figures suggested.

Indeed, the USA painted an exaggerated picture of the dangers of the deal and played down the advantages which it would bring to the European countries involved, inter alia from the point of view of safeguarding jobs.

All in all, the USA's attitude in this dispute was characterized by a lack of honesty and a failure to take account of the specific interests of its partners. The situation was further exacerbated by the American Government's unprecedented action in imposing sanctions on European firms to force them to comply with the American embargo, in some cases against the express instructions of their own governments. In the process, the USA tried to make out that it knew better than the Europeans themselves where their interests lay and how to protect them. The autocrat took on the guise of guardian. To put it bluntly, it 'punished' the flouting of the will of the Polish people by the Communist powers in Moscow and Warsaw by flouting the sovereignty of the Western Europeans.

Behaviour of this kind clearly exceeds the bounds of what is reasonable for settling differences of opinion between partners. The firm, unanimous attitude of the European countries - even those which were not directly affected - led to the withdrawal of the sanctions without any concessions on the European side. The lesson to be learned from all this is that one partner should not dictate terms to the other even if it wholeheartedly disapproves of a political decision it has taken. The powers which want to see the alliance weakened are the only ones to benefit in such situations.

It is interesting to note that the American public were more aware of this than the government. A Gallup poll conducted in the USA in August 1982 showed that there were almost as many opponents of sanctions against European firms as supporters (48% in favour, 42% against). When asked what damage they thought had been caused, however, a large majority of the respondents mentioned the adverse effects on relations with the European allies and ignored the more obvious issue of the considerable economic disadvantages for American industry<sup>18</sup>.

The usefulness of sanctions as a means of imposing political pressure is now also a matter for considerable doubt in the USA. The European Community, on the other hand, has always been sceptical. Parliament expressed its views on the matter in detail in an own-initiative resolution, in which it drew attention to the extremely limited effectiveness of such sanctions<sup>19</sup>. It has since been confirmed in its opinion by the ending of the US grain embargo and by a welter of American reports. No-one seriously saw the end of the hostage crisis in Tehran or the lifting of martial law in Poland as a consequence of Western sanctions, and the USA itself lifted the grain embargo against the USSR without the Soviet Union giving way an inch.

The political example which sanctions are supposed to set had, in the eyes of Reagan's Administration, always been a matter of considerable importance in itself and in the ultimate analysis was considered to provide sufficient justification for such measures. However, the willingness to accept substantial economic disadvantages in the interests of a symbolic gesture has limits even in the USA. Ronald Reagan had in fact made the lifting of the embargo one of the main issues of his election campaign and fulfilled this promise in April 1981 - once again without informing his European partners beforehand. The economic damage sustained by the USA was considerable: the embargo had reduced its share in the USSR grain trade from 75% to 30% and other countries had stepped in to take its place. Significantly, the overall costs of the embargo in the form of internal government expenditure in support of grain prices were exactly as high as the cost incurred by the USSR in making replacement purchases (one thousand million dollars on both sides)<sup>20</sup>.

When in January 1983 President Reagan announced the new law on agricultural export credits, which was intended to help to build up new long-term supply arrangements, he admitted that it would take the United States not only months but years to re-establish its reputation as a reliable supplier. The consequences

of economic sanctions are even more serious for Western Europe, which supplies Eastern bloc countries not with bulk agricultural goods but with high-quality industrial products. The structure of European trade with the East is based on fairly long-term considerations. It is the product of years of continuous effort in building up relations - relations which cannot simply be turned on or off at the flick of a switch when the political temperature suddenly changes.

Ethical values and rules can and must be taken into account when deciding on foreign policy objectives and methods. In a world in which different moral and ethical values and different religions and philosophies exist side by side, moral inflexibility in the matter of foreign policy leads to unpredictability, loss of confidence and perilous stalemate situations.

George Washington once said: 'No nation is to be trusted farther than it is bound by interest'. It follows, then, that political action must take as its starting point an analysis of the problem concerned in its own specific context. At certain periods, and particularly for the founding fathers of the United States, this has been axiomatic in American politics. George Washington in fact regarded it as a moral duty and a way of achieving consistency and predictability in international relations<sup>21</sup>.

Present-day American policy has moved away from such principles and this has given rise to mounting irritation and lack of understanding among its European partners. The East-West conflict, which has become an *idée fixe*, is considered to play a part in crises which have been caused by completely different factors and which can only be understood in their own context. This applies, for example, to the Middle-East conflict, the dispute between South Africa and its neighbours and the crises in the countries of Central and South America.

## Differences as regards policies on the Middle East and the Third World

Closer coordination between American and European policies is particularly necessary in two areas of special relevance to European interests: the Middle East and the development of the Third World.

There has never been any disagreement on the general aims of restoring and safeguarding peace in the Middle East and guaranteeing all peoples in the area the right to exist.

The EC partners and Parliament welcomed and supported the Camp David Agreement achieved, with much personal effort, by Jimmy Carter. However, they felt it necessary to go a step further and to recognize, in addition to Israel's right to exist, the right of the Palestinian people to self-determination and to call for Palestinian representatives to be allowed to participate fully in the peace process. In other words, they were going along with the accepted view on the unique course of history in the region and the partial blame arising from European involvement, and recognizing that it was vital for them to maintain good and friendly relations with all parties in the conflict.

The defence of Israel's right to exist, on the other hand, ranked foremost among American objectives on the Middle East.

Moreover, the crises in the Middle East were considered to form part and parcel of East-West confrontation. The Soviet Union was thought to be 'pulling most of the strings' and its assumed interest in destabilizing the area and enlarging its own sphere of influence was seen as one of the main causes of the conflict.

The situation is less straightforward in the eyes of the Community, whose position on the Middle-East conflict is inseparably bound up with its efforts to evolve a global Mediterranean policy. History and geographical proximity have resulted in particularly close relations between the Mediterranean countries and the European Community and its Member States, three of which are Mediterranean countries themselves. Moreover, the European Community has concluded a series of association, cooperation and trade agreements covering all countries in the region with the exception of Albania and Libya and extending to neighbouring states such as Portugal and Jordan. The basic philosophy is to create political stability throughout the Mediterranean area by strengthening the economic systems of these countries. Thus, the Community has committed itself to the principle of equally good, peaceful and friendly relations with all Mediterranean countries, including Israel and her adversaries.



The joint positions set out by the EPC Foreign Ministers in the 1980 Venice Declaration and elsewhere are a logical consequence of this policy which was developed not only in the interests of the Community but also in the interests of the other countries concerned.

On this basis the Member States of the European Community and the Community itself should make their own valuable contribution to the solution of the difficult problems in the Middle East. In many respects they could achieve objectives which the Americans, whose involvement is unquestionably necessary, cannot achieve alone. Evidence of this can be seen in the interest in shared European responsibility shown by those directly concerned. The Community put its willingness to help to the test when some of its Member States sent troops to join the peace-keeping force in Sinai in 1982 and the multinational peace-keeping force in Lebanon in 1983. The ill-feeling which has arisen because of lack of coordination and consultation between the commanders of the American and European contingents in the matter of the tactics to be adopted in Lebanon shows that, in this case, too, the USA has failed to recognize and accept the Europeans as full partners.

Because of their colonial past almost all Member States maintain special relations with many parts of what is now the Third World and Europe has become acutely aware of its special responsibilities as regards the fate of the Third World. These relations, which may have been seen as a handicap for the Europeans when the countries concerned won their independence from the colonial powers, are now paying dividends inasmuch as they are helping to determine the course of cooperation with the developing nations. This became clear to the British partners at the most recent Commonwealth Conference in New Delhi in December 1983<sup>22</sup>. The same arguments apply to the French position, particularly in Africa. Realizing that successful development cannot be achieved without assistance from and close cooperation with the industrialized nations and after learning, in some cases by bitter experience, how their own way forward can be affected by involvement in the East-West conflict, the countries of the Third World are looking to Europe for support with an increasing sense of optimism.

The Community has taken up the challenge. In particular, European responsibility for the Third World has in recent years become a central theme for the European Parliament which, as the spokesman for a committed section of public opinion, has stated its views with considerable force and unanimity on many aspects of the problem and given a decisive impetus to work on the formulation of an overall framework for European development policy<sup>23</sup>.

The Community now makes the largest contribution to development aid in the world. Through its policy of association with the countries of the Mediterranean, Africa, the Caribbean and the Pacific it created a pattern for forward-looking cooperation between North and South which it has been continuously building upon for more than 25 years. In this connection, it has always been conscious of the fact that it is making an important contribution to safeguarding peace in the world by virtue of its efforts to transfer to international relations the European concept of peace, which is based on interdependence and the creation of a sense of common purpose and which forms the very foundation of its own existence.

Developments in the North-South problem have been a central theme of all recent world economic summits - particularly the one held in Cancun in 1981 - where differences of opinion between the Europeans and their American partners have emerged clearly for all to see. The USA is inclined to take a selective approach to relations with developing countries. Its sense of commitment usually begins only when an open crisis occurs and it suddenly becomes clear that major interests of its own are at stake and military measures alone will not suffice. Grenada is a very recent example of this situation. The Community had already been giving economic aid to that tiny island state for many years. It was only after its military intervention in November 1983 that the USA thought again about its half-hearted Caribbean Plan; it was only after the event that it realized that economic measures might have contributed to internal stability; and it was only after the event that President Reagan announced that a number of important products from Grenada and a few other Caribbean states would be exempt from duty.

The volume of US development aid is relatively low (1980 - 5.1 thousand million ECU from the USA and 9 thousand million ECU from the European Community and the Europe of the Nine). But that is not all. Because of inflation it has dropped in recent years by 21% in real terms whereas the Community's contributions have increased by 7% in real terms. Moreover, American aid is concentrated on a very small number of countries which are important to the USA for strategic reasons. From 1980 to 1982, for example, 75% of the military aid and 30% of the economic aid went to Israel, Egypt and countries with US military bases such as Spain, Turkey, the Philippines, South Korea and Portugal<sup>25</sup>. This places the philosophy behind the USA's current development policy in a very revealing light.

The impact of this philosophy is intensified by the fact that the USA, under the Reagan Administration, wants to use its liberal internal policy formulae for economic recovery to promote economic progress and an increase in the standard of living in the Third World, even though the fundamental conditions there are completely different. If the USA and the European Community could bring their differing ideas into line with each other this would not only help considerably in bringing about an understanding between the two parties on practical individual issues but could also provide an important basis for joint measures which, by their very nature, would increase their solidarity. In his speech in Nice in October 1981 at a conference on the future of Atlantic relations President Thorn singled out such action as a possible fruitful field for active and constructive cooperation in which both partners could use their strength and economic resources for the practical safeguarding of peace. This idea should be taken up again.

### 3. Conclusions - a new starting point for Atlantic relations

On close inspection it becomes apparent that the individual areas of conflict and their numerous manifestations can in fact be resolved into a few basic issues. The causes can be divided into those arising from errors and shortcomings on the European side and those which can be laid at the USA's door. In many cases the latter are openly criticized by large minorities within America for whom they are a cause for concern. No cause for dispute is so basic that it cannot be eliminated or at least turned to good account in the form of successful and coordinated action by adopting a new starting point, by frank discussions and by an honest attempt to understand the motives and interests of the other side.

This conclusion is one which the European Parliament would be justified in drawing, in particular from its twelve years of direct experience in inter-parliamentary exchanges between the US delegation and its own official delegation for relations with the US Congress. For many years it has had the opportunity of holding talks with representatives of various political outlooks and has observed that regular exchanges of information and discussions can promote mutual understanding, eliminate misconceptions and clear the way for joint activities. In this connection, attention should be drawn to such examples as the Afghanistan Day, the preparation of measures for tackling the drug problem and initial moves to deal with the extremely controversial topic of the Vredeling Directive. This important work is described in more detail in the annex to the present report.

The central objective is to combine the desire to gain an insight into current problems with the determination to find joint solutions on the basis of partnership and the common ground between the two sides which is just as extensive now as it ever was.

The astonishing results of the poll conducted by the Atlantic Institute in September 1983 confirmed the need for progress in this field. Indeed, the figures for people answering 'yes' to the question of whether the security of the West rested upon cooperation between Western Europe and the USA were lower than in 1982 in all of the Member States which participated in the poll with the exception of the United Kingdom, where they remained the same. The difference was particularly marked in the Federal Republic of Germany, where the figures fell from 54% to 34%. The percentage of respondents answering 'yes' to the question whether they would prefer to see greater contacts and dialogue with the Soviet Union rose by comparison with 1982 in all Member States with the exception of the Netherlands, where there was a small drop. The most marked difference was in the United Kingdom (36% in 1983 as opposed to 19% in 1982). In the United States, on the other hand, more respondents answered 'yes' to both questions than in the previous year. Forty per cent were in favour of more cooperation between the USA and Western Europe (36% in 1982); and 40% were also in favour of more cooperation with the Soviet Union (as opposed to 25% in 1982). This last figure is the second highest of the results obtained in any of the countries participating in the poll (after the Federal Republic of Germany with 42%)<sup>26</sup>.

Comparison of the views on these two questions reveals an increased interest in more balanced relations between the Western partners and in improved relations with the Soviet Union.

It is particularly encouraging that this trend is also apparent among Americans, who, on this central issue, have moved considerably closer to the majority opinion in Europe.

The alliance would benefit from a revival of the notion of an Atlantic partnership based on equality first put forward, with a sense of vision and responsibility, by President Kennedy at the beginning of the Sixties. The Community is better equipped now than it was then to add weight to the European side of such a relationship. A partnership of this kind admittedly has to take account of the fact that complete equality does not exist in terms of economic or military strength, but it should nevertheless be based on the

principle of equality - with due regard to special individual responsibilities - and consistent mutual exchanges of information, consultation and agreement on all important issues and in particular on political measures should form part and parcel of its basic tenets. References to the common ground which still exists between the two sides - and these are frequently only rhetorical - are not sufficient. The partnership must actually operate and be put to the test every day.

#### 4. Measures for the maintenance and improvement of relations

Measures for the maintenance and improvement of relations must be broadly based and must take account of a number of special factors relevant to the USA's external relations in general and its relations with the Community in particular.

4.1. Account should be taken of the wide variety of opinions and interests in the USA and the considerable influence which this has on the formulation of official US policy. It is important not only to keep up the essential contacts with the official offices in Washington but also to maintain contacts with the most important economic, social and political opinion leaders. This applies both to Commission contacts and to European Parliament contacts. In view of the extent to which American interests are represented in Europe, such activities need not be confined to trips to the USA and meetings there but can in fact be usefully carried out at home as well, as is demonstrated by the European Parliament's long-standing relations with the American Chambers of Commerce here.

4.2. Account must be taken of the fact that the degree of information and open-mindedness on European issues varies considerably between the more Europe-oriented East coast of the USA and the mid-West or the states on the West coast. The majority of Americans today live West of the Mississippi, i.e. in those parts of America furthest away from Europe. Last but not least, the Vietnam war has made people very much more aware of America's Pacific interests. President Reagan's trip to Asia in 1983 made it clear that interest in Japan and ASEAN is already running a close second to interests in Europe. President Reagan's declaration last year in Tokyo - no relationship between two countries is more important for world peace and prosperity than the relationship between the USA and Japan<sup>27</sup> - stands in stark contrast to the stereotyped affirmations that Europe is America's most important ally.

4.3. External relations in the USA show a considerable lack of continuity. This is attributable, inter alia, to certain specific features of the political system in that country. The Constitution confers on Congress a major role in foreign relations. Members of the House of Representatives are elected for periods of only two years; they are therefore subject to substantial pressure from local and regional interest groups.

Since to all intents and purposes there is no permanent Civil Service which would work loyally for a government formed from another political party, a change in the ruling majority following Presidential elections traditionally leads to the replacement of all important government officials. When President Reagen took up office six thousand officials left their desks and went over to private industry or science, often taking with them important information and experience which only they possessed. This is another factor which contributes to the lack of continuity in American Foreign Policy and even makes it difficult for the European partners to maintain permanent contacts with the right people in Washington.

4.4. The situation is further complicated by the American tendency towards 'one-issue politics' - the tendency to concentrate on one problem at a time and to sweep all other issues under the carpet until a crisis once again brings them to the attention. Although the Community is not likely to hit the headlines, it must endeavour to ensure that it is always a factor to be taken into account in American politics and that interest in the partnership is kept alive.

4.5. Finally, the transition from the generation which founded the alliance and the Community is almost complete on both sides of the Atlantic. The new generation of leaders has been cast in a different mould.

The main distinguishing feature of the North Atlantic alliance, which forms the basis of relations between the United States and the Community, is that its founding fathers had all shared the experience of war<sup>28</sup>. Thus, the alliance was not simply founded on a cold calculation of interests; it was also buoyed-up by inner dedication and personal feeling. As has rightly been pointed out<sup>29</sup>, we can rest assured that the new generation will clearly realize that it is vitally important to continue with the alliance and will act accordingly; however, this alone will not create the same basis of shared experience on which the strength and stability of the alliance was originally founded.

The process of change cannot be halted. If the Community recognizes this in all its significance it will be able, by active measures, to help to ensure that new common ground is created and that relations between the USA and Western Europe are placed on a new footing which is adapted to change and therefore more soundly based.

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- 2) Ibid loc. cit.
- 3) Interview with Helmut Schmidt in connection with the meeting of the Aspen Institute in December 1983, quoted in: Herald Tribune 9/12/1983;
- 4) Frankfurter Allgemeine Zeitung 6/12/1983 'Der widerspenstige Martin';
- 5) Herald Tribune 6/12/1983 'Americans need trade'
- 6) European Parliament resolution on European Security European Political Cooperation and in: OJ C42/74 of 14.2.1983
- 7) Herald Tribune 23/11/1983;
- 8) Headley Bull 'European self-reliance and the reform of NATO' in: Foreign Affairs Spring 1983, page 876;  
Eliot A. Cohen 'The long-term crisis of the alliance' in: Foreign Affairs Winter 1982/83, page 338;
- 9) Raymond Aron 'Ideology in search for a policy' in: Foreign Affairs 1981, page 503;
- 10) Eliot A. Cohen, loc. cit., page 328;
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- 12) Wolfgang Wagner 'Das Ost-West-Verhältnis nach der sowjetischen Intervention in Afghanistan. Die Eskalation der Enttäuschungen in der Periode der Detente' in: Europa Archiv 1980, pages 135 ff.
- 13) Ibid. loc. cit.
- 14) Arthur Schlesinger Jr. loc. cit, page 6;
- 15) Resolution of the European Parliament on the meeting to be held in Madrid in November 1980, as provided for in the concluding document of the Belgrade meeting, within the framework of the follow-up to the Conference on Security and Cooperation in Europe in: OJ C 291/24 of 10.11.1980
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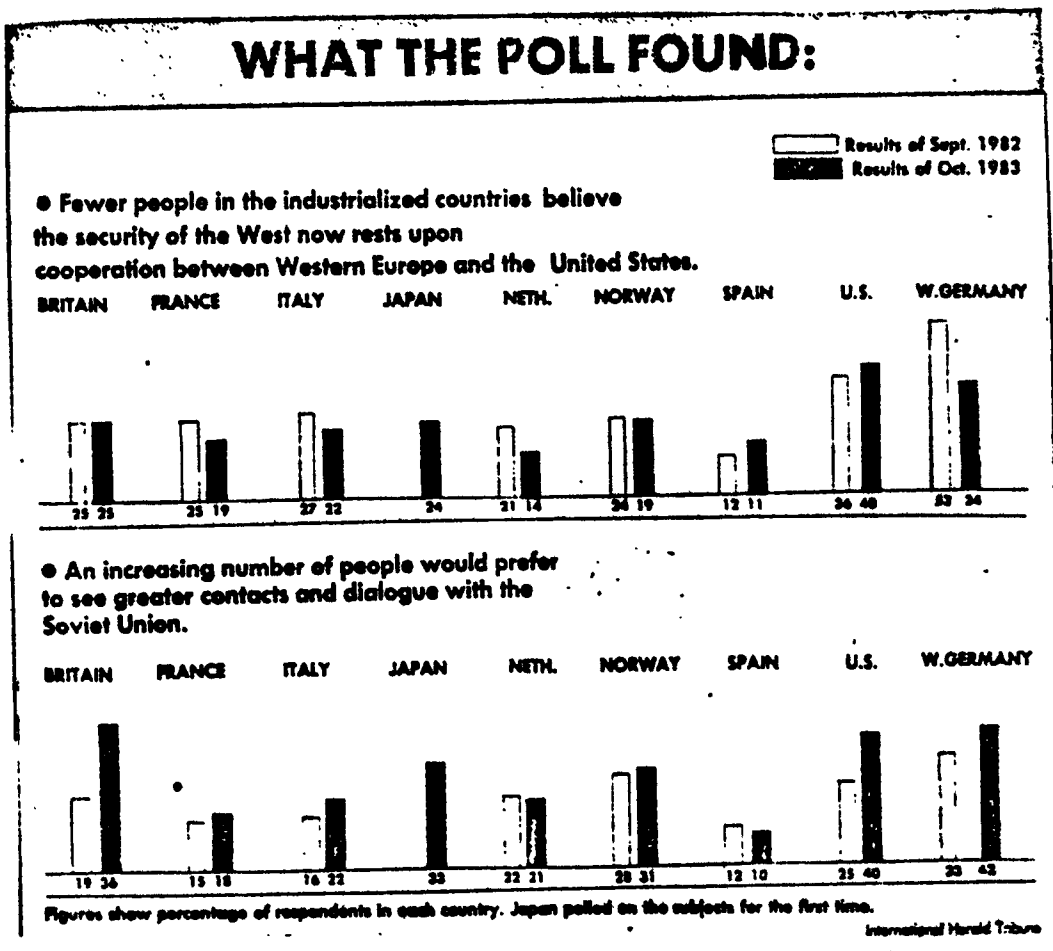


- 17) Working document for the 22nd meeting of the Delegations from 20 to 25 September in Washington D.C./Hot Springs, Virginia 'Détente revisited' by Don. J. Pease PE 86.472;
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- 20) Loc. cit.
- 21) Arthur Schlesinger Jr. loc. sit.
- 22) Herald Tribune 'A difficult agenda for the underrated Commonwealth' 23/11/1983;
- 23) Resolution on Hunger in the World, OJ C 265/37 of 13.10.1980 and the subsequent debates and resolutions;
- 24) 15th General Report on the Activities of the European Communities 1981 page 265 and Herald Tribune 23/11/1983;
- 25) Herald Tribune 23/11/1983, Article on the Report submitted to the US Government by a Study Group on the Reform of Foreign Aid;
- 26) Herald Tribune 29/11/1983, see Annex II
- 27) Herald Tribune 10/11/1983
- 28) See Eliot A. Cohen Loc. cit., page 329
- 29) Ibid. Loc. cit.

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ANNEX I

Results of the poll conducted in September 1983 by the Atlantic Institute on the two questions quoted in the explanatory statement (page 32 of the explanatory statement)



International Herald Tribune 29. November 1983

**MOTION FOR A RESOLUTION (DOCUMENT 1-698/82)**

**tabled by Mr CROUX, Mr NOTENBOOM, Mr von HASSEL and  
Mr van AERSSEN on behalf of the European People's  
Party**

**with request for an early vote pursuant to  
Rule 42(5) of the Rules of Procedure,**

**to wind up the debate on Oral Questions  
Docs. 1-616/82 and 1-617/82**

**on the need to improve the structures for the dialogue  
between the European Community and the United States**

**The European Parliament,**

- A aware that an increase in the number of sectoral disputes between the European Community and the United States could threaten Western solidarity,**
  - B convinced that the common interests that bind Americans and Europeans on either side of the Atlantic would be better understood and misunderstandings overcome if the institutional links and communications structures between the two partners were improved and strengthened,**
  - C desirous, with this in mind, of making full use of the instrument it possesses in the form of the Delegation from the European Parliament for relations with the United States Congress,**
- 1. Calls on the Council of Ministers meeting in political cooperation to facilitate frequent meetings with the American Secretary of State for the regular consideration of the common aspects of relations between America and Europe in the political, economic, commercial and security fields;**
  - 2. Invites the Commission to intensify the relevant contacts with the representatives of the United States administration;**
  - 3. Suggests that two prominent independent personalities be appointed, one by the United States and the other by the Community, to draw up at an early date a list of the various commercial and monetary problems and to place them in an order of priority. Such a list would provide an independent assessment of the problems to be solved so that the leaders of the Community and of the United States may open negotiations in a positive frame of mind;**

4. Instructs its Bureau to improve the operation of the Delegation for relations with the US Congress, firstly by enabling the rapporteur for the appropriate committee to serve on the delegation whenever a specific technical subject is entered on the agenda for one of the bi-annual meetings between the delegations.
  - and secondly by appointing two or three of its members, selected for their specific abilities, to visit the United States in the period between the bi-annual meetings in order to meet their American counterparts and discuss with them the most sensitive, pressing and exceptionally serious issues;
5. Instructs its President to forward this resolution to the foreign ministers meeting in EPC and to the Commission.

MOTION FOR A RESOLUTION (DOCUMENT 1-949/83)

tabled by Mr Leonidas KYRKOS

pursuant to Rule 47 of the Rules of Procedure

on the landing of US military forces in Grenada

The European Parliament,

- A. concerned at the landing of US military forces in Grenada, against the wishes of its government and people,
- B. considering that this act is a crude violation of the principle of respect for the sovereignty of each state and of non-intervention in its internal affairs,
- C. conscious of the danger of this practice being extended to other countries in Central America or causing extremely acute international complications so that peace will be endangered,
- D. whereas Grenada is a member of the ACP group of countries,
  1. Condemns the American Government's decision;
  2. Calls for the immediate withdrawal of the intervention force;
  3. Demands respect for the principle of non-intervention;
  4. Supports the search for a peaceful outcome to the crisis in Central America, on the basis of the moves by the Contadora group of countries;
  5. Instructs the President of the European Parliament to forward this resolution to the governments of the Member States, the President of the USA and the Secretary-General of the UN.

OPINION

(Rule 101 of the Rules of Procedure)

of the Committee on Agriculture

Draftsman: Mr Giuseppe VITALE

On 18 January 1983, the Committee on Agriculture appointed Mr Vitale draftsman.

It considered the draft opinion at its meetings of 26/27 May, 12/13 July and 20/21 September 1983.

At the latter meeting, the committee adopted the draft opinion by 14 votes in favour with 8 abstentions.

The following took part in the vote: Mr CURRY, chairman; Mr COLLESELLI, vice-chairman; Mr VITALE, draftsman; Mr BARBAGLI (deputizing for Mr LIGIOS), Mr CLINTON, Mr EYRAUD, Mr GATTO, Mr HELMS, Mr KALOYANNIS, Mrs LE ROUX (deputizing for Mr MAFFRE-BAUGE), Mr MAHER, Mr MARTIN (deputizing for Mr PRANCHERE), Mrs S. MARTIN, Mr MARCK, Mr McCARTIN (deputizing for Mr MERTENS), Mr MOUCHEL, Mr PAPAPIETRO, Mrs PAUWELYN (deputizing for Mr DELATTE), Mr PROVAN, Ms QUIN, Mr STELLA (deputizing for Mr DIANA) and Mr THAREAU.

## I. INTRODUCTION

1.1 During 1982, the Political Affairs Committee drew up an interim report on the political aspects of relations between the Community and the United States of America (Doc. 1-300/82 - Rapporteur: Mrs GREDAL).

To assist with the drafting of the final report, the Committee on Agriculture decided to deliver an opinion covering the political and economic aspects of relations between the two countries in the agricultural sector.

In the course of this last year, relations between the European Community and the United States in the agricultural sector have been characterised by severe tension and, unless solutions can be found in the short term to the current conflict, there is a danger of clashes on agricultural markets, the consequences of which could be much more serious than the difficulties experienced in the steel sector.

1.2 Relations between the EEC and USA have deteriorated since President Reagan instructed his Administration to develop the potential offered by the exportation of agricultural produce for correcting America's global trade balance. In effect, the President's proposal aims to remove all the obstacles which are likely to limit American exports. The first victim of such a policy is clearly going to be the Community, a major importer of agricultural produce, especially since it too is faced with the increasingly urgent problem of finding an outlet for its own products on foreign markets.

1.3 This document outlines the development of the agricultural sector in the United States, drawing comparisons with the evolution of the sector in the EEC. It also examines the relations between the two partners in the agricultural sector to arrive at a fuller understanding of American grievances and the EEC response. In conclusion, it puts forward a number of proposals to help resolve the present conflict and prevent new difficulties from arising.

## II. THE AGRICULTURAL SECTOR IN THE UNITED STATES OF AMERICA

2.1 Approximately 3.4% of the working population in the United States, i.e. 3.9 million people, are currently employed in the agricultural sector, which is made up of about 2.5 million enterprises, each of which has an average surface area of 168 hectares. While the number of enterprises continues to fall, the average surface area of those which remain is tending to increase. The 15,000 largest enterprises account for just under a quarter of the total number, but produce over a third of the goods offered for sale.

A high degree of efficiency is a characteristic feature of this structure, given that the enterprises are predominantly extensive in character and mechanized to a large extent. However, this does not necessarily result in an exceptionally high yield per hectare. For instance, in the case of cereals intended for human consumption, such as wheat, rye and rice, production per hectare often fails to match European levels, while in the case of soya and cereals used in zootechnics, such as maize, oats and barley, yields are higher than in Europe. Comparative figures on Community and US agriculture are given in Annex I.

2.2 The American agricultural sector began to display marked symptoms of crisis from 1979 onwards. Despite the exceptionally favourable climatic conditions, the considerable efforts by American farmers and the massive aid provided under government agricultural policy, difficulties emerged which initially affected the cereals, milk and cheese sectors and subsequently extended to other sectors.

The record harvests of 1980/81 and 1981/82 led to a massive build-up in stocks: American cereal reserves in 1981/82 rose by 28% against 1979/80 (an increase of 31,000,000 tonnes), in the same period, butter reserves recorded an increase of 67%, reaching 202,000 tonnes, while powdered milk reserves rose by 123%, to attain 554 tonnes.

The reason for the current difficulties of American farmers have been sought in factors both internal and external to the United States, which can be summed up as follows:



### External factors:

- following a long period of expansion in international trade in agricultural products, during which the EEC, but even more so the United States, increased its exports, 1982 saw a decline in the value and, in the case of some products, the volume of agricultural exports, caused partly by a reduction, in real terms, in world demand;
- the improving competitiveness of an increasing number of countries in the agricultural sector. Brazil and Argentina, which have broken the American monopoly of the soya market, could be cited as examples in this respect.

### Internal factors:

- a sharp increase in costs owing to the rise in the prices of oil and fertilizers and the increased cost of borrowing;
- the creation of surpluses which are increasingly difficult to dispose of;
- the rise in the value of the dollar as a result of the policy of high interest rates adopted by the United States, with the consequent slump in US exports;
- the embargo on exports to the Soviet Union imposed in January 1980.

### III. AGRICULTURAL TRADE BETWEEN THE EEC AND THE USA

3.1 American production is largely export-oriented (see Annex) and the EEC, which takes up 20% of total exports, is the biggest market for the United States, although the proportion of American exports absorbed by the EEC has been falling in recent years. Soya and maize account for about half of American exports to the EEC. Community imports of agricultural produce from the USA have increased at extremely high rates since 1958, reaching 8,830 m ECU in 1982. The Community's agricultural trade deficit with the USA has thus continued to widen, moving from \$1,400,000,000 in 1968 to \$5,900,000,000 in 1979, and topped \$7,000,000,000 in 1981, even though it subsequently fell back in 1982.

As the table in Annex II shows, exports of agricultural produce are on

the increase in both the United States and the EEC, but it can also be seen that in the period from 1975 to 1981 Community exports increased more rapidly than American exports.

The development of EEC-US agricultural trade is detailed in Annex III.

3.2 In these last years, the Community has recorded notable results in the area of production, in terms of both quantity and productivity; it has achieved self-sufficiency - and in some cases exceeded it by a wide margin - in a certain number of products, such as dairy products, sugar, barley and wheat.

This improved productive capacity is reflected in the EEC's increased share in the world market, for instance in the following products:

Share of EC 10 in world exports (%) :

|                      | <u>1978</u> | <u>1980</u> | <u>1981</u> |
|----------------------|-------------|-------------|-------------|
| Sugar                | 14          | 16.2        | 18.5        |
| Wheat and flour      | 7.5         | 13.2        | 14          |
| Whole milk powder    | 67.4        | 72.9        | 76.1        |
| Butter and butteroil | 46.4        | 63.2        | 54.1        |

During the same period, however, the EEC's dependence grew in respect of other products, especially animal feeding-stuffs, such as soya, corn gluten feed and cassava. For example, Community imports of corn gluten feed from the USA increased from 0.7 tonnes in 1974 to 2.3 m tonnes in 1980: 94% of American production is exported to Europe.

3.3 The Community has thus not substantially increased its share in world exports of agricultural produce as a whole. The two most important conclusions to emerge from the table in Annex 4 are:

- that the EEC has gradually reduced its percentage share of total world imports, a fact which can to some extent be explained by the increase in demand for foodstuffs in other countries;
- that the contractions of the world market in 1981 had a bigger impact on the USA than on the EEC. In fact, world trade in agricultural produce decreased in value in that year, falling from \$245,800,000,000 to \$244,100,000,000.

#### IV. AGRICULTURAL SUPPORT IN THE UNITED STATES

4.1 Support measures for agriculture in the United States are many and varied, comprising a whole range of statutory instruments to be employed in cases of necessity. These include measures to maintain prices on the internal market, which in certain sectors (in particular milk and cheese products) are more comprehensive than their EEC equivalent; provision is also made for import restrictions, measures to encourage exports and for various other forms of aid.

4.2 The internal price maintenance measures are financed by the Commodity Credit Corporation. The CCC is owned and run by the Government. It was set up to stabilize the level of price maintenance and to safeguard incomes and agricultural prices. Its purpose is to guarantee a sufficient supply of agricultural produce. The measures can take the form of loans, transfers of ownership, purchases, direct payments or a combination of all these methods.

Price maintenance measures are provided or granted in respect of most agricultural products: wheat, maize, groundnut, rice, tobacco, wool (normal or mohair), common short-staple or extra long-staple cotton, honey, barley, oats, rye, sorghum, milk and cheese products, flax, soya seeds, resins and sugar beet and cane.

4.3 The United States has also adopted a series of measures to protect its internal market from imports. The measures established are either general, to be applied to imports as a whole, or specific provisions concerning the importation of agricultural products for which the United States is in deficit, such as beef, veal and sugar, or in which it is less competitive, as in the case of milk and cheese products.

To protect American enterprises, a procedure exists which allows them, in cases where they have demonstrably suffered prejudice as a result of the importation of given products at prices below that held to be 'fair', to collect countervailing charges on the imported goods. Certain standards have a restrictive effect, such as those applied to milk and cheese products, poultrymeat, beef and veal for reasons of health protection.

Within the framework of the GATT, the United States requested from the

outset - and obtained - quantitative restrictions on imports through the introduction of what is known as the 'waiver' for a large number of agricultural products. These limitations, in the sugar sector for instance, take the form of import quotas for each exporting country; no quota has been assigned to the EEC. Another example can be found in the imposition of an import levy, as in the case of Community molasses, whereas American molasses imported into the EEC is not liable to any charge of this kind.

4.4 The protection and organization of the American agricultural market is underpinned by a whole series of legal instruments and regulations aimed at supporting American export policy. These include:

- the massive presence abroad of commercial advisers: agricultural offices have been set up in more than 70 countries with the task of publicizing American products;
- the activities of market development cooperators, i.e. private companies representing the interests of producers and traders in a given product or sector. The cooperators work in close contact with the Government;
- food aid geared to the needs of exportation, established in the Agricultural Trade and Development and Assistance Act (1954), a law which had the aim of disposing of surpluses and using them to promote the development of selected countries. This law, PL 480, has also enabled the United States to sell off products in given developing countries in the guise of food aid, but under such conditions that the aid may be regarded as tantamount to an indirect export subsidy, and this has in turn produced unfavourable consequences for other exporting countries. The markets into which the food aid was channelled then developed gradually to the point of becoming established commercial markets for the United States;
- American farmers can also obtain export credits from the Commodity Credit Corporation referred to above. One recent result of this export offensive, spearheaded by the C.C.C., can be seen in the agreement concluded by that body with the Egyptian Government Authority for Supply Commodities (GASC).

This agreement guarantees the supply of a million tonnes of wheat flour between 1 March 1983 and 30 April 1984, as an addition to the quantities imported under the PL 480 programme. The price will vary between \$150 and \$160 per tonne,

depending on the method of financing and the form of credit security chosen by the GASC. The last sales of EEC flour to Egypt were made at the price of \$179 per tonne.

The Commission has lodged an appeal under the GATT against the plan to export wheat flour to Egypt, regarded by the Community as a traditional outlet;

- exportation is also protected by section 301 of the 1974 Trade Act, which allows for economic retaliatory action against any country which enters into competition either with American exports or with American products on American territory;
- the Reagan Administration subsequently placed emphasis on the export of agricultural products. The 1981 legislation on agriculture stipulates that between \$175,000,000 and \$190,000,000 of the C.C.C. budget be assigned to promoting the export of agricultural produce. In addition, a new credit instrument has been created, the Agricultural Export Credit Revolving Fund, which has the function of promoting the export of agricultural products;
- to conclude this incomplete list of American provisions, mention should be made of the efforts by the United States within the GATT to remove the tariff and non-tariff barriers to its principal markets, and of the conclusion of a whole series of bilateral agreements, which have opened up new markets, such as China and the Soviet Union, to American products.

#### V. A COMPARISON BETWEEN DIRECT INCOME SUPPORT IN THE EEC AND THE USA

5.1 Owing to the enormous differences in agricultural structure, conditions of production, the economic and industrial context, the strength of the dollar on foreign markets, the banking system, transport structures etc., it is extremely difficult to compare the real internal prices of agricultural products in the United States and the EEC, which would be necessary in order to calculate the level of income support for farmers.

Similarly, any comparison between Community prices and world prices must be approached with caution, since the world price is directly influenced by the policy followed in the major exporting countries, especially the United States, and the support which they grant. Nevertheless it can be claimed - and this is a political fact of the greatest consequence - that Community

prices for cereals, though remaining markedly higher, have in recent years been tending to draw closer to world prices, while the same phenomenon cannot be detected in the case of other products, as the following table shows:

Community prices as percentages  
of world prices

| Product       | Marketing year |         |         |         |
|---------------|----------------|---------|---------|---------|
|               | 1976/77        | 1977/78 | 1978/79 | 1979/80 |
| Common Wheat  | 204%           | 216%    | 193%    | 163%    |
| Durum Wheat   | 236%           | 218%    | 216%    | 159%    |
| Barley        | 147%           | 206%    | 225%    | 161%    |
| Maize         | 163%           | 203%    | 201%    | 190%    |
| Beef and veal | 192%           | 196%    | 199%    | 204%    |
| Butter        | 401%           | 388%    | 403%    | 411%    |
| Oils and fats | 156%           | 182%    | 180%    | 189%    |

Source: EP - Directorate-General for Research and Documentation (PE 75.445)

5.2 A comparison of public expenditure is more suitable for calculating the level of support granted to agriculture. The total agricultural budget of the United States (USA Federal Budget) - including financial assistance, loans, guarantees, aid in kind, etc. - amounts to \$45,000,000,000 for 1983. The Commission of the European Communities has calculated public expenditure, by the Community and the Member States, on Community agriculture for the same year at approximately \$55,000,000,000. Direct income support for the same year totals \$13,800,000,000 in the EEC (EAGGF Guarantee Section = 14,087 m ECU) and \$21,100,000,000 in the USA. The table in Annex V, which expresses the level of agricultural support in terms of various economic indicators - such as production, land under cultivation, number of persons employed, etc., invites the following conclusions:

- US aid has increased at an extremely high rate, especially since 1981;
- compared in terms of GDP and the area under cultivation, the level of support granted by the USA is a long way below the Community level; however, in 1982, US aid, as a percentage of agricultural production, was for the first time only slightly lower than Community aid;
- on the other side, when expressed in terms of the number of persons employed in the sector, and of the population in general, it is the Community aid which emerges as far lower than the US aid.

Nevertheless, despite these substantial provisions for subsidization, agricultural income in the United States is declining rapidly. Net income fell in 1980 from \$25,000,000,000 to \$20,000,000,000, and the Agriculture Department estimates that it could fall below \$16,000,000,000 in 1983.

#### VI. GATT: US APPEALS AND THE COMMUNITY RESPONSE

6.1 Since the United States has not yet ratified GATT, no other country has done so. However, the rules laid down in GATT are currently taken to be a universally accepted code for the conduct of trade.

Under GATT and the 'Aid Code' negotiated in Geneva during the Tokyo Round, the countries which offer subsidies for the export of agricultural produce onto the world market must ensure that their exports do not exceed what is known as a 'fair share' of the world market.

6.2 The United States has lodged a certain number of appeals against EEC exports of given products:

- flour: the United States accuses the EEC of having artificially increased its share in world exports and of undercutting. The EEC claims in reply that the increase in Community exports is not due to refunds, and that the flour produced in the EEC is of a different quality from American flour; it has also observed that 13% of the flour exported is produced from cereals imported from America. The United States has a share of approximately 40% in the world trade in wheat and wheat flour. The EEC's share is about 15%. The American accusation that EEC exports have increased at an excessive rate

is not borne out by the facts: in the period between 1976/77 and 1980/81, American exports rose by 50%, while those of the EEC rose by 25%.

- pasta products: the United States does not accept the classification of pasta products as agricultural produce. After challenging the principle of paying refunds on manufactured products, it then declared that the mode of calculating the amount of refund was incorrect. Within GATT, it was decided not to draw up a specific report, and talks are currently being held between the USA and the EEC on the method of calculating the refunds. The EEC has pointed out in reply that it grants export refunds only in respect of the primary commodities (in this case durum wheat and other cereals) used in the processed products. Furthermore, Community exports to the USA have not reached disproportionate levels: between 1977 and 1980 they increased from 15,000 tonnes to 27,000 tonnes, or from 0.7% to 1.7% of American production.

- poultry: the United States objects to the low export prices applied by the EEC. The EEC has replied that it fixes its prices on the basis of Brazilian prices. In July the United States began an inquiry into Brazilian exports and has asked the EEC to supply written information on the method of calculating refunds.

The refunds granted by the EEC in this sector are viewed with extreme displeasure by the United States, which believes that they enable the Community to acquire an excessive world market share. However, it is a fact that Community poultry exports are principally directed towards our traditional markets, namely Europe, Africa and the Middle East, as was moreover agreed during the Tokyo Round. Traditional American markets have been swamped with poultry from Brazil, whose exports have increased sharply in recent years.

- citrus fruits: the United States has protested to the EEC, claiming that the preferential agreements concluded with certain Mediterranean countries are in breach of Article 1 of GATT and in addition damaging to American exports of citrus fruit. The EEC has never accepted this argument;

- processed fruit and vegetables: the American protest concerns Community aid for production; the USA is calling for a reform of the system c. aid for processing which, so it maintains, is threatening American exports, since such aid artificially inflates the total European production. In the



EEC view, however, aid for processing is necessary to prevent the European market from being flooded with low-price products from other countries such as Turkey or Australia, which commonly resort to dumping. On the other side, the United States maintains tariff barriers to the importation of fresh fruit and also resorts to dumping, for instance in the case of pears in syrup.

- sugar: the United States bases its grievance against the Community on the Aid Code, and blame the refunds granted by the EEC for the fall in world prices. In 1978 Australia and Brazil brought an action against the Community sugar policy, and reintroduced it in 1982 together with eight other countries. The EEC claims in reply that under the new market organization for sugar, it is the producers who must bear the financial costs of exportation onto the world market, and that its measures are not therefore responsible for the fall in world prices. It has also requested consultations with the United States on that country's import quotas and its tax rebate on sugar exports which, in the Community view, amounts to an export subsidy.

6.3 In addition to the above complaints on specific products and sectors, the United States is critical of Community agricultural policy as a whole. With regard to the accusation of 'over-subsidization' of European agriculture, we have already supplied figures on public expenditure in the agriculture sector and drawn a comparison with US expenditure. It need only be added that the Community has undertaken not to increase agricultural expenditure at a higher rate than own resources, and that the European Parliament has on several occasions declared its support for restraint of this kind.

6.4 In reply to the complaint that the EEC takes up an excessive share of agricultural exports, it can be argued that international trade in agricultural produce increased at a constant rate in the period from 1965 to 1971. although the EEC increased its exports, the rate of increase recorded by the United States was even higher.

The diversification of commercial outlets achieved by the EEC has never worked to the disadvantage of other exporting countries, in contrast, it would seem, with the USA which, following on from the agreement on exports of wheat flour to Egypt, referred to above, has concluded an agreement to supply butter to that country. In recent years, Egypt has imported a total of approximately 30,000 tonnes of butter, 27,000 tonnes of which originate from the EEC, and

and between 10,000 and 15,000 tonnes of cheese, with Community exports accounting for 12,000 - 13,000 tonnes of that total.

On 3 August, the USA concluded an agreement with Egypt to supply 18,000 tonnes of butter and 10,000 tonnes of cheese. The contract allows the USA to increase the amount of butter to 24,000 tonnes. The numerous protests made by the Community to the International Dairy Products Council, with the backing of Australia and New Zealand, have so far come to nothing.

6.5 Moreover, the Community is starting out on - admittedly against a background of resistance and dispute - an effort to rationalize its agriculture.

The problem of surplus production is at the centre of the Community's attention, and practical attempts are being made to avoid disposing of the surpluses on world markets by means of export subsidies.

While wishing to maintain its position on the world markets, and indeed adjust certain traditional trade flows, the EEC is endeavouring to introduce a degree of gradation into price guarantees for products in surplus. Steps have already been taken towards this objective in the case of milk and cheese products, sugar, cereals and colza, for which it is intended to establish production thresholds coupled with reductions in aid. A co-responsibility levy for milk producers has existed for some years. In the sugar sector, exports are financed by producers and refiners.

6.6 To sum up, it is not reasonable to talk in terms of 'protectionism by the EEC', as Americans often do.

The European Community is the largest world importer of agricultural produce. In 1980 it absorbed over a quarter of total world imports of agricultural products, and recorded a trade deficit of \$32,000,000,000 in the agriculture sector. Only about 15% of agricultural imports to the EEC from industrialized countries are covered in the system of variable levies. As for the rest, a little over half of the agricultural imports to the EEC from industrialized countries are exempt from duties and levies on entry to the Community. Almost all imports from developing countries enter the Community exempt from levies and liable to very low duties, if any. In 1981 the EEC purchased US agricultural products to the value of \$9,000,000,000, thereby becoming the American farmer's biggest customer. These agricultural exports to the EEC (half of which were exempt from duties and levies) included soya beans (\$2,800,000,000), forage crops (\$1,600,000,000) and fruit and vegetable products (\$680,000,000). Furthermore, the USA in 1981 recorded a considerable surplus in its agricultural trade with the EEC, no less than \$7,000,000,000.

## VII. FIBAL COMMENTS

7.1 Both the United States and the Community support their agriculture to a more or less equal extent in financial terms (income support in 1982: \$13,000,000,000 in the EEC, \$14,900,000,000 in the USA), albeit with different methods and instruments.

The protective measures employed by the two partners in their agriculture sectors did not, over a period of twenty years, prevent an expansion in production and trade, which encouraged a greater degree of interdependence and enabled the USA to do huge business in selling raw materials to the EEC: during that time, the EEC, starting out with these raw materials, developed its own agro-industrial activities, initially to attain self-sufficiency in various sectors and subsequently to increase its exports.

7.2 The present difficulties of US agriculture do not derive from the mechanisms of the CAP, but from the changed economic conditions: the restrictive policies adopted in industrialized countries, the high dollar exchange rate, the increasing difficulties of developing countries, and most of all the oil-producing countries, in paying their debts, have over the last two years led to a fall in total demand for agricultural products, and the USA, as the largest exporter, has been the first to suffer from this (and from the embargo on exports to the USSR). There have in addition been changes in the structure of supply on world markets, where an increasingly important role is falling to other countries, from Brazil to Thailand, as producers of raw materials to rival American products. The US response to this reversal of economic trends, namely its demand to engage a trial of strength with the EEC, is causing dangerous tension. What is needed is more thorough reflection on the ways of adapting the agricultural economies of the two partners to the changed supply and demand structures on world markets.

7.3 The Committee on Agriculture believes that the following points should be emphasized to answer the charge that the EEC has broken the rules of GATT:

- (a) the accusation is no longer valid, since it is being made just when the Commission has instituted a programme to reform the support mechanisms for certain products in surplus, aware that these mechanisms, originally conceived as a means of attaining self-sufficiency, need updating in order to meet a new situation, in which the Community is a net exporter of the products concerned;

- (b) it is being used as a pretext, in the final analysis, since a Community market share of 10.8%, as against 16% for the USA (and in the case of cereals 14%, as against 55% for the USA), does not warrant the kind of dramatization of the problem which has been observed, especially since the EEC remains the largest importer of US products;
- (c) it is politically illogical, given that the current position of the Community on world markets, built up over a period of twenty years, is the direct result of an agricultural policy which is also followed by and well suited to the USA, and it is therefore not reasonable to demand an instant U-turn which would undermine the entire system of production within the EEC and have adverse repercussions not only on its export capacity, but also on the stability of its internal market and on its commitments to developing countries; the timetable for adapting the CAP thus needs to be fixed with care, and in negotiations, with respect both to the implementation of the Commission proposals and to the creation of new commercial policy instruments.

In the light of these considerations, the Committee on Agriculture expresses profound concern at the manner in which the USA is posing the question, namely as an ultimatum, and at the acts of out-and-out aggression accompanying this ultimatum, such as the sale of 1,000,000 tonnes of flour to Egypt.

7.4 While it rejects the American accusations, the committee emphasizes the need for maximum flexibility on the part of both USA and EEC during the current round of negotiations, in order to prevent dangerous trade wars. This would require an undertaking by the USA to refrain from acts of aggression and a parallel undertaking by the EEC, without weakening in its total determination not to yield to unreasonable demands, to modify certain aspects of the CAP which need to be adapted to the new conditions of supply and demand, while retaining its fundamental principles. In the opinion of the committee, the negotiations must first of all be conducted on the basis of certain guiding principles of a general nature, which are indispensable for re-establishing a climate of harmonious coexistence, namely:

- the common determination to remove all the obstacles which caused the decline in world demand, a decisive factor in the changed trading relations between the American and European systems;

- a broad conception of the development of world agricultural economies and hence of the changes in supply, with acceptance of these changes as a characteristic expression of an irreversible historic trend, while making the necessary adaptations, both quantitative and qualitative, to one's own supply side;
- a common determination, in this period of crisis and budgetary difficulties, to contain expenditure designed to support exports, avoiding trade wars which serve no one's interest;
- the common commitment not to hamper, but rather to encourage, the autonomous development of agriculture in developing countries, as a means of food production.

7.5 The committee does not see it as its task to offer suggestions to our American partner on the methods of achieving these policy objectives. As far as the EEC is concerned, it believes that the adaptation of the CAP should continue, though more rapidly, as it has begun, namely towards the gradual alignment of Community cereal prices with those of its principal competitors and the reduction of intervention prices for commodities in surplus; the Community share in world exports must be maintained and increased, while observing the rules of GATT, through a policy of cost reduction and suitable commercial policy instruments (export credits, long-term contracts), in compensation for the phasing out of price guarantees. At the same time, there is a need to pursue with greater energy a policy designed to reduce EEC dependence on world markets through the development of its own production, especially in the case of forage crops (soya, legumes, oilseeds, secondary grain, by-products of industry).

7.6 The Committee on Agriculture believes there is no foundation to US accusations that the CAP has helped to prolong the existence of inefficient structures. The halving of the number employed in agriculture, the doubling of average farm size, the significant increase in productivity over a period of twenty years, while causing severe internal imbalances, have nevertheless enabled the CAP to attain some of its objectives both within Community territory (Article 39 of the Treaty of Rome) and in the field of world trade (Article 110). The vast numbers of small and medium-sized farms, the product of a thousand years' history and an immovable fact in the European agricultural

context, did not obstruct these developments, on the contrary, they encouraged crop intensification and the diversification of production. The one objection which can, however, be made against the CAP is that, having been concentrated almost exclusively on market support, its ultimate effect, over broad areas and in various sectors, was to squeeze out a large number of small farms. A more effective structural policy is essential today, both for restoring balance on internal markets and for ensuring a more diversified presence on international markets, which would also be entirely beneficial to trading relations with countries outside the Community.

7.7 The committee is convinced that the onset of unfair competition or an out-and-out trade war between the EEC and the USA over agricultural produce would entail extremely serious consequences, not only within political relations, but also for Community farmers. The drastic fall in world prices which could ensue would be of benefit to no-one, not even developing countries, which would be thwarted in their attempts to achieve autonomous production for self-supply. In addition, given the fact that a fall of 20% in world prices would cause an increase of 1,500 m ECU in the cost of the EAGGF - and that accounts only for the four sectors most heavily in surplus (cereals, milk, meat, poultry), it is easy to understand the Commission's efforts to avoid such a burden and use the resources both in the long-term interests of farmers and to institute new programmes to develop and restore balance in Community agriculture.

7.8 The Committee on Agriculture therefore hopes that in the short term, the present tension between the Community and the United States can be reduced in a rational manner, by restoring the sources of conflict to their correct proportions as soon as possible and moving on from there to the search for solutions to certain specific problems concerning particular products, solutions which must be obtained through measures agreed by both sides within the framework of the existing systems of agricultural support, while leaving open the possibility for the modifications demanded by the general situation.

7.9 The committee calls on the Commission to multiply its contacts and discussions with the USA, in order to reach a rapid solution to the current agricultural dispute, and thus prevent an intensification of the present conflict between the EEC and the USA in the agricultural sector.

## CONCLUSIONS

The Committee on Agriculture requests that the Political Affairs Committee include the following conclusions in its motion for a resolution:

### The European Parliament,

1. Points out that the Community's agricultural policy has never been an obstacle to the expansion of United States agriculture or to increased trade between the EEC and the USA; the USA also has a system for protecting and supporting its agriculture which entails a financial commitment of much the same size as the Community's, also points out that for some products the Community is in competition with the USA;
2. Is convinced that the serious difficulties confronting United States agriculture are the result not of Community mechanisms but of a series of factors and primarily the world economic crisis, which has led to a fall in demand for agricultural products and the high dollar rate; at the same time some new countries are putting on the world market products previously sold by the USA on a virtual monopoly basis;
3. Therefore refutes the USA's accusations that the EEC has violated GATT rules and cornered more than its 'fair' share of the world market in agricultural products as a result of export subsidies;
4. Expresses its deep concern at the aggressive policy of the USA aimed at boosting its exports by stealing the Community's traditional markets, such as Egypt and Morocco, by offering preferential price and credit conditions incompatible with GATT rules.
5. Considers that in order to restore a climate of collaboration and peaceful co-existence on the international market, both sides should pursue the following objectives:
  - removal of the obstacles that have led to a drop in world demand;

- mutually agreed adjustment of the supply of agricultural products to changed conditions on the world market in order to guarantee stable prices and supplies as part of a more balanced expansion of international trade;
  - containment of expenditure on export subsidies;
  - increased production in the developing countries;
6. Maintains that the Community's agricultural policy is flexible and can be adapted to trends on the internal and international markets<sup>1</sup>; the Community has already launched a programme to revise its support mechanisms for some surplus products. Believes, however, that one of the objectives to be pursued by the Community and its main competitors is that of assuming responsibility for all products on the international markets. Also considers that, while striving to attain this objective, confidence in the agricultural industry must be maintained;
7. Considers the claim that the CAP encourages inefficient Community agricultural structures to be completely unfounded; is of the opinion that the economic, social and environmental peculiarities of Community agriculture require appropriate forms of support and that the USA should take note of the points of difference;
8. Calls on the United States and Community authorities to carry on the current negotiations with the utmost zeal and flexibility; is convinced that unfair competition or an out-and-out trade war between the EEC and USA as regards agricultural products would have very serious consequences not only for political relations but also for Community farmers and therefore the Community as a whole. The increase in expenditure this could entail would jeopardize the future policies for restructuring and developing Community agriculture;

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<sup>1</sup> See for instance paragraph 15(a) of the resolution contained in the report by Sir Henry PLUMB (Doc. 1-250/81) which was adopted on 17 June 1980 - OJ No. C 172, 13.7.1981



9. Therefore calls for a speedy reduction in the present tension between the United States and the Community in the agricultural sector and urges the responsible authorities to resolve the dispute by means of specific agreements on individual commodities or markets on which the two parties have different views; requests that the European Parliament be kept fully informed at regular intervals of the progress made in talks between the USA and the EEC;
  
10. Hopes that the Community will make a more active contribution to promote the harmonious development of international trade and improve the situation of developing countries, occupying its rightful position with regard to the management of world markets; considers that common trade policy should be strengthened by using instruments that allow the Community to respond quickly to the trade policies of third countries and by concluding long-term contracts for the supply of agricultural products.

ANNEX I TO THE OPINION OF THE COMMITTEE ON AGRICULTURE

Comparison of the agricultural sectors in the EEC and the USA

|                                    | EEC       | USA       |
|------------------------------------|-----------|-----------|
| <b>Employment:</b>                 |           |           |
| 1976                               | 8 582 000 | 4 374 000 |
| 1978                               | 6 126 000 | 3 937 000 |
| 1980                               | 7 727 000 | -         |
| <b><u>No. of farms</u></b>         |           |           |
| 1977                               | 5 052 000 | 2 500 000 |
| <b><u>Average surface area</u></b> |           |           |
| 1980                               | 17.2 ha   | 168 ha    |

ANNEX II TO THE OPINION OF THE COMMITTEE ON AGRICULTURE

Agricultural exports in relation to total exports of the Community of 10 and the USA

| YEAR | EC 10 <sup>1</sup>              |                         |                      | USA                             |                                   |                         |
|------|---------------------------------|-------------------------|----------------------|---------------------------------|-----------------------------------|-------------------------|
|      | Total exports in<br>\$ '000 000 | Agricultural<br>exports | Total<br>agriculture | Total exports in<br>\$ '000 000 | Agriculture<br>exports in \$ '000 | Total<br>agriculture(%) |
| 1975 | 151.6                           | 12.0                    | 7.9                  | 107.6                           | 23.7                              | 22.0                    |
| 1978 | 223.3                           | 17.6                    | 7.9                  | 143.7                           | 33.0                              | 23.0                    |
| 1979 | 268.1                           | 21.6                    | 8.1                  | 181.8                           | 39.8                              | 21.9                    |
| 1980 | 315.2                           | 28.1                    | 8.9                  | 220.7                           | 46.4                              | 21.0                    |
| 1981 | 298.0                           | 29.0 (3)                | 9.7                  | 233.7                           | 48.0                              | 20.5                    |

<sup>1</sup> The figures on intra-Community trade are expressed in US dollars for the purposes of comparison

Sources: The situation of agriculture in the Community 1981, EUROSTAT, OECD trade statistics

## ANNEX III TO THE OPINION OF THE COMMITTEE ON AGRICULTURE

Development of trade between the EEC and USA ('000 000 ECU)

| Product                     | Imports to the EEC from the USA |                      |                      |                      | Exports from the EEC to the USA |                    |                    |                    |
|-----------------------------|---------------------------------|----------------------|----------------------|----------------------|---------------------------------|--------------------|--------------------|--------------------|
|                             | 1976                            | 1978                 | 1980                 | 1982                 | 1976                            | 1978               | 1980               | 1982               |
| All products                | 25 201 553                      | 27 847 363           | 43 466 741           | 53 830 306           | 15 995 351                      | 23 144 677         | 26 563 626         | 42 907 975         |
| Agricultural produce (100%) | 6 107 075                       | 5 958 420            | 7 183 956            | 8 829 888            | 1 423 608                       | 1 808 742          | 1 903 619          | 3 145 715          |
| of which                    | %                               | %                    | %                    | %                    | %                               | %                  | %                  | %                  |
| Cereals                     | 2 492 256<br>(40.8%)            | 1 429 535<br>(24%)   | 1 536 366<br>(21.4%) | 1 586 583<br>(18%)   |                                 |                    |                    |                    |
| Oilseeds                    | 1 489 728<br>(24.4%)            | 2 063 644<br>(34.6%) | 2 397 704<br>(33.4%) | 3 149 995<br>(36.2%) |                                 |                    |                    |                    |
| Oil cake                    | 426 621<br>(7%)                 | 510 355<br>(8.6%)    | 754 516<br>(10.5%)   | 1 023 992<br>(11.6%) |                                 |                    |                    |                    |
| Fruit and vegetables        | 349 833<br>(5.7%)               | 302 943<br>(5.1%)    | 497 616<br>(6.9%)    | 496 188<br>(5.6%)    | 213 978<br>(15%)                | 337 714<br>(18.7%) | 382 926<br>(20.1%) | 616 735<br>(19.6%) |
| Wine                        |                                 |                      |                      |                      | 344 980<br>(24.2%)              | 442 624<br>(24.5%) | 527 875<br>(27.7%) | 785 333<br>(25%)   |
| Alcoholic beverages         |                                 |                      |                      |                      | 86 106<br>(6%)                  | 129 057<br>(7.1%)  | 173 551<br>(9.1%)  | 291 437<br>(9.3%)  |
| Beer                        |                                 |                      |                      |                      | 203 733<br>(14.3%)              | 159 040<br>(8.8%)  | 105 421<br>(5.5%)  | 232 908<br>(8%)    |
| Preserved meat              |                                 |                      |                      |                      |                                 |                    |                    |                    |

Sources: OECD - Ninex - 1976-1978-1980 = EC 9  
- 1982 = EC 10

ANNEX IV TO THE OPINION OF THE COMMITTEE ON AGRICULTURE

Development of the share taken up by the EEC  
and the USA in world agricultural trade<sup>1, 2</sup>

| YEAR              | As a percentage of imports |      | As a percentage of exports |      |
|-------------------|----------------------------|------|----------------------------|------|
|                   | USA                        | EEC  | USA                        | EEC  |
| 1973              | 12.1                       | 30.3 | 19.8                       | 9.5  |
| 1974              | 10.8                       | 26.5 | 18.9                       | 9.3  |
| 1975              | 9.6                        | 25.2 | 18.4                       | 9.0  |
| 1976              | 10.8                       | 26.5 | 18.1                       | 8.4  |
| 1977              | 11.6                       | 27.3 | 16.8                       | 8.9  |
| 1978              | 12.9                       | 26.7 | 19.1                       | 9.8  |
| 1979              | 11.6                       | 25.4 | 18.3                       | 9.6  |
| 1980              | 10.2                       | 24.0 | 18.9                       | 11.1 |
| 1981 <sup>3</sup> | 6.9                        | 20.4 | 16.0                       | 10.8 |

<sup>1</sup>CTCI - 0, 1, 21, 22, 232, 24, 261 - 265+268, 29, 4

<sup>2</sup>Excluding intra-Community trade

<sup>3</sup>EC 10

Sources: - GATT - International Trade  
- US - Department of Commerce/Foreign Trade Statistics  
- Eurostat - CTCI/Annual reports on agriculture

Comparison of agricultural support in the USA and the EEC

|      | 1     |       | 2     |      | 3    |      | 4     |      | 5       |       | 6    |      |
|------|-------|-------|-------|------|------|------|-------|------|---------|-------|------|------|
|      | EEC   | USA   | EEC   | USA  | EEC  | USA  | EEC   | USA  | EEC     | USA   | EEC  | USA  |
| 1976 | 0.441 | 0.176 | 6.76  | 2.97 | 13.4 | 16.2 | 65.8  | 7.1  | 730.8   | 692   | 24.1 | 15.9 |
| 1977 | 0.483 | 0.279 | 7.63  | 4.92 | 15.8 | 29.1 | 82.5  | 12.5 | 942.7   | 1 288 | 30.0 | 24.3 |
| 1978 | 9.553 | 0.342 | 9.06  | 5.81 | 19.0 | 27.7 | 117.0 | 17.4 | 1 361.7 | 1 870 | 42.6 | 33.2 |
| 1979 | 0.591 | 0.241 | 10.00 | 3.85 | 21.9 | 18.0 | 152.9 | 13.8 | 1 807.9 | 1 542 | 55.0 | 25.9 |
| 1980 | 0.569 | 0.172 | 10.07 | 3.01 | 23.5 | 22.5 | 169.3 | 10.7 | 2 038.8 | 1 223 | 60.3 | 19.9 |
| 1981 | 0.498 | 0.157 | 8.54  | 2.76 | 19.7 | 18.3 | 120.0 | 10.9 | 1 400.6 | 1 205 | 45.1 | 20.0 |
| 1982 | 9.553 | 0.487 | 9.12  | 9.10 | 20.8 | 76.4 | 127.4 | 35.3 | 1 526.9 | 4 207 | 47.8 | 64.2 |
| 1983 |       |       |       |      |      |      | 135.4 | 50.3 | 1 653.2 | 6 022 | 50.3 | 90.0 |

1. Direct income (price) support as a percentage of GDP
2. Direct income (price) support as a percentage of the final product of agriculture
3. Direct income (price) support as a percentage of net agricultural revenue
4. Direct income (price) support per hectare (\$)
5. Direct income (price) support per person employed in agriculture (\$)
6. Direct income (price) support per person(\$)

Source: Commission of the European Communities