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INTERIM REPORT

drawn up on behalf of the Political Affairs Committee

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

Rapporteur: Mrs Eva GREDAL

PE 77.722/fin.

English Edition

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 draw up such a report. The Committees on Agriculture, Economic and Monetary Affairs and External Economic Relations were asked for their 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 Political Affairs Committee considered the draft report, which it decided to submit as an interim report, given the desirability of forwarding it to members of the European Parliament/US Congress delegation, which will meet from 21 to 26 June 1982. On 26 May 1982 the committee adopted the motion for a resolution by 37 votes to 2 with 1 abstention.

The following took part in the vote; Mr Rumor, chairman; Mr Haagerup, vice-chairman; Lord Bethell, vice-chairman; Mrs Gredal, rapporteur, Mr Antoniozzi, Mr Berkhouwer, Mr Bettiza, Mr Bocklet (deputizing for Mr Barbi), Mr Bournias, Mr Cariglia, Mrs Charzat (deputizing for Mr Motchane), Mr Deschamps, Mr Dido (deputizing for Mr Zagari), Lord Douro, Lady Elles, Mr Fellermaier (deputizing for Mr Brandt), Mr Fergusson, Mr B. Friedrich, Mr Galluzzi (deputizing for Mr Segre), Mr Gawronski (deputizing for Mr Donnez), Mr Habsburg, Mr Hansch, Mrs Hammerich, Mr von Hassel, Mr Israel (deputizing for Mr Lalor), Mr C. Jackson (deputizing for Sir James Scott-Hopkins), Mr Jaquet, Mr Klepsch, Mrs Lenz, Mr de la Malene, Mr Narducci (deputizing for Mr Diligent), Mr Penders, Mr Piquet, Mr Plaskovitis, Mr Radoux (deputizing for Mr van Miert), Mr Romualdi, Mr Schall, Mr Schieler, Mr J.M. Taylor and Mr Walter (deputizing for Mrs van den Heuvel).

The opinion of the Committee on Economic and Monetary Affairs is attached.

The Committee on Agriculture and the Committee on External Economic Relations decided not to give an opinion on this report.

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The Political Affairs Committee hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

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

The European Parliament,

- A. having regard to the strong cultural, political and economic links between the people of the European Community and the people of the United States,
- B. having regard to the United States' commitment to safeguard and maintain freedom in Europe,
- C. convinced that both sides must acknowledge an equal partnership as the only valid basis for their relations,
- D. alarmed at the foreign policy, security policy, economic and trade problems facing the Western world,
- E. having regard to the external threats facing Europe, which now more than ever call for solidarity among the free and democratic peoples,
- F. having regard to the responsibility of the European Community and the United States for maintaining world peace,
- G. having regard to the economic and political interdependence of the European Community and the United States,
- H. disturbed by the occasional lack of understanding by the two partners as regards each other's attitudes and actions,
- I. convinced that one of the traditional objectives of Soviet diplomacy is to separate Europe from the United States in order to divide the Western world,

- J. convinced of the need to extend relations so as to achieve greater cooperation and closer consultation to make it easier to tackle the challenges at present facing transatlantic relations,
- K. recalling its earlier resolutions of July 1972, October 1973 and January 1977 on the strengthening of relations between the Community and the United States¹,
- L. noting that by virtue of its direct election the European Parliament has legitimation from the people and a special responsibility as a Community institution and that the traditional international contacts at government and official level should therefore be complemented to a greater extent by parliamentary contacts in which the views of the people can be put forward,
- M. acknowledging the very great importance of the official inter-parliamentary exchanges between the European Parliament and the United States Congress over the last ten years,
- N. having regard to the interim report of the Political Affairs Committee and the opinion of the Committee on Economic and Monetary Affairs (Doc. 1-300/82),
1. Believes that the European Community and the United States have a decisive role to play in the maintenance of world peace, individual and collective freedom in the world and the survival of the pluralist democratic system of government; expresses in this connection its hope that the Community's role in the Atlantic community and the North-South dialogue will be expanded in accord with the United States;
 2. Considers that in matters of world peace and security the partners must respect their equality, even where their interests differ. In matters of world peace and security the partners should therefore take no unilateral decisions.
- In all decisions the principle of equality presupposes comprehensive mutual information and timely consultation;

¹OJ No. C 82 of 26.7.1972; OJ No. C 95 of 10.11.1973;
OJ No. C 30 of 7.2.1977

3. Stresses that the political situation of the Member States of the European Community and the emergent European identity may at times create a situation in which the two partners adopt different solutions and interpretations, but that this should not lead to a fundamental deterioration of relations between the two partners;
4. Remains convinced that the common interest of the European Community and the United States demands closer cooperation between their elected representatives at all levels, so as to ensure that proper use is made of their combined political and economic strength, especially in defence of democracy and world peace;
5. Greatly welcomes every step taken by the European Community and the United States to create better understanding and improve transatlantic relations, including relations between the European Parliament and the United States Congress;
6. Resolves to make its own contribution towards furtherance of a permanent friendly dialogue between the European Community and the United States, and therefore;
 - requests its official delegation for relations with the United States to take all appropriate steps to strengthen exchanges of information, consultation and working contacts between its members and their colleagues in both houses of the United States Congress,
 - requests the Council and the Foreign Ministers of the Member States of the European Community meeting in political cooperation to associate themselves with the European Parliament in all these endeavours and to cooperate in improving and developing transatlantic relations,
 - requests the Commission to instruct its delegation in Washington to keep Parliament informed regularly and promptly about all matters of interest to the Community which are under consideration by the United States' administration or Congress,
 - urgently requests the Foreign Ministers of the Member States of the European Community meeting in political cooperation to establish constant mutual contacts with the United States to consider current foreign policy matters affecting or concerning the United States and the EEC Member States, including all matters relating to security policy,

- requests its Political Affairs Committee to prepare a draft containing practical proposals for the improvement of cooperation between the European Community and the United States to be incorporated in a final report,
 - requests its delegation for relations with the United States to submit to the Political Affairs Committee proposals as to how inter-parliamentary and other contacts between the European Community and the United States can be strengthened;
7. Instructs its President to forward this resolution to the Commission, the Council, the Foreign Ministers meeting in political cooperation, the United States Congress and the United States Administration.

EXPLANATORY STATEMENT

The explanatory statement accompanying the resolution put forward by the Political Affairs Committee on the strengthening of relations between the European Community and the United States will be relatively short. The resolution on a subject of such central and vital importance for the European Community should not cover too many aspects, but should concentrate on the essential point, which is to express clearly and unequivocally the generally held view that relations between the United States and the Community should be strengthened.

This does not mean that whole areas, particularly the economic aspect, have been excluded from the debate. The opinions, reports or resolutions drawn up by the committees responsible for economic, monetary, trade and agricultural affairs will consider in depth the matters currently in dispute, the positions adopted by the Community and the recommended solutions.

The decision by the Political Affairs Committee to submit to the European Parliament a resolution on relations with the United States derives from the realization, increasingly gaining ground throughout Europe, that the time was ripe for a new type of dialogue aimed at preventing mutual misunderstanding and at strengthening the ties of solidarity between the United States and the European countries belonging to the Community. This feeling was particularly apparent at the recent nineteenth meeting of delegations from the European Parliament and the United States Congress, which took place in The Hague from 6 to 10 January 1982. Although they noted that there were differences of opinion as regards analyses and reactions Americans, those present at the meeting could see that there was an undoubted political will on both sides of the Atlantic to renew and strengthen dialogue and cooperation.

1. Although it may be somewhat trite to reiterate the traditional friendly relations between the United States and the European Community, it is nevertheless important in today's world to emphasize the consistency in both time and content of the policy pursued by successive American governments with regard to the European Community. History will relate how during the second world war, through an unprecedented war effort which

demanded great sacrifices, particularly of human life, the United States and the American people helped to lay the foundations of an era of peace, reconstruction and outstanding prosperity for Western Europe. It was on these foundations that Europe was able to organize its security, above all in alliance with the United States, and, what we are concerned with here, its economic and social development in the context of the European Coal and Steel Community and the Common Market.

It is important periodically to remind Europe of these facts, particularly those generations who fortunately did not live through the war. The lessons to be learned from history and from the ties of solidarity which it has created must without question form part of our programme of education, information and training for democratic debate. It is equally desirable for young Americans to be informed of all the reasons which have prompted the attitudes adopted by their predecessors to Europe over the past forty years. Unless there is an effort on both sides towards an understanding based on the historical background, relations between European and Americans can be seen only in the short term.

2. Neither economists nor security experts have any difficulty in showing the interdependence between Europe and America and the influence their policies have on each other. Although it is difficult to provide statistics to illustrate their cultural and political interdependence, it nevertheless exists.

This interdependence has a number of implications for the organization of relations between the partners. All major projects must be undertaken jointly, be based on a consensus and be seen as a task to be accomplished together and in accordance with conditions, rules and a division of labour accepted by all parties. They imply a constant effort to establish or to try and establish understanding between the partners with a view to interpreting correctly their positions, attitudes, actions or reactions, which are to a large extent dictated by their geopolitical situation. In this connection the fact that the present American Secretary of State affirmed¹ that the United States 'recognize that (their) European partners have their own imperatives' is of major importance.

¹ In Madrid, February 1982.

The recognition and acceptance that there are constraints, priorities and interests on each side which do not always correspond is a vital condition for rapprochement. It is high time to bring an end to the lack of sympathetic understanding, prejudices, and petty irritations, with these negative reactions, and also the reciprocal doubts and the questionings being replaced by a positive approach. It is acknowledged that greater understanding between Europe and America is not only essential but also completely feasible whether it is a matter of overcoming the economic crisis now afflicting our societies, or defending the right to live in peace and liberty. The will to do so exists on both sides.

3. The need for a more profound dialogue with our American partners, and for the joint initiatives for peace have been emphasized by Community and US leaders.

In his speech on the Commission programme given in the European Parliament on 16 February 1982, the President of the Commission, Mr Gaston Thorn, called for greater coordination of the American and European economic policies to prevent a possible breach between them. This important text is contained in the annex to the explanatory statement.

Emilio Colombo, Foreign Minister of Italy, has recently proposed a form of agreement between the European Community and the United States and his speech deserves the Community's full attention. The will for peace has been expressed by many leaders. The US spokesman at the Madrid CSCE Conference, Mr Kampelman, had emphasized that initiatives should be taken to restart the Madrid dialogue in a positive way so as to achieve concrete results.

We have entered a period of genuine dialogue, of mutual explanation and the widest possible consultations between Europe and America with a view to adapting their various interests to newly-defined common objectives. To ensure that these consultations between the executive authorities bear fruit over and above the short-term, it is essential for the legitimate representatives of the people to be involved in the dialogue and to express openly their constituents' concerns, their hopes

and what they expect from those to whom they have entrusted the responsibility of government. Under these circumstances, it would be astonishing if better results were not achieved, even if they were only partial and limited to certain matters of multilateral interest such as supplies of rare raw materials and of energy products, practical and irreversible action in the field of development cooperation, joint measures and new prospects in the major international political debates, renewed or complementary approaches in the search for political solutions in areas of tension such as the Middle East, Southern Africa or Central America.

The European Parliament wishes to set an example. That is why it is suggesting that its Political Affairs Committee make a detailed examination of possible constructive actions that can be taken to further improve and deepen relations between the Community and the United States and to draw up a report having taken evidence from as wide a range of people, groups and organizations as possible. That is why the rapporteur suggests that the European Parliament Delegation for relations with the United States Congress make proposals to the Political Affairs Committee that can be considered in the forthcoming report. This course, which allows a positive and thorough-going examination, needs the guidelines which are set out in the motion for a resolution contained in this report. Efforts have already been made to strengthen these relations but much more can be done if the principles enunciated in this motion are followed.

EXTRACT FROM THE ADDRESS GIVEN BY MR GASTON THORN, PRESIDENT OF THE
COMMISSION'S PROGRAMME TO THE EUROPEAN PARLIAMENT ON 16 FEBRUARY 1982

But perhaps our main concern is the deterioration of relations with the United States, a country with which we have so many links. Our differences - it must be said - could escalate into something much more serious than the present trade dispute which has been exacerbated by the economic crisis and by domestic problems. We get the impression that Europe and the United States are beginning at times to doubt and hence distrust each other.

This development can be traced back to unfavourable interpretation of reactions on both sides of the Atlantic to recent political crises in various parts of the world. It also reflects the changes which have radically reshaped American and European society since the war, influencing new generations and giving birth to new ideologies.

Against this background, trade tensions in steel and agriculture, though not new, are assuming an added dimension and becoming more difficult to deal with on their own merits. They are the rock on which the commercial and economic part which has linked us for so long with the United States could well founder.

I am deeply convinced, rightly I hope, that with the help of meaningful dialogue the strong ties of common values, strategic interests and a shared destiny will enable us to preserve a strong and balanced alliance.

This does not preclude keen competition between Europe and America. The strategy worked out with the United States is quite clear; preservation of an open trading system and strict compliance with the GATT rules. We will not waver in our determination to ensure that the rules of the game are applied without distinction by one and all.

But our differences with the United States are more than purely commercial. Of particular concern to me are our divergent views on North-South relations and on the form and substance of future dialogue.

American economic and monetary policy and its corollaries - a budget in deficit and high interest rates - are imposing enormous burdens on the entire world economy. The countries of the Atlantic Alliance have now reached such a degree of economic interdependence that the preservation and development of trade within the Alliance is not feasible without closer coordination of economic policy. Failing this, increasing economic hostility would soon lead to political tension, something we obviously want to avoid.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Draftsman: Mr von Wogau

On 19 March 1982 the Committee on Economic and Monetary Affairs appointed Mr von Wogau draftsman of an opinion for the Political Affairs Committee.

It considered the opinion at its meeting of 27 May 1982 and unanimously adopted it with 1 abstention.

The following took part in the vote: Mr Moreau, chairman; Mr von Wogau, draftsman; Mr Bonaccini, Mr Giavazzi, Mr Herman, Mr Hopper, Mr Leonardi, Mr Mihr, Mr Rogalla (deputizing for Mr Schinzel) and Mr Wagner.

The European parliament considers the economic aspects of the relations between the United States and the European Community to be of particular importance because this is an area in which the Community already possesses substantial powers. The institutions of the Community therefore are particularly suitable interlocutors for the US Administration and Congress.

The present trade policy problems are being exacerbated by the current economic stagnation and recession on both sides of the Atlantic. They are also influenced by the present situation with regard to external and security policy. Trade relations with the United States are extremely important for Europe: in 1980 14.2% of the European Community's overall trade was with the USA.

The economic situation of the United States is characterized by a decline in industrial production and gross national product, a 9% rate of unemployment and despite the fall in the inflation rate, high interest rates and a trade balance deficit. The clearly discernible tendency in the present mood of the American people towards a return to isolationism is reflected, in trade policy, in the increasingly protectionist demands of US industry. In trade policy discussions this expresses itself in the form of unacceptably heavy emphasis on the concept of reciprocity.

2. AGRICULTURAL EXPORTS

The United States' main criticism is levelled at what it considers to be the protectionist effects of the European Community's agricultural policy, overlooking the fact that the Community is still the United States' most important market for agricultural products. And in fact imports of grain substitutes for animal feed are causing particularly serious problems in the European agricultural market. Between 1974 and 1981 imports of these products rose from 0.7 million tonnes to 2.9 million tonnes.

Another area of disagreement is the situation on the markets of third countries where the European Community's export aids are viewed by the Americans as causing unacceptable distortions of competition, despite their being covered by specific GATT provisions.

3. STEEL

Owing to the extremely difficult position of the steel industry on both sides of the Atlantic, this sector has been the subject of trade policy disagreements for several years. On 12 January 1981 the seven major American undertakings brought 92 anti-dumping actions against foreign manufacturers, concerning as much as 84% of Community exports to the United States. The US International Trade Commission has rejected 56 of these 92 complaints as unfounded but the insecure climate in which exporters and purchasers have been placed in recent years has led to serious declines in turnover. And it is often extremely difficult to recover a share of the market that has been lost.

4. TRADE WITH THE EASTERN BLOC

The United States is calling for considerably stricter controls in respect of exports of Western technology to the State-trading countries. In this context the gas pipeline deal with the Soviet Union is the subject of extremely severe criticism. Attempts are being made within the OECD to make credit terms particularly tight for the Soviet Union. This is contrasted by the US policy towards the Soviet Union with regard to grain supplies. Contracts have been signed for amounts of up to 23 million tonnes, 14 million of which have already been supplied. Efforts are also being made to conclude other long-term contracts.

5. INTEREST RATE POLICY

Although there has been a substantial fall in the rate of inflation in the United States in recent months, interest rates remain high. The most likely reason for this is the heavy demand being made on the capital market by the public authorities. Partly because of their weak balance of payments position the countries of the European Community are obliged to adapt to this high level of interest rates. Both in Europe and the USA, high interest rates tend to discourage investment and constitute a major obstacle to efforts to overcome stagnation and recession. It is necessary for coordinated policy to put an end to the present high interest period to be introduced on both sides of the Atlantic.

The unpredictable and unchecked fluctuations in the value of the dollar on the exchange markets constitute a heavy strain on the European economy. By giving up its policy of benign neglect the American Federal Bank could contribute to attenuating short-term movements not justified by trends in basic economic indicators. In the context of the European Monetary System, too, attempts must be made to pursue a more coordinated policy.

7. CONCLUSIONS

The European Parliament is concerned about the increasing tensions in the trade relations between the United States and the European Community. It therefore calls for increased efforts on both sides to achieve fair and mutually acceptable solutions to the problems in the spheres of agricultural trade, steel exports, trade with the Eastern Bloc and interest rate and exchange rate policies. It should therefore instruct its delegation for relations with the US Congress to contribute to the solving of current problems by intensifying the talks in these areas.

AMENDMENT to the report by Mrs GREDAL on behalf of the Political Affairs Committee on the political aspects of the relations of the Community and the United States of America.

Add the following new paragraph after paragraph 4:

- 4a. The European parliament is concerned about increasing tensions in the trade relations between the United States and the European Community. It therefore calls for increased efforts on the part of the United States and a constructive response by the Community in order to achieve fair and mutually acceptable solutions to the problems in the spheres of agricultural trade, steel exports, trade with the Eastern Bloc and interest rate and exchange rate policies. It therefore instructs its delegation for relations with the US Congress to contribute to the solving of current problems by intensifying the talks in these areas.