

COMMERCIAL RELATIONS BETWEEN THE EC AND THE US

Statement by Sir Christopher Soames,
Vice-President of the Commission of the
European Communities, before the
European Parliament, July 8, 1976

Mr President, I welcome the opportunity to debate the present state of trade relations between the European Community and the United States. I doubt if there is any relationship in the trade field, or indeed any other field, which is of greater importance both to the United States and to the Community. And if it is seriously considered, as the terms of this question make one believe that it is seriously considered, by the honourable Member and his group, that we run the risk of economic war, then it certainly is high time we debated it in this House.

The Community and the United States are the two most powerful economic and trading entities in the world; there must inevitably be points of difference between us, for the very size of our Community, which gives us so much more leverage and influence than any of our Member States would have by themselves, also imposes upon us a heavy responsibility to see that we use our power rightly. After all the fact that we are a Community and we are so big, the fact that we do 40% of the free world's trade as a Community means from the point of view of the outside world that we are as much a single market where trade is concerned as is any nation state. Yet we do 40% of the world's trade, which is more than any other country could ever conceive of arriving at.

It is therefore inevitable that as we bind the balance of our relationships together with another entity the size of the United States we should run into difficulties from time to time, as we are still so young yet so powerful. I think it is very healthy that we should air these difficulties, and where better to air them than in this House? Let us all appreciate that it is absolutely vital to both of us that we do get our relationships right and that our degree of intimacy should be such that we can discuss them openly together and freely.

Now if we are to get them right we must start by recognizing the fundamental identity of views and interests which exists between the Community and the United States in commercial, economic and other matters. The basis of this identity of views lies in our shared commitment to the expansion of international trade. Over the past two years however, we have had to face up to the effects of the worst recession since the 1930's on both sides of the Atlantic, indeed throughout the open market world; this shared commitment of our governments to the philosophy of trade expansion has been tested and challenged by the painful consequences of recession and notably by its consequences on the level of employment.

With unemployment running at an unacceptably high level, the forces working for further progress and the removal of trade barriers are inevitably weakened and powerful pressures develop to reverse that trend. But because the Community and the United States share a common philosophy and a common interest in the expansion of international trade, our governments and our leaders must find the will to resist protectionist pressures in hard times and to work consistently together for a more open world trading order. This surely must be the starting point of any assessment of the present state of our commercial relations and for the prospects for the future. Perhaps that is why so much anxiety has been expressed in my view rightly in this House from time to time recently at the signs that are within the United States. The principles and practices upon which a liberal world trading order depend may now find themselves called into question.

Now this is not just a matter of the temporary coincidence of recession induced pressures for protectionist action with a prolonged electoral season in the United States. It goes much deeper than that. The difficulty stems from a twofold root — in the first place it goes back to the balance which seems to be emerging following on the 1974 US Trade Act to which the honourable Member referred, between American national or sectional interest on the one hand and the international responsibilities of the United States of America on the other. Any country's system for the regulation of external trade must of course reflect a balance between national and sectional interest and international responsibilities. No democratic country could ever afford to undertake international responsibilities which ran counter to its own longterm national interests and which ignored the needs of its own people and its own economy. However, it is equally true that in this increasingly interdependent world no country can seek to impose the primacy of its own national practices and positions, regardless of their effects on its trading partners, without wreaking havoc among the internationally-agreed order and disciplines, which provide the essential underpinning of world trade.

The trouble is that in the United States the question where that balance of interests and responsibilities lies, where that balance should be struck in the field of external commercial policy, has been caught up with another difficult question, that of a proper balance within the United States between the various branches of the government the executive, the legislative and the judiciary.

This great theme is, of course, a matter of American domestic politics and in this House we cannot but admire the efforts of the great American democracy to resolve the permanently intractable problems of accountability and openness in government and decision-making. However, in the field of external trade policy at least, it must surely be admitted that there is an immense difference between a policy which represents a mere aggregation of domestic sectional pressures and one which represents a coherent all-round view of the delicate balance between economics and politics and between domestic and international responsibilities.

So, to be more specific, I hope the House will join me in recognizing that the administration has given certain demonstrable proofs of its continuing attachment to the principles of open international trade by its recent decisions not to permit recourse to protection in the shoe industry and to discontinue the procedures in the car-dumping case which, as the honourable Member said, affect such a high proportion of the Community's exports to the United States. Nevertheless, it is still true that there continues to weigh upon the trade relations between the Community and the United States the question of whether the machinery of the trade act is capable of yielding such a balanced view consistently and in the long term.

The special steel case, which led to the President's decision to impose on the United States main trading partners the unacceptable choice between orderly marketing arrangements on the one hand or quota restrictions on the other, is an important case in point. We must also take account of those issues which are or have been in dispute between the Community and the United States, where American domestic legislation makes possible and even requires the imposition of countervailing duties without any previous proof that injury is being committed to United States industries.

This is the second root, I think, of the present difficulties in transatlantic commercial relations. A root which is nourished by American misgivings about the effects upon the open world trading system of the growing role of the State in the management of the various economies which go to make up the world system. There is, of course, a real problem here; we know from the long history of our efforts to expand trade with the state-trading countries of Eastern Europe, how fundamental to the functioning of our Western Economic system is a certain transparency of marketing and pricing policies, and how difficult it is to promote trade where the operation of State monopolies obscures that transparency. However let us not lose our sense of proportion. In democracies — and certainly in the democracies of Western Europe with their special social and political traditions it is simply not possible to leave the painful processes of structural economic change to work themselves out without assistance and support from the wider society to those particularly affected. This is the very essence of the concept of the mixed or social market economy — what Mr Tindemans called the other day 'an economy at the service of man.' This concept includes a degree of active governmental contribution and encouragement to entrepreneurship.

To a greater or lesser extent, all of the industrial societies of the west have embraced this philosophy of interventionism, whether for social or economic or indeed for strategic and military purposes. These are matters which lie in the heart of their domestic politics but there is no reason why a degree of State participation in the operation of our domestic economies, provided it remains within obvious limits, should be incompatible with our continued sharing commitment to a liberal world trading order. On the contrary, it is essential that we should ensure that it is compatible, for while there are indeed good social and political reasons for the continuance of State involvement there are equally powerful reasons why that involvement must be subject to the basic disciplines of our international commitments.

What is important here, I think is, that the greatest possible degree of transparency should exist and that the effects of State intervention upon international trade should be subject to the test freely negotiated and based on the principles already provided by the general agreements on tariffs and trade — namely, whether a specific intervention is injuring competing industries in other countries by distorting the flow of international trade.

Now of course it is right that State aids designed to meet important domestic social or economic need should not be such as to have injurious side-effects on international trade. On the other hand, where there is no such injury there can be no warrant for unilateral action which has the appearance of striking at the domestic, regional, industrial or agricultural support policies of ones trading partners. It is this which makes it both depressing and disquieting to continue to hear from the other side of the Atlantic from time to time root and branch criticisms, for instance of the CAP and suggestions that it is somehow an attainable and desirable objective of United States policy to undermine it.

Now I do not want in this debate to go into a detailed defence of the external implications of our agricultural policy. Suffice it to say that, like other people's agricultural policies — and I have known one or two — It has its good points and its bad ones. But the simple fact is that it is a policy which reflects the political, social and economic situation of the Community and as such it is not internationally negotiable.

Mr President, these are the underlying anxieties that we in the Community feel about American trade policy. I hope that the House will agree that I have been frank in stating them, but I am sure that the House understands very well that this candour is intended to give hope. It is certainly not intended to give currency to talk of economic war or of an endemic conflict in our relations with the United States. It is rather an expression of my confidence that our relationship is healthy and intimate enough to bear such plain speaking.

Mr President, there are many signs that the world economy is now emerging once more from the dark tunnel of recession. In every one of the Western countries, the shoots and buds of renewed growth are beginning to appear. Although unemployment continues at an unacceptably high level, the forces

of recovery and expansion that will reduce it are already at work. At Geneva and elsewhere, next year should be a year of further progress in the reduction of long-standing barriers to the further growth of international trade. It should be a year of renewed progress towards a more open world economy. The industrialized countries have together borne the heat and burden of the day without much damage so far to our open trading system. No one can put themselves entirely in a white sheet but on the whole we have got through it without doing much damage to the system on which we know we must rely to rebuild our own prosperity and the prosperity of those who look to us and depend upon us, those less fortunately endowed than ourselves.

On the whole I feel that both the Community and the United States have so far come more or less satisfactorily through the test of our resolve which the recession has imposed. I know that a large majority in this House agrees with me that if an open world trading system is to survive and prosper the transatlantic partnership between the United States and the Community is and must be of primordial importance to us both. Over the past few years we have made a great deal of progress together by giving a new definition to the relationship between the Community as such and the United States. Consultation and cooperation across the Atlantic have developed apace and I welcome the thought that it is appreciated on both sides to be more extensive and intensive than ever it has been before.

In the conduct of our mutual economic relations over the past year, neither the Community nor the United States has an immaculate record. Neither of us is in a moral position to address the other in a language of truculence, nor can either afford to adopt a belligerent tone towards the other without seriously risking damage to the long-term interests of both. That is why I would like to make it clear that I do not, in fact, share the assessment of the inference of this question on the agenda to which I have tried to address myself, and therefore unsurprisingly enough I do not come to the same conclusion as does its author.

The partnership between Europe and the United States has always worked best when it has been guided both by a lofty understanding of our joint purposes and by pragmatism and flexibility with regard to the implementation of those purposes. And that is the approach that the Commission has been at pains to urge upon our American partners again and again in all our dealings, and this is also the approach which I should urge upon this House in this debate today.