

PARLEMENT EUROPÉEN

CABINET DU PRÉSIDENT

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ADDRESS

To the

AECA NEW YORK CHAPTER

by

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President of the European Parliament

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1.

Mr. Chairman, Ladies and Gentlemen,

May I thank you for the honour that you have done me in inviting me to address your young and thriving organisation here in New York. Just over one month ago you showed my colleague of that other Community institution a similar honour in inviting him to speak to you in this, the media capital - and I would add the commercial capital - of the United States. Nearly 360 years ago, this city was beginning its life under the Dutch West India Company. In fact, the man who founded New York, Peter Stuyvesant, came from a village near to where I was born. In those days, the Dutch sent men to the Americas, in 1983, we send our money - Dutch investment in the US amounts to some 24.1 billion dollars.

I shall not give the same emphasis to the theme of "the present European Community - United States relations and issues" as Gaston Thorn, President of the Commission, did a month ago.

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You will probably welcome that for two reasons. First, little reward comes from hearing the same speech twice. Secondly, the Commission and the European Parliament are not one and the same institution; I am glad to say that the distinction between the elected and the appointed organs of governments exists in the European Community as it does in the United States.

I should add, to avoid any misunderstanding, that in general, relations between our two Community institutions are cordial, and our analysis of US-EC relations inevitably has much in common.

I was tempted to begin this speech today by announcing the 34th year of crisis in the Atlantic Alliance. Though I would not have wished to run down this relationship by saying that - far from it. Talk of a crisis in the Atlantic Alliance is, of course, as old as the Alliance itself. And yet it still functions.

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If you think the crises in transatlantic relations have been serious, you might be reassured to discover that we have a considerable number of disputes within the Community itself. And even that still functions ... just.

Relations between the Community and the United States now constitute an integral part of the Alliance relationship in de facto terms, drawing on the strength of our common beliefs in democratic principles and individual and social freedoms. They were born of the need for common security and economic recovery after the years of devastation brought about by war.

Many of the original founders of the Atlantic alliance were deeply involved in the establishment of the European Community. The birth of the Alliance was not without difficulties, but our relationship nevertheless continued to develop. Should we, over 30 years later on, be really worried by any of the so-called "crises"?

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I believe that there is some cause for concern because complacency in such circumstances would itself be damaging. Which crises am I referring to? They are concerned firstly with the different approaches we have towards East-West relations. For example, we differed in our views about the nature, and our response to, the Soviet invasion of Afghanistan. The dispute over the Urengor gas pipeline project, concerned as it was with both high technology exports and its financial structure was an immediate consequence of this.

Secondly, crises have arisen because our industry is competing for a market which is no longer expanding. This concerns particularly steel, agricultural and chemical sectors to name but a few. They are exacerbated by disputes about international monetary policy.

But above all else, it is the debate on security which has become the most pressing problem. In a sense, the security debate is directly linked to both East-West problems and to our trade disputes.

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These problems indicate the slow, underlying division that has opened within the Alliance.

A week ago, throughout Europe and in the United States, over 2 million people demonstrated their anxiety about the current direction of security policy in the Alliance and in the Warsaw Pact. Such demonstrations could not take place in Eastern Europe. They showed that defence issues are no longer the exclusive preserve of official elites and interested scholars. Anxiety about nuclear policy in particular has stirred wider public concern about defence issues generally.

Paradoxically, such public anxiety has not yet had the opportunity of being thoroughly aired in one of the European institutions, which many consider to be well suited for such a discussion - the European Parliament. But this situation is changing. Partly because our attempts to create a European Defence Community in 1954 ultimately failed, security issues

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were for many years excluded from the European Community's agenda. Such an attempt at that time was, perhaps, rather premature. However, it is quite clear that for the founding fathers of Europe the security element was a natural part of their overall plan.

Nowadays, European foreign ministers do discuss the political and economic aspects of security matters within the context of what we call European Political Cooperation (EPC). Recently, there was even a proposal to formally discuss the deployment of intermediate range nuclear missiles in Europe. In the European Parliament on more than one occasion this year, we have had discussions on security issues. Whilst I understand the reluctance in some quarters of the European Parliament to become directly involved in the military aspects of the security debate, I feel that no parliamentary institution should ignore a matter of such obvious concern to the public.

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Just as the European Community and the United States cannot neglect their common security interests, neither can they escape from their economic inter-dependence.

Many years ago, it would have been easier for Americans to assume an isolationist view in economic matters, but almost one-fifth of American production is now exported and one-seventh of American GNP is accounted for by foreign trade - a lot of jobs depend on this. Four out of five new jobs in manufacturing in the United States in fact come from foreign trade. This means that our trade disputes are even more salient than they used to be.

The United States and the European Community together account for over a third of world trade. And yet, between 1973 and 1981 industrial production in the United States rose by double the amount that it rose in the Community. Over the same period, the United States managed to create some 15 million new jobs whilst Europe lost 3 million. In the high technology sector,

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the United States and Japan lead the European Community. For instance, out of ten computers sold in Europe, eight originate in the United States; out of ten video recorders sold in Europe, nine originate in Japan. Estimates of the world production of integrated circuits suggest that the United States' share is about 62%, that of Japan 31% and that of Europe only 7%.

The European Community, in recent times, has become involved in a series of disputes with the United States over the question of steel trading. We have both been affected by the downturn in the world steel market and the increased competition which has come from the newly industrialised countries. The voluntary restraint agreement, negotiated at great pains last year, was clearly a rather fragile agreement and it is now in jeopardy because of the actions of a relatively minor US steel producer. Also, on special steels, we in the European Community have been forced to claim compensation through the GATT agreed formula because a voluntary understanding ultimately proved impossible.

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In the agricultural sector also, we have quite a few difficulties. US imports from the EEC are less than half of EEC imports from the United States, yet even here we find that the US Administration is threatening us with a trade war. The so-called "unfair subsidies" from our Common Agricultural Policy are pointed to as the reason for such action. Yet, it must be recognised that all countries of the industrialised world support their agricultural producers in one way or another - partly because of the unpredictability of climatic conditions and partly because of the need to safeguard, as far as possible, a reliable source of food. For example, in the United States in 1983 direct income (price support) per person employed in agriculture is estimated at \$6,000, whereas in the European Community the figure is less than \$2,000.

Farming conditions in the United States and the European Community are different; not only because we have much less agricultural land available, but also because, as a result of historical and demographic reasons, we have a larger farming population. We should be able

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to face up to such facts of life without coming to blows.

Having said this, we clearly do have problems in Europe with the functioning of the CAP. The European Parliament never intended the CAP to become "the cuckoo which forced all the other birds out of the nest". Present difficulties in US agriculture do not derive from the mechanisms of the CAP, but from changed economic conditions: the restrictive practices adopted in industrialised countries, the high dollar exchange rate, the increasing difficulties of developing countries in paying their debts, have over the last two years led to a fall in total demand for agricultural products. The United States, 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, rivalling American products.

We have always tried to develop the Community into something more than a purely agricultural Community by focussing on the social, economic and industrial issues which challenge us as well. I do not wish to imply that the cost of the CAP has been too high in absolute terms, but it is certainly too high in relation to the Community's budget as a whole. The Member States, aware of this, have consequently asked the European Commission to make proposals for the structural reform of the CAP.

Basically, the proposals aim at limiting price increases and restricting the quantities to which guaranteed prices apply.

One of the major agricultural topics under discussion between the United States and the European Community are cereal substitutes. Some Member States claim that our structural dairy surpluses result from the import of cereal substitutes which have encouraged industrially-oriented milk production at the expense of traditional rural farming. They will only

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accept new proposals for a structural reform of the CAP if imports of these substitutes from the United States are halted or limited. I know of at least one country which is prepared to make a big issue out of this.

I can assure you that we are involved in very serious discussions on the reform of the CAP. From a political point of view this is a very difficult and delicate operation. If the United States expects us, on the one hand, to carry out reform of the CAP, they should not, on the other hand, try to prevent such reforms from being implemented in a reasonable way by threatening Europe with a trade war from which more serious consequences might well arise. For instance, on cattle feedstuffs, I was surprised by the ease with which the European Community came to an agreement with the major suppliers of tapioca and manioc while being unable to agree with the United States on restrictions on gluten feed exports to the Community. Perhaps the fact that manioc exporters are mainly Third World countries, and have little negotiating clout has something

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to do with it. Their case, however, would appear to be similar to the American case on corn gluten food.

The list of mutual problems does not, unfortunately, end there. European manufacturers and traders are very dependent on the dollar to finance international trade. Estimates suggest that as much as 80% of world trade is denominated in dollars, despite the fact that the European Community is a larger trader than the United States. The Japanese yen, for instance, is closely tied to the value of the dollar, despite Japanese trading with a large number of countries other than the United States. This yen exchange rate, and I would argue the dollar exchange rate, against European currencies frequently does not reflect the true underlying trading situation. The high dollar exchange rate and the fluctuations in the value of the dollar put at a gross disadvantage those traders whose exchange is not denominated in dollars.

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Interest rates are another area of contention. The United States Federal Government's budget deficit, we feel, has pushed up interest rates in the United States to such an extent that investment capital in Europe is being drawn over to the United States, to the detriment of European investment aims.

Why are all these matters so important to Europe? Europe is at the beginnings of a, weak, recovery. Unlike that seen in the United States at the moment, it has all the signs of petering out. The European Parliament has initiated a debate on European economic recovery in the absence of any such initiatives from the other Community institutions, from whom these are normally forthcoming. I commend to you the working report - to be used as the basis for future debate - prepared by two eminent economists, Mr. Michel Albert and Professor James Ball. The message that these two economists convey is both desperate and encouraging. They suggest that without Community initiatives, Europe may well enter an era of "balkanisation", under-employment,

non-growth, and decadence, which in everyday life could be translated into growing despair and sometimes even violence. They outline possible ways of recovery which exploit Community-level multipliers of efficiency. They also suggest that a strong impetus must be given to create the necessary psychological shock but it must be prudent enough to prevent financial upheaval and intelligent enough to command the broad support of all those involved. The techniques require investment to increase supply and support demand at the same time, techniques to restore balance in public finance and in company accounts, and a consolidation of purchasing power with a consequent improvement in employment. This is indeed a tall order, but the challenge must be met.

Mr. Chairman, Ladies and Gentlemen,

If Europe is to avoid becoming a dependent, underdeveloped region in the long term, it must put its own house in order.

If no concrete decisions are taken, for instance, at the next European summit meeting in December, we shall be unable to remain on a competitive footing with you, the Japanese and the NICs. Despite my liking for America and the Americans, I would not like Europe to become dependent on the United States and I feel sure that this feeling is mutual! We can help each other more constructively if we both have strong and healthy economies, and therefore act on a basis of equality and mutual respect. I do not consider the problems I have mentioned to be unsurmountable as long as they are discussed at the negotiating table and as long as they are seen as disputes between friends and equals.

However, in order to correct the divisions which are being created, we must increase mutual understanding of our different needs and interests.

The business and political communities in America and in the European Community have a major role to play in increasing mutual understanding.

Both the European Community and the United States have a crucial interest in maintaining, and extending if necessary, the General Agreement on Tariffs and Trades. The United States is no longer an isolated economic power, but is heavily dependent upon trade, in which the Europeans' experience is that much longer. We must also try to recognise the internal domestic pressures and national interests that influence national policies and make our agreeing on a common policy that much more difficult.

The European Parliament has no formal powers in the field of EEC-US relations. However, we can exert pressure for developments to take place in particular directions by our direct influence - through the European Parliament's plenary sessions, or through our indirect influence - via political colleagues in national parliaments.

Organisations such as the American-European Community Association do have a most valuable role in rebuilding mutual respect and confidence that is vital if the Atlantic relationship is to endure. It has the ability to dispel misunderstandings and reconcile divergent interests.

I am aware that your association is not limited to the business community, but provides a useful forum to "build bridges" between politicians, civil servants, lawyers, trade unionists and businessmen on both sides of the Atlantic. It complements the most positive bridge-building work of the six monthly parliamentary exchanges between the United States Congress and the European Parliament. These are just some of the channels of communication and consultation between the European Community and the United States that we should encourage and build upon.

Through these open channels we can better appreciate and respect our differences and thus close our widening divergences.