

ADDRESS OF MR PIERRE-BERNARD COUSTE, DEPUTE DU RHONE,
DEPUTE A L'ASSEMBLEE DES COMMUNAUTES EUROPEENNES

TO

THE FRANCE-AMERICA SOCIETY IN
NEW YORK

November 18th, 1982

'US-EEC RELATIONS'

Ladies and Gentlemen,

In speaking to you as a member of the European Parliament the subject closest to my heart is trans-Atlantic relations and I shall therefore be dealing with relations between the United States and the European Community. Many of the current hot issues in this respect are now the responsibility of the Community as such and no more of individual Member States like France. I am thinking especially of commercial policy and agriculture.

Before discussing with you the different points of friction between the EEC and the United States, I should first of all like to underline, as I had the occasion to do before the European Parliament on October 13, 1982 in Strasbourg, the importance of our common heritage. We should never forget that our peoples on both sides of the Atlantic Ocean are deeply attached to the same values, values like liberty and democracy, human rights and freedom of speech. These values separate us clearly from certain other regimes in the world. They are values which are deeply rooted in our history, values that, whatever may divide us for the moment, will always unite us in the end.

As everyone knows the Community's relations with the United States in recent months have been bad at least by reference to earlier years before economic recession had established its present grip on the world economy. I intend to limit myself to four aspects only of our relations and then to draw some general conclusions.

Firstly, commerce. Although some important disputes have now been resolved, this remains an area subject to tensions, not just because of the increased protectionism which is to be expected during an economic recession, but also because recent developments have revealed important political differences of attitude - especially with regard to East-West trade.

The European Community and the United States form together with Japan the three main pillars of world trade. The US is by far the most important trading partner of the European Community taken as a whole and the EC is by much the largest export market of the US (although Canada constitutes in most years a larger source of US exports). For investment flows also, the US and the EC are each other's main partners, taking the lion's share of international investment world-wide.

Our economies are therefore condemned to coexist. There are only few aims of government policy more important than ensuring the smooth running of our commercial relations. In conducting such relations, negotiation on the basis of equal partnership is the only method of reducing trade frictions to a minimum. An "aggressive" style of conducting foreign relations, where Government spokesmen emphasise conflict rather than common interest, is only too likely to increase frictions and handicap that smooth running of our commercial relations.

The path of negotiations for the resolution of trading problems is to be pursued at the meeting of GATT Ministers to be held in Geneva next week. The successful outcome of this meeting is in doubt. It has not in any case been helped by the recent grave disputes concerning export credits, steel exports to your country and the stand your government has taken on the project of the gas pipeline linking the Soviet Union to Western Europe.

The first two of these have now been resolved, although in ways that may have bitter consequences. The OECD consensus on export credits was eventually renewed in July 1982 on terms which will considerably raise the cost of our exports to some developing countries (and to the Soviet Union). To illustrate this point, I may mention that minimum interest rates for our export credits to "relatively rich" countries, now including the USSR and East Germany, have been increased by 1.15% and for medium-income countries by 0.35%.

The steel dispute has been resolved by an agreement, valid only until 1985, under which the Community agreed "voluntarily" to restrict the volume of its steel exports to a rather small share of the US market. You will remember that the criteria used by the US Department of Commerce to estimate the degree of subsidy on certain steel products were strongly contested by the Community's authorities.

This agreement has removed one of the most severe trade frictions in the commercial history of the relationship between the United States and the European Community and has shown that difficult disputes can be settled in an atmosphere of cooperation, understanding

and friendship is prevailing. As a side show of this agreement we have been happy to experience a strengthening of European Unity by the association of Germany, Luxembourg and the Netherlands to this agreement, these countries having furnished only small or no subsidies to their steel industries.

There remains the 'pipeline' dispute. The issues that lie behind the disagreement involved here are clearly more political than commercial. The decision of the US Administration to apply sanctions to European subsidiaries of American companies and to European licenses of US technology, who export equipment for use in the construction of the gas pipeline from Siberia to Western Europe, has raised very important questions of principle.

In the opinion of the Community this decision violates both the international code of conduct stipulating that existing contracts be respected of the US government affect companies established according to the national legislation of EC member states. The abrogation of this decision by the US authorities will be the 'condition sine qua non' that is, the condition which has absolutely to be fulfilled before a compromise can be reached which is acceptable to the Community.

It is simply not acceptable that the US seek to impose its views in this way. If we want to guarantee a harmonious, US-EC relationship in a democratic context, differing opinions must be tolerated even if they concern such vital issues as the suppression of the Polish syndicate 'Solidarity' or the strategic importance of East-West trade.

With regard to the economic aspects of the pipeline dispute, we are especially disappointed that the US government takes the stand that its own cereal exports to the Soviet Union are permissible and may even

be increased whereas exports of machinery by others are considered an offense against political morale.

We do not accept the argument that cereal imports deprive the Soviet Union of foreign currency, and therefore "damage" the Soviet Economy, while imports for the pipeline to Europe provide them with an undesirable advantage. A recent study by Wharton Econometrics has shown that the Soviet Union realises considerable savings by importing cereals rather than growing them at home, since conditions are more favourable for agriculture in your country.

The discussion of the pipeline issue leads me quite naturally to my second subject : Energy. The situation in your country, the United States, is quite different from the European situation, as you have enough national resources to survive, even when imports are becoming expensive and difficult. We, the European Community, on the other hand, have a great shortage in energy, whether it be oil, nuclear energy or natural gas. It seems to me that for the European Community it is a matter of the highest importance to diversify external energy sources, which means the application of an energy policy which does not leave us dependent upon one source only, whether it be the Soviet Union or any other country. The United States and the European Community have not initiated a debate on the important issue of the repercussions of the changes which have taken place over the last decade in the field of energy, at least since the last one took place five years ago. It is urgent that we organise an exchange of views on these matters. I am afraid that energy policy cannot be resumed to the simplistic request that Europeans import their oil or natural gas from Norway instead of from the Soviet Union. Importation of gas is dependent on long term strategic considerations. You cannot just turn on a tap and let the natural gas flow through.

The third issue I wish to address is one one which every Frenchman being a farmer in his soul feels especially strong.

I naturally mean agriculture. This is an exceedingly complex subject, let me limit myself therefore to essentials at the risk of seeming superficial.

The GATT rules which govern world trade treat agriculture as a special case. During the Tokyo Round of trade negotiations the American Government agreed to accept the principles which govern the Community's Common Agricultural Policy, despite its known opposition to certain aspects.

This opposition has been strongly emphasized by the current Administration. Many cases have been brought before the GATT by the US Government usually on the grounds that the European Community is competing "unfairly" in its exports to third countries. The basis for these attacks are the subsidies provided to agricultural production through price control mechanism and to exports through the system of refunding which aligns the price of exports to that prevailing on world markets. In addition the US had announced its intention to seek the assimilation of GATT trade rules for agriculture to those for industrial products.

The Community's response is well-known. We recognise that almost all countries, including the US subsidise their agriculture; we know that US levels of subsidy per farmer are comparable to those in the European Community. We are convinced that our Common Agricultural Policy has an important function in maintaining the fabric of rural society and in achieving agricultural autarky.

We are not willing to sacrifice this protective system under any circumstances. No doubt there will be discussions in Geneva next week concerning the question of subsidies to agricultural exports, but we shall strongly resist any attempt to curb the expansion of our exports.

This subject provides a major source of dissension. It could degenerate into a state of conflict, given the strong interests of the US and the European Community in promoting their respective agricultural exports. However, I take this opportunity to remind you that the US trade surplus with the European Community in 1981 amounted to some \$14 billion and that a large proportion of this surplus is represented by the surplus of trade in agricultural products. The European Community remains the largest world importer of food and the best customer of the United States. It is true that in recent years there has been a slight increase in the EC share of world agricultural exports and a very small decline in the US share. But it would be utterly wrong to conclude that the problems of the US agriculture can be solved by bullying Europe to curb its exports.

The final issue with which I intend to deal - even more briefly - is monetary policy, or more specifically the international consequences of US interest rates. As we are all aware, interest rates in the US, and throughout the world, have declined precipitously in the last month. Nevertheless one of the consequences of the domestic monetary policy followed in the United States has been to maintain artificially high interest rates throughout the world over a long period with a resulting reduction in levels of investment and of economic activity. A second consequence has been a flow of international funds into the US and therefore an artificially high value of the US dollar, in which a large proportion of goods traded worldwide continues to be denominated. The high level of interest rates, combined with the high value of the dollar, have had a crippling effect on economics throughout the world and especially on those burdened by debts and on those obligated to import a large proportion of their energy needs.

Given these adverse consequences of its domestic and economic policies, it seems to many observers outside the United States that in the definition and execution of these policies more weight should be ascribed to consideration regarding the outside world. Many of us doubt whether consequences of US domestic policies are at all taken into account. However, you will certainly agree that the US is too important a part of the world economy for such a dangerous neglect.

What then are my conclusions ? In the global village "good neighbourliness" between the United States and the European Community is especially important if tensions are to be reduced and economic wounds are to heal.

This means that we must all be ready to learn from recent experiences. The steel and pipeline conflicts in particular show the importance of negotiation leading necessarily to concessions by each side. They also reveal the need for a consensus over such diverse issues as the nature of "acceptable" subsidies to industry and the significance of East-West trade. The Member States of the European Community will not allow themselves to be bludgeoned into acceptance of the apparent US view that all economic contacts with the Soviet Union are suspect or that all government subsidies are wrong even if they are intended to assist reductions in capacity.

Similarly, with regard to agriculture, the US must be prepared to compromise; it cannot seek to change the international rules for trade in agriculture without the consent of its principal trading partner.

Lastly, if we are to be "good neighbours", we must all think more about the impact on our friends of the policies which we pursue at home. This of course applies just as much to the European Community and its individual Member States, but the very great importance of the United States in world affairs means that the external consequences of American domestic policies are more important than those of policies conducted by individual states in Europe. Self-restraint and consideration for others are qualities essential to any civilised person and to any nation-state. They are especially important in economic relations between the major trading powers of the world.

As I said in the beginning of my speech, we are linked by common values. Our civilisation is based on the same principles of democracy and freedom of speech, on the same respect for the individual and for human rights. I am sure that these values, which are deeply anchored in our history and made us what we are today, will always be so strong and vivid amongst us that in the end they will enable us to overcome temporary difficulties such as the ones we are faced with at the present time.

* * *