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**U.S. POLICY TOWARDS THE EUROPEAN COMMUNITY**

Statement by George S. Vest, Assistant Secretary of State for European Affairs, before the House Foreign Affairs Subcommittee on Europe and the Mideast, Washington D.C., Thursday, July 12.

"U.S. support for the progress of European integration, exemplified by the evolution of the European Community, remains strong. We consider progress toward European unity of primary importance for Europe, for the west and for the world. At the same time, we believe that European unity must be achieved by the Europeans themselves. It is in that spirit that we follow with interest such milestones in the move towards European unity as the establishment of the European Monetary System (EMS), the enlargement of the Community to include nations of southern Europe, and the holding of direct elections to the European Parliament. We view these developments and others as reflections of the growing habit of Europeans to think and act in the European context.

--- We welcome the EMS, launched on March 13, 1970 by all EC members except the United Kingdom. It is an effort to stabilize intra-EC exchange rates and to provide additional resources to counter exchange speculation. It is a major Franco-German political initiative, designed to stabilize European currencies and, incidentally, to foster European economic integration. Its long-term success will depend on the member states' ability to harmonize their economic policies.

--- We applaud the signing of a treaty of accession for Greece on May 28, 1979. After ratification by all the national parliaments, Greece is expected to become the tenth EC member on January 1, 1981. Portugal and Spain have also applied for membership and substantive negotiations are expected to begin this fall, with entry into the EC as early as 1982-83.

The primary motivation for EC enlargement is political: to bind the newly democratic applicants to the more advanced European democracies and thereby enhance their political and economic stability.

--- We consider the first elections to the European Parliament, June 7-10, a significant step forward for Europe, the shift to direct elections will not increase the limited advisory and oversight powers of the Parliament, but the new legislators will adopt a higher profile than their appointed predecessors and will gradually seek to expand their influence. We hope that, in due course, the present ties between the Congress and the European Parliament can be strengthened to reflect the significance of the June elections.

In addition to expanding U.S. activity in the OECD and increasing cooperation with the EC, there are other developments in the economic realm that merit mention. We continue to participate in economic summits as one of several means to buttress joint action for economic well-being. The economic summit in Tokyo was a crucial opportunity to focus on such priority issues as energy. In the area of energy, the most important decisions revolved around the commitment to set national ceilings for oil imports for 1980 and 1985 and to ensure adequate resources for the development and commercial application of technologies for alternative sources of energy. Both the OECD, including the International Energy Agency, and the European Community will play a significant role in the follow-up to the commitments made by the Summit participants. Although energy was the key issue discussed at the Tokyo Summit, the participants also made commitments to do more to improve the long-term productive efficiency and flexibility of their economies, to implement the agreements reached in the Tokyo round of the Multilateral Trade Negotiations, to achieve durable external equilibrium, and to pursue constructive North-South relations.

After years of arduous bargaining, we have achieved the successful conclusion of the Multilateral Trade Negotiations (MTN). U.S.-EC negotiations lay at the heart of the MTN because of the Community's weight in world trade. We have, in consultation with the Congress, prepared the necessary U.S. implementing legislation. We will be consulting closely with the EC and other European countries to ensure that their implementing regulations and legislative procedures are a comprehensive and accurate reflection of the agreements reached at Geneva. With ratification, we will have to put the new rules into practice through revised GATT procedures and thus be able to deal with trade disputes over the coming decades.

Over the past year, we have been working closely with our European allies to arrive at reasonable solutions which balance proliferation concerns with energy needs. The international nuclear fuel cycle evaluation (INFCE) is part of this process. In addition, as required by the 1978 Nuclear Non-proliferation Act (NNPA), we are negotiating a new nuclear cooperation agreement with the EC and hope to conclude a new agreement sometime next year after the end of INFCE. We are also working with the EC and the International Atomic Energy Agency (IAEA) in Vienna to accelerate the conclusion of facility inspection arrangements between the EC and the IAEA."

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In answer to questions from the members of the Subcommittee, Vest assessed the current mood in Europe as "questioning". Europeans still saw themselves as fragmented and efforts to strengthen the EC were still very confused. EMS and direct elections showed that the movement towards unity was still very much alive, but progress was extremely slow. Britain was still not a member of EMS. The powers of the parliament were limited and it remained a group of people in search of a role.

In answer to a question about the institutional effects of enlargement, Vest predicted that the accession of three new members would place impossible strains on the EC's "jerrybuilt" political structure.

Returning to EMS, it was noted that this development was interpreted in the U.S. as an indication of the diminished role of the U.S. dollar. Was it an anti-dollar move? No, replied Vest, but it did indicate that the dollar had had its problems. The dollar mattered as much to Europeans as to Americans, and this was an attempt to stabilize the market. EMS had played a positive role since it had gone into effect. Would the currencies be able to remain within the margins? Vest assumed so, but noted that the system had not yet really been challenged. It would help if the British were in.

