

DEPARTMENT OF STATE
BRIEFING PAPER

Bilateral Briefing Paper

EUROPEAN COMMUNITY

President Ortoli

Vice President Soames



Setting

You will meet with Ortoli and Soames just an hour after the conclusion in Brussels of the Tenth Round of the semiannual US-EC Consultations. Alternating between Brussels and Washington, these high-level exchanges have expanded since their beginning in 1970 to encompass a broad range of economic and political questions. Urgent multilateral issues have largely replaced bilateral trade problems as their focal point.

The agenda for this May's Consultations includes overall US-EC relations (the general economic situation and such political-economic topics as the Euro-Arab dialogue, agriculture and grain reserves), relations with third countries (including Canada, Iran, and EC Mediterranean policy), North-South relations and raw materials (follow-up on the OECD Ministerial), and energy (International Energy Agency and nuclear trade). Sir Christopher, as EC Commission Vice President for External Relations, headed the Community delegation and Charles W. Robinson, Under Secretary of State for Economic Affairs, led the US side.

The talks reflect the strength of the US-EC consultative link. Our overall economic relations with the Community are good -- as are our political ties with the Nine (through their ad hoc framework for political cooperation among the member states). We would, however, like to strengthen over the long run the US-EC political dialogue. The EC shares our desire to cooperate in the solution of pressing economic problems such as energy and the demands of the

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By WFO NARA, Date 8/17/2010

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Third World. The Nine would like to play a constructive and supportive role, both in pursuit of peace in the Mideast and with regard to greater stability in southern Europe.



Your purpose in this short meeting will be to:

- underscore strong US support for European unity and close trans-Atlantic cooperation.
- stress the great value we place on full and frequent consultation with the European Community -- on both economic and political matters.
- note the US position on the interlocked issues of energy, commodities and relations with the Third World and our hope to work with the Europeans on resolution of these shared problems.

Following your meeting, there may be an opportunity to meet with the press. Should that occur, we have noted some points to stress under Part Five of the Issues/Talking Points Section of this memo.

Issues/Talking Points

1. US-European Relations

EC Position

The Community is clearly on record as favoring closer US-European relations. Its officials recognize the need and value of working together on joint concerns. With the possible exception of France, there is little disposition for an "independent" European solution to the problems which currently highlight trans-Atlantic interdependence.

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US Position

Our support for European unity accordingly remains strong. We see no inherent contradiction between such unity and closer Atlantic cooperation. Further, we value the helpful interchange of views on matters ranging from cooperation on energy to consultation on Portugal made possible by strong consultative links between Washington and Brussels.

Your Talking Points

- We have consistently supported European unity in the past and will continue to do so in the future.
- Our support for European unity rests on our belief that a more united Europe will help achieve the larger objectives which we share in common.
- We appreciate the possibility for a close and frank dialogue with the European Community, on a range of economic and political questions, as was the case during the just-concluded Tenth Round of the US-EC Consultations.

2. Energy

EC Position

The Community has been generally cooperative in working with us in the formulation and implementation of consumer-country solidarity on energy. The EC is, however, in the process of formulating a common energy policy of its own which hopefully will complement our efforts in the IEA. In fact, the evolution of the Community energy policy has been a useful bridge with the French on issues of consumer solidarity.

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Ortoli is especially interested in the recent statement of the US position on the producer-consumer preparatory conference, as expressed in Secretary Kissinger's Kansas City speech May 13. His staff has given us several questions he may raise. Among them:

-- Ortoli would like to know how soon the US would be ready to hold another prepcon and if the US is willing to explore the substance of raw materials issues in that forum.

US Position

Ultimately, producers and consumers of energy must develop a new and balanced relationship. We are prepared to attend a new preparatory meeting. We have initiated bilateral contacts with our IEA partners, with the French, and with the producers, looking toward the scheduling of a second prepcon, and have urged our partners to do the same. The exact date and agenda for a second meeting have not been fixed, but it would be difficult to see how we could meet again before early Fall, given the European vacation period in August and the UN Special Session in September. We have no objection to having the French play a lead role in organizing the next Preparatory Conference, as they did the last. Although we believe an "Oil Producer/Consumer Conference" should give emphasis to the energy question, there are other important economic questions which are closely related and must, for the ultimate health of the world economic system, be discussed either in that forum or in some other. The raw materials issue clearly is one of these.

Your Talking Points

-- We believe that the Paris preparatory meeting provided an opportunity for a useful exchange and clarification of views.

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-- We are ready now to resume the dialogue in a new atmosphere in which we affirm that raw materials, like energy, play a vital role in assuring a healthy world economy.

-- We welcome your ideas on how best to proceed toward the multilateral energy dialogue to which we are all committed.

3. Commodities

EC Position

The Community is considerably more dependent than the US on imported raw materials from LDC sources. It also has traditionally supported commodity agreements as an effective mechanism for organizing trade in raw materials.

As part of a new agreement with forty-six associated states in Africa, the Caribbean and Pacific, the Community has also set up a fund (the STABEX system) designed to stabilize the export earning of these countries from a variety of raw materials (all agricultural except iron ore). The EC is now studying how this system might be extended to other developing countries and products.

The Community has not accepted one major LDC claim in commodity trade, indexation, whereby the price of LDC raw material exports would automatically increase along with increases in their imported manufactured goods.

Member state views are not entirely uniform. Positions on individual issues vary, with the Dutch and the French normally most conciliatory toward LDC interests and the FRG concerned about financial costs of various proposals.

Another question raised by Ortoli's staff relates to our interest in the possibility of using World Bank

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funds for the financing of investment in raw materials in producing countries. Ortolli may ask if we are "preparing to see international aid move significantly into a field heretofore covered largely through private financing."

US Position

Indexation: We do not believe that tying commodity prices to a world index of inflation is the best solution. It would strengthen those least in need of help, since most raw materials production still takes place in the industrial countries. It would harm those most in need of help, since the poorest, most populous states are net importers of raw materials. And it would introduce artificial rigidities, later likely to result in misallocation of capital and resources, and under-utilization of capacity.

Commodity Agreements: We are prepared to discuss new arrangements in individual commodities on a case-by-case basis, as circumstances may warrant. More important, we will urge our partners in the Multilateral Trade Negotiations (MTN's), now under way in Geneva, to develop new rules and procedures addressing some of the important questions in the raw materials area (freer access to supplies and markets, promotion of mining and processing industries, settlement of disputes).

World Bank financing: The question posed by President Ortolli's staff refers to the statement in Secretary Kissinger's Kansas City speech that

"...we will propose that the World Bank explore new ways of financing raw material investment in producing countries."

This statement did not contemplate a new program of "international aid," but rather an examination of

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possible new ways, primarily within the present World Bank lending pattern, of mobilizing capital and bringing it together with outside management and skills. Private financing would continue to play a major role but, for example, World Bank technical assistance and financing might be used as a catalyst to combine other financing, management and technology often lacking in the poorer raw material producer countries.

Your Talking Points

-- We recognize the need to assure stable earnings and reliable access to commodities, and hope that constructive proposals can be developed and put forward by the industrialized countries.

-- We consider the maintenance of a stable level of earnings a legitimate aspiration of countries highly dependent on commodity exports but believe that tying commodity prices to a world index of inflation is not a viable solution.

-- We are prepared to discuss the complex range of commodity problems in a cooperative spirit. We have suggested several specific proposals for improving the conduct of trade in commodities and for insuring adequate financial investment. We do remain ready to consider the realistic proposals of all others. In this regard, we understand that the EC is examining possibilities for expanding product and country coverage under its program to stabilize LDC raw material export earnings. We would be interested in discussing the results of this examination.

4. Third World

EC Position

Most EC member states seem more receptive to the rhetoric of Third World demands than are we. Their

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more forthcoming stance stems mainly from their greater dependence on LDC suppliers of raw materials, the heritage of some as former colonial powers, political sympathy for developing country aspirations, and their often cynical belief that there is no cost to accepting extravagant rhetoric.

Most member states have either accepted, or abstained on, the various LDC-backed documents adopted in various UN bodies in the last year over our objection. However, the intransigence of the OPEC-LDC bloc at the energy prepcon may have given EC member states some pause. Major members, particularly the UK and FRG, appear to be looking for some approach to LDC relations which would combine a continued forthcoming attitude on commodity trade with some acceptance by the LDC's of the need for negotiating give and take. This position is, in general terms, not unlike that of the US Government, although significant differences in detail remain. The North-South study which we are supporting in the OECD will allow for discussion of both general approaches and specific issues and, hopefully, will result in a more coordinated developed country approach.

US Position

We accept the legitimacy of a number of LDC economic needs but believe firmly that these needs can be met by adjustments in the current international economic system rather than by an attempt to replace it by the "New International Economic Order" pushed by the LDC's in UN forums. We are ready to study and adopt realistic proposals for change but believe that progress must be based on careful negotiation and mutual agreement among the nations of the world. We are committed to a cooperative approach and look forward to specific collaboration between developed and developing countries on a system for an international grains reserve, on preservation and development of energy, on new arrangements for particular commodities, and on improved trade possibilities for the Third World.

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Your Talking Points

-- We accept the need to adapt the international economic system to meet the legitimate requests of the developing countries.

-- We believe that any changes in the world economy should benefit all nations, as evidenced by our own efforts in behalf of those nations "most seriously affected" by the energy crisis and our initiatives with regard to food reserves.

-- We are prepared to consider realistic proposals but remain convinced that poorer nations benefit most from an expanding global prosperity.

5. Press Conference

Should you or the Secretary be talking with the press after this meeting with Ortoli and Soames, you might want to stress:

-- US support for the Community and European unity remains strong.

-- We value our close cooperation and active dialogue with the Community.

-- We discussed with President Ortoli and Sir Christopher the broad general questions of our relationship, following the conclusion of the Tenth Round of the US-EC Consultations which have been taking place these last two days in Brussels.

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