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UNITED STATES-WEST EUROPEAN RELATIONS

1974-1976

A SURVEY OF TRENDS AND ISSUES

EDWARD T. LAMPSON  
Specialist in European Affairs  
Foreign Affairs and National  
Defense Division

October 28, 1976

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## Preface

This report on United States-West European relations in 1974-1976 is one of three related CRS reports. CRS Multilith 76-201F provides a bibliography of books and articles which have appeared in 1974-1976 dealing with United States-West European relations. CRS Multilith 74-32 F, dated March 15, 1974, entitled Relations between Western Europe and the United States, provides useful background information and a bibliography covering this earlier period.



## CONTENTS

|      |   |    |
|------|---|----|
| I.   | Introduction.....   | 1  |
| II.  | Improvement in Relations .....  | 3  |
|      | A. Some Pertinent Factors .....   | 3  |
|      | 1. Quiescence of the Troop Level Issue .....                              | 3  |
|      | 2. An Improved U.S. Foreign Exchange Balance .....                        | 4  |
|      | 3. Oil-Related Problems .....   | 5  |
|      | 4. Increased High-Level Economic Consultation .....                       | 5  |
|      | 5. Reduced Disputes over Agricultural Exports .....                       | 6  |
|      | 6. Increased Suspicions of the USSR .....                                 | 6  |
|      | 7. Improved Political Consultation .....                                  | 8  |
|      | 8. Relaxation over Berlin .....   | 8  |
|      | 9. Improvement in Personal Relations .....                                | 8  |
|      | 10. A Point of Controversy .....  | 9  |
|      | B. Specific Examples of Constructive Results .....                        | 10 |
|      | 1. The International Energy Agency .....                                  | 10 |
|      | 2. NATO Cooperation in the Standardization of<br>Military Equipment ..... | 10 |
|      | 3. High-Level Consultation .....  | 11 |
|      | 4. Termination of Offset Agreements .....                                 | 12 |
|      | C. Some Concluding Comments .....   | 12 |
| III. | Relations within Europe .....   | 14 |
|      | A. Southern Europe .....  | 14 |
|      | 1. Recent Developments .....  | 14 |
|      | 2. The Domino Theory and Communism .....                                  | 16 |
|      | B. Central Europe .....   | 16 |
|      | 1. West Germany .....   | 17 |
|      | 2. France .....   | 17 |
|      | 3. The Strengths and Limitations of the Franco-<br>German Entente .....   | 19 |
|      | 4. Britain .....  | 20 |

|     |  |    |
|-----|--|----|
| C.  | The European Communities .....   | 20 |
| 1.  | Divisions among EC Members .....   | 21 |
| 2.  | Pessimism in EC Circles .....  | 22 |
| 3.  | The Emergence of Inner Circles .....   | 22 |
| 4.  | The Strengthening of EC Consultative Machinery .....                             | 23 |
|     | a) Heads of Government Consultation .....  | 23 |
|     | b) Lower Level Consultation .....  | 24 |
| 5.  | The Effectiveness of Consultation .....  | 25 |
| IV. | Implications for the United States .....   | 25 |
| A.  | Comprehensive Problems .....   | 26 |
| 1.  | European Community Structural Weakness .....                                     | 26 |
| 2.  | The Expansion of the European Community .....                                    | 26 |
| 3.  | U.S. Troop Levels in Europe .....  | 27 |
| 4.  | Is a New U.S. Assurance Necessary? .....   | 27 |
| 5.  | European Coordination of Foreign Policy .....                                    | 29 |
| 6.  | Political Weakness in Western Europe - Communism .....                           | 29 |
| B.  | Specific Issues .....  | 30 |
| 1.  | The Standardization of NATO Military Equipment .....                             | 30 |
| 2.  | The Sale of Nuclear Processing Plants .....                                      | 31 |
| 3.  | The Sale of Conventional Arms .....  | 31 |
| 4.  | The Concorde .....   | 32 |
| 5.  | Trade Issues .....   | 32 |
| 6.  | Exchange Rates .....   | 32 |
| 7.  | Economic Policies Toward the Third World .....                                   | 33 |
|     | a. United States Opposition to EC-Third World<br>Preferential Arrangements ..... | 34 |
| C.  | Other Questions .....  | 35 |
| 1.  | Revision of Strategy and Tactics for the<br>MBFR Negotiations .....              | 35 |
| 2.  | The Implications of Modern Weapons Technology<br>for NATO Strategy .....         | 35 |
| V.  | Specific Congressional Interest in U.S.-West European Issues ..                  | 36 |
|     | Chronology prepared by Charlotte Phillips .....                                  | 38 |



UNITED STATES-WEST EUROPEAN RELATIONS 1974-1976  
A Survey of Trends and Issues

I. Introduction

It is the aim of this report to examine briefly the current status of the relationship between the United States and the countries of Western Europe. Because the strength of our association with these countries is a key factor in the effectiveness of the United States abroad, the current status of relations is a matter of continuing concern. Moreover, several issues likely to come before Congress in the near future directly involve relations with Western European nations, such as U.S. troop levels in Europe, standardization of NATO equipment, General Agreement on Tariffs and Trade (GATT) negotiations, controls over the sale of nuclear processing plants, and a common posture toward Third World demands for commodity agreements. This paper is designed to summarize current developments in U.S.-Western European relations that will be relevant to congressional action over these and related issues.

The nature of the U.S.-West European relationship has fluctuated over the years. At times it has reached low points, inspiring such book titles as "The Unhinged Alliance" and "The Troubled Alliance." The most recent such period occurred in 1973, the so-called "Year of Europe," when relations were particularly acrimonious. (The Arab-Israeli War was intensifying the conflicts between U.S. and European interests in the Middle East; Europeans were suspicious that the United States was engaged in superpower negotiations with the Soviet Union at their expense.)<sup>1/</sup>

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<sup>1/</sup> This period has been described in CRS Multilith 74-34 F entitled Relations between Western Europe and the United States, dated March 15, 1974.

In the last three years, however, there has been a marked improvement in U.S.-West European relations. As a result, prospects for successful cooperation seem particularly good.

Each of the four following sections of this report deals with a different aspect of the U.S.-European relationship.

Section II summarizes some of the recent improvements in relations in order to ascertain what is fortuitous and likely to be temporary and what represents an affirmation of a policy likely to endure--a policy which emphasizes:

- The U.S. vital interest in an independent Europe;
- the need for combining the resources of the United States and NATO Europe to balance the conventional military strength of the Soviet Union and its Eastern European allies;
- the interdependence of the U.S. and West European economic systems;  
and
- the key role which the industrial countries of North America, Western Europe, and Japan play in the stabilization of the international economic system and in the handling of the increasingly pressing problems of resource management, environmental protection, and relations with the Third World.

Section III examines recent European developments for their implications for a U.S. policy toward Western Europe designed to preserve, and if possible, better the present encouraging atmosphere.

Section IV discusses issues likely to arise in United States-West European relations in the near future.



Section V reviews special congressional interests in and responsibilities for the issues discussed in Section IV.

## II. The Improvement of Relations

Ever since the end of World War II the close United States-West European relationship, although based on the recognition by policymakers of common interests and affinities and generally supported in public opinion, has been subject to ups and downs. It has been influenced by such events as the cold war, detente, the fluctuations of economics, and the clash of interests in such cases as the Suez Crisis of 1956, Vietnam, the 1973 Arab-Israeli War, and the Arab oil embargo.

Thus the change in atmosphere between 1973 and 1976 is not unprecedented. As an aid to estimating the durability of the present period of good feeling it may be useful to examine briefly the major factors which contributed to the improvement in relations.

### A. Some Pertinent Factors in the Recent Improvement of Relations

#### 1. Quiescence of the Troop Level Issue

The debates in the 94th Congress on Department of Defense appropriations revealed considerably less support for troop withdrawals from Europe than in previous years. Many members of Congress felt that such reductions coming on the heels of an American withdrawal from Vietnam would be viewed throughout the world as a retreat into isolation. For example, Senator Mike Mansfield (D. of Montana), who since 1966 had regularly introduced resolutions and amendments calling for partial troop reductions, refrained from doing so in 1975-1976. This was reassuring to European NATO governments.

2. An Improved U.S. Foreign Exchange Balance

The existence of a \$13 billion (annual rate) surplus in the U.S. external account in the second half of 1975<sup>1/</sup> eased congressional worries about the ability of the United States to meet foreign exchange costs incurred by stationing troops in Europe. Furthermore, a shifting to floating exchange rates has greatly reduced, if not virtually eliminated, general U.S. concern over balance of payments.

Of particular importance for United States-West European relations was President Ford's report of June 2, 1975, to Congress that the NATO-related expenditures in the United States of European NATO members fully offset the FY 1974 U.S. balance of payments deficit resulting from the stationing of U.S. forces in Europe. This eliminated the requirement to reduce U.S. troops in Europe if the deficit was not fully offset--a requirement imposed for FY 74 by the Jackson-Nunn amendment to the Defense Department Appropriations Authorization Act of 1974 (P.L. 93-155). At least temporarily, congressional attention shifted from burden sharing to such questions as the standardization of weapons as part of a general push to rationalize the NATO defense effort.

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<sup>1/</sup> The OECD Economic Outlook, July 1976, p. 74. The OECD report anticipated a \$7 billion U.S. deficit in current account in the first half of 1977.



### 3. Oil-Related Problems

In the economic field the climate improved. With the notable exceptions of Britain and Italy, Western European countries in varying degrees have begun comebacks from the 1974-1975 recession. Moreover, they have had no serious difficulty in obtaining adequate supplies of petroleum, though for a price. At least most of them found the balance of payments problems created by the fivefold increase in oil prices more manageable than anticipated. Large western earnings from sales to Arab oil suppliers--a trade in which arms figured prominently--were supplemented by massive Arab investments and deposits in Eurocurrency markets. The initial cutthroat competition among Europeans to obtain oil supplies began to abate in late 1974. The American mediation between Israel and Egypt resulted in relative quiet in relations between Israel and its Arab neighbors. As a consequence the sharp differences between American and European national interests in the Middle East no longer played as divisive a part in relations as they had in 1973-1974.

### 4. Increased High-Level Economic Consultation

In one way the inflationary spiral spurred on by the oil crisis and the recession of 1974 brought the Atlantic states closer together. Early go-it-alone policies proved ineffective in the highly interdependent economic system of the industrial West. Although individual countries with differing economic and political configurations were reluctant to accept outside dictation, they did begin to recognize the importance of greater coordination, at least in theory. The kind of consultation which had been taking place in the Organization for Economic Co-operation and

Development (OECD) for many years was now raised to the top levels of government. What French President Giscard d'Estaing summed up in the word "concertation" was taking place occasionally. Examples were the various agreements of governments not to impose import restrictions as a result of the oil crisis. (In an economic crisis combining both unemployment and inflation the offsetting of industry and labor pressures for import restrictions by consumer pressure for lower prices may have reenforced enlightened self restraint.)<sup>1/</sup>

##### 5. Reduced Disputes over Agricultural Exports

The rise in world agricultural prices temporarily abated a major source of dispute between the United States Government and the European Community. Under EC regulations on agricultural imports, if the world price of a commodity is lower than the EC support price, the seller has to pay the difference to the EC coffers. Such a situation seldom exists under present market conditions. However, agricultural exports still remain contentious as shown by strong U.S. protests against an EC Council of Ministers' decision in July to impose a new import levy on soybeans and other vegetable oils.<sup>2/</sup>

##### 6. Increased Suspicions of the USSR

The present chill in U.S.-Soviet relations, Soviet failure to comply with the provisions of the Final Act of the Conference on Security and Cooperation in Europe regarding increased contacts and human rights,<sup>3/</sup>

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<sup>1/</sup> Bergsten, C. Fred. Let's Avoid a Trade War, Foreign Policy, vol. 23, Summer 1976, p. 25.

<sup>2/</sup> The Times (London), July 13, 1976, p. 17.

<sup>3/</sup> See CRS Issue Brief 76068, Helsinki Final Act: Congressional Oversight.



the continued buildup of Soviet forces in Eastern Europe, Soviet involvement in Southern Africa, and the stalemate in MBFR negotiations have had a unifying effect on inter-western relations.<sup>1/</sup>

Despite the recent lack of interest in most of the Western countries regarding NATO on the part of the younger generation in particular and public opinion in general,<sup>2/</sup> the attitudes of NATO governments toward defense requirements have stiffened. European officials recognize that the Soviet strategic nuclear parity with the United States has intensified their need for stronger conventional forces. Thus all NATO countries except France have increased their defense budgets in the period 1970-1974. The West German figure rose by 5.8 percent in terms of constant dollars, the British figure by 3.3 percent; the figure for the rest of NATO (minus France, which reduced its budget slightly in 1970-1974, and the United States) by 3.2 percent.<sup>3/</sup> In 1976 the French defense budget is being raised to 20 percent of the national budget as part of a "six-year defense spending plan that will sharply increase the quantity and sophistication of the French army's conventional weaponry." (The comparable figure for 1975 was 17 percent.)<sup>4/</sup> Because of its severe economic crisis the British Government is

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<sup>1/</sup> See CRS Issue Brief 74120, Detente with the Soviet Union.

<sup>2/</sup> Aron, Raymond. The Ambiguities of Interdependence. The Atlantic Community Quarterly, vol. 13, no. 4, Winter 1975-76, p. 411-412.

<sup>3/</sup> International Institute for Strategic Studies. Strategic Survey 1975, London, IISS, 1976, p. 64.

<sup>4/</sup> The Washington Post, May 16, 1976, p. A-16; New York Times, June 3, 1976, p. 3. See also Allocation de M. Giscard d'Estaing, Président de la République à l'occasion de sa visite à l'Institut des Hautes Études de Défense Nationale, Défense Nationale, problèmes politiques, économiques, militaires, Juillet 1976, p. 5-20.

cutting this year's defense budget estimate to about 5.5 percent of GNP as compared to 5.7 percent in the previous year<sup>1/</sup> and may be forced to reduce it further.<sup>2/</sup>

#### 7. Improved Political Cooperation

The close cooperation of the Western allies at the Conference on Security and Cooperation in Europe (CSCE) and at the negotiations on mutual and balanced force reductions in Europe (MBFR) has allayed somewhat the concern of Europeans over the emphasis in the Nixon period on bilateral relations between the United States and the Soviet Union.

#### 8. Relaxation over Berlin

The Quadripartite Agreement on Berlin of June 2, 1972, and the treaty of December 21, 1972, between the Federal Republic of Germany and the German Democratic Republic removed, at least temporarily, from the agenda of the major western powers the questions of Berlin and German reunification, which had so often preoccupied them in the past. This has made it easier for NATO countries, and particularly the Germans, to concentrate on problems in other areas which are becoming increasingly pressing, particularly economic problems.

#### 9. Improvement in Personal Relations

Lastly, there has been an important improvement in personal relations between western political leaders. In 1974 new leaders came to power in France and West Germany. French President Valéry Giscard d'Estaing and German Chancellor Helmut Schmidt are well disposed toward the United States.

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1/ British Defense Paper 1976, p. 85.

2/ Britain's 1954 commitment to keep troops in West Germany provided for the possibility of force reduction in the event of severe foreign exchange difficulties.



However, the narrowness of Chancellor Schmidt's victory in the German election of October 3, 1976, and the resignation on August 26, 1976, of French Prime Minister Jacques Chirac, leader of the Gaullist Party upon which President Giscard d'Estaing depends for the passage of his parliamentary programs, could presumably restrict the scope of these two heads of state in conducting their countries' foreign relations.

#### 10. A Point of Controversy

Differing views held by the United States and European governments regarding Communist participation in the Portuguese Government in 1974-1975 and the prospect of Communist participation in a future government in Italy, and possibly in France, have led to controversy. Warnings from Secretary Kissinger that such Communist participation might result in the end of NATO brought back memories of U.S. Secretary of State John Foster Dulles' threat of an agonizing reappraisal in 1954. Certain U.S. actions on the Communist participation issue were viewed in Europe as unwarranted interference in internal affairs, especially U.S. covert aid to the Christian Democratic Party during the Italian election campaign.<sup>1/</sup> European

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<sup>1/</sup> For example the French Foreign Minister Sauvagnargues issued a formal protest in connection with remarks by General Haig, who was originally quoted as saying that the United States could not tolerate Communist participation in NATO. Sauvagnargues said: "The French Government considered it is not up to a military leader to take a position on political questions having to do with the internal situation of a foreign country." The French also reacted strongly to reports that the American Embassy in Paris had sent a political officer on instructions from Washington to visit the Socialist mayor of Marseilles Gaston Defferre and Secretary General of the French Socialist Party in Paris Robert Pontillon to carry warnings on behalf of Secretary Kissinger about the dangers of the Socialist-Communist political alliance. Defferre characterized the action as "an absolutely intolerable intrusion" into French domestic politics. Los Angeles Times, March 4, 1976. pt. II, p. 7.

leaders generally thought that the U.S. approach could be counter-productive, actually increasing the popular support for the Communists.<sup>1/</sup>

B. Specific Examples of the Constructive Results of the Improved Relationship

1. The International Energy Agency

In November 1974 the United States, Japan, and 11 European countries (minus France) set up an International Energy Agency (IEA) as an agency of the OECD. The Agency participants have agreed on such difficult questions as a floor price for petroleum, stockpiling, and emergency sharing arrangements. An American proposal for a \$25 billion financial support fund to enable industrialized consumer countries "to meet balance-of-payment difficulties arising from increased oil prices" was adopted in the OECD.<sup>2/</sup> The U.S. approval of the Financial Support Fund is currently awaiting congressional endorsement.

2. NATO Cooperation in the Standardization of Military Equipment

In February 1976 the French Government agreed to participate in the European Program Group, a new forum for European planning on weapons standardization. West European members have already worked together in designing and producing such projects as the Alpha Jet and the MRCA (Multi-Role Combat Aircraft). The United States and various European countries have also collaborated on an ad hoc basis, the most notable and recent

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<sup>1/</sup> The Communist participation question is discussed in detail in CRS Multilith 76-117F, Communist Participation in Western European Governments: Prospects and Implications, dated June 1, 1976.

<sup>2/</sup> Walton, Ann-Margaret. Atlantic Relations: Co-ordination and Conflict: Atlantic Bargaining over Energy. International Affairs, v. 52, no. 2, April 1976: p. 193.



examples being the F-16 fighter aircraft, the Roland missile, the Belgian machine gun and the XM1/Leopard tank project. Both the U.S. executive branch and the Congress have strongly endorsed the standardization program in principle, believing that it could potentially reduce NATO armament costs by billions of dollars and greatly simplify NATO's logistical problems.

### 3. High Level Consultation

On May 30, 1974, the Council of the OECD meeting at the ministerial level affirmed "the determination of all OECD governments to avoid recourse to new restrictions on trade and other current account transactions and the artificial stimulation of visible and current invisible exports." The agreement was renewed on May 29, 1975, subject to reservations by Britain and Portugal.<sup>1/</sup>

On November 15-17, 1975, the heads of government of Britain, France, West Germany, Italy, Japan, and the United States met at the Château de Rambouillet outside Paris to discuss economic problems and coordinate national policies where possible. They pledged their governments to work for greater monetary stability and "to restore greater stability in underlying economic and financial conditions in the world economy."<sup>2/</sup> Following the meeting the French Finance Minister Fourcard and U.S. Treasury Secretary Simon reached an agreement concerning the flexibility of exchange rates. On June 27-28, 1976, the leaders of the six countries plus the Canadian Prime Minister met in Puerto Rico to confer on problems of energy, inflation, unemployment, and economic development.<sup>3/</sup> According

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<sup>1/</sup> IMF Survey, June 9, 1975, p. 161, 165.

<sup>2/</sup> Ibid., November 24, 1975, p. 350.

<sup>3/</sup> Ibid., July 5, 1976, p. 193, 200-201.

to a Canadian Embassy press release, the conference concluded with a joint pledge to aid, if necessary, the flagging Italian and British economies and a commitment to achieve sustainable growth, which would reduce unemployment without jeopardizing the goal of avoiding a new inflation.<sup>1/</sup>

#### 4. Termination of Offset Agreements

In July 1976 President Ford and West German Chancellor Schmidt agreed to terminate offset arrangements which had been negotiated annually ever since 1963 and which had become an anachronism after the shift to floating exchange rates and a political irritant to U.S. relations with West Germany. For their part, the Germans agreed to pay the one-time expenses of moving a U.S. brigade to a new location in the critical sector of the North German plain. (The series of offset agreements in force between 1963 and 1975 were initiated at a time when the U.S. external accounts were in serious deficit. They provided an assurance to the U.S. Government that the foreign exchange losses incurred by the stationing of U.S. troops in Germany would be balanced by guaranteed German military purchases and other arrangements.) Offset arrangements with Britain were also terminated.

#### C. Some Concluding Comments

Many of the factors discussed above may prove to be temporary. A reversal of U.S. current account balances might reactivate congressional concern about NATO burden sharing and result in initiatives for reducing U.S. troop levels in Europe. An Arab embargo would test the effectiveness of the International Energy Agency in administering a program for the allocation of petroleum resources. A conciliatory turn in Soviet policy

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<sup>1/</sup> Canadian Embassy. Canadian Press Comment, July 15, 1976, no. 25, p. 1.



might encourage closer U.S.-Soviet relations likely to arouse West European suspicions. A change in the global agricultural situation, changes in European leadership, the entry of Communists into a major European government--any one of these developments could have an adverse effect on the cordiality of present U.S.-West European relations. In short, difficult problems and points of difference cannot be ruled out but an underlying community of interests in such important matters as defense and economic stability remains strong.

The growing assertiveness of less developed countries in confronting the industrial nations as a unified block has given an added reason for developing close working relationships between the United States and Western Europe. Encouraged by the success of the OPEC countries' oil diplomacy and conscious of the larger role they play in international trade, the less developed countries have been presenting a formidable front in the United Nations General Assembly, in United Nations Conference on Trade and Development (UNCTAD) meetings, and in other forums such as the Conferences on International Economic Cooperation (CIEC).

So far the United States and Western European countries have been generally unsuccessful in developing joint positions which take account of the needs and demands of the less developed countries. They failed to do so at the Seventh Special Session of the United Nations in September 1975 and the UNCTAD meeting at Nairobi in May and June of 1976. Nor have they been notably successful in the series of Conferences on International Economic Cooperation, the most important forums for the discussions of the commodity, energy, and financial issues dividing the industrial nations and the Third World. (The CIEC was founded in December 1975 on French initiative and originally opposed by the United States, which is now a participating member.)

### III. Relations with Western Europe

In the past two years a number of significant changes have taken place in relationships within the Western European community. In southern Europe serious political and economic weaknesses have developed. In central Europe, France and Germany have developed a closer entente. As a result of joint French and German initiatives members of the European Community have increased their cooperation in some respects but have been acting recently more like members of a confederation than a supranational organization in dealing with affairs other than commercial, nuclear, and coal and steel matters.

#### A. Southern Europe

##### 1. Recent Developments

The aftermath of the Cyprus crisis, which brought Greece and Turkey to the brink of war, caused Greece to withdraw from NATO's integrated command system<sup>1/</sup> and Turkey to suspend activities at certain U.S. bases on its soil.<sup>2/</sup> At the present time the possibility of hostilities over disputed rights to prospect for oil in the Aegean is adding to the tension between the two countries.

The Italian political and economic crisis has given the Italian Communist Party a major voice in the formation of government policy and the possibility of direct government participation at a later time.<sup>3/</sup>

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<sup>1/</sup> On April 15, 1976, the United States and Greece signed an agreement establishing principles to govern negotiations leading to the extension of U.S. use of some Greek military bases for four years and the provision to Greece of defense assistance.

<sup>2/</sup> A Turkish aid bill directly connected to the U.S. use of Turkish bases and Turkey's role in NATO is now before Congress.

<sup>3/</sup> See CRS Multilith 76-117F, op. cit.



Even if the Communist Party keeps its assurances that it will not use its position to take Italy out of NATO--and some observers believe that Italian Communists view NATO as useful protection against undue Soviet interference--the Italian voice in NATO affairs will undoubtedly be greatly affected by the political changes in Italy.<sup>1/</sup>

The Portuguese revolution has engaged most of Portugal's energies but the Portuguese Government is now making a greater contribution to NATO than in the pre-revolution days. Portuguese military requirements are now not determined by its colonial role but by NATO and domestic needs. Thus with the help of the United States and West Germany Portugal is organizing an air mobile brigade with a direct NATO commitment. Furthermore, Portugal's colonial policies are no longer a political liability for NATO. The country, however, faces grave domestic economic problems as a result of the recent political upheavals.

The United States has concluded a new base agreement with the Spanish Government under King Juan Carlos which provides strategic air and naval base facilities for five years.<sup>2/</sup> It is still too early to tell whether the Juan Carlos Government will be able to make a transition without violence

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<sup>1/</sup> Newspapers have reported that at the Summit Meeting in Puerto Rico in June 1976 West Germany, France, Britain, and the United States agreed informally not to lend Italy money if the Communists entered the Government. The British and French denied they had agreed, but the State Department confirmed the subject had been discussed. Since that time the German Government has loaned the Italian Government (in which the Communists do not hold office) about \$2 billion. This loan is based on the assurance of the Italian Government that its 1974 \$2 billion loan will be repaid by the due date of September 5, 1976. FBIS August 26, 1976, J1.

<sup>2/</sup> For a discussion of the current Spanish situation see CRS Multilith 76-36F, Spain in the Post-Franco Era, dated January 28, 1976.

from the Franco regime to a liberal domestic state, but some tentative progress has already been made in this direction.

## 2. The Domino Theory and Communism

The possibility of Communism spreading from country to country in Southern Europe has been frequently discussed. It is difficult to imagine this happening in Turkey with its historic hostility to the Soviet Union, its fiercest enemy for over two centuries. It is easier to picture Turkey adopting a more neutralist stance--as it has in the past--than falling under the control of a Communist-dominated government. The Communist tradition has been stronger in Greece than in Turkey but that country's links to the West are old and close. In the last Greek parliamentary election the Greek Communists--now badly split--won less than 10 percent of the vote. The dangers to NATO on its eastern flank arise from the Greek-Turkish feud rather than from Communist governmental influence.

The events in Portugal have shown that Communist participation in government is no guarantee of Communist dictatorship. The Portuguese Communists lost control of the government as a result of election returns.

## B. Central Europe

The center of West European power is now more clearly than ever in central Europe. Given the serious economic crisis through which Britain is now passing, this power resides primarily in West Germany and France.



A new element has been added by the current close relationship between the two countries based on the de Gaulle-Adenauer treaty of 1963. The treaty was recently reactivated by the new heads of state, President Giscard d'Estaing and Chancellor Schmidt, both of whom came to power in 1974.

### 1. West Germany

In population, economic strength, and the effectiveness of its conventional military forces Germany outranks its neighbors. Its efficient modernized industrial plants and management, disciplined labor force, highly developed system of workers' participation in management, pragmatic government, and able leadership have made it the third ranking industrial country in the world. It ended 1975 with a trade surplus of \$17,037 million and its annual surplus for 1976 has been projected at \$16,200 million.<sup>1/</sup> It pulled out of its 1974-1975 recession vigorously. By the end of 1975 "industrial production was some 4 percent higher than the average for the year as a whole."<sup>2/</sup> But production began to level off in the spring and early summer of 1976.<sup>3/</sup>

### 2. France

Since the founding of the Fifth Republic France has made remarkable strides in transforming itself into a modern industrial state. The progress achieved under the modernization program initiated by the French plans of the 1950's and carried through with great energy by Gaullist governments

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<sup>1/</sup> OECD Economic Outlook, July 1976, p. 82.

<sup>2/</sup> Ibid., p. 79.

<sup>3/</sup> New York Times, September 8, 1976, p. 49.

has led some analysts to predict that France would overtake Germany economically in the 1980's.<sup>1/</sup>

But France has a less stable political base than Germany. Its large Communist Party (which won 21.5 percent of the vote in the 1973 parliamentary election) exercises a strong influence in the trade unions.<sup>2/</sup> Labor in France has little voice in management. President Giscard d'Estaing was elected by a majority of only 400,000 out of the 26 million votes cast and depends on Gaullist support for control of the National Assembly. The parliamentary elections of 1978 may bring a left coalition government to power. (This would require a continuation of the Socialist-Communist electoral alliance. But in view of the fluid character of French politics on the left it seems premature to estimate what influence the Communist Party might exercise if the left won the elections. If Communists were in the government they would probably press for widespread nationalization of private enterprise, an end to informal French cooperation with NATO, a withdrawal of French troops from Germany, and as soon as politically feasible a shifting of French foreign policy into a neutralist course.) Thus in many ways France seems more open to changes which may slow down its rate of economic growth and alter its foreign policy orientation than does Germany.

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1/ See studies by the Hudson Institute and by the World Bank and Johns Hopkins University.

2/ The French Communist Party is discussed in CRS Multilith 76-117F, op. cit.



### 3. The Strengths and Limitations of the France-German Entente

When France and Germany coordinate their resources, they can dispose of an estimated joint GNP of \$836.8 billion, armed forces of 1,007,900 men and military budgets totalling \$23.3 billion (1976 figures).<sup>1/</sup>

But the German-French entente is neither exclusive nor unlimited. At least up to the present, whenever Germany has been forced to choose between France and the United States it has chosen in favor of a close American connection. The French on their side, while ready to make the most out of the Franco-German entente, are determined to maintain full national independence and to counterbalance German preeminence. They are acutely aware that the Franco-German tandem is lopsided given German economic strength. It was probably a desire for such a counterbalance to Germany that led President Pompidou to reverse General de Gaulle's veto on British membership in the Common Market. Giscard d'Estaing has also welcomed closer relations with Britain. In his visit to London in June 1976 he arranged for annual meetings of the British and French heads of state and more frequent meetings of foreign ministers and other senior officials, including ministers of defense. (Chancellor Schmidt has expressed his approval of this plan.)

The French Government has recently decided to improve the conventional capabilities of the French army.<sup>2/</sup> (De Gaulle and Pompidou had

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<sup>1/</sup> The Military Balance 1976-1977. The figures for France are: GNP-\$395.2 billion, armed forces-512,900, defense budget-\$10.7 billion; Germany: GNP-\$441.6 billion, armed forces-495,000, defense budget-\$12.6 billion. The International Institute for Strategic Studies, London, 1976, p. 21-22.

<sup>2/</sup> The Washington Post, May 16, 1976, p. A-16.

starved the French conventional forces in order to build up French nuclear forces.) As noted above, the new French defense plans will involve increasing the Ministry of Defense's share of the national budget from 17 to 20 percent.

In justifying his increased military budget over TV Giscard d'Estaing advanced the argument that "it is important for the military equilibrium of our continent that the French forces should be of an equivalent size to the other force on our continent, that is the German army."<sup>1/</sup>

#### 4. Britain

The normal balance of central Europe has been disturbed by the continuing economic crisis in Britain. There are signs of changes in the attitudes of both labor and management, whose class antagonism is one of the chief reasons for Britain's inability to modernize its industrial system and compete in world markets. But even if British labor continues to accept cuts in the British welfare system and the restrictions on wages increases for which the Labour Government is calling, it will be some time before any results will be registered in the return of Britain to economic health. The precipitous decline of the pound highlights the gravity of Britain's condition.

#### C. The European Community

The period 1974-1976 has been a difficult one for the European Community. Events revealed EC structural weaknesses, especially when adverse economic conditions forced the shelving of plans to establish a monetary union by 1980.

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<sup>1/</sup> The Times (London) May 8, 1976. p. 5. The French army is in fact larger than the German army. See Footnote 1, p. 19 above.



1. Divisions among EC Members

Because of the great variations in social and economic structures from country to country it has been difficult for members of the EC to agree on coordinated policies to deal with the oil crisis and the recession during the period 1973-1974. Italy and Britain, heavily dependent upon imports of raw materials and subjected to exorbitant union wage demands, were caught in severe inflationary spirals running between 20 and 30 percent. With a coalition government based on a narrow majority and with rising unemployment, France was unable to stabilize the franc despite its devotion to the principle of fixed exchange rates. The Germans with a large trade surplus, ample reserves, and unemployment limited chiefly to foreign workers, urged deflationary measures on its neighbors which they were generally unwilling to take at the cost of increasing unemployment to politically dangerous levels. Thus each country followed its own course.<sup>1/</sup> Confusion was confounded by uncoordinated changes in interest rates which encouraged speculative transfers from one country to another. And the fact that many European countries had either caretaker, minority, or coalition governments made it difficult to take decisive action because special groups were well placed to block reforms which would have threatened their special interests.

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<sup>1/</sup> In mid-1974 France and Germany did coordinate economic policies with the French deflating despite high unemployment and the Germans reflatting to stimulate its economy. The resultant strengthening of the franc made it possible for France to rejoin the European joint monetary float--the snake--but pressures on the franc accentuated by the drought of 1976 have forced France to drop out again.

## 2. Pessimism in EC Circles

A study submitted to the EC Commission in April 1975 revealed the depth of pessimism among advocates of the political unification of Europe. The report found that the economic and monetary policies of the member countries "have never been so ununified, or even contradictory, as today. ...The result is 'that Europe is essentially considered a geographic entity between the USA and the USSR, consisting of states which trade extensively with one another, but which in most cases act in accordance with their particular proclivities and ties in their relations with the world.'"<sup>1/</sup>

## 3. The Emergence of Inner Circles

An example of the weakening of the European integration movement as originally conceived has been an increasing recognition of the existence of an inner and an outer circle of members who cannot develop at the same rate of speed. For example, a report to the EC European Council by Belgian Prime Minister Tindemans concluded that:

it is impossible at the present time to submit a credible programme of action if it is deemed necessary that in every case all stages should be reached by all states at the same time. The divergence of their economic and financial situations is such that, were we to insist on this, progress would be impossible and Europe would continue to crumble away.... Those states which are able to progress have a duty to forge ahead. <sup>2/</sup>

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<sup>1/</sup> The report was written by a group headed by Robert Marjolin, former French Vice-President of the EC Commission. The report was entitled: "Economic and Monetary Union 1980." This quotation from the report was taken from Ehrhardt, Carl A., *The EC: External Pressures to Unite*, in *Aussenpolitik*, vol. 26, April 1975, p. 390.

<sup>2/</sup> Tindemans, Leo. *European Union. Bulletin of the European Communities, Supplement 1/76*, p. 20.



On the political level there is an increasing tendency for the major EC members, Britain, France, Germany, and Italy, to coordinate policies, particularly in the economic field. French President Giscard d'Estaing has even revived the notion of a directorate consisting of these four countries. Such a development, however, would be strongly resented by the smaller EC and NATO countries.

#### 4. The Strengthening of EC Consultative Machinery

Despite the reverses in the movement toward European unity there has been some progress in developing closer coordination in foreign policy. French President Giscard d'Estaing took the lead in this development, and was supported by German Chancellor Schmidt and other European statesmen because the developments throughout the world in 1974-1976 underlined the advantages of Europe "speaking with a single voice." However, the French have often been the first to break out of line to gain an advantage, as they did when they recognized Angola three days in advance of the other EC members.

##### a) Heads of Government Consultations

Acting on a suggestion previously discussed in EC circles, President Giscard d'Estaing in December 1974 proposed institutionalizing meetings of EC heads of state by the establishment of a European Council scheduled to meet three times a year. In making his proposal he was explicit about the non-supranational character of what he had in mind. He said:

An organization with confederative structure such as France wishes to set up involves quite naturally a number of limitations compared with national decision-making. This is an idea which must be accepted. On the other hand, I should

not like to see a vocabulary chosen nor hear any talk suggesting an actual transfer of sovereign rights. <sup>1/</sup>

This proposal stood in the direct line of descent from de Gaulle's proposal in 1960 for the establishment of a "Europe des patries."

An example of the European Council in action was the decision in 1974 to hold up a loan to Portugal of \$840 million over five years while waiting for the emergence in Portugal of a "pluralistic democracy." A second example was the agreement reached at the July 1976 meeting in Brussels on the number and distribution of seats in a directly elected European Parliament. (In September 1976, the EC members agreed to hold the elections in May-June 1978.) This decision was viewed as an important step forward toward European unity.

b. Lower Level Consultation

At lower levels habits of closer coordination were also developing. Meetings of foreign ministers are now held regularly four times a year. The political directors of foreign ministries and special study groups of advisers work together to prepare for these meetings. A clearing house system between the foreign offices of the member states has been developed through which all questions to be voted on in the United Nations and other questions of importance to all or some of the countries are regularly discussed. These developments represent methods by which to carry out the "obligations" which the nine countries affirmed in the Copenhagen Report of July 23, 1973, to "consult with one another in all important foreign policy questions before establishing their respective definitive stands."<sup>2/</sup>

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<sup>1/</sup> Quoted by Weyke, W. France Under President Valéry Giscard d'Estaing. Aussenpolitik, vol. 26, October 1975, p. 300.

<sup>2/</sup> See Ehrhardt, op. cit., p. 382.



### 5. The Effectiveness of Consultation

The results of these consultations were, however, far from complete. For example, in the 20th UN General Assembly the EC countries split their votes in half of the 56 tallies.<sup>1/</sup> But in the CSCE negotiations the EC members were able to agree on common positions and in other cases as well it has been possible to achieve a consensus. Thus one commentator has written:

...the functioning of what the chancelleries call Coreu or European Correspondence, has been improving, which means it is very rare to see the nine take differing positions on subjects as diverse as Timor, Angola, Zionism, or Helsinki. This has been a change not just for the French but for Giscard d'Estaing, who during his first months in office appeared to believe that French diplomacy could remain distinct from Community diplomacy. Explains a German: 'The French have learned that they are better off when they have the Community behind them than when going it alone. It still happens that there is not a Community consensus, particularly concerning the Middle East, but this is rare and getting rarer.' <sup>2/</sup>

### IV. Implications for the United States

The developments which have been described in the previous section will affect the environment within which future United States-West European relations will evolve. The present section considers some of the problems which these recent developments may create as well as specific issues likely to arise.

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<sup>1/</sup> In 12 of the 23 cases France cast the single dissenting vote. Ibid., p. 391-392.

<sup>2/</sup> Goldsborough, James O. The Franco-German Entente. Foreign Affairs, vol. 54, April 1976, p. 502.

### A. Comprehensive Problems

Despite the improvement noted in Section II certain weaknesses and uncertainties exist in the United States-West European relationship.

#### 1. European Community Structural Weakness

The structural weakness of the European Community raises questions as to how the United States Government can best deal with Western Europe. Should it encourage the handling of problems through community institutions like the North Atlantic Council and the European Community, should it make greater use of inner groups which seem to be developing, or should it deal more on a bilateral basis? Should it welcome close French-German relations as a valuable association or should it attempt to play one country off against the other when this appears advantageous in certain circumstances? Should it vary its techniques on the basis of the particular issue at stake or should it follow a consistent policy of institution building? Should it refrain from any appearance of trying to influence European internal developments or should it assume a role of greater leadership?

#### 2. The Expansion of the European Community

The continuing expansion of the European Community with the imminent entry of Greece and the probably closer association of Spain raises questions as to whether the Community will turn inward while it absorbs new members and preoccupy itself less with the United States while it puts its own house in order. The economic implications of further expansion of the Community also present serious problems for the United States (see below).



### 3. U.S. Troop Levels in Europe

The weakness of the European Community directly affects such decisions as the level of U.S. forces in Europe. Western Europe is still far from developing into a federated state capable of building a unified or integrated army on its own. In present circumstances one of two alternatives would be likely to occur if the United States should unilaterally withdraw its troops on a significant scale:

- (1) European countries would follow the U.S. example and reduce forces, believing that without strong American participation and leadership a stepped-up European defense effort would be insufficient and therefore not worthwhile; or
- (2) there would be a build-up of German forces linked with French, and possibly British, forces equipped with a nuclear capacity, or West Germany would develop its own nuclear capacity. Such developments would have the highly destabilizing consequence of alarming the Soviet Union as well as other European countries.

In the event that a left-wing French government cut back French defense programs, pulled its troops out of Germany, and retreated into French military isolation, the U.S. Government would be faced with the prospect of a Western defense posture resting primarily on U.S.-German collaboration.<sup>1/</sup>

### 4. Is a New U.S. Assurance Necessary?

Another question arising from Europe's structural weakness is how

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<sup>1/</sup> The French Government plans to withdraw 10,000 troops from West Germany but is assuring the German Government that French combat effectiveness will not be reduced. The decision is ascribed by Le Monde to financial reasons. The Germans do not offset the cost of the 60,000 French troops in Germany. New York Times, October 10, 1976, p. I-12.

great is the need for a renewed U.S. assurance to Europe of its continuing commitment. In view of the implications of the Nixon Doctrine, despite specific assurances by President Nixon, and because of European concerns caused by the recurrent debate regarding troop levels in the past and forebodings that the superpowers may settle Europe's fate behind its back--a fear which is presently much reduced--some foreign policy analysts believe a new long-term assurance is called for.<sup>1/</sup> But Secretary Kissinger in June 1976 made the point that the need perceived in 1973 "to redefine relations between America and a strengthened and enlarged European community" has "in fact been settled by the practice of consultations and cooperation unprecedented in intensity and scope."<sup>2/</sup>

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<sup>1/</sup> Illustrative of this line of thought was a suggestion made by Miriam Camps in 1974 calling for "some reduction in U.S. forces in Europe accompanied by a firm new commitment (probably underwritten by a resolution expressing the sense of the Senate) to maintain an agreed new figure (say, three divisions) either for a specified period or until the NATO Council agreed to some further reduction." She also suggested that there be "a restructuring of NATO (both the political and the military elements) to reflect the fact that a European and political defense component (conventional forces) was being linked with a United States political and defense component, rather than being integrated on an Atlantic basis, as at present. The counterpart of the looser, more balanced U.S.-European relationship would be full French participation in the European political and defense component." Camps, Miriam. *The Management of Interdependence: A Preliminary View*. New York, Council on Foreign Relations, 1974, p. 28. In May 1976 French President Giscard d'Estaing expressed the view that the United States "should confirm the intangible character of its commitments" in Europe to maintain credibility while seeking detente. *Washington Post*, May 16, 1976, p. A-16.

<sup>2/</sup> *The Western Alliance: Peace and Moral Purpose*, an address by Secretary Kissinger of June 25, 1976, before the International Institute for Strategic Studies. *Department of State Bulletin*, vol. LXXV, no. 1935, July 26, 1976, p. 107.



### 5. European Coordination of Foreign Policy

The progress which EC countries have made in coordinating foreign policy decisions so as to speak more and more with a single voice may also present problems. Should the United States attempt to gain admittance to European decision-making at a formative stage so that it can exercise some influence on European policies before they become frozen? (This was a policy pressed vigorously in 1973-1974.) Or should it welcome the growing solidarity of the Europeans as adding to Western strength? Can the United States make its views known adequately through informal channels and expect to be able to negotiate satisfactorily with the Community as a whole? Secretary Kissinger's statement quoted above suggests that the United States is successfully managing to solve these problems.

### 6. Political Weaknesses in Western Europe--Communism

Especially because the economic situation has handicapped many governments, shifts in power can be expected, including the formation of many minority and coalition governments. From the point of view of U.S. policy the possibility of Communist participation in European governments raises serious questions.

Should the United States intervene in European elections by overt support, clandestine assistance, or threats of withdrawal in an attempt to forestall a Communist victory or are such actions counterproductive?

Would U.S. participation in NATO as presently organized be possible if Communists enter a NATO government? Should a European government in which the Communists participate be excluded from NATO? If such a government remains in NATO, how much should its role in NATO be restricted and by what means?

Are the basic mutual interests of the United States and Europe strong enough to make it profitable to maintain working relationships with any European government short of a hostile regime?

In view of the dead center upon which many European governments have apparently come to rest, should an increase in leftist influence, including Communist influence, be viewed as providing a stimulus to much-needed reform?

Do West European Communist parties feel the need for protection from Soviet domination sufficiently to accept an American role in Europe?

B. Specific Issues

In addition to these general questions there are a number of specific issues between the United States and Western Europe which are likely to affect our relations in the short run. Among these are the following:

1. The Standardization of NATO Military Equipment

Some progress is already being made toward the standardization of NATO military equipment (see above p. 10) but the program is likely to raise serious problems and conflicts of interest. For truly effective rationalization of NATO defense efforts NATO countries would probably need to expand their cooperative efforts beyond a project level to the program level, integrating strategy, tactics, and weapons development from the very earliest planning stages. This sort of cooperation would be required both among the European countries (as is currently being tried through the European Program Group) and between Western Europe and the United States. To date, the NATO countries have found it virtually impossible to move beyond cooperation on a project-by-project basis.



National sovereignty and differing military concepts and requirements as well as economic pressures pose serious obstacles to rationalization on both European and Atlantic levels.

## 2. The Sale of Nuclear Processing Plants

The sale of nuclear processing plants by France and Western Germany and Canada to such countries as Brazil, Iran, Pakistan, and South Africa has aroused great concern about the possibilities for the proliferation of nuclear arms as a result of these sales. Despite the work done by the Suppliers Club (consisting of senior diplomats and scientists from Britain, Canada, France, Japan, the Soviet Union, the United States, and West Germany), this issue of nuclear proliferation may be one in which serious differences regarding safeguards, inspection provisions, limitations on sales, etc. will develop between the United States and certain Western European countries. These differences will have to be resolved in some manner.<sup>1/</sup>

## 3. The Sale of Conventional Arms

Arms sales to less developed countries, particularly in areas which are trouble spots or potential trouble spots, such as the Middle East and Africa, also raise serious problems. Congressional interest in limitations on--or at least closer supervision of--U.S. arms sales is great. There are likely to be strong differences on the subject of

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<sup>1/</sup> On October 11 "the High Council for Foreign Nuclear Policy, headed by President Valéry Giscard d'Estaing, announced that France would be willing to discuss nuclear-facility agreements and the establishment of regional nuclear-power centers with a view to curbing the nuclear spread." But the French Government also made clear that it intended to provide Pakistan with a nuclear reprocessing plant and to carry out its contract to build a nuclear power plant in South Africa. New York Times, October 13, 1976, p. 8.

international arms sales with West European governments, particularly the French Government, which has pushed sales in these regions very hard.

#### 4. The Concorde

The temporary nature of the landing rights of the Concorde at Dulles Airport and the temporary denial of landing rights at Kennedy Airport are sensitive issues between the United States and the British and French Governments.<sup>1/</sup>

#### 5. Trade Issues

In addition to continuing disputes between the United States and the European Community over the operations of the Common Agricultural Policy, the ongoing GATT trade negotiations in Geneva involve other disagreements between the United States and West European countries. A major point of conflict is that the American interest in freer agricultural trade is not reciprocated by the members of the EC. In addition, the Europeans desire to reduce high tariffs more than medium and low ones while the Americans propose flat percentage reductions across the board. Non-tariff barriers are also causing controversy.

#### 6. Exchange Rates

There are differences between the United States and European countries, especially France, over international monetary policy. The United States favors floating exchange rates; the French prefer fixed exchange rates or rates stabilized between agreed limits. However, despite these contrasting views, a consensus was reached at the International Monetary Fund Conference in Kingston, Jamaica of January 7-8, 1976, to continue floating exchange rates.

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<sup>1/</sup> See CRS Issue Brief 75062, Concorde: Supersonic Transport.



### 7. Economic Policies toward the Third World

The United States and Western European governments often differ in their approach to the economic problems of the Third World. For example, at the UNCTAD IV meeting at Nairobi in May-June 1976 the United States put forward a proposal for a new International Resources Bank to spur private investment for the production of more raw materials. (It was rejected by a vote of 33 to 31 with 44 countries abstaining. <sup>1/</sup> Seventeen West European countries voted for it.) It also proposed a plan for negotiating special commodity agreements for selected products such as rubber and cotton to stabilize prices. The French called for the setting up of specific agreements to be negotiated on about 10 major commodities with the responsibility of operating each new price stabilization fund gathered under a joint financial body of consumers and producers. The French also proposed the establishment of a U.S.-European industrial aid fund for Africa to which the United States Government has not responded favorably. West German officials originally opposed anything which seemed to smack of price fixing but subsequently modified their position somewhat. <sup>2/</sup> So far no common United States-West European policy has emerged about how to deal with the desires of underdeveloped countries for building up buffer stocks of selected products which fluctuate sharply in price. The U.S.

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<sup>1/</sup> Austria, Belgium, Denmark, France, West Germany, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and the United Kingdom. Report of the United Nations Conference on Trade and Development, TD/217, 12 July 1976, p. 106.

<sup>2/</sup> New York Times, May 26, 1976, p. 6.

Government has clearly stated that it has not committed itself to a "common fund" for financing buffer stocks of raw materials on the basis of government-administered prices.<sup>1/</sup>

a) United States Opposition to EC-Third World Preferential Arrangements

As the EC expands its system of granting preferential access to the Common Market to include more and more Third World countries, American exporters find themselves exposed to increasingly severe competition in their efforts to export to the Common Market. In the last few years such preferences have been extended to Spain, Greece, Israel, the 46 developing African, Caribbean, and Pacific countries covered by the Lome Convention of May 1975, and more than 30 additional countries. EC officials are now making moves to expand the system even further.<sup>2/</sup> The United States has vigorously protested such EC practices on the ground that they undermine the principles of international free trade and discriminate unfairly against U.S. exporters.

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<sup>1/</sup> New York Times, June 2, 1976, p. 1, 8.

<sup>2/</sup> See New York Times article describing how "for the last three years teams of experts for the Common Market have been touring South America, the Indian subcontinent and Southeast Asia, explaining just how the five-year old generalized system of preferences works and how the developing countries and their businessmen can make use of it." The article reports that more than 80 nations now make use of the system, which was initiated in 1968 when the EC put forward the idea of encouraging economic development and trade with developing countries by a system of preferential customs duties applied to their exports of industrial products, including some textiles and processed agricultural products... The article noted that "the Common Market has been followed by nine other preference systems, most recently that of the United States, which went into effect Jan. 1." New York Times, October 1, 1976, p. D-7.



### C. Other Issues

Among other matters which need to be considered with our allies are such questions as:

#### 1. Strategy and Tactics for the MBFR Negotiations

The United States and its European allies succeeded in agreeing on additional proposals for the reduction of nuclear weapons in return for Soviet reduction of tanks and tank troops but this proposal did not break the deadlock in the MBFR negotiations. It is questionable whether other proposals more likely to interest the Soviet Union can be agreed upon by all the western participants. This raises the question whether the negotiations should be allowed to go on indefinitely if it is impossible for the West to introduce proposals likely to break the stalemate or whether the negotiations should be broken off if no progress can be made in the near future.

#### 2. Implications of Modern Weapons Technology

New developments in weapons technology, demonstrated to some extent in the Arab-Israeli War, may have profound implications for NATO strategy. The effects of this technology are not clear. Precision-guided munitions and mobile air defense systems have made munitions more efficient, thus perhaps pointing to reduced stocks of these expensive weapons, while on the other hand vastly increasing the attrition of expensive systems such as tanks and aircraft.

V. Specific Congressional Interest in U.S.-West European Issues

Many of the issues likely to arise between the United States and Western Europe involve congressional responsibilities or have been the objects of direct congressional interest.

Troop levels in Europe and U.S. arms procurement policy for NATO are ultimately determined by the annual Defense Department appropriation legislation. Congress has specifically expressed its support for the standardization of NATO weapons systems. Congressional committees follow closely the possibility for reaching international agreement on methods to prevent nuclear proliferation and for arriving at understandings or agreements among major suppliers of conventional arms (including France, Britain, and to a lesser extent, West Germany, Italy, Belgium, and Sweden) on limiting sales of conventional weapons. The 1974 Trade Act provides for a system of congressional approval of trade agreements negotiated by the Executive Branch at the GATT sessions in Geneva. Appropriate congressional committees have actively followed international issues in the monetary field. A Turkish aid bill directly connected to the U.S. use of Turkish bases and Turkey's role in NATO is now before Congress. House and Senate committees have consistently taken testimony regarding the progress of MBFR negotiations. Members have followed closely political developments in Europe, particularly the increasing strength of the Communist party in Italy and many resolutions have been introduced on this subject.



Other examples of congressional interest in European affairs have been the participation of congressional delegations in the North Atlantic Assembly and a series of joint meetings between members of Congress and their counterparts in the European Parliament. Recently, members have become increasingly aware of the value of close cooperation between the United States, Japan, and Western Europe in dealing with many global problems.

CRS-38

Appendix A

Chronology  
U.S.-West European Relations  
1974-1976

Charolotte A. Phillips



1974

March 15.....December 31

- March 21. (U.S./Sweden)  
President Richard Nixon named Robert Strausz-Hupe as American ambassador to Sweden, thus ending the fifteen-month period during which no diplomats were exchanged between the two countries.
- April 6-7. (U.S./France)  
President Nixon met with the leaders of seven European countries in Paris after attending in a memorial mass held for the late French President Georges Pompidou.
- April 25. (U.S./West Germany)  
The United States and West Germany agreed on a two-year accord by which Germany would provide payments to offset part of the cost of stationing American troops in Europe.
- May 6. (West Germany)  
West German Chancellor Willy Brandt resigned his position after a spy scandal involving one of his top aids, Guenter Guillaume, was disclosed by German security officials.
- May 16. (West Germany)  
Social Democrat Helmut Schmidt was sworn in as the new Chancellor, replacing Willy Brandt after winning a formal Bundestag election by a vote of 267 to 225.
- May 28. (France)  
Newly elected French President, Valery Giscard d'Estaing, an independent republican, formed a new cabinet with Gaullist leader Jacques Chirac as Prime Minister.

1974

May 31.

(U.S./EEC)

The United States and the European Economic Community signed a major trade agreement to reduce tariffs on more than twenty commodities.

June 10.

(EEC)

Nine foreign ministers of the European Economic Community met and agreed to offer economic, technical and cultural assistance and cooperation to twenty Arab countries. In addition, the ministers also reached a "gentleman's agreement" on negotiations with the United States.

June 19.

(NATO)

At a conference in Ottawa, fifteen NATO foreign ministers met to approve a formal statement on the principles and goals of the Atlantic Alliance and to emphasize the need for closer cooperation and contacts among alliance members.

July 5.

(U.S./Turkey)

The State Department announced the recall of the United States ambassador to Turkey in protest of the Turkish decision to continue to grow opium poppies.

July 9.

(U.S./Spain)

Secretary of State Henry Kissinger met in Madrid with Spanish Foreign Minister Pedro Cortina y Mauri to sign an agreement regarding new principles on military cooperation between the United States and Spain.

July 19.

(Spain)

A bedridden General Franco named the designated successor, Prince Juan Carlos, as acting Chief of State.



1974

July 24.

(U.S./Europe)

In a public announcement, the United States, France and Great Britain said that they would hold the Soviet Union responsible for insuring unrestrained access to Berlin in the event that the East German government tried to block West German officials from opening a new federal agency in Berlin.

August 1.

(Greece)

Newly sworn-in Greek Prime Minister Constantine Karamanlis reestablished the 1952 Constitution which was abolished by the military junta that seized power in 1968.

August 5.

(U.S./NATO)

President Nixon initialled P.L. 93-365 requiring the Secretary of Defense to decrease the number of noncombatant forces stationed in Europe. In addition, the new law called upon the Defense Department to improve the standardization of weapons systems within NATO and to freeze the number of tactical nuclear weapons in Europe until after June 1975.

August 14.

(Greece)

Greek Premier Constantine Karamanlis announced that Greece would withdraw its armed forces from NATO.

September 6.

(Greece)

Greek Foreign Minister George Mavros announced that the new government would seek full membership in the EEC as well as strive to restore closer political ties with Western Europe.

September 16.

(U.S./NATO)

President Ford appointed General Alexander M. Haig as Supreme Allied Commander in Europe.

September 26.

(U.S./Iceland)

Iceland and the United States agreed to extend American operation of the Keflavik NATO base, but to reduce the 3,300 man force level by 400.

1974

October 3.

(Italy)

Italian Prime Minister Mariano Rumor handed his resignation to President Giovanni Leone, thus ending Italy's thirty-sixth post World War II government.

November 4-7.

(Spain)

The United States and Spain began discussions on the renewal or replacement of the Spanish base agreement scheduled to expire in September 1975.

November 9.

(U.S./Portugal)

Robert Mc Closkey, U.S. Ambassador-at-large, arrived in Portugal to discuss consultations on the subject of the renewal of the Lajes Base Agreement in the Azores.

December 2.

(Greece)

Greece was readmitted to the Council of Europe after which it reactivated its association with the EEC. At the same time, Greece voted to reject the monarchy in favor of establishing a republic.

December 5-6

(U.S./West Germany)

West German Chancellor Helmut Schmidt visited Washington, D.C. where he conferred with President Ford on international economic and financial problems in addition to exchanging views on the energy crisis.

December 15-16

(U.S./France)

President Ford and French President Valery Giscard d'Estaing met on Martinique and signed a compromise agreement on energy, gold and other issues.



1975

- January 3. (U.S./Europe)  
President Ford initialled the Trade Act of 1974 into law (P.L. 93-618) opening the way for negotiations under GATT (the General Agreement on Trade and Tarriffs) for the purpose of lowering tariff and nontariff barriers between the United States and its European trading partners.
- January 31. (U.S./Great Britain)  
President Ford and British Prime Minister Harold Wilson concluded a two day conference in Washington during which exchanges involved issues concerning energy, economic problems, and the Middle East.
- March 2. (Portugal)  
The United States and Portugal reportedly agreed to a part of a \$30 million aid program whereby the U.S. would help finance Portuguese housing, educational, health, and agricultural programs.
- April 8. (U.S./Portugal)  
The Portuguese government informed the United States that it would not be permitted to use Lajes Air Base in the Azores to supply Israel in the event of a renewed Middle East flareup.
- April 10. (EEC)  
The Common Market Commission, which acts to coordinate European uranium purchases, sent a protest to the United States which expressed European dissatisfaction concerning the U.S. Nuclear Regulatory Commission's decision to suspend the issuance of export licenses for nuclear materials without first consulting with the European governments.
- April 15. (U.S..Europe)  
Preliminary meetings for an international energy conference scheduled in Paris for later in the summer faltered and were discontinued because the participants had failed to come up with a mutually agreeable agenda in nine days. Prospective members of the international forum were to be Algeria, Brazil, the European Economic Community, India, Iran, Japan, Saudi Arabia, the United States, Venezuela and Zaire.

1975

April 22.

(EEC)

The Marjolin Committee, made up of a select group of financial experts to study European monetary union, announced to the EEC that European efforts to promote economic and monetary union had thus far failed, and that even 1980 seemed like an unrealistic target date for such an undertaking.

April 29.

(U.S./Greece)

Greek officials announced the termination of the home port arrangements for the U.S. Sixth Fleet docked at the port of Eleusis near Athens as well as the closing of the American air base at the Athens Airport.

May 20.

(U.S./West Germany)

Secretary of State Henry Kissinger met with West German Chancellor Helmut Schmidt and Foreign Minister Genscher in Bonn and later in Berlin to discuss America's continued commitment to West Berlin's security.

May 28.

(OECD)

Attending an OECD conference, Secretary of State Kissinger emphasized that "economic issues are rapidly turning into central policy issues." He called on major industrial nations to make greater efforts toward the developing countries to build a world economic system to accommodate the interests of all states.

May 28, 29.

(NATO/U.S.)

At a NATO conference in Brussels, President Ford emphasized that "NATO is the cornerstone of American foreign policy," and that it has "the unwavering support of the American public and our Congress." Addressing a session of the North Atlantic Council the following day, Ford stated that the United States was "unconditionally and unequivocally committed" to assisting any NATO nation subjected to armed attack. Moreover, he cautioned against "partial membership" or what he called "special arrangements" by nations who could erode the "quality and integrity" of the alliance.



1975

- May 31. (U.S./Spain)  
President Ford met with Spanish leaders including General Franco to reaffirm US interest in maintaining defense collaboration and in preserving American air and naval bases in Spain.
- June 2. (U.S./Europe)  
In a report to the Congress, President Ford revealed that the balance of payments deficit resulting from the stationing of US troops in Europe had been fully offset for the 1974 fiscal year. Hence, there would be no need to put the troop reduction requirement of the Jackson-Nunn amendment into effect.
- June 5. (Great Britain/EEC)  
In a national referendum, 63% of Britain's electorate turned out as an overwhelming majority of the voters showed their support for Great Britain to remain a part of the Common Market.
- June 7. (Belgium)  
The Belgian cabinet rejected French offers to lower the price of its F-1 Mirage. Instead, Belgium decided to buy the American YF-16 aircraft which would guarantee a 1.9 billion dollar sale of 306 aircraft to four NATO countries.
- July 10. (France)  
After a May 9 announcement by France to return the franc to the joint currency float, President Giscard d'Estaing permitted the franc to rejoin the EEC float against the dollar from which it had withdrawn eighteen months ago.
- July 10. (U.S.)  
The U.S. House of Representatives rejected legislation that would have forbidden commercial SST flights to and from major American airports.
- July 13. (U.S./West Germany)  
West German Defense Minister Georg Leber forcefully supported US Secretary of Defense James Schlesinger's proposal concerning the first use of nuclear weapons in the event of an attack against NATO.

1975

July 27.

(West Germany)

The United States criticized West Germany for signing a nuclear energy cooperation agreement with Brazil that did not provide adequate safeguards to deter Brazil from developing its own arsenal of nuclear weapons.

July 30-August 1.

(CSCE)

The conference on Security and Cooperation in Europe held in Helsinki concluded 2 and 1/2 years of negotiations and issued a final document which provided a mutual understanding with respect to sovereignty and national borders, expansion of East-West cooperation and freer movement of people and ideas.

September 5.

(Ireland)

An irate English press severely reprimanded American-Irish supporters of the IRA after an IRA bombing of the London Hilton.

September 8.

(U.S./West Germany)

West Germany voiced dissatisfaction about continuing offset payments to support American troops stationed in Germany in view of the growing US balance of payments surplus and Germany's economic problems.

September 17.

(Greece/NATO)

President Karamanlis formally requested the commencement of negotiations to discuss the conditions of Greece's withdrawal from NATO.

October 3.

(U.S./West Germany)

Chancellor Helmut Schmidt arrived in Washington to conduct discussions with President Ford on energy, economic recovery, and monetary affairs.



1975

October 4.

(U.S./Spain)

The United States and Spain announced an agreement in principle on the framework of a new NATO base agreement.

October 6.

(MBFR)

Former West German Chancellor Willy Brandt expressed a willingness to comply with an MBFR proposal advocating a reduction in West European troops and tactical nuclear weapons in exchange for a parallel reduction in Soviet tanks and troops.

October 10.

(U.S./Europe)

President Ford announced his intention to participate in a three day economic summit conference in Paris in mid-November with the leaders of France, West Germany, Great Britain, Italy, Japan, and possibly Canada.

October 11.

(U.S./Portugal)

The State Department announced an \$85 million package of economic aid for Portugal.

November 3.

(United Kingdom)

The United Kingdom began recovering oil from the first of the North Sea fields.

November 17.

(U.S./EEC)

The six-nation summit at Rambouillet ended with a seventeen-point declaration promising that industrial nations "will not allow the recovery to falter." An agreement was also reached between the U.S. and France concerning the flexibility of exchange rates.

November 20-22.

(Spain)

Generalissimo Francisco Franco y Bahamonde died, and his appointed successor Juan Carlos de Borbon was crowned King of Spain.

1975

December 12-18.

(NATO)

After a series of meetings in Brussels, NATO defense and foreign ministers approved a "nuclear sweetener" of about 1,000 tactical nuclear weapons plus a number of weapon launchers be added to the Western offer in the MBFR talks in Vienna. The proposal was made dependent on the Eastern bloc's acceptance of overall reductions that would bring NATO and Warsaw Pact forces in Central Europe into approximate parity.

One week later, the seventh round of the talks ended with the Soviets declining the West's offer of a "nuclear sweetener" as "inadequate."

December 23.

(U.S./Greece)

The U.S. CIA station chief in Athens, Richard Welch, was assassinated,

1976

January 1.....October 28

January 7.

(U.S./Italy)

Sources in Washington disclosed that United States covert financial support included gifts of up to \$6 million to support non-Communist political parties in Italy.

January 24.

(U.S./Spain)

The United States and Spain agreed to a five year pact covering defense and other relations between the two countries. This treaty of friendship and cooperation gave the United States access to three air bases and one naval base on Spanish soil in return for increased military and other assistance. (The treaty was approved by the United States Senate on June 21, 1976.)

January 29.

(U.S./U.K.)

The Senate confirmed Anne Armstrong as American ambassador to the United Kingdom.



1976

February 4.

(France/NATO)

France and several other NATO countries participated in a forum organized apart from the regular NATO sessions to discuss joint European arms production and procurement.

February 26.

(U.S./U.K.)

Great Britain disclosed a participatory agreement with American firms, Gulf and Continental Oil Companies, providing for an option on 51% of their North Sea oil output for three years.

February 26.

(U.S./U.K.)

The United States and Great Britain initialled an agreement providing for the enlargement of American naval facilities on the island of Diego Garcia.

March 17.

(U.S./Portugal)

The United States Department of Agriculture revealed a \$50 million extension of credit to Portugal to finance the purchase of American commodities.

March 18.

(U.S./Northern Ireland)

Irish Prime Minister Liam Cosgrave met with President Ford and addressed a joint session of Congress. In his reply, Ford agreed to increase US efforts to stop the illegal traffic of arms from the U.S. to Northern Ireland. Furthermore, the President appealed to Americans not to contribute to illegal organizations which purchase weapons and explosives for the Irish Republican Army.

March 24.

(U.S./Belgium)

The U.S. Army decided to purchase \$30 million in light machine guns from a Belgian company.

April 15.

(U.S./Greece)

Greek Foreign Minister Bitsios and Secretary of State Kissinger signed an agreement on defense cooperation for the purpose of extending American use of some Greek military facilities during the next four years. The pact also provided for a \$700 million defense assistance commitment, partly in grants, over the next four years.

1976

May 18.

(U.S./Italy)

The Senate Foreign Relations Committee approved Senate Concurrent Resolution 105, expressing the sense of the Congress regarding democracy in Italy and participation by Italy in NATO.

May 20-21.

(NATO)

Fifteen NATO foreign ministers met in Oslo, Norway, at their semi-annual convention and issued a joint communique promising that NATO would "continue to strive for a relaxation of tensions", while stating that certain recent developments in East-West relations gave "grave cause for concern." While attending the conference, US Secretary of State Henry Kissinger pledged that Americans would remain firm in their commitment to support a strong defense by the West against Soviet military and ideological aggression.

May 24.

(U.S./U.K./France)

British and French Concorde began supersonic transatlantic service to Dulles Airport in Washington, D.C.

June 3.

(U.S./Spain)

Spain's first ruling monarchs to visit the United States, King Juan Carlos I and Queen Sofia, arrived for a two-day visit during which the King told a joint meeting of Congress that his government is committed to democratic rule and the "orderly access to power of distinct political alternatives through free choice."

June 7.

(U.S./U.K.)

The United States and the Group of Ten gave Britain an unprecedented \$5.3 billion credit to stop the slide in the pound. Although the loan is expected to alleviate the crisis temporarily, many Americans as well as IMF officials said that the new credit would only postpone the need for a new austerity program.

June 19.

(U.S./Spain)

The Senate passed a bill authorizing an initial \$36 million for military assistance to Spain to implement provisions of the new treaty permitting continued U.S. use of Spanish bases. At the same time, Secretary of State Kissinger warned King Juan Carlos that legalization of the Spanish Communist Party might cause an adverse reaction in Congress and discourage American investments in Spain.



1976

June 22.

(U.S./Italy)

The Communist Party scored impressive gains in the Italian Parliamentary elections, but it failed to overtake the ruling Christian Democratic Party. The PCI captured approximately 34.5% of the vote compared to 38.8% won by the Christian Democrats. The results meant the Communists would have an additional 71 seats in Parliament and the chairmanship of four major committees.

June 29.

(U.S./West Europe)

Leaders of Canada, West Germany, the U.S., Japan, Britain, France and Italy concluded a two-day economic summit in Puerto Rico and issued a declaration that emphasized "economic growth without a new wave of inflation." The heads of state also approved in principle a multibillion dollar aid package for Italy contingent on conditions that would force "belt tightening" for Italy as well as for other borrowers.

July 3.

(Spain)

Spanish Premier Carlos Arias Navarro stepped down on July 1, and King Juan Carlos chose his close friend Adolfo Suarez to replace him.

July 4.

(Italy)

A decision was made to give the presidency of the 630-member lower house of the Italian Parliament to a Communist for the first time since 1947. The Communists were also given one of four Senate vice presidencies, two secretaryships in both houses and two of six parliamentary administrative posts.

July 12.

(EEC)

Heads of state from the European Community arrived at a tentative agreement on a seating distribution for the approaching, directly elected European Parliament which is scheduled to meet in 1978.

July 15.

(Portugal)

Newly elected President Eanes called on Socialist Party leader Soares to form Portugal's first constitutional government since the overthrow of the rightist dictatorship in April 1974.

1976

July 14-23.

(U.S./West Germany)

West German Chancellor Helmut Schmidt visited the United States and Canada, and together with President Ford announced that the offset agreements by which Bonn has contributed toward the stationing of U.S. troops in Europe would be replaced by Bonn's bearing the cost of increasing the U.S. combat strength in Germany by one brigade.

July 30.

(Spain)

King Juan Carlos, at the request of the newly appointed reformist government of Premier Adolfo Suarez, granted amnesty for all political prisoners except those sentenced for terrorist acts.

August 5.

(West Germany)

Britain, France and the United States indicated that West Berlin would continue to be represented in the European Parliament after the body becomes directly elected despite Soviet warnings that participation in elections to the European Parliament would be considered as a "gross violation" of the 1971 Four-Power Agreement on the city.

August 12.

(U.S./France)

French Premier Jacques Chirac denounced any U.S. proposals for talks among France, the U.S. and Pakistan to discuss the sale of a French nuclear plant to Pakistan. Pakistan's Premier Bhutto said that his country will go ahead with the purchase despite warnings from U.S. Secretary of State Kissinger that it could mean a cutoff in American assistance.

August 15.

(Spain)

The Spanish Communist Party declared an acceptance of the presence of U.S. bases in Spain, and that it was willing to accept the U.S. military presence in Spain until an international agreement was reached that would eliminate the foreign bases of both the US and the Soviet blocs.

August 16.

(U.S./Western Europe)

The United States brought proceedings against the British and French government's efforts to protect their exporters' rising costs through the use of inflation insurance at the General Agreement of Trade and Tariffs (GATT) in Geneva.



1976

August 20.

(NATO)

It was announced that the integration of NATO forces will be tested for the first time this fall on a broad scale with eighteen multi-national exercises planned by Western defense organizations. General Alexander Haig, NATO's commander, said the integration was due to the following two trends: a buildup of Soviet and Warsaw Pact strength in both the nuclear and conventional forces, and the high costs of weapons systems which put pressure on West Europe to integrate its forces or to standardize its systems so they might be "interoperable."

August 20.

(Greece/U.S.)

The Greek Government announced that U.S.-Greek base negotiations have been temporarily stalled due to technical reasons which authoritative sources say include:

1. The Greek side considered it essential to reevaluate the issue.
2. Minimal progress was being made because of the unyielding American position, and
3. Greece is presently involved with military matters arising from the Greek-Turkish confrontation.

August 26.

(France)

Prime Minister Jacques Chirac resigned charging that President Giscard'd Estaing would not allow him sufficient authority to deal with France's problems. Giscard accepted the resignation and subsequently appointed Raymond Barre, formerly France's chief economic representative to the EEC, as the first non-Gaullist Prime Minister since 1958 when de Gaulle founded the party.

August 28.

(West Europe)

West Europe began to count up multi-million dollar losses from a severe year-long drought that has caused extensive agricultural and economic damage. The areas hardest hit were the usually verdant farming and dairying regions of Northwest France, Southern Britain, Belgium, parts of the Netherlands, Luxembourg, Italy's Po Valley and Northern Germany.

1976

September 1.

(Northern Ireland)

Irish Prime Minister Liam Cosgrave asked Parliament to declare a state of national emergency to give him sufficient power to crush the IRA "once and for all." The measures demanded by the government included increasing the penalty for IRA membership from two to seven years imprisonment and the imposition of a maximum ten year sentence for inciting others to join the IRA.

September 14.

(U.S./Sweden)

Informed sources revealed that secret payments were provided to the United States Air Force intelligence community by Sweden for the purpose of purchasing electronic devices which enabled Stockholm to listen in on military communications inside the Soviet bloc.

September 21.

(U.S./Spain)

In Madrid, Spain Foreign Minister Oreja Aguirre and U.S. Ambassador to Spain Wells Stabler exchanged the instruments of ratification of the Treaty of Friendship and Cooperation between the United States and Spain.

September 22.

(France)

French Prime Minister Raymond Barre announced an austerity plan aimed at curbing inflation which was running at a rate of 11 to 12 percent.

September 30.

(MBFR)

The East-West talks on mutual force reductions resumed in Vienna following the summer recess.

September 30.

(Britain)

British Chancellor of the Exchequer Denis Healy announced to the Labour Party Conference at Blackpool that he would ask the International Monetary Fund for a loan of \$3.9 billion to defend the pound. The pound sank to \$1.64 on September 28.

September 30.

(U.S./Spain)

The House accepted the House-Senate Conference Report on S.3557 authorizing the appropriation of funds necessary during fiscal year 1977 to implement the provisions of the Treaty of Friendship and Cooperation between the United States and Spain.



1976

October 3.

(Germany)

Chancellor Helmut Schmidt's Social Democratic Party and his coalition partner, the Free Democratic Party, combined to win 50.6 percent of the vote in the German parliamentary election. This total ensures them of a parliamentary majority of 8 seats, a considerable erosion of the 46 seat margin they enjoyed in the previous four years.

October 5.

(U.S./Greece)

In Athens, the Greek Government announced that the Greek-U.S. bases agreement would not be concluded until after the Presidential elections in the United States.

October 8.

(Italy)

Italian Prime Minister Andreotti revealed his government's austerity program which included proposals for strict monetary controls, partial wage curbs, and an increase in the price of gasoline.

October 9.

(France)

French President Valéry Giscard d'Estaing reannounced a decision to withdraw 10,000 men from the French First Army Division deployed in West Germany, reportedly for financial reasons. The West Germans do not offset the expense of stationing French troops in Germany.

October 11.

(U.S./Spain)

The Spanish Government denied as false reports in the Washington Post that secret clauses exist in the Treaty of Friendship and Cooperation with the United States. A government spokesman said that the treaty, its complementary agreements and procedural annexes are all public.

October 11.

(U.S./France)

The French Government indicated its willingness to discuss on an international level limitations on the spread of nuclear technology, including proposals for sharing markets with other nuclear exports, in return for tighter international controls.

1976

October 17.

(Germany)

The value of the West German mark was raised between two and six percent against several other West European currencies at a meeting of finance ministers and central bank heads of countries in the so called "European snake," the European joint float.

October 18.

(Italy)

The Central Committee of the Italian Communist Party (PCI) met amid signs that the party's benign attitude toward the minority government of Christian Democrat Prime Minister Andreotti was causing tensions within the PCI.

October 25.

(Britain)

The British pound dropped five cents in one day to \$1.595 following a London Sunday Times story that the United States and the International Monetary Fund seek a \$1.50 level as a condition for the \$3.9 billion loan requested by Britain. U.S. Treasury Secretary Simon and IMF officials denied the story.

October 27.

(Spain)

Spain's King Juan Carlos arrived in Paris on his first official visit to a West European country since Franco's death. The visit was viewed as part of the King's attempt to regain international respectability for Spain and bring the country into the mainstream of European affairs.

October 28.

(NATO)

The Pentagon announced a move to increase the capability of its jet-fighter force in Europe by about a third in an effort to counter military improvements made by the Warsaw Pact, namely the introduction of the Mig-23 Interceptors. The net U.S. increase amounts to 84 aircraft and 3,000 men.



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