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THE UNITED STATES AND THE EUROPEAN COMMUNITY  
A PRACTICAL PARTNERSHIP

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The last few weeks have seen bewildering changes in international affairs. The crisis in Iran followed by the Soviet invasion of Afghanistan have taken precedence over developments in Indo-China and the protracted negotiations in the Middle East. It is not my purpose tonight to review these events but rather to look at the underlying partnership between the United States and Western Europe which in bad times even more than good has overriding importance for us both.

We share a heritage which determines the nature of our society, and indeed the character of the modern world. The relationship between America and Western Europe, and more particularly the United States relationship with the European Community, must like all friendships be kept in good repair. Crises have the beneficial side effect of reminding us of the underlying truths, the combination of friendship and interest and common destiny which holds us together.

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One of those bonds is a common respect for the rule of law, not only in our own society, but in the world as a whole. If the world is to be an orderly place in which the individual as well as the nation can flourish, in which there is a reliable framework for daily living and daily conduct of affairs, in which the weak and the small, the vulnerable and the valuable can be protected, then the rule of law must be not just our guide but our foundation.

It was on such a foundation that the European Community was built out of the chaos of what we may appropriately in this context call the second European civil war. The Treaty of Rome can in many ways be compared with the Constitution of the United States. It is more by accident than by design that the document establishing the United States was labelled a Constitution rather than a Treaty. There is, for example, the supremacy clause in Article VI of your Constitution which establishes it "as the supreme law of the land ... anything in the Constitution or laws of any State notwithstanding". In the same but more limited fashion, the case law of the European Court set up by the Treaty of Rome established a primacy of Community law in areas defined in the Treaty over conflicting laws. Thus the Community has its roots in the same heritage of laws as yourselves, and for this reason if no other - and there are many others - it is the natural and practical partner of the United States in the difficult, turbulent and often lawless world in which we live.

I must emphasise that the United States and the Community are very different creatures. The United States is a federal state with all the appurtenances of sovereign power within a constitution 203 years old; whereas the Community is an association of nine ancient states or nations, some but not all of them ancient both as states and as nations, with their own individual histories, languages and particularities, brought together in a framework whose constitution is twenty-two years old and whose present membership is seven years old. So, paradoxically, it is we who are new and you who are old. This calls, I think, for a certain indulgence on your part when you do not find in the Community the interlocutor in Europe on all the matters for which successive United States Administrations have looked - and looked increasingly - since the war.

Institutionally we have achieved a great deal. We have a European Council of the Heads of Government, which meets three times a year, we have a Council of the Member Governments, which meets once a month, a Parliament directly elected by universal suffrage, a Court of the kind of which I have spoken, and the Commission of which I am President, whose job is broadly to propose policies and give effect to them. More important for you than the niceties of our Constitution and the occasional conflicts which arise within it is the practical progress we have made in creating common policies. In some respects we are already your interlocutor. There is a spectrum which stretches from such areas as commercial policy and agriculture where the Community has full competence, to such grey areas

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as energy and industrial policy, where competence is mixed and growing, to such areas as defence or disarmament where the Community has no competence at all.

Sometimes I hear complaints that the Community is difficult to understand and deal with. Should the United States Government address itself to the Community and its executive arm the Commission, or should it address itself to the Member States? I agree that it is not always easy. You have to know your way around. But lest you should think that the difficulties are all on our side, let me remind you that for Europeans dealing with the different agencies in Washington is sometimes like treating with warring feudal fiefdoms, and conflicts have even been known between the Administration and the Congress. We also have to know our way around.

I want now to speak of three areas in which the practical partnership between the United States and the Community, founded on that respect for law to which I have referred, has direct meaning. One of those areas - trade - is one in which the Community has full competence; the others - money and energy - are ones where the Community has a mixed and growing competence. In all three cooperation is essential for us both.

First trade. Here let me say how much I welcome the participation of Ambassador Askew here tonight. We have just completed a tough and long drawn out negotiation to adapt, improve and extend the rules governing international trade which were invented after the war.

It is fair to say that the General Agreement on Tariffs and Trade has done immeasurable good by providing the framework for orderly trade which has served to generate increases in economic wealth beyond the dreams of previous generations. The conclusion of the Multilateral Trade Negotiations or Tokyo Round has added substantially to the edifice. Without close cooperation between the United States and the Community, and here I should also mention Japan, the final result would have been impossible. We now have the reasonable prospect for further development of the free world trade system on lines beneficial to all in the new and difficult circumstances of the 1980s.

But this happy result will not follow from the documents we have signed unless we give precise, unremitting and honourable effect to our undertakings to each other. This year will be one in which the texts and codes will be under severe test by those who wish to seek sectional advantage. There will certainly be crises in the future, and the United States and the Community will have to manage these crises together if our achievements are to hold.

I give two examples from industries under threat. First steel. Throughout the old industrial world this industry is in trouble, as much in Europe as the United States. Happily we have been able to work out arrangements between us which may not be perfect but have now stood the test of time. To upset them now with beggar-my-neighbour policies would not only do us mutual hurt but carry grave risks of repercussion in other fields.

Secondly state subsidies. In the recent negotiations the United States gave great emphasis to what it believed to be the unfairness of state assistance to industry in the Community. We also have our views on the effects of state assistance to industry. For example the spin-off from United States Government investment in aviation and electronics for military or space purposes has been a major factor in giving the United States an enviable lead in these areas. But in Europe we have a particular concern about the way in which a government-imposed price structure, itself a form of subsidy, can give a trade advantage. I am thinking of that which is given to exports of American products derived from natural gas and petroleum whose prices are much lower here than in Europe. On this feelings are strong in the Community.

I have given these illustrations simply to show that the need for practical partnership between us in managing trade policy. A mutual comprehension of how things look from the other side of the mountain is as necessary now and in the future as it was during the strenuous days of the Multilateral Trade Negotiations. Together I am sure we can succeed.

Next I want to turn briefly to the international monetary system. Again rules were made after the war in the form of the Bretton Woods agreements. We enjoyed a long period of stability, of beneficent dollar hegemony, which broke down bit by bit in the last decade. Whether it will be possible to create some new comprehensive system. I do not know. Ideas abound, and I am not without hope.

What I want to emphasise tonight is the contribution which the Community as such is making to greater monetary stability. The European Monetary System, which came into effect last March, is only in its beginnings. We are moving forward to the creation of a European Monetary Fund according to the timetable originally set down. Already we have the embryo of a common European currency - the ecu - based on a basket of national currencies for use between European central banks. I even saw an advertisement for a souvenir ecu the other day in the Wall Street Journal. Our purpose is not to create a regional system to the disadvantage of the United States dollar, which remains the prime medium of international exchange, nor to turn our backs on the rest of the world. It is to promote stability, entrench order, and further that practical partnership which is my theme tonight.

Third I turn to energy. The rise in energy prices since 1973 has not been the only cause of our misfortunes but it has probably been the main catalyst. In the Community we do not have a common energy policy in the sense in which we have a common trade policy or even a European Monetary System. But I think we are on the way, perhaps a little belatedly, to making one.

First let me underline how very different our situation is from yours. We are much more dependent on foreign imports of energy of all kinds, and our domestic production is minute compared to yours. Moreover we consume a great deal less, both absolutely and in relation to our national incomes. Your consumption is still more than double ours. In 1978 consumption here of oil per head was

just over four tons, whereas in Europe it was less than two. Furthermore our oil imports steadily declined between 1973 and 1978 when yours as steadily rose.

Like you we would like oil prices to be as low and steady as possible. But in a market economy we should not complain too much if a commodity in increasingly scarce supply should become more expensive. Nor should we be surprised if those who possess such a commodity, which cannot after all be renewed, should be less than keen to use it up at the increasing rate which might suit consumers. We have built our industrial society on the consumption of fossil fuels, in particular oil, and it is now as certain as night follows day that if we do not change our ways while there is time - and 1980 could be the last year - our society will risk dislocation and eventual collapse.

So here again we must work together on the basis of a set of rules. I will not give a list of what has been done and should be done either in the Community or between the major industrial countries in the International Energy Agency and the annual Summit meetings. An apparatus of cooperation is under construction. But we must, I think, work on the assumption that even if energy prices occasionally fluctuate, their trend is upwards; that over time the supply of oil is unlikely to meet demand; that countries other than the present main consumers will want an increasing share for their development; and that the market will remain vulnerable to political upsets of any kind. There is no magic formula. With due regard



to the environment and human safety, we have to consider a mixture of better use and saving of existing sources of energy, of the development of nuclear energy, greater exploitation of coal, and development of new or in some cases very old sources of energy. Equally we must take very seriously the problem of social adjustment to deal with a substantially higher cost of energy in all its forms. I noticed a recent report from your National Academy of Sciences, where it was said that with sufficiently high energy prices over the next few decades the United States could double the efficiency with which it uses energy without significant adverse effects on economic growth. I hope this is true. If it is true for Americans, it is true for Europeans too.

I have spoken of our practical partnership, of our common foundation in law, and of the need for an orderly world in which rules are respected until there is common agreement to change them. I end by recalling, if it were necessary, that the society we enjoy on the two sides of the Atlantic accounts for only a small and falling part of the population of the world and its natural resources. The problems of the 1980s are essentially problems which concern the whole world. We shall be fortified in dealing with them if we can stick and act together.