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HEAD OF THE DELEGATION  
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"THE EUROPEAN COMMUNITY AND THE UNITED STATES"

Washington

When I heard that the Chamber of Commerce of the United States had invited me to address its distinguished members at the very start of my assignment in Washington, I considered it a challenging endeavor and was happy to accept it.

I cannot think of a more appropriate audience to share my initial impressions about the state of economic relations between the United States and the enlarged European Community. Indeed, among the numerous links between the United States and Europe, those of trade and commerce play a very determinant role. Hence, it is a pleasure for me, as the European Community Commission's representative in Washington to focus on the economic aspects of transatlantic relations.

/It is my intention

It is my intention today to demonstrate that more than one year after the addition of the United Kingdom, Ireland, and Denmark to the original European Community, no fundamental change has occurred in a very favorable economic relationship between the U.S. -- which has the most powerful economy on earth -- and the European Community, the largest trader in the world. Not that I see the picture of our relationship as a static one. Quite the contrary: a number of objective facts have changed and continue to change. However, what remains unchanged is the overriding necessity for cooperation between the two shores of the Atlantic. We may -- as Secretary of State Henry Kissinger said in his Pilgrim speech in London, last December -- admit "the pervasive nature of our interdependence." Just as our common defense across the Atlantic is a necessity and the growing European Community a reality, our respective economic interdependence is "a fact," which the present oil-crisis with all its aspects, supply, price, etc., has abundantly demonstrated.

Even before the addition of three new members the original European Community of the Six "Founding States" had considerable economic weight. Just over a year ago, however, the European

Community of the Nine became big business indeed: the enlarged European Community accounts for roughly 40% of world trade and 40% of the world's monetary reserves. Last year, the countries of the enlarged European Community imported goods worth roughly 70 billion dollars. Forecasts for 1980 say that, by then, the European Community will represent a market of about 130 billion dollars. This illustrates the possibilities that -- barring a major recession -- the European Community opens up to the traders of the world.

The enlarged European Community is responsible for over a quarter of the free world's merchant fleet and virtually a third of the free world's steel. Its population is larger than that of either the U.S. or the Soviet Union. The opportunity and challenge of our European market is such that nearly a quarter of U.S. exports -- agricultural as well as industrial -- goes to the European Community. There has been a continuous flow of profitable and secure direct American investments in the European Community. The book value alone - and you know how modest an indicator that is - of these investments in 1972 was rated at more than 25 billion dollars. I hope that both American investments in Europe and European investments in the U.S. will develop unhampered for mutual benefit.

/But, let us be frank

But, let us be frank in admitting that the European Community is not as united as these global figures suggest. The European Community is still very much composed of nine different countries with distinct and deeply rooted concepts of what to do in important areas of the economy, let alone in the traditional field of diplomacy. We still have a long way to go before reaching a truly united Europe.

Nevertheless, the goal of achieving a "European Union" by the end of this decade has been solemnly set and confirmed by our nine Heads of State and Government.

In addition to the existing customs union and to the functioning common policies in agriculture, trade, development assistance, and in the area of antitrust, the "European Union" should, by 1980, include economic and monetary policy as well as common regional, environmental and social policies.

The ultimate picture is probably going to be a very complex political mosaic: each area of policy might have reached a different degree of unification and/or might have required a different division of competences between the European Community and the national institutions.

/How meaningful is all this

How meaningful is all this for the European Community's relations with the United States? Hitherto, each European country has found it convenient to think essentially of its individual relations with the United States just as the U.S. has laid considerable emphasis on its bilateral relationships with each European country. I believe that, alongside the existing bilateral relationships, a global U.S.-European Community relationship must grow to match the increasing role which a unified Western Europe has to play in the world. I hope, like Mr. Kissinger in his Pilgrim speech, that a "special relationship" between the U.S. and Europe can develop on the basis of a "creative diplomacy." All parts of the world should be included, whether it be the economically strong Japan or the less developed countries. It is my personal conviction that the Atlantic partnership must show its strength in coping with such challenges.

In this perspective the American initiative of last spring -- Mr. Kissinger's April 1973 speech -- to open up a new dialogue with Europe has been most helpful. The discussions between the U.S. Government and the European

/Community on a common

Community on a common declaration of principles as well as the talks on military burden-sharing taking place in the framework of the Atlantic Alliance should be seen as the beginning of a new constructive dialogue and as an historic milestone in the establishment of a new pattern of relationships.

The most immediate occasion on which we will be forced to test our mutual ability for concerted action will be the energy conference to be held in Washington on February 11.

At this point, I would like to express my deep admiration for the extraordinary performance of Secretary of State Kissinger. His indefatigable efforts in the Middle East crisis are well known. It is only on the basis of a politically stabilized situation in the Middle East that the optimal flow of oil in the interest of all parties concerned can be obtained.

However, the present difficulties in supplying our economies with energy have come about not exclusively as a result of the Yom Kippur war and of the subsequent oil embargo. They have simply been accelerated by events.

/The oil-producing countries

The oil-producing countries have taken a concerted course and now make a very simple economic calculation: As long as no adequate substitutes exist for their products, they raise their price in the face of a highly inelastic demand.

It is also a fact that the aims on both sides of the Atlantic are complementary and point towards open and sincere cooperation among oil-importing countries, in order to assure sufficient supplies at lower cost, for instance by developing alternative sources of energy.

This is why the European Community welcomed President Nixon's proposed meeting on February 11 as a constructive move in the consideration of the problem on an international level.

However, in the European Community's view it is important to avoid the creation of an antagonistic situation whereby rich consumer countries find themselves in opposition to the producer countries, taking no account of the latter's problems of development and keeping in the shade a good many countries which are not industrialized and possess no source of energy.

Sir Christopher Soames, Vice President of the Commission of the European Communities told the European Parliament on January 16 that the energy crisis is "a test case" for relations between Europe and the United States. We must find a fair balance between the claims of the producer countries and the interests of the other nations - rich or poor.

This equilibrium can in my view be sought only by a realistic and practical approach which gives due consideration also to the interests of the producer countries. The latter must be able to see

/that it is in their own

8 that it is in their own interest that their deposits are worked rationally, with rational plans for the future, when these deposits are exhausted. The consumer countries should put forward cooperation schemes enabling the producer countries to diversify their investments in the industrialized world as well as to participate in urgently needed development assistance programs.

This will not come overnight.

Here again, a coherent energy posture within the European Community itself would certainly help in the search for adequate solutions in the broader international context.

In his speech to the European Parliament, Sir Christopher Soames said also that the United States and the European Community share common concerns for the future which must bring about "a meeting of the minds across the Atlantic." Neither side, he said, could afford competition for oil between the consumer countries or international monetary anarchy and the destruction of the third world.

The other challenge of joint statesmanship for Europe and America will be the multilateral GATT negotiations and the reform of the international monetary system. The possibility for serious progress in these negotiations seems to have been recently questioned because of the incalculable impact of too many unanswered questions about energy supply and cost.

In my view, these negotiations remain as important as ever. GATT talks must prevent a return to protectionism, as each oil-consuming country tries to cut down on non-energy imports in order to devote increasing proportions of its shrinking export revenues to pay for its expensive oil imports. Monetary talks must avoid international monetary anarchy.

/Therefore, we must be ready



9 Therefore, we must be ready to come to the negotiation table with the necessary legal and political backing. On trade, the European Community has worked out its initial approach. Yet, it is obvious that until the U.S. Government has obtained powers to negotiate, there can be little substantial progress in the GATT talks. We do hope that the remarkable improvements scored recently by the U.S. balance-of-payments will affect the trade bill positively.

In concluding, let me underline that, here and elsewhere, there is a failure to realize that the story of Atlantic relations over the past quarter of a century is a brilliant success story. Fundamentally, there has never been a more constructive period in the cooperation between Europe and the United States. Let us not forget that.

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