

CHANGING UNITED STATES - EUROPEAN RELATIONS

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In trying to evaluate the relations between Europe and the United States, its present quality and importance and its possibilities for further development, it is first necessary to see if the world situation, as a whole, is the same as it was, let us just say, in the sixties.

An attempt to make such an evaluation will undoubtedly lead to the conclusion, that big changes have either happened, or are about to take place. And that the future is more unpredictable than hitherto.

I am not alone thinking of oil prices or energy crisis. Even if this crisis has quadrupled oil prices and created very serious problems for the world, especially for Western Europe, Japan and the non-oil-producing LDC's. How the hardest hit countries will solve their present balance of payments problems and their inflation without creating depression is hard to imagine.

Recycling of the oil money is a good temporary solution and a necessary one. But how to create recycling without initiatives comprising all governments of the industrialized world and the IMF - yes, all the good forces - I cannot see. However successful, recycling is not a long-term solution.

It is only possible to solve problems through loans for a limited period, but not forever.

To cut the oil prices back, for instance to half of the present price, and give the oil-producing countries guaranties for an index-regulating of the price, related to growth rate and inflation rate in the Western world would be one solution. But even if the United States, the Common Market and Japan were standing shoulder to shoulder in negotiations with OPEC. about such a solution, I doubt whether it is realistic to expect a solution where prices are rolled back ^{significantly}.

These problems are not rational economic problems. The oil-producing countries could undoubtedly create a bigger aggregate profit over a number of years through a lower price and a greater production - the development of alternative energy sources taking into consideration. But political feelings and the power structure, amongst other things the Middle East question, are a major part of the problem. However, this does not mean that a far reaching American-European-Japanese solidarity is not needed. Such a solidarity is a necessity and should be created as soon as possible. I hope that the Five Power Meeting in Washington during the weekend has actively contributed to such a solidarity, and that the discussions started there will be taken up on a broader basis.

But let us for now disregard the problems of the oil crisis and try to see developments on a longer term.

I think that historians of the future will regard the period of the Marshall Aid - created through American wisdom and generosity - the creation of the OEEC (now OECD), the Bretton Woods agreements and their reasonable effectiveness, the NATO's peacemaking effect, as one of the happiest quarter centuries in humanities' history.

All these things now seem to be changing.

One could say as in the German song: ACH DU LIEBER AUGUSTIN: Hat ist weg, Stock ist weg, Frack ist weg, und so weiter in other words, everything is gone. Bretton Woods is gone, if not gone, is going - the foreign currencies stabilization is gone, prices and interest rates are soaring at a rate which for a few years ago would have been seen as either impossible or outrageous, and the present economic growth rate is falling. Help for the developing countries is now being outweighed by contrary factors. Not only rising oil and fertilizer prices but lack of food, draught, and some long lasting changes of climate have contributed to the change.

This does not mean that the world picture is solely a gloomy one. I feel that the present détente in the relations with the Soviet Union is a decisive and promising breakthrough in international politics. As exciting and full of hopes as was the Ostpolitik of former Chancellor Willy Brandt in the European dimension. I hope that the SALT talks will give the desired results, as I hope for the MBFR negotiations. I also feel that the opening towards China is an enormous step forward. It is far more meaningful that an American President and his Secretary of State can visit Moscow and Peking when they want to, than that the astronauts have reached the moon.

But it is quite clear that such a global policy makes bilateral U.S.-European policy by itself less central than in the previous period. We for a long time talked about our living in a bipolar world, split East and West. Then for a while we discussed the more open situation where both West and East spoke less like two antagonistic camps. Gaullism emphasized the French voice in the Western camp. In the East sometimes Romania and sometimes Czechoslovakia - unfortunately the latter only for a short period - spoke in their own voice. Now we seem to be living in a multipolar world with rich possibilities for plural dialogues, multi-lateral discussions, and agreements, trade, contacts and

actions in all human fields across all of the present frontiers. Still, conflicts of all sorts remain - unfortunately.

In this new situation it is of primary importance that we neither sacrifice nor weaken the possibility for stabilizing and problemsolving international cooperation. Let us strengthen the United Nations and its multiple machinery. Let us carefully but without cementing anything try to build a new international monetary stability. Let us try to maintain an open world with free international trade and lack of restrictions - which will make us all poorer. Let us find new guaranties for the poor countries, which will secure reasonable prices for their goods. Let us be aware that a new post coldwar period creates new problems, and let us listen with an open mind, to the individuals - powers or persons - who have the most constructive thoughts and solutions.

To return to my subject. It is an absolute prerequisite for all this that there is close, honest and effective cooperation between the United States and the Western Europe, especially the Common Market.

The recent improvement in relations between the United States and the European Community has made possible a more rational assessment of the origins of last year's Atlantic crisis. The relative ease with which the conflict was resolved affirms my belief that the tensions were mainly generated through words and to rather low degree by realities.

Several lingering points of dispute have been settled. The agreement on paragraph 24.6 in the GATT Agreement to compensate the United States for alleged losses in trade following the E.C.'s enlargement has enhanced prospects for the global trade talks within the General Agreement on Tariffs and Trade (GATT). Reaffirmation of the principles, which successfully guided the North Atlantic Treaty Organization (NATO) through its first twenty five years, assures us that the world's greatest alliance for peace will continue to protect our mutual interests throughout the rest of the century and if needed further on.

The most persistent conflict between Europe and the United States has been the form of political consultation to be developed. In early June, foreign ministers of the Nine decided that the United States would be consulted and kept abreast of European foreign policy plans, but not accorded any right to veto final decisions. Thus, American participation in the early stages of European foreign policy discussions virtually removes the anxiety over unilateral choice at the expense of consultation, which so aroused the United States when the EC's Council of Ministers decided to seek a broad agreement with twenty Arab states earlier this year.

Within the Community, France, Germany and U.K. bear special responsibilities. As the only member country which has been capable of maintaining a surplus of reserves and relatively low inflation in spite of higher oil costs, Germany must assume the burden of aiding her weakened partners. A revitalized Europe is the early assurance of continued prosperity for Germany's export-based economy. Denmark, the largest per capita importer of German goods, now faces serious balance of payments difficulties. France, Germany's biggest total export customer, also faces a shortage of reserves along with a 17 per cent rate of inflation. A sharp decline in the other member countries' economies will critically affect the basis of German economic strength. The logic behind European cooperation rests on these facts.

As chairman of the Council of Ministers for the present six months, France must also exercise enlightened leadership qualities. The announced intention of President Valery Giscard d'Estaing to "relaunch Europe" is a welcome sign after a long period of lack of enthusiasm for European unity and U.S.-E.C. cooperation. While meeting recently with German Chancellor Helmut Schmidt, the French President also promised anti-inflationary measures designed to reduce French prices to a level equal with West Germany's within two years.

French-German-British cooperation provides a sound basis for resolving mutual economic difficulties and renewing the drive towards European unity. Another foundation to build upon is the improved relationship between the European Commission and the United States, recently described as "exceptionally good" by U.S. trade representative William Eberle. We now hope that the multinational trade negotiations can start soon. This depends on what is happening to the U.S. Trade Bill and the Jackson Amendment. We in the European Community strongly feel that the Senate should give the necessary mandate to the Administration and vote for the most liberal version of the Trade Bill. This step would at a time where the international economic stability is threatened in so many ways be an American gesture which would certainly be received the world over as a positive contribution.

Firm commitments to cooperation are prerequisites for an Atlantic Partnership based on mutual and complementary aid. A divided group of West European nations only exposes the Western world to unnecessary conflicts of interest, nullifying hopes to establish common pursuits of mutually beneficial goals in an unstable world. It is important for the present United States administration to understand that the Europe of the Nine is the only valid alternative to chaos and that the present European cooperation also in the political field is there to stay. I also feel very strongly that in its economic planning to fight inflation, it is a must for the United States Administration to see further than its own economy to see what repercussions taken in this country will have in Europe. One example is that in the United States unemployment seems to be much more acceptable to the society as a whole than in Europe; zero growth rate also seems to be acceptable as a means to fight inflation. Zero growth rate and high unemployment in the U.S. will of course have great effects in Europe and in Japan for that matter, causing high unemployment and lowering of living standards which is just not acceptable in our democracies. Therefore, I again warn you that whatever measure is taken in the economic field in this country must take into account what repercussions they have in the whole of the Western world.

As a final note

I would further like to stress that cooperation of the two shores of the Atlantic is of primary importance if we shall have a remote chance to overcome the present economic difficulties and the economic storms which rise in the horizon. I would further stress that the basis on which world peace has been kept so far has been the U.S.-European tandem and cooperation, and that only in cooperation across the Atlantic will we be able to solve the free world's present problems.