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**"EUROPE AND THE UNITED STATES : THE UNEASY PARTNERSHIP"**

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Address by

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to the Rotary Club of New York

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The pleasure of the invitation to address you today is limited only by the vexations of the subject which I have chosen. For there is the great partnership across the Atlantic which has provided security and prosperity in freedom for you and for us since the war. Yet it has become an uneasy partnership today, one which is in need of redefinition if not reappraisal, and it is hard to think of a more agonizing reappraisal than this one. I have, however, one consolation today. I am here as part of that important and effective international friendship furnished by Rotary. Rotary in fact does exactly what needs to be done in the world today, it assembles men of different professions, origins and orientations under a common set of rules, of which the requirement to meet and talk to each other regularly is one of the most important, and it manages to make difference fruitful for all by a common devotion to service. I wonder if this might not be a good part of the answer to the problem which I want to put before you today.

It is a fact beyond reasonable doubt that major changes have occurred in the world over the last ten years, and many of them have become evident in the last four years or so. Whatever the underlying motives of those involved, the actions of the cold warriors of yesterday, big and small, justify our describing East-West relations as detente, leading us gradually from confrontation by way of co-existence to co-operation. This process may have been helped by the fact that new forces, not to say powers, have emerged on the scene, diffusing the concentration of attention on but one scene of conflict. Japan has jerkily and with obvious mixed feelings left her traditional shell,

China is beginning to do so in a much more regular and calculated manner, and in Europe we see the stirrings of a voluntary system of co-operation which by the explicit wishes of those involved, stated at the summit conference of the heads of state or government in Paris in October 72, will lead to European union by the end of the decade. International economic relations have continued to prosper, as would be expected at a time like this, although an element of uneasiness is unmistakable in them, monetary uneasiness, doubts about the effectiveness of some of the rules by which we have been living, the choice between free trade and fair trade, marketing and orderly marketing, a free and open and organized world economy. Connections between problems of defence, convertibility, trade, development, aid and diplomacy emerge, although we are still a long way from sorting out their precise nature, let alone the appropriate method for dealing with them.

Indeed, if there is any pattern to the profound changes affecting the world today, it is in our incapacity to come to grips with them effectively. This is true not only for the world-wide problem of inflation which so deeply affects the future of market economies inside our countries as well as on a world-wide scale. There is what I call the "Political Gap", a gap between the magnitude and subtlety of the problems which we face, and the insufficiency of the instruments at our disposal to cope with them. And one of the problems which falls into the political gap, where the issues are known, the needs are clear, and the instruments for satisfying them are remarkably underdeveloped, is that of European-American relations.

Even after two years, August 15th, 1971 stands out in many people's minds as a turning point in the relations of the United States with the world and, more generally, in international economic relations. By announcing Phase One of his New Economic Policy President Nixon has given notice to the system of rules governing economic relations between countries with convertible currencies since the war. Some of the measures taken at the time, such as the imposition of a surtax on all imports into the United States, have long been removed. Others such as the suspension of convertibility of the dollar into gold, may not be repealed for some time. But it is not just these specific measures which mark the importance of that date. It is the fact, rather, that since August 15th, 1971 a system which up to that date was regarded by most as a stable basis of economic and perhaps political action, has become the subject of negotiation. We have left the guaranteed equilibrium of the 50's and 60's, and we have not yet found the negotiated equilibrium of the future. In fact, the phase of negotiation has only just begun, and it will last much longer than those who are looking for great historic occasions around every corner seem to think.

Let me explain what I mean by this reference to August 15th as the day on which the international economic equilibrium became negotiable. There are those who believe that since that day the dollar has lost its lead function and unique position in the world monetary system. Here I am less convinced, indeed, and with due respect to the persons involved, the abdication of the dollar rather reminds me of the abdication of the Emperor of Japan in 1945 who, as you know, is still around and in an unchallenged if somewhat reduced position.

But the statement by President Nixon and Secretary Connally at the time, often repeated by other spokesman of the United States since, that this country is entitled to defend its own interest just like any other country, and that in doing so it would seek to rebalance a fundamental, and "unfair" disequilibrium in world economic relations, means that the United States no longer looks at international relations in terms of its responsibility alone. A system of free trade and convertibility which was essentially a system created and upheld by the United States (although it favoured many others, and some of them possibly more than the United States), is now declared open for bargaining, a fixed system is set afloat.

Transition from a guaranteed to a negotiated equilibrium of international economic relations and of relations between the United States, Europe and Japan in particular, is currently discussed in at least four related but clearly distinct contexts. One of these is the context of trade. The United States and the European Community have agreed in February 1972 to support jointly the early commencement of a world-wide trade round in the framework of GATT. We also agreed at the time that such negotiations should be held in a spirit of reciprocity, that is to say, with a view to an overall balance of give and take. Europe had all the more reason to insist on such reciprocity, since it appears that the creation of the European Community, far from impairing American trade, has in fact helped it, and since in any case the balance of trade between the European Community and the United States has shown a sizable surplus for the United States almost throughout. We expect to decide on the directives

given to the Commission for the forthcoming GATT round before the summer recess, and contrary to the trade bill now before the U.S. Congress it is already clear that these directives will not be ambivalent, usable as carrot and stick alike, but aimed at a lowering of tariffs, abolition of non-tariff-barriers, adaptation of the safeguard clause of GATT, and a thorough discussion of the future of world agricultural trade.

Preparation for formal negotiations in the framework of the International Monetary Fund are advanced in the Group of Twenty. They are as was to be expected, difficult and nobody expects early results in Europe. We also realize that rules pertaining to convertible currencies have an impact on trade, and vice versa. It is to be hoped therefore that the IMF will maintain close contact with the GATT, without making progress in one area dependent on progress in the other. For we must be careful not to use these negotiations which are so decisive for the future of free economies in the world for realizing limited and particular interests, however legitimate they may be - whether they are those of developing nations in need of assistance by the use of special drawing rights, or those of the United States in improving its balance of payments by the introduction of a system of automatic monetary adjustments, or those of some Europeans by the early re-establishment of the convertibility of the dollar into gold. The task of those concerned with rebuilding the world monetary system is too serious to be used for such purposes, and it will be accomplished only once this seriousness is fully understood.

As a Commissioner of the European Communities it is not my business to discuss problems of defence, although as a politician I am obviously not unaware of their significance as such and in the context of European-American relations. Let me confine myself therefore to saying that looking upon

defence merely or even primarily in terms of offset, that is in terms of the economic cost of arms and troops, is a dangerously limited perspective. We are living in a period of detente, but it is precisely because we want to continue to do so that we must be careful not to reduce our vigilance.

The negotiations which are required here are clearly not negotiations within the Western Alliance, but negotiations between the Alliance and its counterpart in the Communist world, that is the Warsaw Pact. Let us approach the talks on mutual force reduction and on security and co-operation in Europe with an open mind, but let us not jeopardize our ability to achieve world-wide solutions by giving up positions unilaterally before such talks have even begun.

I have said that there are four contexts in which the phase of negotiation is conducted. Trade, money, and defence, are three questions. I might have added development, for I believe that the barely disguised failure of UNCTAD, the U.N. Development Conference in Santiago de Chile last year, will have repercussions much greater than many seem to recognize at the moment. The record of the European Community in the field of development policy is good, if not good enough, and in a general attempt to evolve a more equitable balance of burden sharing this is a subject not to be ignored. But in fact the fourth context I had in mind is that more general one which is sometimes called diplomacy, or just politics. For clearly there is a generalized aspect to European-American relations which underlies all specific problems, and which will have to be seen and settled along with the others.

Some weeks ago, in an important speech, in New York, Dr. Kissinger

suggested some elements of a comprehensive and constructive approach to European-American relations. A world-wide discussion, diplomatic, parliamentary, and public, of these proposals has ensued. It testifies to the timeliness and the significance of the call for co-operation under changed international conditions. My colleague, Sir Christopher Soames, has expressed, in the European Parliament at Strasbourg, our appreciation for the general tenor, the strategy suggested and the whole attitude to European-American relations implicit in Dr. Kissinger's speech. He has also indicated some of the questions which still remain to be answered, and I hope you will not consider it amiss if I concentrate on these for the remaining minutes of my address rather than repeat our approval of the year of Europa.

In a period of negotiations, it is impossible for any participant to reflect with intellectual detachment on problems of concern to both sides in the picture. Whatever Dr. Kissinger says, or indeed whatever a member of the Commission of the European Communities says, is bound to be understood, perhaps misunderstood, as a move in the chess game designed to advance particular interests. In this light we have got to realize that the question of the link between the various problems pending between us is in itself an issue, perhaps the issue in our negotiations. Whenever an American takes the position that the connections between trade, convertibility and defence have to be acknowledged, this is understood to mean, for Europe, that the United States wants European countries to grant concessions in trade in order to offset defence expenditure. At the same time, European insistence on the need to deal with each of these problems separately and solve them as such, occasionally

goes beyond what is intellectually defensible simply because our own balance of trade and, in most countries, balance of payments is more favourable than yours. I wonder whether it would not be useful instead of defending one or the other position with partisan if plausible arguments to try and work out a procedure which recognizes the existence of separate bodies and themes of negotiation, and also the need of linking some of them in a considered manner, and at the right time.

A second point which I would like to make relates to the need for a close understanding between countries with convertible currencies for the stability of the world. Dr. Kissinger has referred to the United States, Japan and Europe and I trust that I am not entirely mistaken if I suspect behind this triangle the notion of the pentagonal world - including Peking and Moscow apart from Washington, Tokyo and Brussels - to which he is said to subscribe. For more reasons than one it seems to me important to point out that the strength of the post-war system of international relations and notably of relations between the free countries was based to a large extent on the existence of comprehensive sets of rules embodied in international organizations. It is true international organizations, whether the United Nations, GATT, the IMF or more limited alliances, impose restraints on their bigger members while they safeguard the interest of the small. But it is the fact as well as universality of the rules on which they are based which makes multilateralism a principle of a stable, lawful, and free world order.

What we need today is not so much the formation of new and exclusive clubs, but the strengthening of existing organizations by their effective use which includes, wherever necessary, a reconsideration of some of their statutes.

This leads me thirdly to the complex question of European-American relations and their organization. Later this year, the President of the United States will visit Europe. There, he is likely to repeat what has been done in the past, that is, see European statesmen individually in their capitals, but talk to them about problems which they share as Europeans. This incongruence of problems and procedures is another illustration of what I have called the "Political Gap" which we cannot expect to be closed within a few months. During my own term of office as European Commissioner for External Relations, the then Deputy Undersecretary of State for Economic Affairs, Mr. Samuels, and myself started a semi-formal dialogue between the United States Administration and the European Commission. We knew of course that this was only a beginning, but we had hoped that effective methods would be developed to advance the system of an effective dialogue so as to include, on the European side, the Council of Ministers and perhaps the Heads of State and Government.

So far, this has not been possible, and it seems to me that we are well-advised now to recognize the fact that for the next few years we are going to have a disorganized, multi-tiered, partly private, partly public dialogue between the United States and Europe, which leaves much to be desired although it may well have some beneficial effects.

I say this with a slight undertone of resignation, and yet not without insistence. For we must not make the mistake of expecting early results in the painful process of re-adjusting our transatlantic partnership. I do not know how far this metaphor can be carried, but in looking at the partnership between the United States and Europe in these days, I am sometimes reminded of family problems : father and son insist, once the son has earned his first proper salary, that from now on there is no dependence between them, but simply friendship. For that reason the father believes that the son should now buy his own car and in fact pay rent for the garage he is using in his house. This in turn upsets the son, especially since he has a strange way of regarding himself as both son and grandfather who can therefore expect both paternal protection and filial respect from the father ... This is clearly stretching the metaphor beyond breaking point, and yet it may be indicative of some of the more traumatic aspects of European-American relations today. There is no need to worry unduly about this. Our common values of humanity and democracy, our common interest in the defence of our values and the maintenance of an open world economy, our literally innumerable ties across the Atlantic will all enable us to work out ways of living with the differences which may exist in this or that respect. But we must beware of one thing, and that is impatience. Reconstructing the international economic system, reappraising and redefining European-American relations, indeed building a European Community which is able to take part in these processes are all objectives which will not be accomplished by this autumn, or even by 1975.

But we are free men, and, grandfather, father, or son, we are grown-ups who can live with uncertainty and put it to good use. European-

American partnership may be somewhat uneasy today, but so long as we face our differences in the spirit of our common convictions there is no need to worry about the eventual success of our endeavour.

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