

UNITED STATES MISSION TO THE EUROPEAN COMMUNITIES

BRUSSELS, BELGIUM

Remarks by J. Robert Schaetzel, United States Representative to the European Communities, before the German Foreign Policy Association (Deutsche Gesellschaft fuer Aussenpolitik), Bonn, February 12, 1970

AFTER THE HAGUE MEETING:

PROSPECTS FOR EUROPEAN-AMERICAN RELATIONS

I.

To put into balance what I shall say later I should like at the outset to be very clear on several things. In Atlantic and Western European matters the postwar period is rich in achievement; it is a record not of failure but of success. NATO, the OECD, new habits and patterns of consultation -- all are accepted as a matter of course. There is also the remarkable economic growth of Western Europe, its political stability and its genius applied to the progress toward European unity. More immediately, the world should share the satisfaction of Germans in what the Federal Republic has accomplished economically, in the strength and effectiveness of its democratic processes and in the enlightenment of its foreign policy.

Still in pursuit of perspective let me emphasize the strength and continuity of United States policy toward Europe. The President has reiterated that this is the primary foreign policy interest of the United States: within this larger framework he has indicated the support of his Administration for the process of European unity, as has Secretary Rogers. Because the President feels so keenly that this is a matter primarily for Europeans to decide there have been some who misconstrue discretion for a shift in policy. In point of fact, there has been no shift of national priorities or indeed of national awareness of the fundamental importance of Europe to our survival.

I have stressed these durable and favorable elements because what I shall now say may seem entirely gloomy and at points appear critical of European policy and performance. But whatever use I may be to you on this occasion is in presenting a clear and

clinical view of American attitudes about the European Community. I wish to add that in the interests of brevity some of the points I shall make may seem too stark and that a more nuanced appraisal would be more accurate. Perhaps. But my initial purpose is to offer you a quick and succinct indication of current American attitudes.

## II.

The immediate response to the question: "What does America think today of the European Community?" must be, "It does not think about it very much." Whatever comment there may be in the American press will generally be found on the financial pages -- and only of the large metropolitan newspapers. The image is of a tangled and complicated economic organization involved in inexplicable internal and endless argument. There is practically no awareness of the deep-seated European interest in progress toward political unity; that the Community is a means to that end.

It is at the level of economic activity that the Americans sense that the Community exists. There is a vague awareness of a booming European economy, of vigorous trade and, of course, of investment opportunities. But unfortunately conventional wisdom in America has judged the Community protectionist and inward-looking. There is an exact correlation between awareness of the Community and awareness of a European agriculture policy that has reduced American exports to the Community and has led to massive subsidies of surpluses to compete in our traditional markets elsewhere in the world. There is a strong feeling that Europe is insensitive to the economic problems and the political and military burdens we must carry.

In sum, the wide enthusiasm for the Community in America of the Eisenhower and Kennedy periods, the rosy expectation of rapid and brilliant progress toward unity has largely evaporated and been replaced by irritation, frustration and a brooding sense of apprehension as to what the future will hold.

## III.

If this is the unpleasant picture what is the explanation for it?

In part the answer must be sought in an appraisal of the domestic problems besetting our country. The list of major issues is well known to you: the problems of the minority groups; the urban crisis; law and order; how to arrest the destruction of our human environment; control of inflation; and a correction of our persistent balance of payments deficit. This is a tough agenda for our country. Many of the problems go back to the early days of our nation; others are more immediate and novel. All are difficult.

And the long shadow of Vietnam lies over America's present and future role in the world. This national agony has sharpened doubts as to the merit, even the necessity, of American involvement in affairs overseas. It is indeed latent isolationism. After a postwar period of active involvement, of leadership and initiative there is a nagging American worry that "nothing seems to work."

The combination of these two broad currents hardly eases the task of an American President who wishes to hold firm to tested policies of Atlantic interdependence.

I am afraid that Europe has made its contribution to this shift in American attitudes.

From January 1963 until The Hague summit meeting last December ✓ was a long winter in European affairs. The Member States seemed to be engaged in hopelessly technical internal battles with no end in sight. Whatever progress was made seemed so narrow and illusive as to repel rather than to attract. There was no agreement at the political level of the Member States as to the ultimate goals or the geographic dimensions of the Community.

During this seven-year drought America became aware of two major adverse effects of the Community: agriculture and the association and preferential arrangements.

After ten years of remarkable growth of our agricultural exports to the EEC, in 1968 there began a decline of 6 percent each year. American concern about this decline must be seen in the context of America's relative efficiency in agriculture, our traditional market in Western Europe, an urgent national need for exports to balance out our accounts, and the fact that the agricultural interest groups have been among the strong, traditional supporters of liberal foreign economic policies. To make matters worse, as surpluses built up in Europe due to the high price levels of the CAP the Community began dumping agricultural goods in certain of our traditional markets -- for instance, wheat to Taiwan, lard to Britain, feed grains to Japan.

Sharing the stage with agriculture as a contentious issue is the mounting concern in the United States over the widening circle of association arrangements and preferential agreements between the Community and both the developed and the less developed countries. So that you can realize the full impact of this Community activity on American opinion let me list the countries with which negotiations are in process or which appear imminent: Malta, Israel, Spain, the Arab States, Austria, Sweden and Switzerland. Arrangements already exist with the francophone African countries, Morocco, Tunisia and Algeria, with Greece and Turkey.

For the LDCs most of the arrangements involve only partial tariff reductions by the EEC and contain provisions for reverse preferences given by the recipient states to the EEC. As they do not foresee and have no schedule for ultimate free trade or a customs union, most of these arrangements seem on the face of it incompatible with the General Agreement on Tariff and Trade. A similar alarm was expressed last month by Director-General Long of the GATT when he spoke here in Germany.

There are serious issues raised by this Community action, issues that do not seem to be fully appreciated by either the Commission or the Member States. First, as Mr. Long has said, this pattern of preferential arrangements contains the real risk of fatally undermining the GATT system. As the largest trading entity in the world and with trade a major element in the European GNP, presumably the Community has the largest stake in the integrity and indeed in the strengthening of this system. Beyond this, to embark on preferential arrangements inevitably creates resentment on the part of those countries outside the boundaries of the new arrangements -- either they must be brought in or they may be driven to similar discriminatory regional arrangements.

Nor should you underestimate the effect of these arrangements on the United States. And the adverse effect is magnified by the general range of American problems I outlined earlier. European actions are seized upon to justify protectionist moves in the United States and thus spur them on. It endangers the Administration's efforts to persuade the Congress to pass the trade legislation and to repeal American Selling Price. It cannot but make more difficult the President's task in gaining acceptance of the proposed generalized preference scheme which he has advocated.

Unfortunately the fallout from these two major issues -- agriculture and preferential arrangements -- cannot be restricted to the field of our economic relations. The Congress shares the President's burden of reconciling domestic demands, obligations overseas and measures to reduce inflation. This distinguished audience hardly needs to be reminded of the pressures building up regarding the American troop commitment to NATO. As our legislators face this problem many, perhaps the critical majority, are bound to be affected by the manner in which these important economic issues are resolved. ✓

#### IV.

As The Hague meeting marked a watershed in European developments it could also mark a critical point in relations between the European Community and the United States. It is my judgment, already forecast I suspect by what I have said, that, to a very considerable extent, what happens with these relations depends on Europe. American opinion and policy will primarily react to progress in Europe -- progress in the internal development of the Community and in its enlargement. But given recent

history and our own preoccupations it would be dangerous and certainly short-sighted to think that success on both of these fronts will be automatically understood or appreciated by Americans. For instance, in 1962 America was enthusiastic in anticipation of British entry. Today a more uneasy America gives considerable attention to possible economic costs after Britain and the other applicants are in. I am convinced that America needs close attention and the benefit of clear explanations of the goals of Europe and the process necessary to achieve these goals.

For my own vantage point, as I view the European and the American scene, there is a striking difference in the way Europe converses with itself and the dialogue it has with the United States. The conversation among Europeans these days is full of new ideas, disagreement, movement, over the process of European unity. The public opinion polls and the media express impatience with governments and the slow pace of events. Yet what Europeans say to Americans reflects very little of this European preoccupation with, and excitement over, the process of unification. What Americans see and feel are immediate economic problems and dislocations. These normal adjustments are not put in context by European political figures and presented as part of a dynamic process of political development. If Americans no longer see the romance or the historical sweep of European unity it is because the Europeans have forgotten to tell them. ✓

It is of great importance that Europeans are debating how the Community should develop in the political or even in the defense fields. To suggest that Americans should be brought close to this debate, I assure you, is not a plea that America should be a part of this process. It is a plea that American attitudes at a critical moment would be greatly helped if my countrymen were to be aware of the goals the Europeans are setting for themselves and of the movement which is felt today in Europe.

Speaking in an entirely personal capacity, but taking into account the difficulties and the uncertainties in America, it seems to me that there are powerful reasons why the European Community should consider taking initiatives in certain areas based on its own competence, economic weight and enlightened self-interest.

As I have suggested earlier, the world trading system is under acute pressure. We have found in the past that in this field we cannot stand still; either progress in liberalism will be made or ever-present protectionist forces will tend to erode the progress so laboriously achieved. Both the United States and Europe have said that the next area of work is the non-tariff barriers. The Community must in any event engage itself in this field internally as it works toward economic union so there is logic in Europe's taking the lead in pressing for

international action to eliminate and reduce these restrictions. Much of the preparatory work has been done in Geneva. What is needed is an effective lead.

Also within the framework of European competence and self-interest is the need to reconsider the system of association arrangements, to assess the impact of this system on the GATT to insure that the GATT is not only preserved but strengthened. Time is running out on this problem. One answer of course would be to accelerate the development of the generalized preference scheme so that rather than discriminatory arrangements the developing countries would all have equitable access, on a non-discriminatory basis, to the markets of the advanced countries.

When one thinks of the innovations in international behavior and organization marked by the International Monetary Fund, the World Bank and the GATT in the early postwar period it would not seem unreasonable to hope for new initiatives of comparable magnitude. In the financial field the Special Drawing Rights are such an initiative. For instance, it seems to me that the moment may have arrived when consideration could be given to improved techniques for objective, authoritative fact-finding in defined commercial policy areas. Systems of fact-finding could lead to new methods of arbitrating disputes so that the world could move beyond the present primitive system of compensation and retaliation. But this is no more than illustrative of the need for new ideas and a plea that this is an area in which the Community is cohesive, where it has a major economic self-interest and where if it does not act no one else will.

There is one final area where European initiatives could be particularly helpful, if not essential, and psychologically of great value. I am not much impressed nor do I think the Commission is much impressed by the institutional means the Community and the United States have for working out solutions to problems. As a prefederal entity the Community is bound to find problem-solving difficult within the present political structure where authority is distributed among the Commission, the Council of Ministers and the Member States. As our governmental system has somewhat similar characteristics we understand your procedural difficulties. But if the problems that arise day to day between the Community and the United States are not to overwhelm us, then new and more effective arrangements ✓ must be devised.

V.

My initial optimism, the long view, even my critical assessment of America and Europe: all of these rest on certain important assumptions.

The first assumption is that we are bound together by common interests not threatened by conflicting interests. These common interests include defense, balanced economic growth, the only dimly appreciated problems of the postindustrial society and our relations with the developing nations.

Second, our economic relations are basic, extensive, complex and will inevitably be marked by points of friction. If the political goals of Europe are obscure or if we lack a political framework for our relations, then we run the real risk that the problems and the friction will dominate our affairs.

Third, governments by their nature have a limited span of attention -- there are only so many problems or crises that can be handled with imagination and skill. Given our own domestic and foreign problems it is unreasonable to believe that the complex issues related to the immediate development of the Community will compete successfully with other urgent matters before the American Government. This means to me that from its base of economic strength, its sense of responsibility and indeed in its own self-interest, more active European leadership in steering Community-American relations is in order.

Fourth, unfortunately there are limits to the pace and the degree of political innovation, change and progress that can be realistically anticipated. The task of European unification is herculean. If the pace is less than the public expects then governments must accept the responsibility of explanation in order to ease the frustrations of an impatient public.

My final assumption is that the dangers in transatlantic relations today arise not from any calculated policies, either American or European, but from misadventure. Preoccupation and introspection on both sides of the Atlantic provide the breeding ground for unintentioned conflict. Out of this action and reaction it is unfortunately not inconceivable that irreparable damage could be done. In a sense this is the sad lesson of modern history -- to see only in retrospect where the critical errors were made.

If I may end on a carefully optimistic note. I have not the slightest doubt that American interest in and support for the European Community can be revived. Nothing has really shaken the American support for this ideal or seriously altered our recognition that a structural change of this magnitude would involve short-term costs and adjustments by the United States. While the progress made at The Hague summit and at the subsequent Council of Ministers meetings is important, it is not enough. To assume that any progress that satisfied the Europeans will satisfy America is very risky. In fact, in the absence of some special European effort the American reaction is just as likely to be that Europe is engrossed only in its own affairs, with slight attention to their effect on others, and that European

unification is less the basis for a more effective Atlantic relationship than the construction of Pax Europa.

An American Ambassador said once of a small Latin American country to which he was assigned, "The situation is hopeless; but not serious." The problem of relations between a dynamic and expanding European Community and the United States is serious, but far from hopeless.

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