

OPENING ADDRESS DELIVERED BY JENS OTTO KRAG,  
HEAD OF THE DELEGATION OF THE COMMISSION OF  
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Mr. President:

It was with great pleasure that I received the invitation, and it certainly is a great honor to be given this opportunity to open the Annual Foreign Affairs Conference of the Academy. It is a most impressive audience. I find it very gratifying to speak to an academic audience of young people like those of you present.

I propose to tell you a little about my view of the present U.S.-European relations in general and a little on the European Communities relations with the United States.

We are today in the Western world hit by seven plagues, just like Egypt was hit according to the legend from the Holy Bible. We have inflation, recession -- some say depression --, the energy crisis, high food prices, high interest rates, floating exchange rates, and finally record-high unemployment. And everything points in the direction that

unemployment will be even higher. The plagues of Egypt came one after the other, but we have gotten them all at one time over our sinful heads. The present difficulties are no doubt the biggest which have hit the Western industrialized world since World War II.

The inflation will probably stay with us for the rest of our time, although we can hope that it will be reduced in size. But still in reduced size it will be an illness -- a cancer -- in our economic system.

The energy crisis or the oil revolution which it, to my mind, should be called, can only be solved over a number of years.

Unfortunately, the preliminary meeting in Paris of oil-exporting and oil-importing countries broke down due to the deep differences between the participants. In spite of that, the most optimistic development in this field, in my opinion, is the creation of the International Energy Agency in which a far-reaching program for emergency sharing of oil in the event of another cutoff

has been created. In this field, Europe and the United States have shown great cooperation.

The recession and the unemployment can be solved through the known means ... lower interest rates, easier money and credit and, as far as the U.S. is concerned, larger budget deficits. It is of crucial importance that this happen. It is much more important to stop the recession than to stop inflation. Inflation is to my mind secondary although also important.

The truth is that, since we have gotten the plagues at one time, we will also have to regard them as a unity. A full-fledged depression with a long lasting high unemployment would probably weaken the free western world far more than inflation. The result of inflation will show up in the longer run. But right now it is necessary to fight recession and unemployment vigorously.

Our crisis is self-reinforcing and getting deeper and deeper, if our governments do not act rapidly.

It not only affects the elements I mentioned just before; the oil revolution also creates big deficits in the balance of payments both in the Western industrial world and for the non-oil-exporting LDCs, while neither the Soviet Union nor China are touched by these developments. Both of them are net-exporters of oil. China will by 1980 be an exporter of one million barrels per day.

Plans for recycling capital have been made and will, I hope, be carried out successfully. But, recycling is only a temporary solution. It creates a whole series of new debts between countries. Some experts only regard these debts as a question of bookkeeping. This is not reality. Through the oil revolution the power structure and the economic structure of this world have been changed, and it takes a lot of courage to regard this as just a bookkeeping question. Important circles in the U.S. believe in the possibility of a sizeable roll back in the oil prices. The recent Paris negotiations with the OPEC countries did not show much reality in this hope.

Recycling will however be an absolute necessity for carrying the Western industrialized nations over the first hump which I expect to last some years before the necessary adjustments in national economies can be made.

A certain movement of the short-term oil money into longer term investments and maturities has been noticed over the last six months which, among other things, has eased the strains in the European money market over the past few months.

In the longer run it will, of course, be a necessity to deal with our collective oil deficit which will mean a sizeable transfer of real-term resources, i.e. factories, plants, machinery -- all kinds of equipment -- not too many military weapons, I hope, from the oil-importing to the oil-exporting countries.

In the energy conservation field, I also see some hope in the fact that there was an average drop of 6 percent in 1975 in oil consumption in

the nine Common Market countries. Most of this is attributed to higher prices rather than to other efforts. In the U.S. the drop was only 2 percent. And it will not hold unless new and strong measures are taken.

The Bretton Woods agreements are ruptured and the most important currencies are in a state of what polite people call controlled floating.

With this background, it is very important to get an effective start to the multilateral trade negotiations which will and can maintain the momentum towards further liberal world trade.

The multilateral trade negotiations offer the opportunity for a more open trading system giving developing countries improved access to export markets for their agricultural and manufactured products. Substantially lowering the high level of effective tariff protection maintained by the industrial countries would give the developing countries a fuller opportunity to realize their potential gains from primary production.

All of the carefully built solutions and institutions may seem inadequate. A number of them have cracked and others fallen into pieces. Old alliances are questioned, and weak governments seem to be prevailing in the West.

The U.S. Secretary of State, Dr. Kissinger, seems to believe that the Western world, as we know it today, is weak and that the present democracies have not been strong enough to cope with the new challenges.

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This, to my mind, is perhaps a bit too pessimistic. If we analyze our basic institutions we will be able to find solutions to cope in an orderly and democratic manner with these problems. I think it is fair to look at the two basic pillars in the relationship between Western Europe and the United States, i.e. the defense alliance in the North Atlantic Treaty Organization and the U.S. support for European unity.

The NATO Organization has had its cracks. France decided some years ago that it could not participate



fully. France is however still a member of the Atlantic Alliance.

If some people think the Atlantic Alliance seems a little outdated or even a little shaky, it is not due to France. Indeed, in the United States it is threatened by a certain isolationism expressed in repeated demands for the withdrawal of American troops from Europe.

For my part, I believe that détente requires vigilance and that this is not the time to lower our guard. On the contrary, we see that the Soviet Union and the Warsaw Pact countries have slackened neither their presence nor their military efforts.

As far as Portugal and its membership is concerned, I am of the opinion that one should be very worried. I hope that the elections there will be a victory for the democratic forces. I further believe that the interest of the Soviet Union in détente is so deep-rooted that it in no way will try to ruin the carefully built relationship with the United States and the West European countries.

In the United States it is often believed that Europe has prospered at the expense of the average American taxpayer who pays the bill for Europe's defense.

The reality is that the U.S., as of now, maintains a military presence in Western Europe of a little more than 300,000 defense and defense-related personnel. The U.S. commitment to the North Atlantic Treaty Organization accounts for about 22 percent of the Defense Department's annual budget. This figure includes all the costs for the forces pledged to NATO in case of emergency, including troop-stationing in the United States and in other non-European parts of the world. The U.S. military commitment to Europe does as much or more for Atlantic security as it does for European security. Europe's contribution to the Atlantic security has been steadily increasing. The defense expenditures of the Common Market member countries rose between 1972 and 1973 from \$ 31.2 billion to \$ 41.4 billion, i.e. more than 30 percent. European forces, including Greece and Turkey, comprise about 90 percent of the ground

troops, 93 percent of the sea power and 93 percent of the air power of the NATO forces in Europe. The operating costs of maintaining U.S. forces in Europe amount to about \$7.7 billion, the E.C. countries in NATO, except Ireland and France, spend more than \$30.2 billion annually on NATO which is "America's first line of defense".

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The other basic pillar in the U.S.-European relationship has been the constant U.S. drive and push for European cooperation and European unity.

Europe is being built but does not exist yet. We Europeans do not seem to have a very clear idea of what we want; we are still divided on many issues; we lack a common political purpose.

The United States, which did so much in the past to encourage the forging of European unity, was for a period suddenly frightened at the sight of what looked like a competitive power appearing. The U.S., for a while, seemed to say "be independent but follow us", while the Europeans seemed to say that they would be independent in opposition to the U.S.

But this is absurd. It is clear we want an independent Europe, one that exists in today's world, but this Europe cannot be built up in opposition to the U.S. To the contrary, we in Europe are aware of the fact that we belong to the same Western civilization, that we have common values to defend, that we are all together, a minority in the world, and that, consequently, we must stick together.

Such solidarity, however, does not mean that the United States should interfere in European internal affairs. It does not mean that if we discuss cooperation with the Africans and with the Arab countries, we should first ask permission in Washington. We believe that the United States has everything to gain from the creation of a European entity which will bring an increase in the influence of the Western concept of life.

With the further development of the European Communities, what happens in the next hundreds days is of utmost importance. By this I mean whether Great Britain will decide to remain in the Community, or if the referendum will show that the British people

wish to withdraw. It would be a great loss for Europe if Great Britain does not stay. Likewise, it will of course be a loss to Great Britain to be outside the European decision process. I hate to predict anything. But my wishful thinking is that Great Britain will remain in Europe.

With this wishful thinking I will finish with a citation from a British journalist from an article on Europe. It goes as follows:

"Our purpose is to show, that the area called the European Economic Community happens also to be the area where there is more wit and wisdom per square mile, more beauty and brio, more drama and dialectic, more fun and entertainment, than anywhere else on the face of the globe. Belonging to a great Community should not only mean wider markets for material goods. It should also mean an expansion of cultural stimuli and satisfactions. It is time that Europe ceased to be associated in the public mind with arguments about tariffs, quotas, committees, headquarters, taxes, important as all these are, and become again synonymous with "la douceur de vivre". The Sweetness of Life."

When will the Year of Europe come?

I agree with Commissioner Simonet who in an article in Foreign Affairs of April 1975 says: "Do the Europeans want to live up to the stern conditions of a real Community that involves not only a common market and common economic and financial policies but also a common political vision and a common decision center, on all the issues which are of a fundamental European concern and interest? It is only when they are able to answer that question that the Year of Europe will have arrived and that they will have discarded the prophecy made some 50 years ago by Paul Valéry: "L'Europe aspire à être dirigée par une Commission américaine. Toute sa politique l'y dirige.""

Thank you.