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PUBLIC AFFAIRS OFFICE UNITED STATES MISSION TO THE EUROPEAN COMMUNITIES

STATEMENT BY AMBASSADOR J. ROBERT SCHAEZEL
U.S. REPRESENTATIVE TO THE EUROPEAN COMMUNITIES
BEFORE THE SUBCOMMITTEE ON EUROPE
(LEONARD J. FARBSTEIN, CHAIRMAN)
COMMITTEE ON FOREIGN AFFAIRS, HOUSE OF REPRESENTATIVES
March 23, 1970

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I

Unless the Committee wishes otherwise I shall not take your time with an exposition of the structure of the European Economic Communities or of its considerable accomplishments. I have a descriptive paper which I should be glad to offer for the record if you wish.

II

Perhaps the first question is just why the Western Europeans have launched themselves on this extraordinary venture, so contrary to their history and fraught with many economic and political difficulties. Everyone will have a somewhat different answer to this question. It arose out of the disaster of the Second World War, a war in which each of the Six nations had been occupied or defeated. It arose out of the clear and present danger of organized Soviet military force on their eastern frontier. It arose out of the task of rebuilding battered economies. And finally, and increasingly, it rests on an exciting vision Europeans have had through recorded history of uniting Europe. More recently such a Europe is seen as the only real means whereby they can avoid being squeezed to death between the two superpowers.

To an outside observer the extraordinary thing is the degree of popular support European unity enjoys. In a recent poll taken in France, 73% of the people interviewed indicated their support for European unification. Fifty three percent said that they would be willing to make certain sacrifices in order to bring Great Britain into the European Community. In Germany, a poll taken last November showed that 52 percent of the population feels the present government of Willy Brandt should make a strong effort to work for European political unification, while an additional 19 percent believe some effort toward this goal should be made. It should be noted that the age profile shows that the strongest support comes from the youth. Even those in France who describe themselves as Communists vote more than 53 percent for the European Community despite the official hostility of their masters.

A further factor that indicates the strength of the movement has been the decision of the British, after having held aloof, to seek membership, first in 1961, again in 1967 and with negotiations in prospect within the next few months.

One of the complicating factors in this situation is the fact that the Europeans are seeking a political goal -- unity -- through economic means. This tends to baffle and confound Europeans, as it does outside observers, many of whom become impatient with the complexity and slowness of the process. Indeed, critics of the concept rest their case more on the impossibility of the task than its lack of merit.

Another evidence of the power of the ideals that any European political figure seeking the support of the electorate insists that he is for European unity and the European Communities.

III

This Committee has expressed a special interest in the relations of the West with the East, especially of Western Europe with the Soviet Union and Eastern Europe. The Western Europeans see no incompatibility between the quest for unity and improving relations with the East. Perhaps the critical question has been how the German interest in the bringing together of the German people could be reconciled with their consistently strong support for the Community. Chancellor Brandt has summarized it as "Unity with the West; detente with the East." During his recent visit to the United Kingdom he stated that West Germany's "Eastern policy starts in the West and can only be successful as long and as far as we get the support -- political and moral support -- of our Western partners."

An enlarged Community of Europe, including Great Britain, the German Chancellor went on, "must be open to the world and stand up to its international responsibilities. It must also consider itself as a platform from which its partners may jointly work so that the separate parts of Europe, separated by the East-West conflict, can move toward each other through practical measures."

While bilateral trade agreements remain between individual EEC Member States and the Eastern nations, a decision has been made that these will be phased out. In the intervening period the Commission has a responsibility for surveying and insuring that the existing bilateral agreements are not inconsistent with the general interests of the Community.

In the meantime the Communist nations, with the exception of Yugoslavia, doggedly refuse to accept the de jure existence of the Community. For them, the European Community remains

as it has been from the start: a capitalist plot, condemned to dissolution due to the warring nature of capitalist states; a creature of NATO; a means of German revanchism. Despite this rhetoric, the Poles, Rumanians and the Czechs have entered into modest agreements covering certain agriculture products. However, there is no sign as yet of any basic change in Communist dogma on this subject; there is some evidence of increasing Soviet apprehension with the new vigor of the Community and the prospect for its enlargement.

IV

The second question and one closer to home is the consideration of the Community and its further development from the standpoint of our own interests.

Official United States Government support has been consistent and unwavering from 1950 to the present. On February 18 in his Foreign Policy Statement, President Nixon put it in these words: "Our support for the strengthening and broadening of the European Community has not diminished. We recognize that our interests will necessarily be affected by Europe's evolution, and we may have to make sacrifices in the common interest. We consider that the possible economic price of a truly unified Europe is outweighed by the gain in the political vitality of the West as a whole."

You will note the emphasis the President places on the political benefits. One of these benefits has become part of history and hence is ignored when it comes to striking the balance. In 1950, hardly five years after the end of a disastrous war, the French Foreign Minister, Robert Schuman, through the means of the European Coal and Steel Community proposal, in effect was suggesting the institutional means for a permanent reconciliation of these old enemies - France and Germany. In 1950 it was residual fear, hatred and immediate recollection of devastation in France that made this gesture to a broken Germany historic. Today the Community provides the framework within which a dynamic and powerful German is accepted by her neighbors without apprehension. Indeed, Chancellor Brandt at the recent Summit Meeting in The Hague spoke what many have thought but feared to express. "Whoever may fear that the economic strength of the Federal Republic of Germany could cause an imbalance within the Community ought to be in favor of (its) enlargement for this very reason."

In my view it is at the level of political psychology that the process of unity may be now and into the future of the greatest importance to us, as it is to the Europeans. There is restlessness among many Europeans as to their relative impotence in the global affairs that preoccupy the superpowers. They recognize that a Western Europe of separate nation states has no chance of altering this situation. Prime Minister Wilson, in noting recently "that the tide is now

moving in the direction of an enlarged and increasingly integrated Europe," has warned that "If we stay divided the opportunities of the coming years will be lost to us."

President Pompidou has said that "Europe is still lagging behind economically, technically and in other fields, especially if you take each country separately. It is up to Europeans to fill the gap," he has urged, "and to take concrete steps along the path which, it appears to me, the Americans have outlined."

Even with respect to the growing unease in Europe as to how they can cope with the giant American multinational companies, a problem dramatically identified by Servan Schreiber, the Europeans seek the answer in the perfection of the Community and the establishment of a political-economic environment that will allow competing European firms to develop. Just recently Prime Minister Wilson called for European cooperation for restructuring industry on a European scale. He not only pleaded for the creation of more European firms, but for the development and reconstruction of many European industries in order to close the technological gap between the United States and Europe.

This European impulse is consistent with the President's Guam doctrine that we will base our foreign policy increasingly on the willingness and ability of other nations to take the lead in matters of their own defense and progress. One result of The Hague Summit Meeting last December has been the launching of a new inquiry by the Six European foreign ministers looking to the establishment of some form of political union. In addition, discussion is beginning of the need for new movement in the field of defense. For instance, the Bow Group of the British Conservative Party has just issued a report setting forth a number of specific recommendations in this area.

V

It is at the economic level that we have seen and experienced the benefits of the Community and felt some of the dislocations. The growth of production and trade within the Community in its first 10 years contributed significantly to the expansion of international trade. We have benefitted from this. Our total exports to the European Community increased by over 140% between 1958 and 1969, from 2.9 billion dollars to almost 7 billion dollars. We have traditionally had a trade surplus with the EEC which has averaged over \$1 billion annually and which exceeded \$1 billion in 1969. Non-agricultural exports to the EEC increased by 174% between 1958 and 1969. The Common External Tariff of the Community on industrial goods is relatively moderate (averaging less than 10%) and will be even more so (averaging about 8%) when all the Kennedy Round cuts are in place less than two years from now. This should help the future growth of US industrial exports.

The picture is less favorable in agriculture. While American agricultural exports to the EEC nearly doubled from 1958 to 1966 - from over \$800 million to nearly \$1,600 million -- in the next three years they declined about \$300 million. It should be noted, however, that US agricultural exports to all third countries dropped about \$1 billion during the same period. Excessively high Community internal price supports without production controls, combined with a variable levy system, have adversely affected our exports of wheat, feed grains, and poultry. Our exports of tobacco and soya products, however, have held up well.

In many ways the American businessman has been quicker to see the potentiality of the Community than has been his fellow European.

In 1958 US direct investment in the EEC was only \$1.9 billion; in 1969 it was \$9 billion. The annual earnings from this investment in 1968 were approximately \$540 million, of which \$101 million were reinvested in the European Community, thereby leaving the sum of \$439 million as income on direct investment.

In addition, U.S. firms received about \$281 million in the form of fees and royalties from their direct investment in the Community.

There can be little doubt, but also little exact proof, that the Community has been a critical factor in the phenomenal trade growth of Western Europe; to a Community GNP that has grown on the average over 5 percent each year; to the political and economic stability which is the important aspect of the European scene rather than the occasional political crisis that catches the headlines.

The European Communities, both as member states and through its own institutions, has played a significant role in aiding the less developed countries. Most of this assistance has naturally gone to the former colonial areas in Africa which as independent nations are associated with the EEC through the Yaounde Convention. According to the OECD, the EEC and the member states together transferred more than \$4 billion to the LDCs in 1968. This amounts to almost 1.1 percent of their GNP as compared to \$5.8 billion or 0.66 percent of our GNP. As World Bank President McNamara said recently, "the aid given by the Europeans has been rising while ours has been declining."

There can be no doubt that the Europeans are entering an active phase in the construction of Europe. Indeed, there is a strong determination both in Community institutions and in the member states to achieve economic and monetary union by the end of this decade. Work is well underway toward this end. They are also developing industrial and energy policies

and recognize the need to bring under control their excess agricultural production. In addition to this new movement in internal development the Community is preparing itself for negotiations with Britain and the other three applicant nations, Ireland, Norway and Denmark. It is the Community's objective that these negotiations should begin before this July.

VI

Experience has shown that the process of unification proceeds by spurts, marked by periodic crises and all-night marathon sessions. I see little likelihood that the process will become more orderly or predictable in any exact sense. Yet I am equally convinced that a prudent man would accept the European Community as a permanent economic and political aspect of the world scene. He would also anticipate that the negotiations with the applicants seeking membership will be successful. Looking even deeper into the future, the drive for unity has such underlying force that it would be surprising if during the 1970's progress were not made in both the political and the defense fields.

It is the mission of this Committee to probe the future. A European Community, assuming for the moment one that includes the four applicant states, will have a GNP second only to that of the United States. In recognition of this significant fact, to say nothing of our common security and defense interests, Europe and the United States must be prepared to accept a common challenge: together we can help shape a better and more productive world; if we become at odds we certainly have the individual and collective capacity to poison our political relations and to wreak havoc on the world economic system. What this suggests to me is the high urgency of devising new methods for quiet, informal but continuing discussion between the United States and the Community, perhaps developing new institutional arrangements to contribute to this essential task. In their February annual report the European Commission expressed its own concern about relations with the United States and I know that President Rey looks upon this as one of the principal pieces of business before the European Community.

What are the major issues between the Community and the United States that require now and in the future the kind of quiet, mutual effort that is so important? Non-tariff barriers, agriculture, and tariff preferences are presently the most pressing ones.

We both recognize that non-tariff barriers just be reduced if there is to be a continuing expansion in world trade. Much of the preparatory work has already been done in Geneva. What is needed now is action and an awareness of the benefits that will accrue to us if we act in concert with the Community, as we did in the Kennedy Round, to tackle this row of obstacles. A

real beginning could be made in this direction if the President were able to obtain, as he has requested, Congressional action to repeal the American Selling Price. Rightly or wrongly, ASP is considered by the Europeans to be a classic example of a non-tariff barrier. Within the European Community it has taken on a psychological importance to such an extent that its repeal is regarded as a test of faith of this country's genuine belief in freer trade.

Agriculture, which has become a new challenge for the Atlantic relationship, deserves no less attention. The U.S. and the Community must work together towards a more coherent management of agricultural problems. If we each should ignore our obligations and common interests in this field, and pursue independent policies, then clash is inevitable with concomitant costs to world consumers and producers alike.

Dr. Bator noted in testifying before the Boggs Committee that "agriculture will pose the most difficult problem in Atlantic trade relations during the next few years." He urged that the United States "exercise great patience" for Europe is at a stage "in its agricultural revolution where supply is bound to outrun demand at prices tolerable in terms of domestic politics, even though people are leaving agricultural employment in droves."

Of special relevance to the trade interests of the developing world is the effort to find a means for a liberal system of generalized tariff preferences. Again, the degree to which the United States and the European Community can concert policies and actions in this sphere will to a large extent influence the attitudes of other developed countries. And in this matter of a better deal for less affluent societies, our common responsibility could not be more apparent.

To get the full and impressive benefits from this growing Community will require on our part, it seems to me, a sensitive, even generous appreciation of their political objectives -- and problems, and as we confront short-term difficulties we should bear in mind, as the President has suggested, the long-term political and economic benefits. We will need persistence in finding means of solving difficult and recurrent problems. For those problems for which there seem to be no immediate remedy, it is essential that we and the Europeans keep these from poisoning trans-Atlantic relations and distracting us from our perception of the transcendent importance of the European-American interdependence.

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AMBASSADOR SCHAEZTEL URGES EXPANDED CONSULTATION BY U.S. AND EEC

Washington, March 25, 1970 -- The United States Ambassador to the European Communities, J. Robert Schaezel, has told a Congressional Sub-Committee of the "urgency of devising new methods for quite informal discussions between the United States and the European Economic Community.

He said such consultation is necessary to resolve differences between the United States and the EEC on such matters as non-tariff barriers, agriculture and tariff preferences.

Ambassador Schaezel testified March 23 before the Sub-Committee on Europe of the Foreign Affairs Committee of the House of Representatives.

He reminded the Congressmen of the full support that the President had given to "strengthening and broadening" the European Community in his recent (February 18) foreign policy statement, and called for increased cooperation to improve relations and increase trade.

Ambassador Schaezel pointed out that "inevitably" there will be problems between two such large economic entities as the United States and the EEC, but discussions and negotiations are going on constantly to reconcile differences.

He pointed out to the legislators that much of the preparatory work has been done in Geneva towards reducing non-tariff barriers, and added that progress could be speeded if Congress were to repeal the American Selling Price (ASP). He said that many Europeans regard ASP as a "classic nontariff barrier" and consider its repeal as a "test of faith of this genuine belief in freer trade."

The American Ambassador to the EEC stressed that the U.S. and the Community must work together "towards a more coherent management of agricultural problems." He warned that "if we each should ignore our obligations and common interests in this field, and pursue independent policies, then clash is inevitable with concomitant costs of world consumers and producers alike."

Ambassador Schaezel also said that the United States and the European Communities have a "common responsibility" to work out a system for liberal trade preferences for manufacturers from the developing countries.

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