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MYTHOLOGY AND THE LOST ART OF EXORCISM

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A REVIEW OF U.S.-WESTERN EUROPEAN RELATIONS IN 1972

(Remarks by Ambassador J. Robert Schaetzel, United States Representative to the European Communities, before the American Chamber of Commerce in Vienna, Austria, March 6, 1972)

I

In casting about for those words that quickly describe our world certainly "paradox" is one. This century has seen unbelievable progress in the techniques of communication and yet one result seems to be less and less sure knowledge about more and more real problems. In commenting on the contemporary scene the Washington Post's correspondent, David Broder, said, "Anyone who thinks he knows what is going on could not have been paying attention."

There can be little doubt but that we exist today in a more literate world, in the sense that more people have the capacity - if not the consuming desire - to read. Along with this media evolution has come what could be called the calculated destruction of words; the systematic draining of content. Only a few examples are necessary. By employing "democracy" to describe Eastern totalitarian regimes this venerable word now has taken on, in effect, absolutely antipathetic meanings. In a way the words "free trade" or "freer trade" mean different things to different people. The discouraging notion intrudes that free trade tends to mean how others should behave; but don't.

My somewhat exotic title has not been chosen for entirely bizarre reasons, but actually because mythology is so basic to the problems that beset the whole field of foreign economic affairs, and of European Community-United States relations as well. If mythology is the problem, perhaps this is so because we are all to a degree possessed by a new form of mythomania.

a disease Webster defines as a certain propensity for exaggeration. To exorcise this almost universal malady one must begin with the truth or facts - although unfortunately there is no inevitable correlation between the two. And sadly enough too many people find either the truth or facts boring; certainly disconcerting. I would also suggest that the mythomaniacs of this day have a congenial terrain on which to work their magic. The broad area of foreign economic affairs is so complex that everyone is susceptible to blandishment, while at the same time ready to believe the worst if given the chance.

You need not draw back in total apprehension: This is not to be a comprehensive or exhaustive review of current mythology. It will be at best illustrative, with the hope that a few of you may be tempted to try your hands at the old art of exorcism.

In the next few minutes I shall present for your examination three illustrative sets of myths: First, the principal myths held in America about the European Community; second, certain myths which seem to possess Europeans when they THINK about America; and third, certain myths which both Americans and Europeans share.

II

Perhaps the most pervasive myth alive in the United States about the European Community is that a fully effective Community already exists. Little informed about the complicated and early state of the European Community development Americans have arrived at a point of anticipation or expectation far beyond the present state of affairs. This unrealistic American assumption becomes the basis for expectations with regard to European performance which are, unfortunately, unfulfillable - at least for the moment.

An even more widely held American myth, or conviction, is that the European Community is protectionist - and will become more so. Related to this is the sneaking suspicion that behind the Common External Tariff and the Common Agricultural Policy lies a defense in depth of European non-tariff barriers. In this connection the TVA system and the border taxes are presented as notable examples of a sinister labyrinth of cleverly deployed restrictive devices. Further, Americans are convinced they have had to take some 40 percent of Japanese exports while Europe takes only four percent because of the network of quotas maintained by the latter.

All of these allegations are generally false, or at least not generally accurate. The European Community's trade policy and practices are certainly no more protectionist than those of the other major trading nations, including the U.S. In all fairness, the Community cannot be singled out for special rebuke. Broadly speaking Europe seems to have neither more nor less NTB's - so we learn from the recent GATT review. And that organization and the OECD, after lengthy inquiry, concluded that the border tax as related to the TVA was essentially neutral as far as imports and exports were concerned. While Europe does maintain special - and at this stage of history, antiquated - restrictions against Japan, the low level of Japanese exports to Europe seems due more to Japanese uninterest and the several oceans that separate Japan from Europe than to European restrictions. In short, the Japanese have not, until the present, displayed their usual energy in attempting to develop the European market.

There is also alive in the United States the apprehension that an enlarged European Community, with special arrangements that may well encompass some 70 countries, will become a new empire system, and inward-looking at that. It is less easy to argue away the implications of this spreading area of interlocking trading arrangements. It is an almost absent-mindedly conceived system, pursued with little apparent reference to its impact on the most-favored-nation principle, a factor basic to the highly beneficial free world trading system we all enjoy.

On the other hand, there is certainly an alternative future available. An enlarged Community, and the associated industrial countries, have an overriding economic and political self-interest in the strengthening not the weakening of the international trade and payments system. The trade packages recently concluded by the U.S. with Japan and the European Community both contained strong declarations of intent to enter into new and comprehensive international trade negotiations. Whether the Community is to be inward --- or outward-oriented will depend on the future --- and on the determination and political will that each of the advanced countries brings to these important affairs.

There is an insidious myth to the effect that Europe prospers behind American strategic and general purpose defense forces while it turns its own manpower and resources to immediate selfish benefit. This bitter conviction that there is a prosperous Europe defended by the United States is at the root of much of the continuing pressure brought to bear on the Administration to reduce its military presence in Western Europe. In point of fact the United States has 310,000 men in Europe. But our European Allies maintain almost three million men under arms. The annual budget cost to the United States of maintaining our forces in Europe, associated with their deployment, is three billion dollars. The

cost to our Allies of their men under arms is \$26 billion annually.

III

When Europe regards the United States it conjures up its own array of myths, just as firmly held. One that alarms is the gloomy conclusion that America is well on the way to some new form of isolationism; that out of the experience of Vietnam the United States will revert to a non-involvement in international affairs reminiscent of its pre-World War II history. There is little to sustain this fear. Indeed, the course laid down by President Nixon to reduce certain international obligations while we clearly identify and hold to priority strategic interests - especially to Western Europe - is the best assurance against any new tide of authentic American isolationism.

There is a more strident European hue and alarm: America is sliding into a new orgy of protectionism. The Mills Bill is cited, also the recently suppressed surcharge and job development credit, the threatening Burke-Hartke Bill, escape clause actions, etc. There is a real threat of a revival of protectionism in the United States. This threat is largely a function of our recent economic performance - under-utilized capacity, inflation and high unemployment. In passing it would be well for Europeans to ponder what their foreign economic policies would be if faced by six percent unemployment, close to zero growth rate and a major balance of payments deficit. The fact of the matter is that the Administration has forcefully, clearly and successfully renounced protectionism as anything other than a retrogressive and totally unacceptable course of American economic policy.

The best illustration of the Administration's policy regarding the escape clause is the President's recent marble and travertine decision. In that case he accepted the finding that the industry was threatened with serious injury due to competition from increased imports. In spite of this finding, he decided not to proclaim the tariff increases on finished marble and travertine which had been recommended by two members of the Tariff Commission. Instead, he indicated that adjustment assistance was the proper remedy. This assistance provides relief to firms and workers in industries which are no longer competitive to help them make a transition to more economic production.

There is still one escape clause tariff remaining from legislation prior to 1962. It is on plate glass. Under the Tariff Expansion Act of 1962 there have been 24 cases where escape clause tariffs have been requested. In only one case, dealing with certain pianos, has such relief actually been granted - on February 1, 1970.

The American selling price is admittedly a protectionist device which successive Administrations have attempted to have repealed. Unfortunately these efforts have been blocked by the Congress. However, the ASP must be put into perspective. It applies chiefly to benzenoid chemicals, which account for only 10% of all U.S. domestic chemical shipments. While imports would undoubtedly be larger without the ASP, the benzenoid chemicals account for only a limited portion of the overall demand for chemical products. Many Europeans believe the U.S. has gained an unfair advantage from the Kennedy Round by failing to implement the elimination of ASP. This is just not true, since the quid pro quo for its elimination has not been implemented by our trading partners.

In a speech February 9 to the White House Conference on the Industrial World Abroad the President made the following remarks concerning U.S. foreign economic policy: "I do not believe that America has given up, that it will give up. Nor do I believe that we in America, because of the competition we face, will try to build a wall around ourselves. . . . If we were ever to permit this nation to turn isolationist in its foreign policy, we would be inviting another war or the destruction of our freedom. . . . If we were to let this nation turn protectionist in its economic policy, we would be inviting a trade war - and like the other kind of war, every nation on this planet would lose. We are not going to let either of these things happen. . . . We are not going to become isolationist in our foreign policy and we are not going to become protectionist in our economic policy. We are not about to forget the secret of the world's highest standard of living - a competitive spirit that results in rising productivity."

An especially sturdy myth is the thought that America, which strongly supported European unity in an earlier period, has turned against the European Community and its enlargement. The myth is furbished by such notions that America really was not serious in its earlier support; or that now that the Community shows signs of life and strength, even independence, America now fears and wishes to suppress the stirrings of this new competitor. It is hard to exorcise this particular European apprehension, despite the reiterated public and private statements of the President and the Secretary of State. The President's Foreign Policy Report of February 9 is categorical:

"When Great Britain, Ireland, Norway and Denmark signed the treaty enlarging the European Community on January 22, I issued a strong statement welcoming it and emphatically reaffirming our traditional support for the advancement of European unity. . . .

". . . (The) essential harmony of our purposes is the enduring link between a uniting Europe and the United States. This is why

we have always favored European unity and why we welcome its growth not only in geographical area but into new spheres of policy.

"We continue to feel that political and defense cooperation within Europe will be the fulfillment of European unity. European and American interests in defense and East-West diplomacy are fundamentally parallel and give sufficient incentive for coordinating independent policies. Two strong powers in the West would add flexibility to Western diplomacy, and could increasingly share the responsibilities of decision. . ."

I suspect that part of the European suspicion that American policy may be changing comes from confusing vigorous American observations on certain specific European Community policies with an attack on the Community as such. As one can easily discern from the newspapers, there are points at which we are at sharp issue with Canada; as they are with us. Yet certainly neither Canadians nor Americans see the argument as indicating a thinly-veiled attack on the actual existence of the other.

Probably the only fully effective way to deal with the European-based myth as to presumed American reservations about the Community is success in its mission - for the Community to become more unified and thus be able to play the world role to which it aspires. In a way it is this transitional or intermediate period of Community development that brings distress, fear and a general malaise.

Another pervasive myth is that the United States is opposed to the neutrals in general, and especially to their finding an accommodation with the enlarged Community. I suspect that there has been a certain self service in this rather pat conclusion. If American policy is assumed to be general hostile then one does not need to examine the real American concerns or the real problems. I submit that it is in both the Community's and the neutrals' interests to search for the underlying and serious concerns that bother America.

The principal preoccupation of the United States is to avoid a further erosion of the international trading system. We recently had in Brussels 15 members of the Ways and Means Committee of the House of Representatives, the first time that this important Committee had travelled abroad. In four days of intense discussion with representatives of the various institutions of the European Communities it became clear that the major concern of the Congressmen was the preferential system of the Community - and more the policy implications of this system than its adverse trade effects. What baffles and even irritates many Americans is the apparent inability of the Europeans to see all the implications of this policy and

to weigh carefully the advantages and disadvantages of further preferential arrangements centered on an enlarged Community. My own conviction is that Europe is slowly becoming aware of ramifications of this problem. The proposed new round of major trade negotiations has the potentiality of draining this issue of its present substance and contentious quality.

One of those myths that has great and indeed growing vigor is the European conviction that the American balance of payments deficit has provided a cost-free means for American companies to "buy up Europe." Actually there is no direct relationship between the U.S. balance of payments deficit and funds used by American corporate interests to acquire foreign enterprises. To begin with, most U.S. direct investment in Europe has been by expansion of companies already in place or creation of entirely new subsidiaries rather than by acquisition. Moreover, funds which have been used for acquisitions could have and may well have been raised abroad. It is not at all unusual for American affiliates to participate in the capital markets of host countries. Most of them are good corporate citizens. A recent study of American subsidiaries in France indicated that proportionately they paid more taxes and contributed more to exports than French-owned firms. U.S. firms operating in Europe have a much stronger relationship with European balance of payments surpluses than with American deficits.

IV

Our common myths are legion. It is the despair of economists that the Western world seems possessed by certain remarkable myths, such as: "Exports are good; imports are bad"; and, "A balance of payments surplus is virtuous; a deficit, a clear sign of a wasteful and sinful life." To any economist a persistent balance of payments surplus amounts to nothing more than a transfer of resources to foreigners; at best, the building up of a balance to be drawn upon at some future date. And one can only hope that the recent financial crisis may have begun the process of exorcism. Perhaps in the coming years surplus as well as deficit countries will feel the obligation to adjust their exchange rates if the imbalance is caused by structural problems. We have all paid an excessively high price for the tenacity with which countries have clung to certain economic myths in this vital area.

One of the most pernicious myths can be put in these terms: "Our agricultural policy, if not perfect, is at least essential for domestic social and political reasons; your agricultural policy is bad because of its international effects and, furthermore, we are not much impressed by your internal political problems."

In point of fact all countries intervene in various ways with the objective of contributing to the incomes of their farmers. This intervention is done for both social and political reasons. Some of these policies are more harmful to third countries than others. Quite apart from the real damage that we are doing to the international trading system by our failure to get at the ramifications of this state of affairs, if the present continuing friction in the agricultural sector persists, we run the real risk of doing great harm to our general relations as well.

Another myth which shows every sign of even greater future strength is the presumed role, behavior and general effects of the multinational corporation. In a way these companies could have been the one example of the theme of this talk, for it is here that ignorance is almost complete. In an atmosphere of general apprehension and in the face of what is assumed to be a new and frightening phenomenon real facts and real considerations about the international company disappear almost completely. One can only hope that the many academic and non-governmental studies of the corporations now underway will shortly establish the bases for a deliberate and serious examination of this novel and imaginative instrument. In the meantime one cannot help but be impressed by the occasional studies, such as a recent one in Britain, which concluded, with perhaps a certain disappointed surprise, that the foreign companies had by and large the best record of performance on the local scene - in terms of wages, conditions of work, British-based research, profits, and contribution to the British balance of payments. Indeed, against almost any set of criteria these companies are performing responsibly. Within the realm of exorcism one can only plead for careful, disinterested assessment of the multinational company and caution against any spasmodic nationalistic, emotional or mythomaniacal reaction.

V

After this it might well be asked whether all problems are mythological. Unfortunately not; or rather, fortunately not. It is my experience that mythical problems are more difficult to handle than the hard and real ones, of which there are an abundance. Among Europe, Japan and the United States we do have methods, machinery and the common interest to work out solutions, if we can bring ourselves to work from the same data and information. It is when we find ourselves in the whiteout area of rampant mythology that we get into nothing but trouble.

A real problem, and one on which we are all in agreement, is that we live in a world in rapid transition. There is a consensus that the trade and payments system needs revision and improvement. We know that the disparity in the rates of growth and levels of income between the rich and the poor nations are intolerable. We certainly realize that a new Europe is in the making; and we also know along with the Europeans that one can only dimly foresee what this Europe might become - and when.

In this difficult last quarter of the twentieth century we should all try to bring to bear one important aspect of exorcism: The humble art of listening. Everyone seems quite capable of insuring that his own voice carries well; even of hearing well what he himself says. But what seems to be lacking is the intelligent comprehension of - or even the effort to comprehend - what the other person is trying to say. For instance, Europe shows little sign of understanding or even trying to hear what so many Americans have been saying about the dangers flowing from a constantly broadening European preferential system. I confess that Americans show little sign of comprehending what the Europeans are saying about the objectives they seek in constructing a more perfect and enlarged European Community.

In the Middle Ages and later centuries the more elevated forms of exorcism were directed as removing pervasive fear, for fear was the raw material of witchcraft and mythology. There is a great deal of fear abroad in the Western world these days. Fear and pessimism seem alive and well in the United States. However it is interesting to observe the degree to which European visitors to America wonder at this attitude and question its basis. For what they tend to see is a land in transition, one that is throwing new light upon old problems - and beginning to conquer some and cope with others. Certainly we would all do well to regain a degree of confidence in our individual as well as our collective affairs. If not we then stand the risk of a kind of self-fulfilling prophecy in which our most unreasonable fears may be translated into reality.

In the light of all this one may well wonder whether the final note struck is pessimistic. In point of fact, I find that there is much to be hopeful about. With some luck and great effort we have every prospect of moving into an even more prosperous and productive era. This is a period of transition and such moments are always uncertain, with not a few opportunities to lose one's way. The financial measures taken on December 18 were interim steps and must be followed by deliberate and serious reform of the system. We have only identified, and hardly begun, the task of preparing the way for another round of international

trade negotiations, negotiations far beyond anything attempted before. Yet the policy decisions of the European Community and Japan to join in the large endeavor to move toward such negotiations is a political decision of the first order. A further advantage is the growing consensus that the present international institutions and methods of work are inadequate and must be improved.

In short, despite the pervasive mythology - and in fact what may dispel it - there is a growing sense of interdependence among the democratic nations, an awareness of common problems and interests. The dynamism of a uniting Europe, an America which begins to take on new signs of economic health and renewed confidence, and a democratic world which sees more clearly the urgent agenda of work to be done - these are the important signs which are and should be the sure omens of our common future.

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