

LIBRARY

usa documents

avenue des Arts 21
1040 Brussels
Tel. 53 44 00

PUBLIC AFFAIRS OFFICE UNITED STATES MISSION TO THE EUROPEAN COMMUNITIES
January 6, 1972

THE NEW DIMENSIONS OF RELATIONS BETWEEN AN ENLARGED EUROPEAN COMMUNITY AND THE UNITED STATES

By J. Robert Schaetzel
U.S. Representative to the European Communities

441.2(13)
Atlantic Binder
DC

(An Article Prepared for Europa-Archiv, Issue No. 24/1971,
25 December 1971. Not for reprint without written permis-
sion from Europa-Archiv, to which credit must be given.)

A new and disturbing question is posed these days, both in Europe and the United States. Has the traditional American support for the cause of European unity become a thing of the past? Is Washington shifting toward hostility to the European Community? It is important to bring this question out in the open. The answer can be quite categorical: There has not been nor will there be a shift in policy. The American Administration continues its firm support of European unity, including the enlargement of the Community.

But it is not enough to leave the matter with merely a query and response. The fact that the question can be seriously considered indicates that the general situation has changed. In order that we understand the present and thus deal intelligently with the future, it is necessary to note the principal elements of change.

The 1950's were a period of dominant American economic strength; the 1970's have brought severe internal and external economic problems to the United States. The 1950's were a period of almost open-ended American commitments to assure security, to sponsor and join in efforts to develop the less fortunate areas of the world; the 1970's have ushered in a time of questioning, of painstaking assessment of U.S. interests, of determining American actions on the basis of what others are prepared to do for themselves. From a willingness to assume without question the major responsibility for the Free World's security the country has become increasingly restless in the face of inequity in the division of the burden for common defense.

There is a new quality of criticism that focuses on both Japan and Europe. The internationalism of the postwar period has been replaced by a new atmosphere of nationalism; and, as President Nixon warned during the recent International Bank and Fund meeting in Washington, "... there is a growing and disturbing isolationism developing in our country..." It is at the heart of his foreign policy to see that this does not take root

It would be reckless to ignore these elements of change and the deterioration in the general American attitude toward international matters. To do so would deny us the opportunity to arrest this drift and to find means of restoring the mutual confidence and common action that are vital to the interests of Europe and the United States alike.

Certainly a substantial part of the present American unease and questioning derives from the period of change we are entering. In addition to the far-ranging and difficult internal American problems, there is the complicated relationship between the USSR and the People's Republic of China, the new situation developing between the Western nations and the countries of Eastern Europe and Russia, and the continuing ferment in the poor nations south of the equator. The current monetary crisis forecasts significant modifications in the world trade and payments system. One of the most dramatic new elements and one of the greatest potential importance is the enlargement of the European Community. It is against this background of change and movement that the new questioning takes place.

II

What one can extract from the present situation -- Vietnam, a balance of payments crisis, domestic economic difficulties and insistent internal demands -- is that in its own way America has been groping for a partner with whom problems and difficulties can be shared. The calendar and the present stage of the European construction have conspired to deny us the associate we seek. It might be argued that given a few more years, with the new members absorbed within the Community, with the pace of European economic activity resumed, a more coherent, organized and self-confident Europe would then be able to play the role America perhaps searches for but poorly articulates.

At the moment not even the European participants are willing to predict the nature of the Community that will emerge or to indicate, for instance, what its likely development will be in the fields of foreign policy and defense. The absence of a European consensus at a moment of crisis is bound to leave the United States confused and uneasy. If there is bafflement about future directions, not a few Americans are ready to raise questions about the Europe they think they see now.

Americans have not been hesitant to criticize the preferential arrangements with the African states or with the nations bordering on the Mediterranean. American concern has sharpened about the association arrangements in prospect with the European neutrals. Certainly this should be no surprise, as American reservation about such arrangements was forcefully advanced in 1957 and 1958, and again in 1961 and 1962, during the first British negotiations.

I am not persuaded that Europeans entirely appreciate the reasons for the American apprehension about these developments. Surely worry about the adverse effects on American exports can be understood, even though in many cases this damage in the nature of things is a future potential rather than a present reality. But more fundamentally the American reaction arises out of conviction that what is at stake is the future of the entire world trading system. This system, to which we have all contributed and from which we all benefit, has been based on the most favored nation principle, on the antithesis of regional arrangements.

This battle of principle has a long and distinguished history. In 1932 that great and tragic statesman, Bruning, had approached Benes in Geneva to propose that each country cut its tariffs by 15 percent in the first year, another 10 percent in the second. The objective was to draw in the other Danubian nations and by so doing to attract to the agreement all of the European states. Bruning's purpose was to bring a halt to the process, which was shortly to produce the Ottawa Agreements, toward isolated and quite possibly antagonistic regional groupings. He feared that this drift would be totally destructive to world economic recovery. After World War II and within the same policy conception the United States attacked the Commonwealth preferences in the course of the British Loan negotiations.

Whatever may be the merit of the political and economic rationale for the arrangements that the European Community has negotiated, no serious effort seems to have been made to reconcile these arrangements with an open, non-discriminatory international system. More specifically, there has been little attention given to the inevitable effect of this slowly spreading regional system on American foreign economic policy and on the degree to which these preferential arrangements have strengthened the hands of the protectionists in the United States.

The foregoing has been one of the developments that have led to a new doubt in the United States as to whether an enlarged Community will be open, responsible and ready to exercise leadership in bringing about a more effective, liberal and equitable international economic system. Allied with this doubt there is the risk that the Community may be so absorbed with its own internal development and special arrangements with its immediate neighbors that the principal characteristic of the Community will be its inward orientation.

There is a further fear. It is argued that Europe will only unify if it has something to organize against. There are thoughtful Americans who worry that it may turn out that the new "enemy outside" is to be the United States. Unfortunately in the present tense and uncertain atmosphere it is possible to give substance to such fears through quite innocent European developments. For instance, the European desire to create conditions which will

encourage indigenous companies of size and weight equal to the American giants can be seen either as a wholesome competition or as a hidden threat to American companies. In an atmosphere of mutual confidence and cooperation apprehensions are submerged. But in time of friction, recrimination and uncertainty there is a tendency to put the worst face on coincidental developments.

III

The foregoing is more than anything an attempt to project the psychology of the situation. To some extent in this difficult transitional period, the mood -- fear, vigorous myths, misunderstanding -- may be of substantially greater importance than the actual facts of our relations. But over the near term the future course of European-American relations, indeed quite possibly of the world order itself, may depend heavily on the response of the European Community to a number of fundamental questions. Indeed, it seems likely that the very nature of American foreign policy will be shaped in substantial part by what others -- and especially Europe -- do.

It is in this context that the present financial crisis should be considered. It is a complex and basic issue of the greatest importance both to the Community and to the United States. The Americans have insisted that the inter-connection among finance, trade and burden sharing cannot be ignored. In reality this insistence is merely a recognition of a fact of life. And by pressing this inter-connection America is also pointing up the dangers to all of us implicit in attempts to analyze and conclude matters in separate, seemingly isolated compartments.

It is unfortunately true that the present Community is poorly prepared to meet this challenge, to approach the problem in the way it is presented by America. Furthermore the current financial crisis carries with it an urgency and the necessity for quick resolution. The Community is not an institution that finds it easy to sort out issues within a tight time frame.

IV

The previous discussion has been designed to lay the basis for a consideration of certain fundamental institutional problems; not to analyze in any detail the substantive problems themselves. It is sufficient for this paper to establish that we are all condemned to live in a highly complex, rapidly changing world, one of greater rather than less interdependence, in which problems show far greater strength and resiliency than our capacity to deal with them. It is a timely moment to consider the institutional quandary of our life and of our common relations.

Fortunately it is possible to approach this question without in any sense seeming to lecture Europe on its problems. In point of fact it is hard not to be surprised by the degree to which we face similar if not identical political and institutional problems, both internally and externally.

In this connection it is instructive to note the steps that President Nixon has taken to deal with two crucial problems; First, the need for continual executive control to get the priorities right and, second, to organize the government in such a fashion that the major departments include relevant sectors of activities rather than a conglomeration of absent-mindedly inherited tasks. For the first task, the President has established a series of key positions within the White House -- those filled by Kissinger, Erlichman and Peterson. These are in addition to the Council of Economic Advisers and the Director of Budget and Management, Executive Office organizations designed to aid the President in the effective exercise of his authority.

One of the major difficulties in carrying through the broad reorganization designed to deal with the various departments and agencies is the fact that the mere suggestion throws into sharp relief the organizational anachronisms of the Congress itself. Disinterested observers suggest that the chances of success for the President's proposals are dependent on parallel action in the legislative branch of the government. The significant point, however, is the President's identification of a major governmental problem and his imaginative approach to it.

It seems evident that Europe must cope with the same two problems -- to organize to get priorities right and to insure a sensible grouping of governmental activities. Beyond this, and due to the nature and stage of Community development, Europe has some unique problems.

In the first place there has been no "constitutional" decision by the Member States on the functions that might best be handled at the Community level. Even where decisions on Community functions have been made, under the Treaties of Rome and of Paris, there is only a limited consensus on the mandate of the European Communities as such; still less with respect to the executive role of the Commission. This absence of consensus brings with it the dangers of jerry-built solutions, of ad hoc arrangements; for instance, of special groups under the Committee of Permanent Representatives, of the Political Directors of the Six as an independent body.

We have a wealth of similar and not very happy experience in America. The United States struggles with a vast conglomeration of independent commissions or agencies, bodies that are neither executive nor legislative, where the rationale for many has vanished in the mists of time. One of the major defects of the nation's welfare program is its mad pattern of conflicting and overlapping authorizations, of federal, state and local activities established at various times under varying circumstances without apparent thought to a consistent and comprehensive scheme.

This is more than a baffling challenge to the political scientist. The confusion, impotence and disorder contribute to the growing and general public disenchantment with government as such. A better educated, informed and involved public is not content with a government that finds itself unable to develop programs to deal with problems once a national consensus has been reached or to carry out agreed policies.

V

Insofar as relations across the Atlantic are concerned we are face to face with similar problems. A recurrent and insistent American refrain is, "How can one do business with the Community?" When a specific problem arises and it is brought to European attention we frequently find sympathy and understanding among the Commissioners, or among the Member States but this is just as frequently accompanied by a kind of frustrated helplessness. We are first warned and then discover that this goodwill cannot be translated into effective Community action. Responsibility has been so diffused and the ability to veto action so widely held that the net result of many proposed solutions is inaction or at best only partial answers, too late.

Once again the Community and the United States resemble one another. Europeans justly observe that on such matters as American Selling Price, where agreements have been reached with the Executive Branch, the obduracy of the Congress effectively prevents action. This has led such experienced diplomat-negotiators as Jean-Francois Deniau to say (Le Monde October 19-20, 1971) that any international negotiation with respect to non-tariff barriers must be preceded by a firm grant of authority from the Congress to the American negotiators.

An appreciation of this broad range of problems was presumably one of the principal reasons that the Heads of Government meeting was called in December, 1969. This European Summit meeting demonstrated that a device exists to set priorities, to connect related issues and to make what amounts to constitutional decisions. The Summit meeting is a means of determining the degree of "political will" and of exercising this "will." It is a means of laying down deadlines for execution. Even the setting of a date for a summit produces a dynamic effect within the several administrations. As such meetings must succeed,

the bureaucracies almost despite themselves become committed to success. What this device cannot do, however, is either to be the means to or even the assurance of execution. In short, a Heads of Government meeting does nothing automatically to insure the executive means of carrying out agreed tasks.

Thus, and quite apart from the urgent intra-European issues that led to the proposed 1972 Summit Meeting of the Ten, there are pressing problems of priority and organization that seemingly will only yield in the face of Heads of Government attention.

VI

This leads naturally to the broad problem of American-Community relations. There is general agreement on one point: The present arrangements are less than satisfactory. Both the Chancellor and the leader of the opposition have spoken forcefully on the issue. Foreign Minister Walter Scheel on November 5 said: "It is indispensable that the dialogue between the United States and the Community be improved. To this end there is an urgent need to institutionalize this dialogue. The pressure of time is great. A first requirement to accomplish this, however, is that the Europeans devise the necessary instrumentality, an instrumentality for a stronger political cooperation with a Europe of Ten."

I believe that both sides of the Atlantic would agree that we now have to a disagreeable extent the mutual capacity to surprise one another and in rather unpleasant ways, a propensity to take actions without full attention to the adverse political and economic affects on the other of these actions, and only limited appreciation of why certain actions must be taken. To say this is to underscore that the present lines of communication are insufficient.

As with most human affairs, it is easier to set forth the complaint and the problem than it is to devise solutions. For instance, for several years we have been experimenting with a system of informal consultation between the European Commission and the American Executive branch, an arrangement which involves semi-annual meetings. In the absence of a formal mandate to the Commission by the Council of Ministers, this form of consultation can only rarely lead to decisions and solutions. Indeed both sides have been depressed by the failure to find remedies to the many small irritants that trouble relations between the Community and the United States. Further, the limited authority of the Commission precludes systematic consideration of those issues which are central

to the general crisis in our relations -- defense, burden sharing, modification of the trade and payments system and the broad problems of Western foreign relations. Further, there are many urgent areas where the United States is anxious to work with the Community and where a Community role would seem almost inevitable, but where the Commission has no authority. Cases in point are environmental policy and the whole range of interrelated energy issues.

Confronted by a somewhat symmetrical set of institutional problems it would seem that both the American Government and the Community must search for ways of fielding delegations authorized to deal with the broadest range of issues without being restricted to artificially imposed and confined segments.

This poses some exceedingly difficult problems for the Community. If the Commission is to handle such discussions and negotiations, which Commissioners and on the basis of what instructions and mandate? The Europeans would be the first to protest that if a mandate must be sought then it will inevitably be narrow and, due to the porous nature of the "open Community," known in all its details by the Americans in advance of the meetings. And we have all learned that the mandate system is not a method that furthers serious consultations, indeed it can be an obstacle to the serious negotiation.

An alternative would be to include in Community teams either representatives of the Member States, along the lines of the Rome Treaty Article 111 Committee in trade negotiations, or perhaps actual members drawn from the Council of Ministers. A further alternative has been to suggest that the Council or the Summit itself designate one or several of its members to negotiate with the United States. For certain matters and on certain occasions some such arrangement might well have value. But given the fundamental, continuing nature of relations across the Atlantic there would appear to be an episodic quality to this device. It would risk only touching the surface of the real and difficult problems, to say nothing of the question of whether it could be the means of handling those matters which require continuity in working attention. There is a distinction here that is important. Both within the United States and the European Community, and between the Community and the United States, there are interrelated policy issues and decisions that can only be made at a high political level. This is the level of decision-making. Execution and the management of issues within the policy framework are the responsibility of other people, at other times and in other frameworks.

Another device would be some sort of joint secretariat which would assume a continuing responsibility for EC-US relations. I find it hard to see how any such body would do much other than further complicate already complex relations. A secretariat by definition does not have responsibility and it is responsibility we principally seek,

VII

To make any progress at all with these stubborn and basic issues we should examine once again what we presumably wish to accomplish under the heading of "improved relations between the Community and the United States."

At the outset one thing is clear. Neither side wishes to interfere with those normal and continuing relations that now exist between the individual Member States and American authorities, any more than we wish to come between the highly useful arrangements of the Group of Ten, the OECD or NATO. But to say this is not to argue that because these arrangements exist they in turn make unnecessary new contacts and conceptions between an enlarged Community and the United States.

The first task, perhaps the easiest, would be a commitment to the exploration and discussion of major issues. In short, there must be an improved dialogue. If this is accomplished then the possibility of unpleasant surprises can be minimized. The closer and better this process the more each side will be induced to take into consideration the effects of its proposed actions on the other. Further, if the compelling reasons for action are understood in advance, the other side will be more willing to recognize, and even perhaps to accept, the inevitability of disagreeable side effects.

The second task, in some ways a part of the first, is to insure that there is a serious and responsible dialogue on the broad interconnected issues of defense, burden sharing, finance and trade. It will challenge the Europeans to decide in the present circumstances how to deal organizationally with this issue. It is not an easy task for the United States.

The third issue and one on which we have had some small success is the continuing problem of dealing with specific trade or other disputes and issues. To succeed in this area, and succeed we must, will require strong political will on each side. We must proceed more in the spirit of parallel action than of close bargaining or negotiation. In some if not many cases problems will have to be set aside for the time being while we await more propitious circumstances for action. Finally, some high

level body must exist which will oversee the process, and insist on minimum performance within agreed time schedules. Given the difficulty of the problems and the labyrinthian political system, the absence of some such mechanism means, in effect, no action. For instance, the financial crisis hit suddenly last summer. The Americans have insisted that there be a trade component in the settlement. Under present circumstances it is exceedingly difficult for the Community to attack effectively and speedily this aspect of the more general problems.

The fourth task will be to find the means of carrying on continuing joint examination and even joint work on matters of common concern. These are matters where it is the common interest, not the conflict of interest, which dominates. In the field of environment, isolating the problem, selecting among alternative policies, and taking action would be a case in point. Another example is the energy crisis: with demand running well beyond prospective fossil fuel supplies, the question of alternative energy sources; the conflict between environmental policies and energy policies. There is also the growing, only partially formulated, concern about the role and place of the multinational corporation. This is not the context within which to examine this important subject. Suffice it to note that with a general shift in parities European and especially German investment in companies in the United States becomes much more attractive. This will add another facet to the broad issue of the international company. It is vital that the imaginative phenomenon of the multinational company be examined as a common issue of public policy before it becomes a matter of the Community against American firms, or of the United States against foreign firms. To do this will invest consultation with its widest meaning.

VIII

We face a period of major change, of transition, even of danger. The international structure which has held fast for the last 25 years, with its broad distribution of power between the Soviet Union and the United States, is shifting rapidly. Whatever one thought of the past, it was at least known. A pervasive unease arises from the uncertainty of the future and the difficulty of finding those new points to which to anchor. While it is always risky to prophesy a time or period where fateful decisions promise to shape the future, it would seem that the next six months will be such a moment in history. The decisions that are made -- or are deferred -- and the patterns established may set the nature and direction of our world.

Despite all the uncertainties of the American scene there is nothing foreordained as to the broad direction or orientation of American foreign policy. While there is a degree of irritation

with Europe, suspicion as to what the future holds, some reservation about an enlarged European Community, there is, more importantly, a continuing deep interest in and sympathy for this great endeavor. In my view it will take only a limited European effort to turn apprehension into a lively interest in a new form of more equal partnership. At the moment America is torn between a desire to lay down grandiose international tasks and a recognition that it must not and cannot forego a large degree of international responsibility. In this struggle a new Europe playing its role, evidencing its wish to work with the United States, can be the crucial element in the way this American dilemma is resolved. It would seem that European and American ministers have an historic responsibility to recognize the urgency of this situation and to devise new arrangements to insure that the two sides of the Atlantic work together rather than at increasingly angry and destructive cross purposes.

* * * * *

