

Statements and Speeches



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"DRIFTING TOGETHER, NOT APART"

Remarks by Ambassador Peter Hermes on the State of German-American Relations
at the Institute of World Affairs, University of Wisconsin, Milwaukee,
on May 14, 1982

Ladies and Gentlemen,

Today I wanted to share with you my views on the state of German-American relations. Let me begin by making a rather general observation, which I will then elaborate in greater detail:

Throughout the past year or so there appeared to be rather widespread agreement by analysts that the Western Alliance is in a crisis, and that Germany and the United States are drifting apart. I have never shared this assessment, on the contrary, I have claimed, and I continue to claim that we are in fact "drifting together." Whatever problems may exist between us, are due to the fact that we are extremely close to each other, and not that we are too far apart from each other.

Some of you may feel that this is just professional optimism, or an euphemistic fuzziness of a diplomat, and that this is what can be expected from an ambassador. But let me try to explain to you why I think that my assessment is not diplomatic wishful thinking but objective reality.

Our Growing Interdependence

The most prominent feature of German-American relations is our growing interdependence. This is true in our economic relationship; it is not less true in our political relations.

Turning to the economic scene first, one thing stands out: Germany is a free market economy, based on free enterprise, with perhaps the most liberal approach to foreign trade and investment of any country in the world. Our dedication to a free market economy has brought unprecedented economic growth and prosperity to Germany in the post-war period. Walther Rathenau, German Foreign Minister in the 1920's, once remarked, "The economy is our destiny."

- Today Germany earns almost 30 percent of her GNP through international trade;
- 95 percent of our energy supplies as well as most of our vital raw materials have to be imported.

My country is therefore heavily dependent on unimpeded trade, on the free flow of capital, and on close communications and transportation links with all parts of the world.

This fundamental interest places us firmly on the side of those who share our economic outlook and who are our major trade partners. The growing economic interdependence with the United States, and with our partners in the Atlantic Alliance, is and will remain a cogent reason in itself for a close and ever deepening relationship with the United States.

Economic Interdependence

But there is also another aspect to economic interdependence; with such an important external sector, Germany's economy is very much exposed to the ups and downs of the world economy, and to economic decisions made by our partners. Given the size of the U.S. economy, business cycles and economic trends in the United States have a much larger impact on Germany than vice versa.

In our highly integrated capital markets of today, with the U.S. dollar representing no less than 80 percent of worldwide central bank reserves, high interest rates in the United States force interest rate levels in Germany up beyond what would be warranted by domestic economic factors. At the same time, the dollar as the international trade currency and by the way overvalued relative to the German Mark increases the cost of imported energy, drives inflation in Germany upward and forestalls the economic upswing.

We know, of course, that high interest rates in this country are, to some extent, the result of a restrictive monetary policy designed to reduce inflation -- a goal which we certainly share. But there can be no question that continued high interest rates in the United States carry significant and negative consequences for Europe and for Germany as well. Greater interdependence thus produces increased mutual vulnerability, and enhanced sensitivities on both sides.

United Against Protectionism

Similarly, our interests and views in international trade are very close. Both our governments are working actively for a free flow of goods, capital and services. We are united in the fight against protectionism.

At the same time, there is some concern in my country about voices in the United States advocating what may be termed as a mild form of protectionism under the guise of the well-sounding notion of reciprocity in international trade. We are, for example, concerned about efforts by the United States steel industry to restrict steel imports from Europe which have risen largely on account of the steep rise of the dollar during the last year. I personally remain convinced that those efforts will not succeed in altering the U.S. commitment to free trade which we wholeheartedly support.

Trade with Eastern Europe

As far as the question of trade with Eastern Europe, notably the Soviet Union, is concerned, our two governments see eye to eye on the need to prevent the Soviet Union from obtaining technological advantages for the strengthening of its military potential from trading with the West. We strictly adhere to the guidelines agreed upon in CoCom prohibiting such exports, and we are working with the U.S. government to review these restrictions in order to close any loopholes with regard to high technology. On this, there is full agreement between our two governments.

It is, however, a different question when general trade sanctions vis-a-vis the East are being proposed. Here, we have serious reservations:

-- First, economic sanctions have in the past proven to be generally ineffective. Soviet foreign trade with Western countries, however significant it may be for certain sectors of the Soviet economy, has never been allowed by Soviet planners to have an important impact on the overall Soviet economy. Furthermore, the Soviet Union accords first priority to its military sector; it could shift additional resources from the civilian to the military sector at the expense of the consumer, probably without risking any civil unrest.

The Soviet population does not behave like the Poles. Also, any embargo could easily be circumvented by stepped-up imports from countries not participating in such an embargo.

-- Second, Europeans have a long tradition of separating trade from politics. Our businessmen are accustomed and by law entitled to trading freely with any country in the world and without government intervention. Our trade with the Soviet Union -- only 2 percent of our total foreign trade and in relative terms declining -- is significant only for certain sectors of our industry, such as steel pipe production and plant equipment. To forego opportunities altogether with the East for passing political motives would be unpopular indeed with both business and labor in Germany. And let me add, in all frankness: I detect a similar reaction in this country when I follow the discussions in the American farming community of the pros and cons of a grain embargo.

-- One more point: It may be suggested that trade with the East has indeed helped to improve the general climate between East and West in Europe. Germany as a divided country, with the city of Berlin hanging in a delicate balance, has profited from growing economic interchange in many ways, and most particularly in opening avenues for more communication, travel and family-reunions between West and East. Trade with the Soviet Union, in non-strategic areas does not confer a unilateral advantage to the Soviets. On the contrary, we see it as beneficial to our side; if that were not the case, we could not trade at all.

The Gas-Pipeline Project

A case in point is the notorious gas-pipeline project which I am sure you have been waiting for me to discuss. Let me say here only that for a country which is almost wholly dependent on imports of its energy supplies, the contribution of Soviet gas to our energy balance is welcomed because it will tend to reduce our dependence on such high risk imports as oil from the Middle East and, for instance, Libya.

Energy independence is an impossible goal for Germany, an illusion: All we can do is optimizing risk distribution. With not more than 5 percent of our overall energy consumption to be imported from the Soviet Union once the new Soviet gas comes on stream in the late 80's, we feel we will be better off than we are today. Of course, precautionary measures will be taken in order to safeguard for any adverse eventuality, and to protect us against any potential Soviet blackmailing attempt.

Let me sum up: Our fundamental economic goals are identical. Occasional disputes about tactics, about specific economic policies cannot overshadow that basic unity of purpose. The real problem in managing our economic relationship is to take into account correctly and timely the immediate effects which unilateral domestic economic decisions in one country have upon economic developments in the other.

In the European Community, this has been a well observed phenomenon over the past 20 years, and we have taken action by adopting the only remedy to this problem: Better and closer coordination of economic and monetary policies. It seems to me, ladies and gentlemen, that the transatlantic economic relationship has now also reached a point where we must seriously undertake an effort to better coordinate economic policies.

As Chancellor Helmut Schmidt said the other day with regard to this year's Economic Summit, to be held in June in Versailles, France, and I quote:

"It is indispensable that consideration be given to the international effects of one's own national economic policy and that any kind of beggar-thy-neighbor policy be renounced. With the sole exception of the People's Republic of China, no major country in the world is any longer able to cope with its economic problems in national isolation. Every country is dependent upon the functioning of international trade and financial relations."

Some Political Questions

Let me now turn to some political questions. Those of you who have been following European-American, and German-American, relations over the past year or so will have noticed the many headlines in the media deploring what was perceived to be a growing rift in the Alliance.

It became rather fashionable to quote headlines such as "The German Malaise," "The German Disconnection," or "The German Problem." As recently as a couple of months ago, this perception had become so strong in the United States that I had no choice but to deliver speeches with the title "Are we drifting apart?"

Of course, my answer was "No" then; it is "No" today, and in my case has -- I think -- become a bit easier to make in recent weeks. A German TV-correspondent told me just the other day that an hour-long feature which they were planning on problems in the Alliance, and which had tentatively been titled "Crisis in the Alliance" has now been retitled simply: "Our Alliance." What has happened?

My answer is that political interdependence between our countries has grown just as much as our economic interdependence, and that, not unlike economic trends, political trends in our two countries are not always well synchronized. What do I mean by that?

Today, as in the mid-60's, problems in our relationship arise from time to time because one partner holds on to an established policy which he continues to feel comfortable with, while the other partner has come to the conclusion that that policy is no longer workable and needs major revision.

Interestingly enough, our respective positions in the mid-1960's were more or less the opposite of what they were last year: Then, at a time when the United States and the Soviet Union had already decided to embark upon a course of detente, the Federal Republic of Germany held on to policies adopted and proven useful in the decade before. In fact, the Federal Republic of Germany only belatedly and with some effort managed to jump aboard the East-West detente train in the 1960's.

Last year, the same phenomenon occurred in reverse: As we Germans continued to hold on to defense and detente as the established policy of the Alliance since 1967 when the so-called Harmel-Report was adopted, the United States felt compelled to modify this course in favor of a more comprehensive effort to contain Soviet expansionism.

The Anti-Nuclear Movement

As the American commitment to higher defense spending grew in 1980 and 1981, concerns and fears in Europe regarding an East-West confrontation, and regarding the dangers of nuclear war began to mount. While there were American voices suggesting the need to prepare for a confrontation with the Soviet Union, possibly including a nuclear exchange, anti-nuclear peace demonstrations attracted large crowds throughout Europe in the fall of 1981.

Thus the notion of "drifting apart" was born: On the one side was the United States, committed to the defense of the West; on the other side was Europe, perceived as growing weaker, seemingly prone to appeasement policies, and almost overwhelmed by pacifist and neutralist sentiment. That was a case of "instant analysis," totally lacking historical perspective.

Today, only a few months later, the anti-nuclear movement in the United States is, of course, just as strong and as outspoken a political force as it has been in Europe for the last year and a half. All of a sudden, I am no longer being asked to explain the motives and the rationale of the German peace movement, but I am asked by Americans whether Germany is for or against the nuclear freeze movement in the U.S.

This phenomenon which I can best describe as a lack of synchronization of political trends in our two countries is particularly troublesome because our two countries are politically so closely tied to each other.

Germans Perceive Themselves as Part of the Constituency of the U.S. President

Referring to last year's perception of the Alliance drifting apart I am reminded of the saying: "For last year's words belong to last year's language and this year's words await another voice." Americans, I think, have not always been sufficiently aware of the fact that the Germans perceive of themselves as being part of the constituency of the United States President, certainly as far as the common defense of the Alliance is concerned.

Our close relationship with the United States is in reality nothing less than an unwritten amendment to the constitution of the Federal Republic of Germany. It is something which is taken for granted in Germany and regarded as an essential precondition of our continued existence in peace and security.

From this flows, of course, that the United States government should, in making major foreign policy decisions, not only consider the interests of their constituents in Minnesota, Utah, or Delaware; Washington must also be aware of the potential repercussions in Europe. This will, of course, always be a difficult political act, even if we had perfectly harmonized political trends in our two countries.

But with the lack of political synchronization the problem has become compounded. I am not sure there is any clearcut solution to it; but I have been urging, and I will continue to urge that American policymakers take into account the potential impact of their actions and speeches on the European public of whatever measure they are considering on this side of the Atlantic. This is particularly true in the defense area where we continue to be dependent on the security umbrella provided to us by the United States.

At the same time, we should also be more aware of the extraordinary degree to which public and political trends in our two countries tend to influence each other. The peace movement is a case in point: Last year, hardly anyone in the United States spoke of the nuclear freeze as a real and significant political issue, while Europeans spoke of the dangers of nuclear war. Today, of course, the movement has crossed the Atlantic and, at least for some time, our two governments seem to be facing identical challenges again: Drifting together, not drifting apart.

Partners with Shared Ideals and Different Views in Matters of Detail

Chancellor Schmidt, in a recent speech before the Bundestag said the following:

"But surely there is no doubt that Americans and Europeans are not identical twins with identical behavior at all times and all places. Rather, they are partners with shared ideals, with joint fundamental interests but also with very different views and interests in matters of detail. They are

partners who time and again must seek coordination and are able to do so, because they are closely linked not only historically and politically and not only economically and militarily, but by common value concepts of democracy, individual freedom and peace."

What we on both sides of the Atlantic ultimately share is not only a common interest in defense or even the strong economic ties which bind us together. Our main tie is the message of hope and progress provided by the democratic ideal. I am quite certain that young people on both sides of the Atlantic share many of the same hopes and aspirations.

We have to promote understanding between our two nations, in particular between our younger generations. This is of course not solely the responsibility of diplomats and governments. Individuals and private groups such as the Council of World Affairs here in Milwaukee deserve our praise and recognition for their contribution to better international understanding, and to the partnership between Germany and the United States.

Thank you for your interest, and thank you for your attention.

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