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Check against delivery

THE 1983 PAUL-HENRI SPAAK LECTURE

given by

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1.

Mr. Chairman, Ladies and Gentlemen,

I am honoured to have been asked to give this year's Paul-Henri Spaak lecture; honoured because for me the American East Coast and particularly the Boston area/Harvard has always symbolised constructive reflection on European-United States relations, honoured also because we live in a period in which Western Europe's children are in desperate need of the Paul-Henri Spaak kind of "fathers of Europe".

Along with such an honour comes some embarrassment. What message can I bring in these weeks and months of crisis over East-West relations, over European-United States relations and, at least until the European summit in Athens in December, over European unification itself? In the words of Leo Tindemans, one of Paul-Henri Spaak's successors as Belgian foreign minister, in a letter about the forthcoming Athens summit which he sent to Christian Democrat party leaders on 1st September, 1983, "I cannot over-emphasise the seriousness of the situation. We are, in fact, confronted with the most difficult decisions since the launching of the

Schuman plan in 1950. We will now have to see whether we remain faithful to our doctrine and our programme".

"It should no longer be the case that peoples are asked to commit themselves to more than they can psychologically accept and psychologically give", Spaak said in 1936 in his first speech as the Socialist foreign minister of Belgium. He continued: "one must leave aside grand resolutions which are not applied, and replace them with a strong will to apply more completely those which are much closer to reality."

The "grand resolutions" concerning the construction of Western Europe have already been put on one side for more than ten years. And the "strong will to apply more completely those which are much closer to reality" is still lacking. Even now, at a time when economists have shown that European solutions to our economic difficulties provide the most effective way out of the crisis, political leaders are reluctant to accept their advice, and the governments of the Community's ten Member States, plagued by economic and financial problems, seem to prefer Europe's way to under-development.

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The European crisis will affect, and has already affected, the Europe-United States relationship; a relationship which could be described as "drifting apart together". Neither the durability nor the need for continuity in the relationship between us can seriously be called into question. But things have changed a great deal since General Marshall launched the idea for a programme for European recovery, here in this very university, in June 1947. That in 1983 "economic recovery" should be discussed once again has a lot to do with the fact that European financial resources, which are urgently needed for industrial investment, are instead directed towards the American capital market.

The European crisis must be seen in the light of the crisis of self-confidence we have experienced since the Yom Kippur war. We were unable to come to terms with the sudden halt in economic growth which resulted from the first oil shock. We were caught off guard, and it took yet another oil shock before we started the necessary reform of our economic and budgetary policies. The

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crisis started at the very time that a kind of new nationalism was setting in:- Mrs. Thatcher wants her money back because that is the way to show that she, while a member of the Community, does not neglect the very immediate national interests; Mr. Mitterrand, in passing all Japanese video recorders through the somewhat out of the way city of Poitiers, demonstrates that he is a good European because he protects the interests of a non-competitive industry so well. If we follow that path, national policies will prevail - the European Community, in political terms will find it increasingly difficult to operate.

But, we all realise that, given the scale of the problems we face, it is no longer possible to overcome our difficulties without concerted international action. The politicians know that the Community is their best instrument for stimulating such action - particularly in relation to the United States.

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It is therefore essential that we do all we can to establish a more orderly way of managing our trade relations if we are all to prosper. We must also remember that, as relatively wealthy nations, we have a responsibility to ensure that the weakest countries, the countries of the Third World, benefit from our co-operation and economic progress. If we do not show ourselves to be open and generous towards them, then we will not just be overseeing their economic decline, we shall be presiding over their ruin.

So now we have to set our Atlantic house in order. Let us reflect on the current situation. Both Europe and the United States clearly have important basic similarities. For example, the North Atlantic society is a democratic one, we believe in human rights and civil liberties, even if our fight for them abroad is sometimes rather eclectic. Where Europe worries about the human rights situation in Turkey or Central America, the United States seems to care rather less; in the Middle East, many Europeans sometimes tend to forget the democratic nature

of Israeli society. But where we really are in trouble is on the economic front, in the industrial sector, in the agricultural field and in the area of security.

On both sides of the Atlantic we are experiencing considerable difficulties in the readjustment process in certain traditional industrial sectors, such as steel and textiles. In addition, high levels of unemployment - yours are going down slightly, ours are rising further from the current level of 10.5% - help to create increasing strains, both internally and in our external relations. Moreover, notwithstanding all our anti-protectionist declarations, I have the impression that protectionism is in fact on the increase, perhaps a little more in the United States than in Europe. The difference is easily explained: the European economy is far more dependent on world trade than the US economy. Our main "battlefields" are steel and textiles - as I have already indicated - although agriculture may well overshadow these two quite soon.

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Lately, in Europe, we have been particularly alarmed by many Congressional initiatives which have advocated protectionist courses of action. By the end of last year, thanks to the efforts of Secretary Shultz, many problems were overcome after long discussions. But old habits die hard - and once again we find ourselves confronting each other with threats over special steels and agricultural exports to third countries. The EC has been forced to act on one issue at least, and an appeal has been made to GATT concerning US import restrictions on special steels (in accordance with Article 19) and negotiations are still continuing. Not only that, new differences, over the limitation of the US export of cereal substitutes, over European wine exports, over slab steel, now loom on the horizon.

The current dispute with the United States places in jeopardy much of what has already been achieved in the field of European agreement on the restructuring of the steel industry. With the European steel industry suffering enormous job losses in the last few years and the dramatic decline in steel production, it

is not difficult to foresee that a dispute with the United States on special steels could easily develop into a new internal steel crisis within the European Community.

Agricultural trade disputes are another difficult issue - it could easily become a still more emotive one in the run-up to the European elections in June 1984 and the American presidential elections. It is possible that at the European summit in Athens in December, agreement on the reform of the Common Agricultural Policy (CAP) will only be achieved if the Community decides to negotiate an agreement with the United States on limitations to US exports of cereal substitutes to the European Community, whilst in the United States, I believe, pressure is growing to limit the imports of French and Italian wines and already we are fighting each other for better shares in a world market which is increasingly becoming a market without any buyers. The competing subsidies for the Egyptian flour market is only one example. The struggle over a declining market in the Gulf area is another one.

Our economic difficulties are frequently attributed to rises in oil prices. Without wishing to minimise the effects of the oil shocks on the world economy, it was already apparent in the early 1970s that the Western economy was heading for a period of considerable difficulty. The US decision to transform the dollar into a free, floating currency only worsened matters.

We are living in a period of great monetary instability: real interest rates are too high and there is a nearly unsurmountable world debt problem, made even more difficult by the reluctance of the US Congress to increase American participation in the International Monetary Fund.

There are no signs of an early agreement on a more orderly basis for the international monetary system. As long as such disorder remains, any hope of really coming to terms with our trade and commercial problems will be vain. Even the prudent recommendations made at the much-heralded Williamsburg summit seem to have been forgotten.

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The international monetary house is not in order, and in Europe we still have a long way to go before the European Monetary System is worthy of that name. Even if the European currency unit, the ECU, is playing an increasingly important role in capital markets, as long as the United Kingdom remains outside the EMS, it will be impossible to create the necessary monetary environment which will enable the ECU to play a real role in international monetary relations. I am glad to say that there is some progress in this direction - an increasing number of economists and politicians are advocating the participation of the United Kingdom in the EMS. Britain's participation would be an important step along the road to the creation of a European Community body on the lines of a central bank, which would be responsible for monetary policy and for the creation of a convertible currency. Such a currency would considerably diminish the burden which the EMS places on the Deutsch Mark at the moment and would create a

counter-weight to the dollar. A greater degree of convergence between the economies of the Member States is an essential condition for such a development. Progress in this direction has already been made, as shown by the fact that our inflation rates are now being reduced.

A stronger and more stable EMS would help us to make better use of the financial reserves - of which we hold about one-third, and of the world's gold reserves - 50% of which are in our banks.

A more stable and predictable international exchange rate mechanism will bring with it considerable advantages to the industrialised world. Investment decisions will be taken in a more secure international financial environment and better medium and long term planning will be achieved. This is particularly relevant if we are to devote adequate resources to the very costly process of the development of new technology. It will also generate an improved political climate because one of the

main obstacles to an even closer transatlantic understanding will have been removed.

Of equal importance is the effect that such an agreement would have on the growing number of Third World debtor countries.

The repayment problems of many Third World countries are directly related to the high US interest rates. We cannot change that interest rate from one day to the next. But that only increases the need for international co-operation to provide adequate official development assistance to low income countries. The IMF report for 1983 clearly spells that out. Similarly, the 53rd Annual Report of the Bank of International Settlements underlined the interdependence between the situation in Western industrialised countries and the difficulties experienced by a large number of developing countries to service their foreign debts. Those difficulties - and I still refer to the BIS report - very often have, as their background, the high US interest rates.

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I know that many European countries, because of sizeable budgetary deficits, also contribute to the maintenance of rather high real interest rates. But that problem is a minor one compared to the problem of dollar-related rates, and, I would add, the attraction the US interest rates have for European capital investors.

I did not intend to go into so much economic detail. I only wanted to indicate that steel, chemicals, soja beans, corn gluten, world dairy and cereal markets and last but not least, the real interest rates of the dollar, have a very direct impact on US-Europe relations. So far they have not been a mobilising factor for public opinion. The turkey war, of, I believe, a decade or so ago, was more impressive from that point of view.

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But the seemingly impossible can eventually happen. As we have discovered, it does not take very much to create serious problems. Let me give you one more recent example : "The Washington Post" leak on the effect of the neutron bomb on human beings and its property-saving side effects did more to undermine US-Europe relations than any other measure taken by the US Administration so far.

"Drifting apart together" was my description of US-Europe relations at the beginning of my speech. Before that remark, I said something positive about East Coast intellectuals. I would add, however, that I have serious doubts as to whether the East Coast still has that very real effect on US policy.

Both European and American society has changed considerably since the birth of the Atlantic Alliance, and political leaders on both sides of the Atlantic have become far more inward-looking. Domestic reaction and public opinion form an increasingly important background to our foreign policy attitudes. That is as true for the US as it is for Europe. I will limit my observations to the latter.

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The recent demonstrations in Europe against current nuclear policy have become relevant to all politicians and officials, no matter what their institutional competence. The nuclear protest movement has made the question of nuclear weapons an issue of popular politics and has effectively transcended the artificial divisions within which we deal with military, economic and political issues. More than anything, it has demonstrated the urgent need for the deployment of a specifically European approach to security. An approach that can clearly be identified with European interests and expectations. The NATO INF decision has highlighted this problem and the decision will remain crucial to the future evolution of the form and direction of Western security policy.

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It now seems a real possibility that in spite of the efforts of the peace movement and the negotiators in Geneva, Pershing II and ground-launched cruise missiles will shortly make their long-awaited and much debated appearance on European territory. For many, this will be a moment of triumph. The Western Alliance will have passed a critical test and will have demonstrated its ability to take and sustain difficult defence decisions. For others, however, the arrival of the new missiles will confirm their worst suspicions: that the second track of the NATO double track decision - that of arms control - was always a convenient cover for deployment. Even the less cynical, but as yet unconvinced, will remember the official arguments that only by demonstrating the determination to deploy would a condition of mutual and negotiated restraint be achieved. Yet, given the most likely Soviet reaction to NATO deployments, the suspension of negotiations and the deployment of additional Soviet missiles, this Alliance policy will have produced no arms control and additional missiles on either side, exactly the opposite of what was promised.

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This contradiction can only serve to further exacerbate the anti-nuclear opposition and further weaken public confidence in Alliance security policies. Rather than a testament to Alliance resolve and cohesion, the new missiles will be a permanent reminder of unfulfilled commitments, frustrated expectations and more significantly, they will remain highly visible symbols of the lack of consensus within our societies towards the role of nuclear weapons.

Despite our aversion to nuclear weapons, they will unfortunately continue to be a major component in the arsenals of both super-powers and consequently a major factor in any Western security policy. Yet from now on, nuclear decisions will be the subject of intense public scrutiny and the question of public acceptance of, and support for, nuclear policies will be critical. It is therefore imperative to pursue policies that will command the confidence of our publics. Policies that not only deter the Soviet Union but also, in the words of Michael Howard, reassure our public opinion.

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What lessons, then, in this respect, can be drawn from the INF decision and what are the likely consequences for the future? Time does not permit me to examine the details of the INF decision, but to make only certain general observations that I believe should guide our future requirements.

- Firstly, in view of the nature of nuclear weapons and the numbers and types available to either side, we must avoid an excessive preoccupation with imbalances in certain categories of systems. Further, we should avoid making our security policy dependent on scenarios that have little to do with political reality. For example, to suggest that the SS-20 could be used for any conceivable political or military objective, except to secure mutual suicide, is to exist in an unreal world. Moreover, if a system is devoid of political application, then it cannot be used for political blackmail or intimidation and suggestions to this effect are nonsense.

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- In moving towards a more rational policy for nuclear weapons, we must urge the elimination of all short range systems in Europe as they contribute little to deterrence and would actually be destabilising in a conflict situation.

- We must avoid imposing in the name of Alliance solidarity, decisions which undermine or weaken national support for the Alliance and for security policy in general. We should accept that the very diversity of the Alliance - which is its strength - runs counter to attempts to impose such cohesion.

- We must avoid linking arms control and modernisation in such a way that they become dependent on each other.

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These general observations apart, the most striking consequence of the INF decision is the need for Europeans to begin to think clearly and coherently about their own security requirements. What sorts of security relationships they require with the US, what sort of nuclear guarantee and what sort of coupling? As it was European concern and agitation that created the initial impetus for INF modernisation, this proposal may seem somewhat ironic. However, while European involvement in the initial decision cannot be disputed, things have changed somewhat since that period. Both the strategic and political environments in which the initial decision was taken have altered substantially, to the extent that if the questions that drove the original decision were reconsidered, then I am sure that the answers today would be very different.

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Furthermore, the perception, inaccurate though it is, that the INF decision was forced on unwilling Europeans by the US is predominant within the anti-nuclear movement. Therefore, public confidence and support for future security policies will depend on making these policies clearly responsive to European requirements. The need for Europe to develop a more independent approach towards its security is not restricted to the nuclear field. It has long been apparent that major differences exist between the US and its European allies over a broad range of issues, but most important, in the critical area of relations with the Soviet Union. The result of these disputes has been a growing scepticism on both sides of the Atlantic towards the value of Alliance membership. One way in which the Atlantic relationship could be put on a more secure footing would be if Europe demonstrated its willingness to take greater responsibility for its own security. A more unified European approach could restore the mutual confidence and respect that is essential if the Atlantic

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relationship is to survive. A more unified approach could also help Europe to act as a moderating influence in the current stand-off between the two super-powers.

The political and institutional obstacles that currently inhibit such a development are, of course, formidable, and need no reiteration here. However, at the public level, developments in this direction are already discernible. Indeed, the existence of the peace movement itself represents the determination that European security policy must respond to European perspectives and to European requirements. Even within the European Community itself, despite considerable opposition, there are glimmerings of hope, as the process known as European Political Cooperation gradually intensifies and it extends its scope. The European Parliament itself is also playing an important role in developing public consciousness of the need for a European dimension to security policies. Progress will inevitably be slow. A series of small steps rather than a dramatic leap. But

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it is a necessary development. The issue of nuclear weapons apart, there are many other issues whose successful resolution will depend on Europeans making their views heard, and above all, the development of public consensus on future defence policy will depend on whether those who are to be protected can identify with the particular policies.

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As I said before, however, this won't happen tomorrow, although I would repeat that I believe that the security link will determine the nature of US-Europe relations for the foreseeable future. But we should be careful. The anti-nuclear demonstrations I talked about cannot be explained entirely by the nuclear issues involved. There is also a dangerous degree of anti-Americanism. President Reagan and Secretary Weinberger's statements on nuclear strategy have only borne out this anti-Americanism, and their statements on nuclear war in space and on nuclear war in Europe have only fuelled existing fears.

I should like to give you an example of this: when I go to Strasbourg once a month, a nice lady from the VIP service at Frankfurt airport makes sure of my plane connections for me. A few months ago, I asked her what she thought about the big demonstrations in Frankfurt against the construction of a new runway, that had strong ecologist party/left wing overtones. She denounced the demonstrators but at the

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same time launched a violent attack on the American forces in Germany whom she considered to have corrupted the German way of life and created a consumer society out of a country which had once more noble aspirations.

I have a feeling that an increasing number of Europeans feel uncomfortable about the society they live in. Certainly in Germany, many people would like to have a rethink about the Atlantic relationship - to find a middle way between East and West. The Euromissiles debate has had a considerable impact on such attitudes, and only a negotiated agreement in Geneva could help to overcome this problem. At the same time, American willingness to take responsibility for European security is gradually eroding the feeling in many European countries - the nuclear powers excepted - that they have a responsibility for their security as well.

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It would, I think, take too long to identify all the causes for the deep concern, which in Europe, are bringing so many people on to the streets in protest. However, it seems to me that there are two common denominators

- unemployment
- and fear of the new nuclear weapons

Clearly, public demonstrations often have a tendency to confuse cause and effect. Also, it has to be said that unemployment and missile sites are much more identifiable in the public mind than the causes of economic disarray and international tension.

Yet, for some time now I have been preoccupied essentially by one thing; that such concern and anguish does not take root. The two contributory elements to this are clearly very vital threats but we must not allow them to cloud our political horizon.

At the beginning of this speech I mentioned the Marshall Plan. I do not doubt that we in

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Europe have the will, and we will find the means, to bring about once again our economic recovery. It is therefore all the more important that its effects are not defuzed by protectionist measures emanating from our principle ally.

Therefore, on both sides of the Atlantic we must be quite clear about what constitutes our vital interests if we are to successfully prevent their supposed threat from engendering widespread fear and concern.

The anti-Americanism of the Europeans, and the isolationist tendencies of Americans are dangers which can only be overcome by practicing the most adequate level of consultation at all levels. The greater understanding which would result should allow us, then, to avoid useless confrontation on financial, commercial or diplomatic levels.

In this way we might easily avoid the nationalism from which we all suffer - and create a more positive atmosphere within which our indissoluble alliance can prosper.