

AMERICA AND EUROPE:
MOUNTING PROBLEMS IN THEIR RELATIONSHIP

SPEECH GIVEN

BY

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I. INTRODUCTION

WHEN I SPOKE TO A GATHERING OF THIS GROUP (THE INTERNATIONAL RESEARCH AND STUDY INSTITUTE) ABOUT A YEAR AND A HALF AGO, I PROBABLY EXPOUNDED ON THE MERITS OF THE EUROPEAN COMMUNITY, AND ON THE NEED TO RESIST PROTECTIONISM. I WAS ALSO PROBABLY MORE SANGUINE THEN THAN WHAT I WILL APPEAR TO BE THIS AFTERNOON.

IN 1982, THE EUROPEAN COMMUNITY WILL CELEBRATE ITS TWENTY-FIFTH ANNIVERSARY. WHILE THIS WILL UNDOUBTEDLY BE A CAUSE OF EXTREME JOY AND SATISFACTION, A SHADOW COULD BE CAST OVER THE CELEBRATION BY THE CURRENT STATE OF U.S.-EUROPEAN RELATIONS. AS MANY PEOPLE LOOK AT THE TRANSATLANTIC RELATIONSHIP TODAY, THEY MAY NOT BE IN AS FESTIVE A MOOD AS THE OCCASION WARRANTS.

WHILE ALL ASPECTS OF THE RELATIONSHIP SEEM TO BE UNDERGOING SEVERE STRAINS, I WILL LIMIT MYSELF TO OUTLINING

THE IMPORTANT...

THE IMPORTANT ECONOMIC PROBLEMS IN THE ATLANTIC RELATIONSHIP.

ECONOMIC FACTORS HAVE BEEN AT THE ROOT OF MANY TRANSATLANTIC ALTERCATIONS IN RECENT YEARS. SECRETARY OF STATE HAIG HIMSELF HAS RECOGNIZED OPENLY THAT ECONOMIC PROBLEMS WILL DOMINATE THE INTERNATIONAL SCENE AND RELATIONS WITHIN THE ATLANTIC ALLIANCE AND THAT THEY WILL HAVE AN INCREASING POLITICAL IMPACT.

THE CURRENT "CRISIS" IN ATLANTIC RELATIONS IS CERTAINLY THE LATEST IN A SERIES THAT HAVE MARKED THE RELATIONSHIP SINCE THE 1950s.

PERHAPS WHAT MAKES IT SERIOUS TODAY IS THE CONVERGENCE OF PROBLEMS IN ALL AREAS - POLITICAL, ECONOMIC AND MILITARY.

ONE NEEDS ONLY TO SKETCH THE CURRENT WORLD POLITICAL AND ECONOMIC ENVIRONMENT THAT PROVIDES THE BACKGROUND FOR THE

/LATEST...

LATEST "CRISIS" IN ATLANTIC RELATIONS.

- FIRST, THERE IS A PERSISTENT ECONOMIC DETERIORATION ON BOTH SIDES OF THE ATLANTIC. HIGH INFLATION, STAGGERING LEVELS OF UNEMPLOYMENT, LOW OR EVEN NEGATIVE GROWTH, AND STIFLING INTEREST RATES ARE FUELING A DEEP SENSE OF PESSIMISM AMONG THE PEOPLE OF THE UNITED STATES AND WESTERN EUROPE.
- SECONDLY, THERE IS THE CONTINUED GROWTH OF THE SOVIET UNION'S MILITARY POWER - STRATEGIC, THEATER, AND CONVENTIONAL - AND OF ITS UNABATED PROCLIVITY TO PURSUE INTERVENTIONISTIC POLICIES IN CENTRAL EUROPE AND THE THIRD WORLD.
- THIRDLY, THERE IS A LATENT POLITICAL UNCERTAINTY IN BOTH THE UNITED STATES / AND WESTERN...

AND WESTERN EUROPE - WHICH MAY, IF UNCHECKED, LEAD ON THE ONE SIDE TO THE DEVELOPMENT OF A MOOD OF NEO-ISOLATIONISM AND ON THE OTHER TO THE EMERGENCE OF PACIFIST AND NEUTRALIST FORCES.

EUROPEAN AND AMERICAN OBJECTIVES ARE THE SAME IN THE WORLD TODAY: ECONOMIC PROSPERITY, POLITICAL STABILITY AND MILITARY STRENGTH. HOWEVER, WE OFTEN DIFFER ON HOW BEST TO APPROACH AND RESOLVE INTERNATIONAL CHALLENGES.

THE THREE MAJOR ECONOMIC POLICY AREAS WHERE THE ALLIES SEEM TO HAVE HEIGHTENED THE LEVEL OF DISCORD IN RECENT MONTHS ARE:

- EAST-WEST RELATIONS;
- NORTH-SOUTH DIALOGUE;
- TRANSATLANTIC TRADE ISSUES.

II. EAST-WEST RELATIONS

DIFFERENCES IN APPROACH AND PERCEPTIONS
/ON HOW ...

ON HOW BEST TO CONDUCT EAST-WEST POLICY HAVE NEVER BEEN BETTER ILLUSTRATED THAN IN THE CASE OF THE REACTION TO THE SITUATION IN POLAND.

EUROPEAN AND U.S. OBJECTIVES IN POLAND ARE THE SAME, HOWEVER:

- THE END OF THE MARTIAL LAW;
- THE RELEASE OF THOSE ARRESTED;
- THE RESUMPTION OF A GENERAL DIALOGUE WITH THE CHURCH AND SOLIDARITY.

POPULAR REACTION IN EUROPE TOWARDS THE SITUATION HAS BEEN AS STRONG, IF NOT STRONGER, THAN HERE.

WE HAVE ALSO RECOGNIZED SOVIET "RESPONSIBILITY", FOR THE RECENT DEVELOPMENTS IN POLAND.

THE EUROPEAN POSITION ON ECONOMIC SANCTIONS REFLECTS TWO INESCAPABLE REALITIES:

1. AMBIVALENCE ABOUT THE EFFECTIVENESS

/OF SANCTIONS...

OF SANCTIONS;
2. THE CONSEQUENCES FOR WESTERN EUROPE
OF IMPOSING SANCTIONS.

EUROPEAN NATIONS HAVE BEEN WILLING TO UNDERTAKE CERTAIN SANCTIONS. EUROPEAN POLICIES HAVE DEVELOPED OVER THE PAST SEVERAL MONTHS TO TRY AND RECONCILE THE NEED TO GIVE A CLEAR SIGNAL TO THE SOVIET UNION AND ITS POLISH CLIENT-GOV'T WHILST MINIMIZING THE DIRECT DELETERIOUS IMPACT ON WESTERN EUROPE. THIS APPROACH - IT SEEMS TO ME - IS MUCH MORE EFFECTIVE IN THE LONG RUN THAN ONE IN WHICH THE MAJOR COSTS OF SANCTIONS WILL BE BORNE BY THE EUROPEAN ALLIES.

THE EUROPEAN POSITION ON PROCEEDING WITH THE PIPELINE DEAL WITH THE SOVIET UNION IS BASED ON THIS POLICY APPROACH.

THE CONCLUSION OF THE SIBERIAN NATURAL GAS PIPELINE CONTRACT IS PART OF

/EUROPE'S ...

EUROPE'S STRATEGY OF DIVERSIFYING ITS ENERGY PROGRAM WHICH WILL REDUCE THE PERCENTAGE OF OIL IN ITS ENERGY IMPORTS, AN OBJECTIVE WHICH THE UNITED STATES HAS ALSO SOUGHT FOR ITSELF.

THE E.C. NATIONS IMPORT 55% OF THEIR PRIMARY ENERGY NEEDS (THE UNITED STATES IMPORT LESS THAN 20%).

THE INCREASE IN OVERALL EUROPEAN DEPENDENCE ON SOVIET GAS WILL NOT BE THAT IMPORTANT WHEN THE PIPELINE IS COMPLETED, AND CANNOT BE REASONABLY USED AS A MEANS TO EXERT BLACKMAIL. MEANWHILE DIVERSIFICATION OF SOURCES AND STOCKPILING OF ENERGY RESOURCES CAN OCCUR.

IN ADDITION, NOT ONLY WOULD THE CANCELLATION OF THE PIPELINE PROPOSAL HAVE AN IMPACT ON THE EMPLOYMENT OUTLOOK IN WESTERN EUROPE, IT WOULD HAVE A MUCH GREATER IMPACT ON EUROPE THAN ON THE UNITED STATES, SINCE ONLY SOME \$ 300 MILLION OF U.S.

/PRODUCTS...

PRODUCTS WOULD BE AFFECTED AS OPPOSED TO SEVERAL BILLION FOR EUROPEAN COMPANIES.

WHILE THE EUROPEAN NATIONS CONCERNED HAVE REAFFIRMED THEIR COMMITMENT TO THE CONSTRUCTION OF THE PIPELINE, THEY HAVE BEEN MORE THAN WILLING TO TAKE A WIDE RANGE OF UNIFIED ACTIONS DESIGNED TO DEMONSTRATE EUROPEAN CONCERN ABOUT DEVELOPMENTS IN POLAND, AND WHOSE EFFECT WOULD BE GREATER ON THE SOVIET UNION THAN ON THE ALLIES.

THESE ACTIONS TAKE INTO ACCOUNT BOTH THE NEED TO PRESERVE SOME EAST-WEST EXCHANGES AND TO DEMONSTRATE WESTERN DISSATISFACTION WITH SOVIET OBJECTIVES IN POLAND.

IN RECENT WEEKS, THE E.C. COUNCIL OF MINISTERS AND THE COMMISSION HAVE:

- PLEDGED THAT THEY WOULD NOT UNDERMINE SANCTIONS IMPOSED BY THE U.S. AGAINST POLAND;

/TAKEN STEPS...

- TAKEN STEPS TO IMPOSE CERTAIN ECONOMIC MEASURES AGAINST POLAND SUCH AS THE CANCELLATION OF SUBSIDIZED FOOD SALES;
- RAISED THE COSTS OF EXPORT CREDITS CHARGED THE SOVIET UNION;
- UNDERTAKEN MEASURES THAT WOULD RAISE THE PRICE FOR EGREGIOUS SOVIET BEHAVIOR BY REDUCING THE AVAILABILITY OF HARD CURRENCY, SOMETHING IT SEVERELY NEEDS, BY REDUCING IMPORTS FROM THE SOVIET UNION BY SOME 50% (RELATIVE TO 1980) ON A WIDE RANGE OF ITEMS.

SUCH MEASURES WOULD GENUINELY IMPACT UPON THE SOVIETS AND BE LESS COSTLY TO THE ALLIES.

III. POLICIES TOWARDS THE THIRD WORLD

NORTH-SOUTH ISSUES ARE ANOTHER AREA WHERE THE UNITED STATES AND WESTERN EUROPE ARE OFTEN

/PERCEIVED TO...

PERCEIVED TO BE AT ODDS, BUT WHERE THE STAKES, ECONOMIC AND POLITICAL, ARE VERY HIGH.

THE STABILITY OF THE THIRD WORLD IS A COMMON OBJECTIVE OF BOTH THE UNITED STATES AND WESTERN EUROPE. LIKE THE UNITED STATES, EUROPE BELIEVES THAT ECONOMIC DEVELOPMENT IS THE SINE QUA NON OF STABILITY IN THE THIRD WORLD.

HOWEVER, HERE AGAIN, WHILE OUR OBJECTIVES ARE NOT DISSIMILAR, OUR APPROACHES OFTEN SEEM TO BE DIFFERENT. THIS DIFFERENCE IN APPROACH IS BASED ON DIVERGING PERCEPTIONS OF WHAT IS HAPPENING IN THE THIRD WORLD AND HOW TO ADDRESS ITS OVERWHELMING ECONOMIC AND SOCIAL PROBLEMS.

AN IMPORTANT RESULT OF THE PROCESS OF EUROPEAN INTERPRETATION HAS BEEN THE DEVELOPMENT OF A VARIETY OF AID SCHEMES TO

/THE THIRD WORLD...

THE THIRD WORLD. IN 1980, THE EUROPEAN COMMUNITY PROVIDED SOME \$ 12.6 BILLION IN OVERSEAS DEVELOPMENT ASSISTANCE (ODA) TO THE THIRD WORLD. (THE U.S. PROVIDED \$ 7.7 BILLION IN FISCAL YEAR 1980).

THE E.C. HAS ALSO BEEN CONSCIOUS OF THE NEED TO PROMOTE TRADE, AND PARTICULARLY EXPORT GROWTH. GENERALIZED PREFERENCES PERMIT ALL THIRD WORLD COUNTRIES TO EXPORT FINISHED AND SEMI-FINISHED GOODS TO THE COMMUNITY WITHOUT PAYING CUSTOMS DUTIES.

THE USE OF TRADE AS A POSITIVE MEANS TO STIMULATE ECONOMIC AND POLITICAL LINKS WITH THE THIRD WORLD IS SOMETHING THE COMMUNITY HAS CONSISTENTLY SOUGHT TO ENCOURAGE. BECAUSE OF ITS TRADE POLICY, THE E.C. TAKES IN A QUARTER OF THE TOTAL EXPORTS OF THE DEVELOPING COUNTRIES. EUROPEAN IMPORTS OF MANUFACTURES FROM THE DEVELOPING COUNTRIES

/(AS A PERCENTAGE...

(AS A PERCENTAGE OF GNP) ARE 20% LARGER THAN THOSE OF THE UNITED STATES.

TRADE, NO LESS THAN AID, IS AN IMPORTANT ASPECT OF EUROPE'S COMMITMENT TO SHARE THE BURDEN OF HELPING TO DEVELOP THE ECONOMIC GROWTH AND SECURITY OF THE THIRD WORLD, AN ESSENTIAL GOAL IN THE FACE OF GROWING EASTERN BLOC INFLUENCE THERE.

IN FACT, WE ARE SOMEWHAT GRATIFIED THAT PRESIDENT REAGAN'S RECENTLY ANNOUNCED CARIBBEAN BASIN INITIATIVE EMULATES SOME OF THE STRATEGIES THE EUROPEAN COMMUNITY SET IN MOTION HALF A GENERATION AGO.

IV. TRANSATLANTIC TRADING FRICTIONS

1. THE E.C. AND TRADE

FINALLY, I WOULD LIKE TO TURN TO THE AREA OF MOST CONCERN TO ME IN RECENT MONTHS - THE MOUNTING TRANSATLANTIC ECONOMIC DISPUTES THAT RISK DISLOCATING OUR ECONOMIC

/RELATIONS...

RELATIONS AND LEADING US DOWN THE
DANGEROUS PATH OF PROTECTIONISM.

BEFORE WE EXAMINE THE NATURE OF THESE
DISPUTES, I WOULD LIKE TO REMIND YOU OF SOME
BASIC STATISTICS THAT UNDERPIN THE U.S.-
EUROPEAN ECONOMIC RELATIONSHIP.

- TWENTY-FIVE YEARS AGO, AS THE
EUROPEAN COMMUNITY WAS BEING BORN,
THE COMBINED GNPS OF THE ORIGINAL
SIX MEMBERS WAS A MERE \$ 165 BILLION
AS COMPARED TO \$ 441 BILLION IN THE
U.S.
- TODAY, THE E.C.-10 MEMBER STATES
HAVE A COMBINED GNP OF \$ 2.8 TRILLION,
ABOUT THE SAME AS THE UNITED STATES.
- THE E.C. COUNTRIES GROUP SOME
270 MILLION PEOPLE. THE U.S. POPULA-
TION NOW TOTALS 230 MILLION.
- THE EUROPEAN COMMUNITY - WHOSE
DEVELOPMENT WAS SUPPORTED AND
/EVEN NURTURED...

EVEN NURTURED BY SUCCESSIVE U.S. ADMINISTRATIONS - HAS BECOME THE WORLD'S LARGEST SINGLE TRADING BLOC AND A POWERFUL COMPETITOR FOR THE UNITED STATES.

- . THE U.S. AND THE E.C., AT THE SAME TIME, ARE EACH OTHER'S MAJOR CUSTOMER;
 - . THE U.S. MAINTAINED ABOUT A \$ 14 BILLION TRADE SURPLUS WITH THE E.C. IN 1981 (\$ 20 BILLION IN 1980).
- IMPORTS AND EXPORTS FROM AND TO THIRD COUNTRIES (EXTRA-E.C. TRADE) CONSTITUTED OVER 20% (36% INTRA-E.C. TRADE) OF THE E.C.'S GROSS NATIONAL PRODUCT (12% FOR U.S.).
- EUROPEAN IMPORTS OF MANUFACTURES FROM THE DEVELOPING COUNTRIES (AS A PERCENTAGE OF GNP) ARE 24% LARGER
- /THAN THOSE OF...

THAN THOSE OF OF THE U.S.,

- THE COMMUNITY IMPORTS 90% OF ITS RAW MATERIALS.

THE DEVELOPMENT OF THE EUROPEAN COMMUNITY HAS BEEN BASED PRIMARILY ON THE PRINCIPLES OF THE LIBERALIZATION OF TRADE - INTRA-EUROPEAN, TRANSATLANTIC AND WORLDWIDE.

- . THE E.C. AND ITS EXECUTIVE BODY, THE COMMISSION, BY COORDINATING THE TRADE POLICIES OF SOVEREIGN NATIONS, HAVE ACQUIRED PRIMARY RESPONSIBILITY FOR CARRYING OUT EUROPEAN TRADE POLICIES AND NEGOTIATING INTERNATIONAL TRADE AGREEMENTS AND REDUCING BARRIERS TO TRADE WITHIN THE CONTEXT OF GATT.
- . THE E.C. HAS BEEN RESPONSIBLE FOR DEFUSING MOUNTING PROTECTIONIST PRESSURE IN EUROPE, FROM THE CHEMICAL AND TEXTILE INDUSTRIES
/FOR EXAMPLE...

FOR EXAMPLE.

- IN RECENT MONTHS, OUR OBJECTIVES VIS-A-VIS THE UNITED STATES HAVE BEEN TO AVERT A TRADE WAR ERUPTING OVER GROWING DISAGREEMENT WITH OUR AMERICAN ALLIES ON AGRICULTURAL AND INDUSTRIAL GOODS.

2. AGRICULTURE

IN THE "FIELD" OF AGRICULTURE, THERE HAS BEEN A MARKED DETERIORATION BETWEEN THE UNITED STATES AND EUROPE.

- CURRENT U.S. GOVERNMENT OFFICIALS, CONSUMATED, IT SEEMS, BY A GREAT DESIRE TO EXPORT, ARE "ESCALATING" AGRICULTURAL DISPUTES.
- WE EUROPEAN, BELIEVE THAT WE HAVE ABIDED BY THE RULES OF GATT NEGOCIATED IN THE MULTILATERAL TRADE NEGOCIATIONS, AND WHICH ALLOW SUBSIDIES AS LONG AS

/THEY DO NOT...

THEY DO NOT ENTAIL THE ACQUISITION OF MORE THAN AN EQUITABLE MARKET SHARE IN THIRD MARKETS. USING THE SAME BASE YEARS, E.C. AGRICULTURAL EXPORTS AS A PERCENTAGE OF WORLD AGRICULTURAL TRADE, HAVE RISEN FROM 10% TO 11.4% BETWEEN 1971 AND 1980 WHILE THE U.S. SHARE WENT FROM 14% TO 17% IN THE SAME PERIOD.

THERE IS GREAT CONCERN IN EUROPE REGARDING THE POSSIBLE INTENTION ON THE PART OF THE U.S. TRADE AND AGRICULTURAL OFFICIALS TO SEEK A RENEGOTIATION OF GATT RULES ON AGRICULTURE SHOULD THE U.S. COMPLAINTS NOT GO THEIR WAY.

SUCH AN EVENTUALITY WOULD LEAVE THE DOOR OPEN FOR RETALIATORY AND PROTECTIONIST MEASURES IN EUROPE, WHERE THE FARMER IS ALSO EXPERIENCING A SEVERE DECLINE IN HIS LEVEL OF INCOME.

/ANOTHER AREA...

3. STEEL

ANOTHER AREA OF IRRITATION CONCERNS EUROPEAN STEEL EXPORTS TO THE UNITED STATES.

- PETITIONS UNDER ANTI-DUMPING AND COUNTERVAILING DUTY STATUTES HAVE BEEN FILED BY THE AMERICAN STEEL INDUSTRY AGAINST PRODUCERS IN SEVEN MEMBER-STATES OF THE EUROPEAN COMMUNITY. THIS HAS CREATED A POWDER KEG WHICH MUST BE DEFUSED.

- THE U.S. STEEL PRODUCERS CLAIM THAT EUROPEAN COUNTRIES ARE SUBSIDIZING THEIR STEEL EXPORTS. OUR VIEW IS THAT THE STEEL INDUSTRY'S DIFFICULTIES ARE TO BE ASCRIBED TO THE WORSENING OF THE U.S. ECONOMIC SITUATION WHICH, IN PARTICULAR, LED TO A SPECTACULAR DROP IN THE DEMAND FOR STEEL ON THE AMERICAN MARKET.

/THE FILING...

- THE FILING OF THESE CASES WILL CREATE A HIGH DEGREE OF UNCERTAINTY AMONG EUROPEAN STEEL PRODUCERS, WHO WILL HESITATE TO EXPORT, THUS CREATING MORE DIFFICULTIES IN A SERIOUSLY TROUBLED INDUSTRY IN EUROPE.
- THESE COMPLAINTS FILED BY THE U.S. STEEL INDUSTRY CONSTITUTE A FORM OF HARASSMENT TO US.

4. INTEREST RATES

JUST A WORD ABOUT A RECENT - BUT NOT NEW - TRANSATLANTIC ECONOMIC PROBLEM.

HIGH U.S. INTEREST RATES HAVE BECOME, ONCE AGAIN, A CAUSE OF CONCERN FOR EUROPEAN GOVERNMENTS AND FINANCIAL OFFICIALS.

THE INTERDEPENDENCE OF OUR ECONOMIES AND MONETARY SYSTEMS MAKE THE PROJECTED U.S. BUDGET DEFICITS AND HIGH INTEREST RATES A MATTER OF CONCERN IN EUROPE.

/ HIGH INTEREST RATES . . .

- . HIGH INTEREST RATES MAKE IT DIFFICULT FOR EUROPEAN COUNTRIES TO REDUCE THEIR OWN INTEREST RATES THEREBY STIFLING ECONOMIC RECOVERY AND GROWTH.
- . FAILURE TO ACHIEVE SOME MEASURE OF ECONOMIC GROWTH CAN ONLY ADD FUEL TO PROTECTIONIST DEMANDS.

5. FIGHTING PROTECTIONISM

ECONOMIC DISLOCATION, PERSISTENT RECESSION AND UNCERTAINTY ABOUT THE FUTURE MAKE PEOPLE MORE INWARD-LOOKING.

THE POLITICAL WILL AND COURAGE OF GOVERNMENTS COUPLED WITH THE RECOLLECTION OF THE CONSEQUENCES OF BEGGAR-THY-NEIGHBOR POLICIES IN THE 1920s AND 1930s ARE THE ONLY RAMPARTS - IT SEEMS - AGAINST ECONOMIC WARFARE AND ULTIMATELY DESTRUCTION OF THE INTERNATIONAL TRADING SYSTEM ALL OF US BELIEVE IN AND WISH TO PRESERVE.

/U.S. PROPOSALS ...

U.S PROPOSALS TO ENACT "RECIPROCITY" LEGISLATION TO ENSURE EQUAL ACCESS FOR U.S. GOODS TO FOREIGN MARKETS NOT ONLY CHALLENGE THE RULES OF INTERNATIONAL TRADE AS THEY HAVE EVOLVED OVER THE PAST TWENTY YEARS, BUT RISK INITIATING MANY WORLD-WIDE PROTECTIONIST MEASURES.

THE MAIN ECONOMIC CHALLENGE TO THE WESTERN WORLD TODAY THEREFORE IS TO RESIST PROTECTIONISM.

PROTECTIONISM IS ULTIMATELY A MORE DANGEROUS PHENOMENON THAN THE PACIFIST OR NEO-ISOLATIONIST EXPRESSION OF VOCAL MINORITIES. IT CAN SEVERELY DAMAGE THE ENTIRE FABRIC OF OUR RELATIONSHIP AND "SPILLOVER" INTO OTHER ASPECTS OF THE RELATIONSHIP, EXACERBATING DIFFERENCES EVEN FURTHER.

CONCLUSIONS

I DO NOT WANT TO LEAVE YOU ON A PESSIMISTIC NOTE, ALTHOUGH I AM UNFORTUNATELY
/CONVINCED...

CONVINCED THAT THE U.S.-EUROPEAN RELATIONSHIP
WILL CONTINUE TO WORSEN BEFORE IT GETS BETTER.

I AM EQUALLY CONVINCED, HOWEVER, THAT
OVER THE LONG RUN, OUR COMMON INTERESTS AND
SHARED HERITAGE WILL HELP US SURMOUNT WHATEVER
PROBLEMS COME BETWEEN US.

WHILE EUROPE AND AMERICA MAY HAVE ALMOST
CONTINUOUS - IT SEEMS - DISAGREEMENTS ON HOW
TO DEAL WITH MANY ISSUES, THERE ARE ENOUGH
COMMON BELIEFS AMONG US TO MAKE US ABLE TO
OVERCOME OUR DIFFERENCES.

AT THE SAME TIME, HOWEVER, WE MUST
LEARN BETTER TO UNDERSTAND ONE ANOTHER.

WESTERN EUROPE AND THE UNITED STATES
ARE BOTH COMMITTED TO THE MAINTENANCE OF
AN OPEN ATLANTIC SECURITY AND ECONOMIC SYSTEM.

HONEST DISAGREEMENTS WILL ALWAYS EXIST
ON HOW BEST TO APPROACH COMMON PROBLEMS:

. THE MANAGEMENT OF THE EAST-WEST

/RELATIONSHIP...

RELATIONSHIP IN BOTH ITS ECONOMIC
AND MILITARY DIMENSIONS;

- . THE ALLEVIATION OF POVERTY AND
UNDERDEVELOPMENT IN THE SOUTHERN
HEMISPHERE;
- . AND THE PROMOTION OF A FREE AND OPEN
TRADING SYSTEM.

THE CONVERGENCE OF ALL THESE PROBLEMS,
AS WE ENTER THE 1980s, AGAINST THE BACKGROUND
OF A WORLD ECONOMIC CRISIS AND THE REALIGNMENT
OF POWER RELATIONSHIPS, MAKES THEIR RESOLUTION
ALL THE MORE DIFFICULT.

THE SOLUTION TO THIS LATEST SERIES OF
DISPUTES WILL REQUIRE A RENEWED COMMITMENT
TO CONSULT MORE INTENSELY, COORDINATE POLICIES
MORE EFFECTIVELY, AND ESPECIALLY TO UNDER-
STAND BETTER EACH OTHER'S PERCEPTIONS ON HOW
TO DEAL WITH CHALLENGES WHICH IN AND OF
THEMSELVES, AND TAKEN INDIVIDUALLY, ARE NO
MORE SERIOUS THAN THEY HAVE BEEN IN THE
PAST.

/THIS PROCESS...

THIS PROCESS OF CONSULTATION, COORDINATION AND UNDERSTANDING IS NOT AN EASY ONE TO CARRY OUT. IT WILL TAKE COURAGE, WISDOM, AND MUTUAL TRUST. THESE ARE QUALITIES WHICH ARE IN ABUNDANCE WITHIN AN ALLIANCE OF FREE AND DEMOCRATIC SOCIETIES. AND I TRUST THEY WILL INEXORABLY EMERGE ONCE AGAIN TO PRESERVE THAT ALLIANCE AND FULFILL ITS OBJECTIVES.