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EUROPE AND THE U.S. :
HOW ALIKE, HOW DIFFERENT?

There follows the main points of a speech by the European Commission President, Mr. Gaston Thorn, which was delivered to a symposium on US-EEC relations on October 19th, in Nice.

In his opening remarks, President Thorn gave a historical review on the Atlantic relationship in all three of its main aspects - political, economic and military. Mr. Thorn stressed the enormous contribution the United States had made to the revival of the post-Second World War Europe. He then went on to examine the current state of European/American relations. What follows is translated from French.

"...Recent world events and threats to peace have underlined more strongly than ever the basic identity between our political and economic systems and our goals. How then can we explain the growing barrage of mutual criticism which is flying back and forth across the Atlantic?

The internal economic crisis goes on. The continuing everyday problems tempt both partners to become introspective and prompt politicians to indulge in strong words for internal consumption. The result is that suspicion and mistrust grow and doubts arise about the real intentions of the other partner. Differing specific interests may then become magnified out of all proportion. Europe is accused of being seduced by the siren song of neutralism while Europeans think they see a new form of isolationism arising in America. The Americans appear to be so intent on the East-West conflict that they tend not to see any other aspect of the problem.

At the beginning of my address, I asked whether the wind that was blowing was the wind of isolationism or one of greater unity of purpose between the two principal partners of the Western world.

As long ago as 1965, Henry Kissinger looked at the problems facing the Atlantic alliance at the beginning of the period of detente in his book "The Troubled Partnership". He concluded that the alliance, forged at a time when the United States was incontestably the dominant partner, had still not found a new balance to accommodate Europe's newfound strength on the economic front at least, and even on the political front too.

Today, sixteen years later, this has still not been resolved. The European pillar of the "two-pillar partnership", in which Kennedy wished a united Europe and the United States to share, has still not been erected. In fact, a considerable section of European public opinion is challenging the need for a defence policy while, at the same time, the situation outside gives cause for concern. The Soviet Union's arms strength, events in Cambodia and the occupation of Afghanistan show that the Soviet Union's intentions are still expansionist. For a year Poland has lived under the permanent threat of foreign intervention which would deal the death blow to what is left of detente in Europe. The assassination of Anwar Sadat reminds us that the unresolved struggle in the Middle East is a constant threat to our own security.

In the face of this external challenge and the internal problems which confront us daily, I should like to propose that we put behind us the sterile wrangling over issues of minor importance and resolve to create a closer union between the Community and the United States.

To do this, we must make maximum use of the mechanisms which exist to deal with specific problems, especially those affecting trade, and we must reflect on the kind of dialogue which is required in other areas.

Let us try to concentrate on points of common interest rather than search for scapegoats.

Was that not how the Marshall Plan was conceived? That reflected common interests: democracy had to be safeguarded and defended in a large part of the Western world and American industry needed a "mega-market" which could absorb its enormous output when it switched production from the weapons of war to the goods of peace.

Now, rather than the two sides shouting louder and louder about American interest rates or the CAP, a more constructive approach would be for us to try to understand the reasons for our respective policies and seek ways of making them more consistent with both our common interests and those of each partner.

But, in reality, are our interests so different? I do not think so.

For example, neither the American public nor the Reagan Administration is pleased to see high interest rates, for they are an obstacle to economic recovery and they depress Wall Street. High interest rates are, however, a means to an end about which we are in agreement with America - the removal of the inflationary, and therefore destabilizing, elements which disrupt economic decisions both internally and internationally.

It is also probably true that high interest rates in the United States have pushed European rates above the level we would have wished. This does not mean that we are pursuing contradictory policies but rather that our policy mix is slightly different.

The real reason for European concern over American interest rates is their impact on the exchange rates of our currencies resulting from the disproportionate influence of the dollar on financial markets.

But we must also recognize that the internal tensions of the EMS exacerbated the problems caused by high American interest rates and the dollar exchange rate until the realignment on 4 October. But after this realignment, and you will have observed for yourselves how smoothly it was done, the future trend of the dollar should be far less of a problem for the Community.

Disagreement across the Atlantic about the level of interest rates is perhaps only a reflection of the international monetary system. If we recognize this, we shall understand better what is happening and perhaps we shall be able to work to improve the system.

We must now consolidate what has been gained by the successive rounds of trade negotiations since the sixties by renewing efforts to remove barriers to invisible trade and giving fresh impetus to the movement for monetary reform which ran aground on the beaches of Jamaica five years ago.

The steps which the Community is about to take to consolidate and develop the EMS should contribute towards world monetary stability and give the Community a great say in international monetary cooperation.

For the second stage of the EMS progress needs to be made and agreement rapidly reached on the following points: the nature, structure and responsibilities of the institutions responsible for managing the EMS, greater use of the ECU, particularly in transactions with the central banks, and the consolidation and development of Community credit systems managed by the EMF.

All this will serve to strengthen the foundations of the monetary system and confirm the Community's determination to secure greater stability in international monetary relations.

The Common Market has been and still is a key factor in the management of the international trading system and its existence was indispensable to the opening of the Dillon Round, the Kennedy Round and the Tokyo Round which helped both to liberalize international trade and to buttress GATT against the often severe pressures favouring protectionism.

The liberalization of international trade cannot make progress unless there is order on the monetary front, not only at world level, but between the Community countries too.

The EMF is not only essential to monetary and economic negotiation and coordination at world level but a precondition for free trade and survival of the Common Market. It is a challenge which Europe cannot ignore in the interests of a greater Atlantic and international economic order.

The same argument could be applied to growing American concern about certain aspects of the Common Agricultural Policy.

Let us begin by recognizing that while systems may differ, agricultural markets are usually organized. The diversity of systems can be explained by numerous factors such as security of supply, income distribution, and the power wielded by lobbies on both sides of the Atlantic.

The need for changes in agricultural policy - particularly ours - cannot be denied. Difficult though it may be, it is a must if the Community's budget is to play its proper role, if expenditure is to be kept within reasonable limits.

This then is another area in which our interests coincide, an area in which disagreements used to be the order of the day. It would be unfortunate if our efforts to revamp our agricultural policy were to be impeded by a new "chicken war" or the like.

On the North-South issue, in other words on relations between developed and developing countries, I can see an Atlantic war of words looming. I can visualize Europe being accused of not importing enough from the developing countries and the United States being criticized for not providing enough in the way of development aid. The truth of the matter is that Europe does more on both points. But this is not the right way to approach the problem.

Any deadlock in North-South discussions resulting from a prolonged dispute between the United States and Europe could upset economic relations between the Atlantic powers in the long term.

What is to stop us endeavouring to improve on our performance in areas where our record is poor?

Why shouldn't the United States and the Community move ahead together, the United States on the aid front by giving more support to the IMF and multilateral development banks, the Community on the services front, banks and invisibles for example. Better still, why shouldn't we work together to further energy cooperation with the Third World, to encourage and protect foreign investment in the developing countries. This was first advocated by the Commission in 1974 and the Reagan Administration is now looking into the possibilities.

Shouldn't we attach greater importance to devising a scheme for cooperation in new fields? I am thinking in particular of the various sectors of research and development which will shape tomorrow's world.

Perhaps this is the time to give cross-Atlantic cooperation on R and D a new lease of life with the ultimate aim of promoting our own economic growth and facilitating development in less fortunate countries.

A likely area could be joint research into new technologies for saving energy and exploiting new sources - geothermal energy, solar energy or biomass energy. If we were to succeed, we could lessen tensions associated with oil supplies and give a boost to the development of indigenous energy sources in the developing countries.

Similarly, more effective collaboration in coal or nuclear energy R and D should enable us to promote the technologies that will be so badly needed on both sides of the Atlantic. Scientific collaboration should not be confined to energy alone, although present difficulties make it an obvious choice. It should go much further to embrace all the scientific disciplines of the future, such as telematics, biotechnology, space and so on.

Nor should collaboration be confined, as so often in the past, to areas in which the public sector provides the bulk of the finance. We must devise mechanisms which would create a favourable climate for collaboration between our universities and our industries in the area of advanced technology.

The technologies of the future should make it possible for the men and women of tomorrow to evaluate and exploit our planet's resources more effectively and live in a better world. It is for us, the advanced industrialized nations of today, to work together to ensure that this technology is harnessed not merely to our particular needs but to those of the world as a whole.

The objective is undoubtedly an ambitious one. But it could be achieved if collaboration between the United States and Europe were organized in a coherent fashion. The idea merits reflection, because a lot is at stake.

I am aware, ladies and gentlemen, of the obstacles, the problems, the inertia which hinders all forms of progress. My aim today has been to plead for a more vital, a more active partnership between the United States and Europe.

I know that Europe does not always speak with one voice. I realize that in many cases it is difficult for the United States to seek Europe's opinion because it does not know who to ask, and consultations with only some of the member states is no way of solving the problems.

If we want a stronger Atlantic alliance and dialogue with the United States we must, as Henry Kissinger said a long time ago, strengthen the European pillar. The Commission of which I am President is doing everything in its power to do just this, because it is well aware that, without a strong Europe, all that has been achieved over the last few decades could be put in jeopardy.

But the United States and Europe together can take up the challenge of the future and move towards greater cohesion in the Western world and hence towards greater international stability."

