

The Secretary of State



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The U.S.-European Partnership

Secretary Vance before the Royal Institute for International Affairs.

More than three decades ago the United States and the nations of Western Europe joined together to rebuild a devastated continent and to create a military alliance to protect freedom.

On both sides of the Atlantic, those who fashioned the Marshall Plan and worked to create NATO possessed a vision of a strong America and a strong Europe bound by common interests. From this vision, they created a self-renewing partnership that derives continuing vitality from the values and hopes that we share.

We have passed through a particularly difficult period during the 1970's. But we have navigated these turbulent waters. Although the course ahead remains demanding, the progress we have made should give us great confidence in our future.

For the first time in its history, all members of the NATO alliance are democracies.

NATO is strong and growing stronger.

We have not only resisted the worst protectionist pressures in a generation; we are working together to shape a healthier and more open world trading system.

We have established a pattern of closer consultation on economic and security matters than at any point in recent history.

European integration is proceeding, confirming our belief that a strong Europe is good for a strong America.

And we are moving toward more normal relations with the nations of Eastern Europe. Progress toward this goal has reflected our support for full implementation of the Helsinki Final Act and recognition of the sovereignty and independence of the nations of this area.

Today, I want to discuss with you how, building on this solid foundation, we can continue to assure our mutual security and foster a healthy resurgence of our economies. These are the most pressing items on our common agenda.

But even as we concentrate on these vital concerns, which have been the constant threads of our partnership, our common interests compel us to address together a broadened international agenda. For there are longer term challenges to our security and well-being that also demand serious and sustained attention:

- How will the international economic system, as well as our own economies, adapt to changing patterns of international trade and commerce?
- How can we meet increasing energy needs without heightening the risk of nuclear proliferation?
- How can we help meet the legitimate security needs of nations while seeking agreed limitations on the growth of conventional arms sales?
- And how can we find the political will to act now on issues which will have a profound

impact on the world we leave our children, issues such as population growth and environmental protection?

These issues will tax our creativity and persistence to the fullest. For we approach all of these issues in a changing and pluralistic international system, with over 150 independent nations and emerging new power centers. No single nation, or group of nations, can dictate solutions to these complex problems. They are truly international in their origins and in the necessary scope of their solutions. Increasingly, our leadership must therefore take the form of inspiring other nations to work with us toward goals we share and can best achieve in concert. And on each of these issues, we look to our European allies as a core around which we must build these cooperative efforts.

Our ability to address this broader agenda will depend on the essential vitality of our partnership—and specifically on our economic and military strength.

Economic Security for our Peoples

For most of our countries, the most pressing demand today is to revitalize our economies and to restore a sense of confidence in our economic system.

When the economic history of the last five years is written, two important trends will stand out.

The United States and Europe, and indeed the industrialized democracies as a whole, have experienced the most severe economic problems of the last quarter century. These included sharp increases in world oil prices and inflation, followed by a serious recession and high unemployment.

Yet despite these serious problems, we have been successful in strengthening our economic and political cooperation. Instead of sliding back into the beggar-thy-neighbor psychology that destroyed the global economy in the 1930's, we have created new and more effective mechanisms for serious, concerted actions. The institution of periodic summit meetings on economic matters, closer collaboration among monetary authorities, the creation of the International Energy Agency and a more active

OECD [Organization for Economic Cooperation and Development]—all these efforts reflect confidence in our capacities, not despair in the face of difficulties.

We are increasing our economic coordination with one another for a simple reason: because we all now understand that the economic health of each of us is important to the economic health of us all. This is especially true in times of economic difficulty. Pressures increase to protect domestic markets, competition sharpens, and we are all tempted to resolve our individual problems at the expense of our neighbors. But it is precisely then that we must be particularly sensitive to the impact our decisions at home will have on others abroad. If we make those decisions without sufficient regard for the problems of others, we only invite retaliation and a spiral of compensating actions. All of us will lose ground; all of us will be worse off.

As a result, we all have clearly recognized that only through the development of a common strategy, to which each country contributes, can we enhance the well-being of every nation.

Cooperating in this way can be difficult and frustrating. Domestic political support for tough economic decisions often comes slowly in democracies. In some cases, results fall short of our expectations and we must redouble our efforts. But actions by each of us, together with greater transatlantic cooperation, have placed the United States and the other industrialized nations on the path to sustained, noninflationary growth. Success will enhance our ability to expand individual opportunity and social justice, which are the greatest strengths of our democracies.

The U.S. Economy

The United States fully recognizes the importance of a strong and vital American economy to building greater economic security for Europe, Japan, and other nations of the world. What we do in Washington can affect the lives of citizens of London or Rome, just as the decisions of other governments affect the well-being of Americans.

Accordingly, the domestic economic policies of the United States are fashioned with a view toward the economic interests of the Atlantic Community as a whole. Fundamental to this effort are the commitments made by President Carter at the Bonn summit last July. He pledged the United States to a major effort to reduce inflation and to an energy policy which significantly reduces U.S. oil imports. We are taking specific actions to fulfill these commitments:

- On October 24, President Carter announced a broad-based program to fight inflation. It includes monetary restraint, sharp reductions in governmental spending, and explicit standards for wage and price increases. The President's new budget will put a very tight lid on public expenditures and reduce our Federal deficit to less than half that of 1976.

The President has stressed that controlling inflation is our overriding domestic priority. We will persist until we have achieved that objective.

- On November 1, we undertook further far-reaching actions to reinforce the anti-inflation effort and strengthen the dollar. We have tightened monetary conditions significantly. The United States also joined with the three major surplus countries—Germany, Japan, and Switzerland—in coordinating direct intervention in the foreign exchange market to correct the excessive decline of the dollar. We will continue to cooperate in a forceful and coordinated way to assure stability in exchange markets. To finance its share, the United States is mobilizing an unprecedented \$30 billion which will be used, together with resources of the other countries, to intervene massively if necessary to achieve our objectives. The United States has also expanded its gold sales program.

We expect that with the fundamental improvements in the U.S. economic position now underway, these actions will exert a continuing positive effect on the dollar.

- On November 9, the President signed legislation which lays the basis for a sounder U.S. energy policy. This legislation should result in oil import savings of roughly 2.5 million

barrels per day by 1985. We are already improving our energy situation. U.S. energy prices have risen significantly closer to world levels. And growth in energy consumption is now running well below growth in our GNP.

- We are also working to reduce our balance-of-payments deficit through a more vigorous export promotion program.

President Carter is determined to build political support for serious actions to deal with our economic problems. That support is growing. Neither the President, Congress, nor the American people will be satisfied until we show a marked progress in fighting inflation, strengthening the dollar, and creating a sound energy economy.

U.S.-European Economic Cooperation

While the first task for each of us is to put our domestic house in order, we must at the same time undertake those joint efforts that are needed to sustain our economic growth.

There is no more immediate or crucial test of our ability to join together for our common gain than the successful completion this month of the Multilateral Trade Negotiations. During the last three decades, we have worked together to build a more open and better functioning world trading system. Now we have an opportunity to consolidate the progress we have made and further improve the structure of our trading relationships. In so doing, we can construct for the future a trading environment with greater certainty and confidence—one which will foster the continued expansion of world commerce. If we succeed, there will be economic gains for us all. If we fail, we will jeopardize the economic progress we have made. Failure would fuel our inflation, slow our growth, and make it more difficult for developing nations to play a full part in the world trading system. And if we fail, we will have also jeopardized the political cooperation that we have painstakingly achieved.

A major objective of the trade negotiations is to provide for an agreed framework to govern subsidies and countervailing duties. When our Congress convenes next month, the President

will seek legislation to extend the authority to waive countervailing duties to cover the period needed to implement the Tokyo Round agreements. And we will take measures to minimize the disruptive effects that could flow from expiration of the waivers on January 3.

Our negotiators in Geneva will strive to conclude their talks this month. But even as we gain ground toward a more open and better operating trading system, we must avoid piecemeal retreats toward protectionism which could undermine that progress. In each country, various groups will continue to ask governments to intervene in the trading system for economic, political, and social reasons. Our countries have recognized the importance of resisting demands which impede effective economic adjustment to change. Our response to such demands must be within the context of the trading framework we have designed together. Our policies must facilitate positive adjustment of our economies to changing economic conditions, rather than hindering such adjustment or shifting the burden onto others.

Beyond the immediate need to strengthen the world trading system, we all have a basic interest in promoting the emerging role of the European Community in international economic affairs. In the United States, we admire the vision of men and women who are working to broaden and deepen cooperation among the nations of Europe. We welcome and support this development, for a strong European Community is in America's interest as well as in the interests of all European nations; it provides a dynamic new force in international economic and political relations.

The new European monetary arrangements for closer monetary cooperation within the European Community, announced on December 5, represent an important step toward the economic integration of Europe we have long supported. We believe that the new arrangements will be implemented in a way which will contribute to sustainable growth in the world economy and a stable international monetary system. The United States looks forward to continued close consultations with its European trading partners as these arrangements evolve.

In general, the next few years will be critical ones for Europe, as the Community works toward closer economic integration, expands its membership, holds its first direct elections to the European parliament, and assumes a growing responsibility for the political and economic well-being of Europe as a whole.

All the Western democracies share in support and concern for the democracies in Southern Europe. We in the United States respect the political commitment of Community leaders to open its membership to these states and to deal with the economic problems that will come with such a step.

As prospering Western democracies, we should recognize a special responsibility to those democracies in the region threatened by a faltering economy—where the short-term prospects are bleak but where, with a helping hand, economies can be put on a sound footing and the long-term prospects can be bright. There are established mechanisms to provide needed assistance—the IMF [International Monetary Fund] and the World Bank. Some situations may also call for complementary informal or ad hoc arrangements. The consortium for Portugal is an example. Those nations in a position to help should concert their energies and resources. Supportive action before it is too late is an investment in the future of freedom.

U.S.-European Relations and the Developing World

As we consider means to strengthen the economic bonds among the developed countries, we must recognize that our interests—and our responsibilities—do not end there. Meeting the desire of our citizens for economic security and a rising standard of living requires us to respond more fully to the aspirations of peoples in developing nations. Increasingly, their economic well-being is indispensable to our own.

Together, the world's developing countries account for roughly one-third of total trade for the OECD nations. These countries provide the most rapidly expanding markets for exports of the industrial world, markets on

which millions of jobs in our nations depend. Developing countries provide us with critical raw materials. And we need their cooperation to solve such critical global problems as energy and food.

In short, we cannot build a strong international economic system without steady economic progress by the developing nations.

Together, we must attempt to push aside the ideological debates which often have characterized the relationship between the developing and industrial nations. We must seek practical and concrete measures to address the basic needs of roughly 800 million people who live in absolute poverty.

There is no more important challenge to the world's long-term well-being, to our political security, and to our essential values as free peoples than working together with the developing nations to foster their economic progress.

Security Issues

The cornerstone of our prosperity is the confidence we have in our security. This security depends essentially on maintaining strong military forces, on managing effectively the West's relations with the Soviet Union, on seeking to limit and reduce arms in both East and West, and on the strength of the Atlantic partnership.

We can find cause for concern in the continuing increases in Soviet military programs and deployments. But we can also find cause for confidence in the steps we in the alliance are taking to preserve the military balance.

For some years now, the central fact of world security has been strategic nuclear parity between the United States and the Soviet Union. We and our partners have managed this situation without allowing either our deterrent or our will to be eroded.

The fact of strategic parity remains. Just as we will match Soviet increases, so we must assume that the Soviets are resolved to match us. Thus, the pursuit of superiority by either side would result in frustration, waste, increased tension and, in the end, reduced security for all.

Our common security rests on three underlying principles.

First, just as we must remain alert and resolute about Soviet actions, so we must also be ready to explore and expand areas of mutual interest. To allow our fears to obscure our need to seek common ground is to condemn ourselves to unrelenting tension. But neither can we let our desire for better relations lead us into arrangements that will not adequately protect our national interests.

Second, we must be prepared to do what is necessary to assure our security, while preferring to maintain a balance at lower levels of armaments. Both the military and arms control paths have figured centrally in the history of NATO's pursuit of security.

Arms control is complicated and frustrating. Our goals and our efforts will inevitably be criticized—by some who believe there is too little disarmament, and by others who believe the Soviets are taking advantage of arms control agreements. Let us be clear and realistic about what we are seeking to accomplish. Arms control cannot put an end to military competition. But we can—and do—use arms control to cap arms buildups, to begin the difficult process of reductions and qualitative restraints, and to sustain a needed dialogue.

Arms control, correctly understood and wisely applied, is yet another way—a complementary way—to pursue security. We should not let our inability to accomplish everything immediately discourage us from significant steps we can achieve.

Third, while the United States will remain unsurpassed in military strength, we all must remain constantly aware that our security requires collective allied effort, and that our defense is indivisible. As an alliance, we share in decisions on security questions, just as we share in the burdens and risks of a common defense. Western strength, in a military sense and also in a larger sense, depends upon the health of our partnership and in our self-confidence about the future.

These fundamental principles guide our security decisions. A look at the actual military situation and trends, and at how the United States and its allies manage the condition of

strategic parity, shows that we face great challenges, and we are meeting them through cooperative action.

U.S. strategic modernization plans span the land, sea, and air components of our forces. We are developing a new ICBM, and options for new ICBM basing are under intensive review to allow us to choose the best among the various alternatives. We will begin deploying a new submarine-based missile next year, and we are building a new strategic submarine. We have a vigorous long-range cruise missile program underway, including not only the air-launched version but sea- and ground-launched versions as well. These programs will insure that the alliance's strength will continue to be sufficient to deter attack and protect our common interests.

SALT is another instrument for bolstering security. SALT One and the ABM Treaty began the important process of limiting strategic arms. Without these agreements, we would have been launched into a defensive arms race on top of an unlimited race in offensive arms.

SALT Two will be a major brake on the momentum of strategic arms competition. Facing a more regulated and predictable future, we will be able to devote more of our attention, talent, and resources to improving conventional and theater nuclear forces for NATO.

SALT Two will establish the principle of equality in the number of strategic delivery vehicles. And it will put a limit on the number of MIRV'd ICBM's, which are potentially most harmful to stability.

At the same time, SALT Two will not rule out the force programs we have underway to meet the challenges that will remain even with an agreement. We have preserved all our major strategic force options. Other programs that can strengthen deterrence in NATO can go forward. Allied interests have been protected, because allied interests are *our* interests.

Let me emphasize that in both our defense efforts and our arms control negotiations, our basic aim is to strengthen the security of the United States and that of our allies. This has

been and will always be the fundamental touchstone of our policy.

That is why we are involved in SALT—because a sound agreement will improve Western and global security. Without an agreement, our technological and economic strength would enable us to match any Soviet strategic buildup. But a good agreement can provide more security with lower risk and cost. And we recognize that without SALT the strategic competition could infect the entire East-West political relationship, damaging the effort to create a less dangerous world which is at the heart of Western foreign policies.

The emerging SALT Two agreement will not solve all our problems. It will not, for example, reverse the trend toward increased vulnerability of fixed, land-based missiles, a problem in the long run for both sides. Necessary strategic force modernization must and will move forward, just as the SALT process must and will move forward. In SALT Three we will work for further reductions and qualitative limits.

We cannot discuss the management of strategic parity without coming to grips with the issue of how NATO should respond to Soviet improvements in their nuclear forces targeted against Europe. Though the linkage to American strategic forces remain NATO's ultimate deterrent, the Soviets must understand that we will not let a weakness develop at any point along the continuum of our deterrent, including theater nuclear forces. We have several theater nuclear modernization programs in process. We are exploring whether arms control efforts could be of benefit. Although no decisions have been reached regarding force requirements or arms control, we are consulting intensively within the alliance to fashion a common plan.

At the conventional level, improvements in Soviet forces continue. Here, too, the West is responding effectively. The May 1978 summit meeting in Washington agreed to a long-term defense program designed to improve the ability of NATO to function as a defense coalition. NATO is placing top priority on improving conventional forces. In the last few years, the United States has increased its

forces in Europe by roughly 10,000. NATO is broadly engaged in a determined effort to increase readiness and capabilities for sustained defense. Wisely, we are emphasizing improvements which draw upon our collective technological strengths, and which will result in greater effectiveness rather than simply larger forces. Many of these steps are not glamorous; they do not attract headlines. But they are serious steps taken by a serious alliance resolved to muster the resources and will to build a better common defense.

Here, too, we are striving to negotiate restraints based on parity; 1978 has brought movement by both sides in the five-year-old MBFR negotiations. Difficult problems remain. But gaining Soviet agreement to reduce forces to equal collective levels is worth a further sustained effort. Let us hope that the achievement of a strategic arms limitations agreement can impart a new momentum to the MBFR negotiations.

Of course, Western security concerns and interests are wider than NATO. We must also ask whether, in an age of strategic parity, we are at a disadvantage in competing with the Soviet Union in the Third World. The answer is no. While Soviet capabilities for projecting military power have improved, the United States retains not only unequaled naval forces and other forms of military power but also enjoys economic and political advantages.

We also welcome the growing spirit of national independence in the developing nations. They have demonstrated, time and again, their determination and ability to avoid domination by any outside powers.

Since 1960, the decolonization process, now nearly complete, has produced some 65 new nations, with widely differing political, economic, and social systems. During these years, outside influence has waxed and waned in different countries and at different times. There have not been the permanent Communist advances many once feared.

This diversity, and the irrepressible thirst for national freedom among the Third World nations, are the surest barriers to foreign domination. We can best promote our own

interests in these areas of the world by welcoming this diversity and respecting this spirit.

The economic, political, cultural, and security ties between the West and the Third World have supported this spirit of independence. We must strengthen those ties—by continuing to support the economic development and, when necessary, the military security of these nations through our assistance; by pressing the Soviets and their allies to exercise restraint in troubled areas; and by working to resolve diplomatically those disputes which offer opportunities for foreign interference.

In the long run, it is the ability of the West to offer practical support to Third World nationalism, self-determination, and economic growth that should make us very confident about our future relations.

Conclusion

In each of the areas I have addressed today, whether economic, political, or military, one finds extraordinary challenges . . . but, together, America and Europe have extraordinary resources with which to meet them.

The physical, industrial, and technological resources of our alliance are unequaled. If we have the will to develop our economies with equity and maintain our defenses with determination, we can achieve a safer and more stable world. And we have that will.

In the end, our alliance is held together not simply by what we are against, but by what we are for. Our greatest strengths are the ties that bind us together.

These ties are founded on a vision of the rights and dignity of the individual, on political justice and freedom for all people.

The negotiations in which we are engaged, and the policies we pursue, lack meaning unless our foreign policies are in accord with these basic values of our peoples.

Winston Churchill spoke once of the need to pull together and “firmly grasp the larger hopes of humanity.”

His charge remains, today, our challenge.

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