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## THE UNITED STATES AND EUROPE: INTERDEPENDENCE AND COOPERATION

*Here follows the text of a speech given by EC Commissioner George Thomson, responsible for regional policy, at Grinnell College, Grinnell, Iowa, today.*

You have asked me to talk about both the possibilities of cooperation and the reality of the differences that mark the relationship between the United States and the European Community. I want, however, to begin by expressing my profound conviction that American-European cooperation was never more important than it is now. At the same time, this partnership, which has been so constructive since the end of the Second World War, must constantly adapt itself to a world framework which is changing in some fundamental ways.

Sometime during the last year or two, the Western world decisively left what might conveniently be called the post-war era. This was a period which, for all its problems, we are already beginning to look back at nostalgically. It began with the United States providing, with an enlightened self interest rare in human affairs, the resources to reconstruct a shattered Western Europe. The Western Europeans made good use of these resources to produce an economic miracle which enabled a new and affluent Europe to arise out of the ruins of war.

The partnership between American and Western Europe which ensued has given us the longest period of freedom from world war this century, and has given the Western world the most prosperous era of full employment and rising living standards which it has ever known.

Many factors led to the ending of that age of Western affluence, but the unmistakable milestone which marked that ending was the quadrupling of oil prices. This act gave notice that the Third World wanted to seek a new balance of economic power with the industrial West. This traumatic change came at a time of severe inflation and high unemployment in the most serious recession that we had known since the '30s. The post-war economic and monetary arrangements of Bretton Woods had come to an end. But the nature of the new era which we are now entering cannot at this stage be foretold. Whether it will be able to provide high levels of jobs and prosperity will depend on our determination, our solidarity, and perhaps above all upon our capacity for democratic self-discipline. The changes of the magnitude that are now demanded of us cannot fail to create problems for the American/Community partnership as it has certainly created problems and tensions inside the European Community itself.

This could be seen vividly at last week's meeting of the new supreme decision-making body of the Community, the European

Council of its nine heads of government. Faced with widely varying rates of inflation and with national economies which have been moving apart instead of coming closer together, they failed to agree on the next step forward.

One of these steps was to have been the practical implementation of an agreement in principle to begin direct elections to the European Parliament in May 1978. The failure to make progress on either the institutional or the economic front is disappointing but not in itself disastrous. There seems a fair prospect of the Parliamentary details being thrashed out by the next European Council meeting in July. Getting to grips with the economic problems is likely to have to wait until the German general election is over in October.

But the lack of progress underlines the fact that the Community's record of political development and economic integration falls a long way short of the high hopes in that golden age of the '60s, when George Ball and George Thomson were Ministers in national administrations and grand designs were the order of the day. You are celebrating the bicentennial of the establishment of the United States of America, and we are still struggling to establish our own version of a United States of Europe. When we finally manage to do so, we will do it in our own distinctive way, and it will look very different from your own classical federal model. But do it we will in the end.

I sometimes feel that the European Community is like a tortoise. If you keep your eye on it, it never seems to move. But if you look away for a while and then turn back, you will discover it has made perceptible progress. Last year, despite the world economic crisis, the Community had a number of achievements to its credit. It persuaded the British people to vote by a massive majority of two-to-one in their first national Referendum to stay in Europe. The Community pioneered new and positive forms of partnership with the developing countries through the Lome Convention. It established new relations with China. Internally, it set up a new Regional Development Fund, which involved a significant break-through in the transfer of resources from the richer to the poorer regions of the Community.

When you get a bit impatient with our pace, with our parochialism, or with our willingness to rely on American nuclear power for our protection in the 20th century (as you relied on the British Navy for yours in the 19th!), I would ask you to remember that, while we may be nine ancient nations, we are still a young Community. We may not yet be as united a partnership as George Ball and I would wish to see, but I would make the practical point to a mid-West audience that even the present level of development of the European Community represents a real change in the world economic scene.

In place of nine separate nation states, there is now a Community with a gross national product which does not fall far short of that of the United States, and which considerably exceeds that of the Soviet Union and that of China and Japan. Its population is larger than that of either the United States or the Soviet Union.

Its Member states together transact some 40 per cent of the free world trade, fully half of which is with countries outside the Community's borders, and they hold some 30 percent of the world's currency reserves. They are the source of nearly half of official development assistance to the Third World. Even in recession, the European Community remains the most important economic partner for the United States. American investment in the Community runs at over 20 million dollars. You had a trade balance surplus in your favour of no less than 10 billion dollars in 1975. Speaking in an agricultural environment, I congratulate you because this surplus was entirely due to agricultural exports (trade surplus for agriculture +11.5, industry - 1.5). Your farmers here, in Iowa, will certainly have contributed to these results. Over 5 billion dollars worth of agricultural products were sold to the Community last year; by contrast, Community farmers succeeded in sending to the States only 1 billion dollars worth in that year. The European Community is America's most important agricultural customer, taking 25 per cent of all your food exports.

I would like to say something about agriculture, since it has so often been agricultural trade that has provided the pinpricks to make our relations uncomfortable from time to time. Both the United States and the Community are major agricultural producers and exporters-I have already noted the extent to which the Community buys agricultural commodities - particularly grains and soya beans - from the United States. Both communities have, above all, a common interest in maintaining a stable world commodity market, and it is certainly not in the long term interest of either to encourage a recurrence of the price situation that was obtained in 1974. As you will recall, following severe harvest difficulties, particularly for sugar and cereals, in many part of the world prices rose to hitherto unheard of levels. The restrictive measures on exports which had to be taken by various countries were clearly against the medium term interests of both producers and consumers. The consequences on consumption are still with us.

It is equally in our mutual interest to see the Community's present mountain of surplus skimmed milk powder reduced to proper proportions. This is why we have taken both short term and longer term measures to reduce the stocks and production of skimmed milk powder. The shorter term measures, of compulsory substitution of milk powder for soya in animal feed are, of course, unwelcome to you, but I would, however, point out that the short term measures we have taken are strictly limited in time and

extent. We have further tried to mitigate their effects on our trading partners by setting up a storage policy for proteins, notably soya, a policy which is not necessarily limited in time.

Underneath these particular points, I recognize that there is more fundamental concern about the Community's Agricultural Policy. You now run in the United States a predominantly market system with remarkable results over recent years, and you ask why the European Community insists on running the kind of support system they do, which creates a number of problems for you both internally and externally. I think we must recognize that the United States and the Community have to face very different economic, social and indeed political considerations in the field of agriculture. You farm vast lands, virgin until you brought them into cultivation in the last century or so. The Community's inheritance is a deeply traditional, centuries-old agriculture, which, when the Community was formed in 1958, occupied 17 million farmers. Today it is down to 9 million and still reducing.

What the Community's Agricultural Policy is responsible for is a remarkable achievement in peaceful and social change. It has been a humane and civilized process compared with some of the enforced enclosures and brutal clearances which drove so many of Europe's agricultural emigrants to seek hope in the future in the United States. The dividends of the Community's Agricultural Policy in political stability are too seldom counted, and are a positive asset for both sides of the Atlantic.

In addition to these basic considerations, it is a central feature of Community policy to maintain a reasonable degree of independence regarding outside supplies, to be able to assure the housewives of secure supplies at stable prices and their farmers comparable conditions to those who work in industries and services.

I ought to emphasize, however, that the Community's Agricultural Policy is under review at present, particularly with regard to the dairy surpluses. I would sum it up by saying that, although the Community's agricultural policy needs improving in various ways, it has served the Community well, while still providing the United States with its biggest export market and one that is still expanding.

It is important on both sides of the Atlantic for us to keep these trading difficulties in perspective and to remind ourselves how healthy our trading relationship remains. We are beginning to emerge from the recession without it so far having caused any major retreat into protectionism, on either side of the Atlantic. This has not been easy in either the United States or in the European Community, but we have managed to do it. Let us hope we can keep it that way through the temptations of an American Presidential year, and despite the siren voices calling for import controls from inside my country, the United Kingdom, and other Member States of the Community.



Over the next two years, in the course of the Multilateral Trade negotiations in Geneva, we shall no doubt be engaged in hard bargaining on the host of tariff and non-quantitative restrictions which exist not only in trade between ourselves, but also in trade with other nations. No doubt there will be difficult moments, as there have been in the preliminary discussions, but if we keep in mind the need for an overall balance, then we shall come through with gains for all concerned. I must admit, however, that we are worried at the number and importance of requests for protection which have been lodged by U.S. industry with the Administration. If satisfaction were to be given to all these demands, over 4 1/2 billion dollars of Community exports to the United States would be adversely affected. And we should be quite clear about the results of such a course of action. The Community relies for over one third of its gross national product on imports and exports - the whole of our economic, social and political stability depends upon trade. But because this trade makes up such a large proportion of total world trade, the consequences of an unrestricted recourse to protectionism on the Western economy as a whole would be disastrous. We are mutually interdependent, held fast by a complex web of economic and political relationships. If one thread is pulled too hard, the whole fabric will unravel. We must maintain not only the principles of the O.E.C.D. Trade Pledge which was renewed last year, but also we must in the M.T.N. negotiations at Geneva, negotiate in the spirit of the understandings reached at the recent Rambouillet Summit Conference.

Fortunately, there is at present an improvement in the levels of unemployment as the cyclical aspects of the slump are beginning to show signs of passing. That should reduce the protectionist pressures in all our countries.

But make no mistake about it. Western industrial society is never going to be the same again. We are not going to return comfortably to the automatic growth of the sixties and early seventies, and if we want to get back to the high levels of employment of the post-war period, we will only do it by painful and cooperative effort by the industrial nations of the West as a whole. Economic nationalism knows no answers to the problems of the end of the century.

When the present high tide of slump recedes, as it is beginning to do, we shall discover that down on the seabed convulsions have been taking place, and we shall find left behind big new pools of permanent unemployment in industries and areas accustomed in the past to prosperity.

In a situation in which we are faced with unacceptable levels of long-term unemployment, it is no good seeking to solve a national unemployment problem by exporting unemployment across the seas to one's neighbours. Economically and politically it is disastrous, for your industrial neighbours are also your best customers and your closest allies.

But what does a strategy against the new unemployment imply? Massive new investment is needed to make the West less dependent on imported oil. Massive new investment is needed to bring about the structural changes which follow from the fact that the new countries are going to develop their own industrial base and do for themselves many of the processes that at present provide jobs for Western workers.

The United States and the European Community - together with Japan and other industrialized countries - have to find out how to fashion a new international energy policy. They have to help construct a new world-wide economic system and a new balance of economic power with the raw material producers of the Third World. And they have to shape new domestic economic strategies to sustain acceptable levels of employment and of living standards. Of course, in some cases the problems facing the countries of the Community are different from those facing the United States. You, for example, can make yourselves relatively self-sufficient in oil and in energy imports. That is not conceivably possible for the European Community. Of course we must recognize our interests will differ in various respects from time to time. But our common interest in finding mutually consistent solutions to our problems far outweigh any of those necessary differences in approach.

And a great deal hangs on the successful outcome. It is not only material living standards that are at stake. It is liberty - and it may be peace. It is not too much to say that there are areas of the Western world where the survival of multi-party democracies depends on meeting these economic challenges - and areas on the frontiers of the Third World where their resistance to Communism depends on the West showing the will to succeed. The peace of the world still rests on the balance of military power provided by the Atlantic Alliance in which Europe and the United States remain close partners. The need for maintaining that military balance remains as strong as ever. But while sustaining it, the West now faces the question as to whether the possible sharing of political power by the Italian and French Communist Parties means that Soviet Communism may be able to advance in the West by a political back-door, while the military front-door remains relatively secure. The Soviet Union has made no secret of the fact that detente does not mean an ideological truce.

There is no way of getting rid of the problem of the voting power of the great Western Communist Parties in France and Italy by pretending it is not there, or even by saying that under no circumstances will the non-Communist Parties share power with Communist political forces. The ebb and flow of electoral forces cannot be dealt with by any Canute-like order to the Communist waves to recede.

The only way to deal with this aspect of the West's problem is to continue to be able to demonstrate that our modern mixed economies and multi-Party democracies can still meet the challenge of producing both prosperity and liberty. This is where the European Community faces in many ways its greatest challenge. Its member nations must show a willingness on the one hand to see resources transferred from the strong economies to the weaker, and on the other hand for an acceptance of the kind of Community economic discipline that enables the twin plagues of unemployment and inflation to be tamed. Certainly an integrated and united European Community is the best answer to the question-mark which hangs over the role of the French and Italian Communist Parties. It is a framework which encourages and sustains multi-Party moderation. Provided we can go on making the European Community work and ensure that it enjoys the support of the minds and hearts of its citizens, it is by far the most effective insurance policy against totalitarian extremes of either the left or the right.

For this reason alone, the success of the efforts to build a true European Community remains of major concern to every citizen of the United States, as indeed to every democrat throughout the world.

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