

## Address given by Joseph A. Greenwald (Brussels, 20 February 1973)

**Caption:** On 20 February 1973, addressing the American and Common Market Club in Brussels, Joseph A. Greenwald, Head of the United States Mission to the European Communities, outlines the nature and state of political and economic relations between the United States and the European Communities.

**Source:** Western European Union Assembly-General Affairs Committee: A retrospective view of the political year in Europe 1973. April 1974. Paris: Western European Union Assembly-General Affairs Committee. "Speech by Mr. Greenwald, Head of the United States Mission to the European Communities, at the American and Common Market Club (Brussels, 20 February 1973)", p. 60-64.

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## Address given by Mr. Greenwald, Head of the United States Mission to the European Communities, at the American and Common Market Club (Brussels, 20th February 1973)

The economic crises and headlines of the past eighteen months should have brought us to the point where the major industrialised powers are ready to reconstruct their trade and monetary system in the light of changed circumstances but continuing common interests.

In the immediate post-war period common objectives were clearly articulated and embodied in agreements and institutions. But they inevitably reflected the economic situation and relationship of the period. Everyone now accepts, at least intellectually, that things have changed, particularly with respect to the United States and the dollar. The events since August 1971 have brought the point home most vividly.

On the other hand, our common goals have not changed — only perhaps lost sight of in the day-to-day conflict, crisis and carping. What seems to be needed is an examination of the current United States-EEC issues in the context of present realities and of our still valid common goals. This is what I propose to try to do today.

Before going into the economic areas of United States-EEC relations, I would like to comment briefly on our broad political interests. Basic to economic and social progress is a stable, peaceful world. And this in turn depends upon a firm security foundation. These are obvious elements of the close Atlantic connection reflected in the continuing central rôle of NATO. Whether it is in the delicate business of “détente management” or in more traditional co-operation in the military and political field, it is impossible to separate security and economics.

This necessary inter-relationship is all too apparent to the American public and to the Congress. It seems to be equally well recognised by the European leadership. What is missing, however, is the crucial element of agreeing on a United States-European dialogue which takes all aspects of our relations into account. Somehow a way must be found even before full unity comes to Europe to discuss together the whole range of our political, security and economic policies. Failure to deal effectively with any part of this complex will inevitably affect the rest.

Similarly, our relations must be looked at “globally” in the geographic sense. It is not possible, for example, to talk about United States-EEC trade separately from Japanese trade with both of us. A multilateral, interdependent world is, in fact, the famous “one ball of wax” and together the United States and Europe must look at it in that way.

I believe these considerations have played an important rôle in our continuing support for integration in Europe. In President Nixon’s words, “it is, and has always been, my deeply held view that progress toward a unified Europe enhances world peace, security and prosperity”.

Thus, while our common interests in the political and security field are longstanding and easily identifiable, the problem is to factor them in more closely in balancing our total relationship under today’s circumstances.

In the economic area, our problems are as much in seeing the common interest clearly as in dealing coherently with the interrelated aspects. Above all in the coming months and years our task will be to achieve a reordering of trade and monetary relations.

It seems to me that our main post-war goal is still valid — to establish and maintain an open, stable and efficient system of trade and payments.

As in the post-war period, the central question is the dollar. Only now it grows out of a large United States balance-of-payments deficit. Now, as before, the answer lies in an effective balance-of-payments adjustment process — with both surplus and deficit countries taking the appropriate action. The most recent crisis —

which was happily resolved by a United States initiative with an absence of friction — must have made it clear that everyone's enlightened self-interest and the end of recurring crises will be achieved only when the United States position is turned around. The United States has taken the classic domestic measures and has acted on the exchange rate. But there is as yet no evidence of an impact on our balance of payments. An analysis of our external accounts suggests that improvements seem likely, on present form, only in a few areas. Unless holiday habits change drastically, tourism will probably continue to be in substantial deficit. Foreign exchange earnings in the service sector, particularly royalties and dividends, seem to have bright prospects and this is why continued access for direct investment is so important to us. Investment and related matters must be included in the overall negotiations. As far as our trade account is concerned, the speeding up of the so-called "product life cycle" has left us with a comparative advantage only in very high technology items and in agriculture.

Unless liberalised action can be achieved in these areas, the forthcoming negotiations will not be successful in terms not only of narrow United States interests but also in terms of contributing to a more stable world economic system.

In order to have the tools to act directly on the trade account if that should prove necessary for balance-of-payments reasons, it is expected that appropriate authority will be sought in the new trade bill. Such trade measures have been taken by other countries in deficit situations and are permitted under the GATT and the IMF.

A specific proposal for a more effective adjustment process formed the centrepiece of Secretary Shultz's presentation last fall. This suggestion, along with ideas about flexibility of exchange rates, the rôle of special drawing rights and other matters are now being discussed in the Committee of Twenty. The most recent crisis has underlined the need for a greater sense of urgency in the monetary reform negotiations.

The link between trade and money is most apparent with respect to the use of trade measures — positively or negatively — in the balance-of-payments adjustment process. But continued progress toward freer trade is also an essential element in the development of a viable economic system. The United States and the EEC are both committed to another round of trade negotiations. As the first step in carrying out this undertaking, Secretary Shultz last week announced that the President had decided to seek authority from the Congress to enter into trade negotiations.

In the tariff sector a broad authority to reduce duties on a reciprocal basis would be requested. Similar liberalising authority will be proposed in the non-tariff field, taking account of the diverse and very special nature of non-tariff barriers.

In addition to these powers to exchange reciprocal concessions in comprehensive trade negotiations, the legislation will include measures to safeguard domestic industry from injury. Similar provisions are found in previous laws and in international agreements, but this proposed legislation will be an up-dating to take account of experience with previous measures and of recent developments in international trade. Other provisions in the present laws will also be modified and balance-of-payments measures will be added.

The proposed legislation will be put in final form only after extensive consultations with interested parties. Talks with the EEC were begun last week with the visit to Washington of Sir Christopher Soames. Further consultations are planned for the near future in the context of our regular bilateral meetings.

With the decision to submit new trade legislation a familiar debate will be resumed in the United States. Protectionist sentiment remains strong and a good deal of rhetoric will be generated. Europe can help by not overreacting. It can also contribute constructively by actions on issues we will be pursuing in the period before the full negotiations begin: in the general commercial policy field, to pursue the ideas brought up at the end of the year which were designed to move away from the so-called reverse preferences; in agriculture, a positive response to United States action in doing away with export subsidies in agricultural trade would be extremely welcome. An agreement between us not to reinstate such export subsidies might be considered. To demonstrate the will to deal effectively with non-tariff barriers, agreement on the self-

contained code relating to product standards might be achieved in the next few months; much work on this code has already been done in GATT. Finally, attention in the United States will be focused on the negotiations related to the enlargement of the Community and its agreements with non-member European countries. These negotiations are scheduled to begin next month. Consideration of pragmatic trade problems instead of narrow legalities alone will be essential to a successful outcome before the fall multilateral negotiations.

The most important thing will be the main thrust of the policies on both sides — there is much at stake. Secretary Shultz made this clear in his statement last week: “we must avoid that risk ... that is a retreat inward ... for it is the road to international recrimination, isolation and autarky”.

With respect to relations with Japan, the common objective again seems clear. Both the United States and the EEC have an overriding political and economic interest in full Japanese participation in the new system.

Last week's events show intimately and importantly the large and growing economy of Japan is linked with industrial America and Europe. There tends to be a fear reaction to Japanese competition and a number of special safeguard arrangements have been made. However, the only sensible solution is a multilateral approach, perhaps along the lines suggested by the Rey group report.

In the meantime, we have an immediate problem of correcting the fundamental disequilibrium caused in large part by Japan's persistent and massive trade surpluses. In the longer term it is in the interest of Japan as well as its trading partners to open up the large Japanese market on the same basis as other industrialised countries.

The basic starting point for both the United States and the EEC is our common responsibility to help the developing countries.

We have had much useful experience in this area since the war. We have coordinated our aid and development strategies in the world banks, in the Development Assistance Committee of the OECD and, with the less developed countries, in UNCTAD and other United Nations and regional bodies. We are now taking a more serious look at the growing debt problems where a common creditor/aid donor policy is essential.

With this history and with our common objectives, it is unfortunate that we appear to have divergent positions on the question of preferential trade arrangements as an integral part of EEC relations with less developed countries. I personally laboured long and hard in UNCTAD sessions to achieve a statement of common purpose; namely, that the best framework for trade relations between developed and developing countries is a system of generalised tariff preferences in which all developed countries treat all developing countries on the same basis. This approach avoids some of our past mistakes. We recognise that for historical reasons the phasing out of old arrangements may take time, but the important thing would be for both of us to be moving toward the same internationally-agreed objective. Also I believe that special preferential arrangements could be modified more easily in the context of a comprehensive EEC policy of aid and technical assistance to developing countries. The continued growth of special arrangements, including “reverse preference”, carries to United States observers the impression of exclusive trading blocs where trade concessions and preferential access are given by the poorer to the richer partner.

There are a number of areas where we have a common interest in solving particular problems facing all industrial economies. Environment, technology, research and development, education, health are examples, but energy seems to be one of the most urgent. Europe has long known the situation which the United States is only now beginning to face — dependence on foreign sources of energy — particularly crude oil. There certainly is no doubt or difference of view about the increased demand for all types of energy. In that kind of situation, with limited availabilities, we all have an interest in seeking co-operative arrangements, programmes and policies designed to conserve resources, to develop alternative energy sources and to avoid wasteful competition.

We have begun a useful dialogue on energy questions with the Community, both bilaterally and in the OECD. We welcome the indication in the summit communiqué that the Commission will develop a common energy policy. President Nixon will soon be sending an energy message to the Congress and it is our hope that we can then jointly see where co-operative efforts, perhaps even common research and development programmes, can lead, perhaps, having in mind the Coal and Steel Community precedent, going so far as to suggest an energy community among the major consuming countries.

My last example of common interest is in the area of economic relations with the East. Until the normal trade rules and currency convertibility apply, East-West economic relations will have to be carried on in a special framework. In these circumstances, close consultation is important. Competitive credit races are certainly in no one's interest and, as we contemplate the possibility of extremely large raw material development programmes, we will certainly wish to know where the funds are coming from and how they will be repaid.

Let me close today by stating that the desire for closer working relations and for a common search for solutions to our problems is strong in Washington. If we both keep in mind the larger common interests, goals and objectives, the solutions of specific problems and the conclusion of successful negotiations may come more easily. Most encouraging is EEC Commission President Ortoli's statement last week that enlargement gave a new economic and political dimension to the definition and conduct of the Community's international relations. He added that this came at the very time when the facts of international political and economic relations were undergoing profound changes. Recognition of these changes is a necessary first step; meeting the challenge of change is what the constructive dialogue is all about and we intend to do our part.

*Source:* Wireless File of the United States Embassy, Paris, No. 34, 21st February 1973.