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"INTERNATIONAL POLITICS AND THE FUTURE OF EUROPEAN-AMERICAN RELATIONS"
International Association for Cultural Freedom, Bonn, 13-15/X/1972

(1) Aims of the project, method, agenda, participants
(2) Purposes, method of operation, legal status, board and administration, seminars of the International Association for Cultural Freedom
(3) Kaiser, Karl: "Europe and America. A european policy memorandum on international politics and the future of european-american relations"

INTERNATIONAL ASSOCIATION FOR CULTURAL FREEDOM

INTERNATIONAL SECRETARIAT

104, BOULEVARD HAUSSMANN PARIS (8e) TELEPHONE : 387-37-59 CABLE : CULTURLIB-PARIS

(1)

INTERNATIONAL POLITICS AND THE FUTURE OF EUROPEAN-AMERICAN RELATIONS

Bonn, Oct. 13-15; Columbia, Maryland, Dec. 7-10, 1972

Jointly sponsored by
The International Association for Cultural Freedom and
Aspen Institute for Humanistic Studies

I. Aims of the Project

The last two years have seen considerable changes in the international political configuration. Structures which came into being in the immediate postwar period and prevalent concepts of international relations are on the threshold of change. Old patterns of conflict have been superseded by new cooperative relationships.

To mention a few examples: The enlargement of the European Community; the rise of China and President Nixon's visit to Peking; the shift in United States foreign economic policy; the change in Japanese-American relations; the ratification of the Eastern treaties by the Federal Republic of Germany; the Berlin Agreement; a more rational approach in relations between the two German States; President Nixon's visit to Moscow and its results; the prospect of a European Security Conference; the growing cleavage between the developed and the developing countries; and indications of an environmental crisis on a worldwide scale.

Considering the fundamental significance of European-American relations for both sides of the Atlantic, as well as for the global framework of world politics, it is important (a) to analyze the effects which changes such as those listed above have on the relations between Europe and America, and (b) to examine the consequence of these changes for Europe and America in their policies toward each other, as well as toward the rest of the world.

.../...

Twenty-five years after the proclamation of the Marshall Plan, Europeans are in a position to make their own contribution to this process of reevaluation and reformulation.

The American elections of this Autumn are an opportune moment for Europeans to get together and exchange their ideas on these issues and then discuss their views with representatives of the newly elected Administration and other thoughtful Americans. A fitting time for the meeting will be in early December when the newly elected Administration will be shaping its program. It is our hope and purpose that such a meeting will enrich public discussion on both sides of the Atlantic.

It would be desirable to examine the issues at hand within the context of the present decade. This time span is narrow enough to perceive problems within the practical framework of policies yet broad enough to allow the consideration of such long-term issues as world economic policy, regional political structures, the world's resources, and arms control and disarmament.

II. Method

The European position has been elaborated in the following way: A German group met in Bonn on June 23; a French group met in Paris on June 29; a British group met in London on June 30; and an Italian group met in Rome on July 7, 1972, on the basis of an agenda prepared by Professor Karl Kaiser, University of the Saarland. The ideas which emerged from these discussions will serve as general guidance for a basic paper which Dr. Kaiser is now completing. This paper, which will be sent out in advance, will be reviewed by an overall European meeting at the Rheinhotel Dreesen, in Bonn, October 13-15, 1972, and revised in the light of the discussions. The final version of this paper will serve as the basis for the European-American meeting to be held near Washington, at Columbia, Maryland, December 7-10, 1972.

III. Agenda

The following areas and questions were discussed at the four meetings already held in Europe. It should be emphasized that all points of discussion were and should be viewed within the context of their implications for European-American relationships and policies on both sides:

.../...

1. Foreign Policy and Security - Significance of (a) Eastern agreements signed by Federal Republic of Germany; (b) President Nixon's visits to Peking and Moscow; (c) a stronger European political, economic and institutional Community; (d) next steps contemplated in arms control and disarmament negotiations; (e) possible thinning out of American troops in Europe and the future of the European-American security relationship; (f) establishment of a European Defense Community.

2. New System for Regulating Economic Relations - Significance of (a) growing importance of Europe and Japan in the world economy; (b) the establishment of a European free trade area and US policy thereto; (c) world monetary crisis and requirements for settlement; (d) management of new factors in economic relations, such as multinational corporations, voluntary agreements, etc.

3. Development of Economic Relations with Communist Countries - Significance for European integration and for European-US relations.

4. Policies Toward Developing Countries - Significance of (a) growth patterns of Europe, US, Japan and developing countries; (b) the environmental problem to development and (c) common or bilateral efforts to assist development of developing countries.

5. The Shape of European-American Relations within the Framework of International Relations in the Seventies - (a) alliance, partnership or other form of relationship; (b) respective roles, coordination and institutionalization; (c) policy toward the Soviet Union and Eastern Europe; (d) policy toward the rest of the world, particularly Asia; (e) the role of Japan in possible future arrangements.

6. Cultural Problems; Environment; the Quality of Life - (a) There is an increasing awareness, in Europe and in the USA, of the fact that, when left to itself, industrial development exhausts the resources of nature and turns against man. What is being done, on both sides of the Atlantic, to recognize the essential needs of men and to give them priority over artificial

.../...

needs? While arresting economic growth altogether would be disastrous, efforts should be made to turn quantitative growth into an improvement of the quality of life.

(b) The "heavy trends" of society are not irreversible and the future of man cannot be computerized. The spontaneous protests which emerged in highly industrial countries during the last decade are an indication of the potentialities of alternative cultures and ways of life. What will be the significance - in Europe and in the USA - of cultural changes for European-US relations?

(c) Culture, owing to its transformation in the last twenty years from an elite to a mass phenomenon, can no longer be considered in terms of traditional "arts and humanities." It embraces the education system, the mass media, the cultural industries. The cultural crisis is therefore symptomatic of the crisis of the traditional order. What can be done, on both sides of the Atlantic, to combat the dangers of bureaucratization, trivialization and abuse by uncontrolled techonological innovation? A conscious effort in cultural policy could channel spontaneous protest movements into constructive action and turn them away from their tendency to preach intolerance and to practice violence. What are the prospects for such a development in Europe and in the USA?

IV. Participants

It is expected that approximately 25 Europeans and 20 Americans will participate. They will include men and women with responsibilities in the cultural, economic and political life of their countries. Those from Europe will have participated in the preparatory meetings held in Europe. The United States participants will include officials of the Executive and Legislative branches of the Federal Government.

Shepard Stone

September 8, 1972

INTERNATIONAL ASSOCIATION FOR CULTURAL FREEDOM

INTERNATIONAL SECRETARIAT

104, BOULEVARD HAUSSMANN PARIS (8e) TELEPHONE : 387-37-59 CABLE : CULTURLIB-PARIS

(2)

1972

INTERNATIONAL ASSOCIATION FOR CULTURAL FREEDOM

PURPOSES

1. The International Association for Cultural Freedom (IACF), located in Paris, is an organization of intellectuals - scholars, writers, artists and men of public affairs. It is concerned with man, his culture and his freedom.

2. The Association, with a central interest in the role and responsibilities of intellectuals, seeks to establish connections between the international intellectual community and men engaged in social, political and economic action. It tries to transcend national and racial barriers, political conflicts and generational differences. The Association sustains a worldwide discussion through its international affiliates and magazines, through seminars on major contemporary problems and through research projects. It defends intellectual, academic and cultural freedom against infringement from whatever source. It emphasizes the critical spirit and rational approaches to problems.

3. The Association is concerned with the maintenance and extension of cultural freedom in three distinct situations:

A. In those areas where it is denied or restricted by the repressive action of governments or other institutions;

B. In those areas where assistance is needed to overcome lack of necessary resources and facilities;

C. In those areas where the range and effectiveness of cultural freedom is threatened by bureaucratization, trivialization and abuse either by uncontrolled technological innovation or by those who exploit it to preach intolerance and practice violence.

4. IACF's unique character as an organization is, through mutual support, to link together in a common concern for cultural freedom those who are committed to work for its extension and defense in all three of these situations.

METHOD OF OPERATION

Through its membership IACF is in a position to stimulate thought and action in many parts of the world. It has friendly access to leaders in public life and in the academic, intellectual and communications areas. IACF seminars attract wide attention. Ideas emphasized by IACF are echoed in universities, in the press, TV and radio, and in magazines and books. The IACF network of affiliates, publications, seminars and conferences is trying to contribute to a free discussion and exchange of ideas on a national and international level.

LEGAL STATUS

IACF is recognized as a tax-exempt, non-profit organization in France, Switzerland and by the US Treasury.

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ASSOCIATED GROUPS AND PUBLICATIONS

The following institutes and groups are associated with or supported by the International Association:

African Advisory Committee - Legon/Accra, Ghana

Australian Association for Cultural Freedom - Sydney

Cercle pour la Liberté de la Culture - Lyon

Comité Espanol para las Relaciones Culturales Europeas - Madrid

Commisao Portuguesa para as Relaçoes Culturais Europeias - Lisbon

Fondation pour une Entraide Intellectuelle Européenne - Zurich, Paris

Groupe Marocain d'Etudes Méditerranéennes - Rabat

Internationale Gesellschaft für die Freiheit der Kultur - Hamburg

Jajasan Indonesia - Djakarta

Japan Cultural Forum - Tokyo

Solidaridad Center - Manila

Suksit Siam Center - Bangkok

In the United States, IACF has a cooperative working relationship with The Aspen Institute for Humanistic Studies.

In India, IACF has a Representative in Bombay.

The following magazines and scholarly journals are published, co-sponsored or assisted by the Association:

Asia

Bangkok	- THE SOCIAL SCIENCE REVIEW (monthly, in Thai)
Bombay	- QUEST (bimonthly)
Djakarta	- HORISON (monthly, in Indonesian)
Manila	- SOLIDARITY (monthly)
Sydney	- QUADRANT (bimonthly)
Tokyo	- JIYU (monthly, in Japanese)

Africa

Legon/Accra	- TRANSITION (bimonthly)

Europe

London	- ENCOUNTER (monthly)
	- MINERVA (quarterly)
	- SURVEY (quarterly)
Paris	- PREUVES (quarterly)

SEMINARS

December, 1968 Princeton, N.J.	"The United States, Its Impact and Its Image in the World." Co-chairmen: Dr. Carl Kaysen and Jean-Jacques Servan-Schreiber. The proceedings of this meeting have been published in English (The Endless Crisis, New York, Simon and Schuster, 1970) and in French (Incertitudes américaines, Paris, Calmann-Lévy, 1970). A Japanese edition is in progress.
April 1969 Alghero, Sardinia	"The Student Rebellion and the Future of Western Society." Co-chairmen: Alan Bullock and Geoffrey Martin. A discussion between European and American students, both revolutionary and reformists, and academicians.
November 1969 Bergneustadt, Germany	"Pacifism and Violence - Their Uses and Limitations as Instruments of Reform." Chairman: Wolf Graf von Baudissin. An inquiry into this problem by 33 scholars, writers and student leaders from 12 countries.
June 1970 Zurich, Switz.	"Post-Industrial Society and Cultural Diversity." Co-chairmen: Daniel Bell and Ralf Dahrendorf. Sociologists and political scientists from Europe, Latin America, the Far East and the US examined the question of convergence among advanced industrial societies and the relationship of rational decision-making to political participation and democratic control.

August 1970 Aspen, Colorado	"Technology - Social Goals and Cultural Options," under the joint sponsorship of IACF and The Aspen Institute for Humanistic Studies. Co-chairmen: Dr. Alexander King and Professor Murray Gell-Mann. An international seminar at which scientists and artists, scholars and philosophers, public officials and citizens examined the question of how societies can make better use of modern technology for the needs of man.
October 1970 Poigny-la-Forêt, France	"L'Imagination créatrice." A meeting of poets and critics from Western and Eastern Europe under the auspices of IACF affiliated Fondation pour une Entraide Intellectuelle Européenne.
December 1970 Mohammedia, Morocco	"Culture arabe et Culture française de part et d'autre de la Méditerranée." Participants from Morocco, Tunisia, Algeria and France examined the situation and future of Arabic studies in France and of French language and culture in the Maghreb.
April 1971 Venice, Italy	"The Relevance of History - The Historian Between the Ethnologist and the Futurologist." Sponsored by IACF, the Giovanni Agnelli and the Giorgio Cini foundations and chaired by Professor Raymond Aron. An inquiry into the present position of history as a concept and a discipline. (The proceedings, in English and French, to be published in 1972.)
July 1971 Legon/Accra Ghana	"The Contemporary West Africa Press." Organized by IACF affiliate The African Advisory Committee. Journalists and academics from nine countries of West Africa examined the problems of the mass media and made recommendations to governments for raising standards and for professional training.

October 1971 Turin, Italy	"Press and Television - Standards of Information." Sponsored by IACF and the Giovanni Agnelli Foundation. A meeting of journalists and scholars to advance cooperation between the social sciences and the mass media.
October 1971 Senanque, France	"Perspectives de la Culture européenne à la fin du XXème Siècle," under the auspices of the Fondation pour une Entraide Intellectuelle Européenne. A meeting of scholars and writers from East and West Europe.
April 1972 Tokyo, Japan	"Socialism and the Future: Socialism in Changing Societies." Meeting of scholars and men in public life sponsored by IACF and associated group, Japan Cultural Forum. This major international seminar examined the impact of political, economic, technological and cultural developments on socialism in Europe, Japan and the developing countries.
June-July 1972 Bonn, Paris, London, Rome	"International Politics and the Future of European-American Relations." The meetings of national groups will be followed in October by a combined European meeting in Bonn and will culminate in a United States-European conference in December near Washington, D.C., with the co-sponsorship of The Aspen Institute for Humanistic Studies.

<u>Forthcoming</u>

September 1972 Senanque, France	"Byzance et l'Occident," an East-West meeting under the auspices of the Fondation pour une Entraide Intellectuelle Européenne.

November 1972 Paris	"The Role and Responsibility of Intellectuals in Contemporary Societies," preparatory meeting of the European group.
July 1973 Aspen, Colorado	"The Role and Responsibility of Intellectuals in Contemporary Societies," under the joint auspices of IACF and The Aspen Institute for Humanistic Studies, a major international seminar.

IACF EMERGENCY ACTION

When the East Pakistani crisis arose, in the Spring, 1971, IACF, working with its Calcutta affiliate, put into operation a program of assistance for scholars and other intellectuals who had been forced to flee their own country. More than 150 had received financial and placement assistance by the end of 1971. Most of these have now returned to Bangladesh, and a number have been appointed to high positions in government and universities.

International Association for Cultural Freedom

Aspen Institute for Humanistic Studies

(3)

Draft

EUROPE AND AMERICA

A European Policy Memorandum on International Politics and the Future of European-American Relations

by

Karl Kaiser

(This memorandum was prepared for an European meeting, to be held at Bonn-Bad Godesberg, October 13-15, 1972, and for a European-American conference at the Urban Life Center, Columbia, Maryland, December 7-10, 1972)

Not to be quoted before December 7, 1972

TABLE OF CONTENTS

I. INTRODUCTION: THE PURPOSE OF THIS MEMORANDUM

In 1976 when the American people on the occasion of the bi-centennial celebration of the United States will contemplate its past achievements and its future, the international community along with the United States will be in the midst of the most critical and most decisive period since the early post-war years.

The international economic system after a period of extraordinary expansion has reached such a degree of interdependence that without fundamental reform which replaces rules and institutions devised more than 25 years ago the present system might well break down and put an end not only to the unprecedented prosperity and freedom of international movement but along with them the achievements of political and security cooperation which emerged in their wake.

In Asia, with the rise of China and Japan, two great powers are emerging whose future role is not yet certain but whose impact will vitally affect world politics.

The United States after three decades of far-reaching and costly involvement in every corner of the globe is rethinking its world role and under the impact of the tragic experience of the Vietnam War may redefine that role in a manner that is likely to have a profound impact on the structure of world politics.

In Europe, the re-emergence of its Western part from the debacles of nationalism, World War II and de-colonization has reached a decisive new phase marked by the entry of Britain and other European states in the European Community. One of the largest and most prosperous political units in the world is emerging and profoundly changing the internal structure of Western Europe; undoubtedly it will have a major impact on the future of world politics.

The West German treaties with the Soviet Union and Poland and the Four Power Agreement on Berlin along with the development of new cooperative dimensions in the American-Soviet relationship, are evidence of the profound changes in the Cold War, for two decades the dominant relationship of tension in world politics, and may, indeed, signal its disappearance in its traditional sense. Europe and the United States are preparing for a new phase of negotiations on arms control and cooperation with the Communist countries which might well result in important changes of the structure of international politics.

As has been rightly remarked[1], the present constellation of East-West politics comes as near as one can imagine to the functional equivalent of a peace treaty which ends World War II. Hence the stage is set for a period of important decisions, uncertainties and potential instabilities. The basic elements of the structure of the international system in which the United States and Europe and their economic, political and security relationship form an essential cornerstone is going to be changed and rearranged in the future.

The decisions made by the major actors in the international system during the next years will in all likelihood decide whether the remaining decades of this century will be characterized by moderation, absence of war, and peaceful change or whether we will enter a period of economic and political instability.

Considering the fundamental significance of European-American relations for both sides of the Atlantic as well as for the global framework of world politics, it is important to analyze the effects of the on-going changes on relations between Europe and America and to examine the consequences of these changes for Europe's and America's policies towards each other as well as towards the rest of the world. 25 years after the proclamation of the Marshall Plan, Europeans should be able to make their own contribution to this process of re-evaluation and reformulation.

The American elections of this autumn provide an opportune moment for Europeans to get together and exchange their ideas on these issues and then discuss their views with representatives of the newly-elected Administration and other thoughtful Americans. A fitting time for the meeting will be the beginning of December of this year when the new Administration will be shaping its program.

It is the purpose of this paper to provide a core of suggestions and ideas around which European opinions could crystallize in order to have a common European basis for a discussion with the American representatives on the major issues that confront both Europe and the United States.

It is not the purpose of this paper to present points of views which can be endorsed in all their formulations by all Europeans. Obviously, the differences in perspectives and European nationalities make this impossible. The proposals

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1. Francois Duchêne, "A New European Defense Community," Foreign Affairs, October, 1971, pp. 69-82.

of this paper are intended to stimulate discussion among Europeans and after a revision of the paper in the light of that discussion to formulate a number of positions which come as near as possible to a common European position.

This paper is intended to be a policy memorandum focusing on those issues which will be particularly relevant for policies in the forthcoming years. For this reason the paper has omitted a great deal of factual analysis which might be desirable on a variety of issues if it had been written with a more scholarly purpose in mind.

The present version of the memorandum is only a draft. All readers and participants of the Bonn Conference in October are invited to criticize this paper as frankly as possible and make suggestions for alterations.

Any written comments by those who are unable to attend the Conference are greatly appreciated. I add my personal address at the bottom of this introduction for all those who might want to send me any comments, preferably before October 20, 1972.

Section II analyzing the components of change in the present international system and a brief chapter on the American-European dimension of the environmental problem will be added prior to submitting the paper at the Washington Conference (the themes of Section II are touched upon in the first part of this introduction and listed in the table of contents). The conclusion will be written after the Bonn meeting which will hopefully have given some indication of the long term concepts which Europeans have for the future of international politics and US-European relations.

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II. COMPONENTS OF CHANGE IN THE PRESENT INTERNATIONAL SYSTEM

(This section is to be written later on and added to the version to be submitted at the Washington Conference. It will deal with the themes enumerated below.)

1. The Emergence of Multinational Politics of Interdependence
2. From Cold War to Hot Peace: The Difficult Co-existence of Détente and Security Policy
3. Soviet Policy Between Old Ambitions and New Objectives
4. American Foreign Policy in a Phase of Reassessment
5. West European Integration in a New Phase
6. The Rise of China and Japan
7. Global Issues and the United Nations
8. Conclusion: Obsolescence and Validity of Some Old Formulas

III. Restructuring Atlantic Relations and International Politics

The preceding analysis of contemporary international politics [1]. has shown that the international system as it emerged in the aftermath of World War has been and is undergoing profound change and that it is the task of responsible statesmen to consider carefully what conclusions should be drawn and what measures should be taken to mould and structure the ongoing change.

The next years can either be used for constructive action that will create the conditions for a moderate and peaceful international system in the remaining decades of this century or, as a result of short-sighted policies or mere inaction, the post-war international system that brought liberty to many peoples, that made possible unprecedented though unevenly distributed prosperity and which prevented war in the world except in Asia, will lapse into an inherently unstable state of multiple imbalances and excessive competition without adequate machinery for regulating conflicts and reducing risks.

In modern history, periods of potential reconstruction of international politics usually came in the aftermath of war or major upheaval. The present opportunity occurs without such prior events. (The Vietnam War in this connection only accelerated a change in American foreign policy which would have occurred anyhow.) Consequently, the pressure of time and duress is less pronounced and the turmoil of change not quite as turbulent and difficult to contemplate as in earlier instances.

While such a state of affairs may give ground for moderate optimism about the future, the earlier analysis should have made it clear that in contemplating and undertaking measures today's statesmen in the West face a more difficult task than their predecessors in the period of reconstruction between 1945 and 1950. First, unlike those who were "present at the creation", the nature of the problems now at hand force them to take a more global perspective. Second, decisions on a number of important problems can no longer be taken by the United States alone, but the participation of a number of other partners in the decision-making and implementation is an essential precondition of success.

Finally, given the basic characteristics of today's multinational politics of interdependence, the various realms of security, diplomacy, trade, financial matters etc., interact to such an unprecedented degree that states must end the highly counterproductive separation of these areas in their policies, and, instead,

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1. This is to be added later on.

attempt solutions that integrate the interconnected realms. If, therefore, in the following pages various problem areas are separated and examined consecutively, then only to isolate analytically what policy must integrate.

1. Security Dimensions

Let us turn first to the security dimensions which continue to represent the central problem in American - European relations. But in doing so, we shall look at security from a wider angle than the purely military one. To be sure, the prevention of war through adequate military means remains at the core of security. But under modern circumstances the concept, security, includes freedom to pursue policies of one's choice and without outside interference as well as social, economic, and political conditions that make for international stability without hindering peaceful change. Moreover, a comprehensive security policy should be linked with efforts to lower tension and risk by cooperative measures and arms control and disarmament.

Between America and Western Europe the institutions and professionals charged with defense efficiently pursue their routine, but the debate among the informed public and legislators on the actual problems and future challenges in the field of security is either nonexistent or shows a deplorable state of misperception and ignorance of facts. The limited debate that does exist outside the governments consists characteristically of acrimonious and divisive signals among allies relayed across the Atlantic and thus provides a striking contrast to American and European preoccupation with China and the Soviet Union which have come to appear in a positive light.

In the U. S. despite Administration efforts to the contrary, the public discussion appears to presume that the entire security relationship with Europe can be reduced to the question of whether or not U. S. troops should stay there, be financed by the Europeans or withdraw. This fixation is mirrored in the West European public which watches every development in this field across the Atlantic with the typical nervousness of the dependent. Unable to overcome deeply rooted national myopia, the Europeans also have great difficulties seeing the security problem in a larger perspective.

A. What threatens security in Europe?

Before raising the question of the future security relationship between America and Europe we have to examine two problems which are often neglected

in the answers given so far, namely, whether there are threats to security in Europe and whether the Europeans can deal with them alone.

In analysing the existence and nature of security threats in Europe, we can return to the conclusions drawn in our earlier analysis of Soviet foreign policy and of the relationship between détente and security.

Since the outbreak of the Cold War, the probability of aggression in Europe has never been as low as today. The fear that the Warsaw Pact countries would contemplate an all-out attack, which was quite prominent in the 1950's has all but disappeared. West Europeans judge the intentions and attitudes of the Soviet leadership as sufficiently rational and pragmatic to consider the probability of aggression aimed at territorial gains or occupation as extremely low. The developments since Khrushchev's removal from power, in particular the negotiations with the Federal Republic of Germany, the recent Four Power Berlin Agreement, SALT, and the initiative for a European Conference on Security and Cooperation have decreased the perception of threat in the West.

But a second factor is responsible for this changing assessment of the security situation. Whatever one may say about the awesome costs of the system of nuclear and conventional deterrence that the United States and Europe have built up, it has helped to prevent war and any change of the European status quo by force for the longest period of time in this century.

But a low probability of aggression is no guarantee of peace. The ratio of military forces between East and West remains an essential factor in assessing possible threats to security. Given the immense complexity of any comparison of military capabilities, the assessment should be taken as an approximation which is reduced to a few pertinent facts. Using the figures of the International Institute for Strategic Studies (IISS) and of a recent Brookings Institution Study, [1] which represent middle ground between the somewhat optimistic figures of the Pentagon and the pessimistic assessments of military experts in Europe, the situation is as follows.

At the alliance level NATO's 5.5 million men in the active armed forces, (including France) face about 4.2 million men in the Warsaw Pact in 1972. But

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1. International Institute for Strategic Studies (IISS), Strategic Survey 1971, (London 1972); IISS, The Military Balance 1971-1972, London 1971); John Newhouse with Melvin Croan, Edward R. Fried & Timothy W. Stanley, U.S. Troops in Europe, Issues, Costs, and Choices, (Washington, D.C.: The Brookings Institution 1971).

the crucial area is Europe. As the following chart shows, [1] there is a net

MILITARY RATIOS BETWEEN NATO AND WARSAW PACT

IN THE CENTRAL REGION OF EUROPE

	M-Day (without France)	M-Day+30 (with France)
Ground Force Manpower	1 : 1.6	1 : 2.1
Divisions	1 : 2.9	1 : 3.4
Tanks	1 : 2.5	1 : 2.9
Tactical Aircraft	1 : 1.8	1 : 2.0

superiority of 1 : 1.6 in ground forces in favor of the Warsaw Pact in the central region of Europe between the Baltic Sea and Austria, extending into Western Russia and excluding Bulgaria, Hungary and Roumania in the East and France in the West. The advantage of the Warsaw Pact increases considerably if further time elapses after mobilization, (M-Day) to 1 : 2.1 after 30 days. The shorter geographical distance and the structure of the Warsaw Pact forces make a fast build up easier than in the West. It is only after a 30 day period and assuming that no attack occurs impeding the vulnerable Western reinforcement that the position of NATO improves in some areas, but overall conventional parity is never reached. Thus the Brookings study estimates that about 90 days after mobilization about 2.2 million Warsaw Pact troops would face about 1 million NATO forces.

Although a host of clarifications should qualify this comparison (e.g. the limited reliability of some Warsaw Pact forces in case of war), it shows a clear conventional superiority of the Warsaw Pact in the central region. In the northern area of NATO the superiority of the Warsaw Pact in ground troops is approximately 5 : 1 if compared with the troops of North West Russia, but because of the uncertain impact of the mobility of reinforcements by sea or air over long distances by both sides, it is very difficult to assess the exact balance.

The same difficulty exists on the Mediterranean flank of NATO but for different reasons. The IISS estimates show a ground force superiority of NATO of 525,000 :

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1. Taken from Newhouse, U. S. Troops In Europe, op. cit., p. 59.

370,000 men. (Though a tank inferiority of 2,000 : 5,000). But the picture changes if instead of counting only 6 Soviet Divisions, as the IISS did, one would include the 28 Divisions available in adjacent Russia. Moreover, if one considers that the main Western ground forces are provided by Greece and Turkey, who are themselves at odds and who each have considerable internal problems, the East - West ratio appears less favorable.

If conflict occurs it is most likely to erupt in the eastern part of the Mediterranean, thus giving the advantage of short distance or ground transportation for reinforcement to the Warsaw Pact.

How do these figures relate to security? Three different types of threats shall be distinguished here, the first being aggression with available conventional forces. Despite the conventional superiority of the Warsaw Pact, the threat to Western security is minimal for two inter-connected reasons. We can assume that Soviet intentions do not point in this direction, due in particular to the effective deterrence of nuclear weapons. The American forces stationed in Europe and - to a lesser degree - the 7,000 American tactical war heads in Western Europe create a deterrence link between conventional warfare and the Nuclear Strategic Force of the United States. As a result a conventional attack in Europe becomes an unacceptable risk to the Soviet Union.

The crucial preconditions for European security in the context of open aggression are therefore: (a) the link between conventional warfare and the nuclear forces of the United States and (b) the credibility of their use through the political, economic and military involvement of the United States in European security as expressed most effectively by the presence of American troops in Europe.

For these reasons Western politicians and military planners have accepted Western conventional inferiority as something one can live with. Since the West will never attack it does not need conventional superiority but only a minimum force for an assured defense that can activate nuclear deterrence. Indeed, it could be argued when considering overt aggression that the East - West ratio could even worsen a little more without critically affecting Western security provided a credible link to the U. S. nuclear deterrent is preserved.

A second type of threat which can arise out of constellations of instability and unrest in East - West relations creates less predictable situations. In such situations the borderline between military action and political threat typically cannot be drawn exactly. They could, for example, arise out of incidents on the access routes to West Berlin, internal disputes among Socialist countries that spill across to the West, or a conflict in the Balkans. As we have analyzed earlier détente itself

might well unleash a crisis of this kind by freeing various social and political forces (as, e.g., in Czechoslovakia) or by creating extreme disparities in the relationship of political and military power between East and West (e.g., by excessive unilateral disarmament).

These threats and possible responses are quite unpredictable. Since opportunities and goals would be limited and the initial risks involved for a Warsaw Pact country lower, the probability of a threat to West European security arising out of such a situation under circumstances of Warsaw Pact conventional superiority is higher than in the case of open aggression.

Under present circumstances two factors keep this kind of threat within acceptable proportion: first, the likelihood that any military action emerging from such crisis will eventually meet the U. S. nuclear deterrence mechanism thus increasing the risk as a crisis escalates, and, second, the presence of a coordinated Western response making a conflict even at the periphery a matter of the entire alliance.

A third type of threat which is relevant to Western Europe has popularly been called "Finlandization" and would arise in a situation in which Western Europe's economic strength, political cohesion, self-confidence, and military means against probable Soviet military action would be so weak that the Soviet Union, exploiting her superiority by a mixture of cooperative pressures and threats could interfere in West European politics, influence political choices and without ever actually resorting to force establish a strong and possibly even hegemonial position in Western European affairs.

Soviet and East German pressure on the internal affairs of West Berlin before the conclusion of the Berlin Agreement provides a vivid example from the past while a possible drive to slow down the process of West European integration could be an example in the future. The perfect equilibrium of military forces is not the most important factor here but political strength, confidence and the certainty of effective deterrence in case détente breaks down.

Although the threat of "Finlandization" remains at the back of Europeans' minds it is of no real importance at the moment. Western Europe's strength, - the momentum of her unification and trans-Atlantic cohesion as expressed in the U. S. commitments to European defense and her actual presence in Europe - are considerable enough to reduce such a threat to negligible proportions at the present.

This brief assessment of the security equation in Europe has not analyzed any of its costs or the doubts it raises for the future. If one includes a quarter of the U. S. defense budget and one third of the Soviet military budget the U. S., the

European members of NATO, and the Warsaw Pact spend approximately $ 70 billion per year on the defense of this area. Given the demands and needs for costly social reform and public investments in both systems these costs are enormous and understandably the subject of rising criticism. The unquantifiable costs should not be under estimated either: the (to be sure decreasing) psychological burden of fear, the costs of cut-off communication, creative competition and cooperation typical of a hostile relationship between two systems which could potentially give a great deal to each other (although here again, things are changing). Finally, the system is not fool or accident proof. War can break out, and its potential cost, deliberately raised high to deter it, could become real.

Though it will never be possible to determine exactly whether rationality in Soviet policy or deterrence has been responsible for preserving a relative peace, there is no doubt that the post-war system of European security prevented war. The Europeans appreciate all too well this characteristic of the post-war status quo as it is reflected in our assessment of European security today. If one tampers with it one should be very sure indeed, that such change represents real improvement.

B. European defense to the Europeans?

The general relaxation of tension and the decreased threat reinforced by current balance of payment difficulties have led to demands in the United States that Europe should now handle its defense alone without the present American participation. A few European conservatives and men of the Left feebly echo this demand. (The former favoring and the latter strictly opposing the formation of a European nuclear force). The changing American attitude is well summed up in Senator Mansfield's remark in a rebuttal to former Under Secretary of State Richardson: "It is all very well to talk about the 'strength, closeness, trust, realism, and flexibility' of NATO, as Mr. Richardson did..... But it seems to me that there is a contrast between these words and the fact that the 250 million people of Western Europe, with tremendous industrial resources and long military experience, are unable to organize an effective military coalition to defend themselves against 200 million Russians who are contending at the same time with 800 million Chinese, but must continue after 20 years to depend on 200 million Americans for their defense. The status quo has been safe and comfortable for our European allies. But....it has made the Europeans less interested in their own defense..."[1]. Usually there is the implicit assumption in demands such as these that the Europeans

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1. Congressional Record, Dailey Ed., April 20, 1970, pp. S 5957-58.

make an insufficient defense effort compared with that of the Americans.

a. Do Europeans make a sufficient defense effort compared with the United States?

Like the earlier comparison of military capability between East and West, the comparative assessment of defense efforts within the West is inherently difficult and can never be exact for lack of agreed standards of comparison. In the many years of trans-Atlantic debate on "burden sharing" these problems have been discussed intensely among governments. Nevertheless, a few remarks are necessary before we can deal with the question of Europe's taking over its own defense.

In 1970, a year in which the Vietnam War took $16.7 billion of the American defense budget,[1] the U. S. spent about 7.8% of its GNP on defense, (it will come down to 6.4% in 1973),[2] whereas the Europeans spent only 3.6%.[3] But the gap narrows if we consider three factors. First, as a result of different political traditions the U. S. defense budget contains a number of non-military expenditures while in Europe a number of military expenditures are contained in the civilian budget. Second, defense simply costs less in Europe than in the U. S. In the financial year 1972 the United States spent $40 billion of its defense budget on its personnel of 2.5 million men alone, i.e., almost double of the entire defense expenditures of general purpose forces of all European NATO members with their 2.9 million men. Finally, the United States, unlike Europe, plays a global role resulting in additional defense expenditures which in a number of cases are unconnected with European security.

In the American debate on defense it is often assumed that Europeans can take a relative share of defense equal to that of the United States. Such an assumption not only overlooks the facts just mentioned but usually postulates, that European recovery has resulted in a wealth that makes such a contribution possible. However, while Europe has become wealthy, it is by far not as wealthy as the United States. The 208 million Americans can share a GNP that is 50% higher than that of the more

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1. Charles L. Schultze et. al., Setting National Priorities, The 1973 Budget (Washington, D.C.: The Brookings Institution 1972, p. 73.
2. Ibid., p. 40.
3. The Military Balance, 1971-1972, op.cit., p. 60.

than 300 million NATO Europeans. If the principle of a differentiation of burdens according to wealth which is applied to taxation within western societies is extended to defense expenditure within the West, the difference between European and American spending corresponds roughly to the difference in resources. European societies, most of which have a considerably higher degree of taxation than the United States, have reached a level in their respective defense share in the budgets which neither their present stage of development nor their parliaments would allow to be raised.

A comparison of American and European defense efforts within Europe depends entirely on what share of the U. S. defense expenditure is assigned to Europe. According to official American sources the total budgetary costs of the U. S. commitment to NATO in 1969 (the troops in Europe, the U. S. based forces assigned to NATO, the U. S. Atlantic and Mediterranean Fleets less the Polaris Force), including all costs for annual investments and operations as well as all indirect support costs in the U. S. amounted to $14 billion. The total cost of the 300 thousand troops stationed in Europe (including the Mediterranean), plus their dependents and civilian employees, amounted to about $3 billion.[1] A Brookings study rated these costs much higher, i.e., at $25.4 billion for the U. S. NATO commitment and 8.5 for forces in Europe.[2]

All European NATO members spend about $23 billion a year on general purpose forces in Europe (not including British and French Strategic Nuclear Forces and forces assigned to overseas areas), hence 1/2 more than what the U. S. NATO commitment costs according to official sources and approximately as much as the Brookings Study estimates.

The Europeans, who have more men under arms in Europe than the United States has for her global policy, can therefore, hardly be accused of doing considerably less in Europe than the United States, although such assertions increasingly enter into the public debate, scarce as it is, on these issues in the U. S.

Behind such views there is often the additional assumption that the U. S. contribution to NATO defense in Europe does really not exist for common defense including the U. S. but for Europe alone. Since this American contribution is

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1. IISS, Strategic Survey 1971, op. cit., pp. 21 ff.
2. Charles F. Schultze et. al. Setting National Priorities, The 1972 Budget, (Washington, D.C.: The Brookings Institution, 1971) p. 55.

allegedly neither reciprocated by European support for the United States in other areas, in particular in the trade and monetary field, nor necessary in view of the ongoing relaxation of tensions, the U. S. defense contribution in Europe could therefore be dispensed with. Before examining these views we must first examine Europe's defense capacity.

b. Can Europe defend itself alone?

A first glance at the defense capabilities of Western Europe suggests that Europe has a reasonable chance of defending itself alone since its resources are considerable even by superpower standards. If one adds up economic and military capabilities in a number of fields as is done in the chart on next page, Western Europe measures up quite respectably to Eastern Europe.[1] In order to examine Western Europe's capabilities to defend itself alone, we shall assume the hypothetic case that the United States withdraws all of its troops in Northern and Central Europe as well as the Mediterranean, leaving the military material for arming reinforcement troops to be brought over in times of need and while maintaining the nuclear guarantee for Western Europe with its strategic nuclear force.

If we turn to the impact of such a withdrawal on the ratio of conventional forces between the East and West within the Central and Northern areas of Europe, withdrawal of American troops would increase the superiority of the Warsaw Pact from 1 : 1.6 to 1 : 2.4. Moreover, the forces to be withdrawn would be among the best trained and equipped troops in Europe. The substantial increase in the conventional superiority in favor of the Warsaw Pact would make those factors which were hitherto meant to counter-balance this superiority all the more important: namely the American political and security commitment as expressed through American presence and its immediate link to the U. S. Strategic Nuclear Force. But the complete removal of all troops would drastically undermine the credibility of the U. S. nuclear guarantee. Hence such a withdrawal would have a destabilitizing effect on security in Western Europe far exceeding the mere change in troop ratio in favor of the Warsaw Pact.

If we turn to the first type of threat, that of all-out aggression, the advantage in favor of the attacking side would be considerably increased by the change in ratio. The British and French nuclear forces could hardly be a substitute for the American nuclear deterrent activated through involvement of American troops on the front line.

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1. See IISS, Strategic Survey 1971, op cit., p. 26
IISS, The Military Balance 1971-1972, op. cit., p. 8-11

Comparative Defence Resources of an Enlarged EEC

	Enlarged EEC	European Alliance members	USA	USSR	Warsaw Pact
Defence Expenditure 1970	$23·1 bill[a]	$24·6 bill[a]	$76·5 bill[a]	$53·9 bill[b]	$ 61,9 bill[b]
GNP 1970[c]	$636 bill[d]	$660 bill[d]	$977 bill[d]	$490 bill[b]	$ 641,5 bill[b]
Def. exp. as % of GNP 1970	3·6%	3·7%	7·8%	11·0%	9,5 %
Defence expenditure 1971	$25·25 bill[d]	$23·9 bill[d]	$78·7[d]	$55·0 bill[b]	
Defence Manpower (mid-1971)	2,090,000	2,939,000	2,699,000	3,375,000	2,682,000[j]
NUCLEAR DETERRENCE					
ICBM	—	—	1,054	1,540	
IRBM/MRBM	9	9	—	700	
SLBM/SLCM	80	80	656	830	
Strategic bombers	36	36	360	140	
MAIN COMBAT VESSELS					
Submarines					
Missile, nuclear[e]	5	5	41	70	
Missile, diesel[e]	—	—	—	56	
Attack, nuclear	7	7	53	25	
Attack, diesel	91	109	46	210	
Attack carriers	4	4	15	—	
Other carriers[f]	5	5	3	2	
Missile cruisers/destroyers	33	33	73	50	
Other escorts[g]	148	181	148	176	
MAIN BATTLE TANKS[h]	5,343	6,650	1,100	11,600	23.350 [k]
TACTICAL AIRCRAFT[i]	2,800	3,600	8,500	8,700	10.336 [k]

Notes: [a] NATO definition except Eire.
[b] See *The Military Balance 1970–71* pp. 10–12 for calculation of these figures.
[c] OECD estimates.
[d] At 1970 official exchange rates.
[e] Ballistic and Cruise Missiles.
[f] ASW, Commando, and Helicopter Carriers.
[g] Cruisers, destroyers, frigates, and other non-coastal escorts.
[h] In the European theatre only.
[i] Combat aircraft of all Services.
[j] Includes 50% of all Soviet forces
[k] Includes Soviet forces in the European theatre

Not only will the two European nuclear forces be infinitely less effective in size and technology as well as more vulnerable, but their credibility and hence their deterrence effect would be lower because the French and British troop involvement outside their own borders is not equivalent to that of the U. S. which has spread half a million of its nationals (soldiers, dependents and civilian employees), along the critical areas of NATO.

In the case of the two other types of threats, those arising in crises of instability and under circumstances of "Finlandization", the effect of a withdrawal of all American troops would be no less drastic. Indeed, the impact of withdrawal might well be the most relevant here and so far the least considered. One could possibly argue that Soviet intentions have sufficiently changed to abstain from all-out aggression in Europe since such a blatant case might cause the Americans to activate their nuclear guarantee despite American troop withdrawal. Hence the Soviet Union might judge its risks involved in overt aggression still sufficiently high; so that despite the U. S. troop withdrawal there is still a chance of security for Western Europe.

On the other hand, the absence of American troops might have a decisive effect on the types of upheavals and threats arising out of crises of instability with initially limited military action. The Soviet Union would not have to take the same precautions to avoid a direct confrontation with the U. S. - undoubtedly a major consideration for the Soviets - since she will not encounter the physical presence of American troops. Moreover, Soviet moves and goals might be too ambivalent or simply too limited for the United States to risk activating the nuclear guarantee for Europe in a credible manner.

The effects of complete American withdrawal on the problem of a possible "Finlandization" would be even greater since a major incentive for the United States to counteract every Soviet move to assert political pressure on Western Europe would have been removed.

But more important, in a situation of undermined confidence and disturbed American-European relations in the aftermath of a withdrawal, the threat of American sanctions from across the Atlantic, if issued at all, would lack credibility.

It is more than doubtful whether the possibility of a reinforcement of the European NATO members by U. S. based troops in times of crisis would sufficiently improve the situation for the West Europeans. As has been suggested in the intensive debate among experts on this question, the dispatch of troops across the Atlantic would sharply increase the degree of tension in a crisis and

consequently becomes a rather dubious instrument to be used by NATO and an American President. A system of bringing in American troops only in time of need is of little use in crises in which the adversary's objectives remain unclear or in a sudden crisis with quick, limited military action.

The example of various crises in the Middle East and Berlin in the past should show that a withdrawal of American troops would undermine European security in what is likely to be the most probable type of conflict namely crises of instability. How could Western Europe withstand an attack on or a gradual strangulation of Berlin, whose loss would have a profoundly disruptive effect on Western Europe without the American political guarantee (reiterated in the recent Berlin Agreement), backed up by involvement and presence?

One might rightly deplore a certain mentality of dependence among the Europeans which causes them to underrate their own capacity and to insufficiently develop and pool their own resources. But the dependence is a fact, whether one likes it or not, and so is the ensuing mentality. A substantial erosion of confidence and strength through withdrawal of American support is likely to have a disruptive and snowballing effect should a limited military crisis break out, or Soviet pressure be exerted. European reactions might range from a panic program of rearmament to bilateral accommodation with the Soviet Union. But in any case Western cooperation and West European integration are likely to be the victims.

What we have said about different types of threats with regard to the Northern and Central region of Europe also applies to the Mediterranean area although the situation is even more complex in the south. Numerically, an American withdrawal would only reduce a Western superiority. For the time being the Soviet Fleet in that area is still smaller than that of Italy alone. But as we said above, the Western superiority levels would be less certain at closer inspection. And in view of possible repercussions of the Arab-Israeli conflict and of the uncertain future of some Balkan States a conflict is more likely to erupt in precisely the Mediterranean area than in Central and Northern Europe. Moreover, as the functioning of the industrial societies of Western Europe and increasingly of the United States will depend on the oil imports from this area, the Mediterranean is bound to assume a growing importance to America and Europe. It is because of this future potential that the impact of an American withdrawal is at once more unpredictable and momentous.

But with Western Europe's considerable resources is there no possibility of assuming the sole responsibility for her defense? Europe could defend itself alone if two conditions were fulfilled. First, Western Europe would have to be genuinely united with a common economic, foreign and defense policy which is based on

solidarity and strength sufficient for a capacity to act according to common goals. Second, Europe would need a nuclear force, subject to a genuinely common defense policy and the decision-making of a European government, much smaller than the nuclear forces of the Soviet Union and the United States, but capable of surviving a first strike and of doing sufficient damage to deter Soviet military actions in West Europe.

Both conditions are unfulfilled. Unification is still in its early stages and, deplorable as it is to the Europeans, the ingrained national traditions of different nation-states make this process very slow. Without unification and a common foreign and defense policy the present numerical strength of European armed forces is but a mere addition of separate national forces and by no means as effective as an integrated instrument of a united Western Europe would be. The absence of sufficient European cohesion therefore has a particularly crucial effect on the problem of "Finlandization" and instability crises in the Europe of the future.

Any attempt to accelerate European unification by simply handing over to the Europeans the responsibility for their own defense, confident that their will to survive will make them overcome their differences in a unanimous act of solidarity is likely to be counterproductive. A transfer of certain security functions to Western Europe and a stronger and more deliberate European effort in this field could undoubtedly become elements of a new approach for the future, provided that they are undertaken jointly and after careful consideration as we shall suggest later on. But a policy of transferring functions to a grouping which is unable to assume them simply diminishes the security of all involved.

The second condition for an autonomous European defense, the establishment of a European nuclear force, is not fulfilled either. Contrary to European unity, it is not even considered desirable by most Europeans. Apart from the fact that without American technological help - which is by no means guaranteed - the creation of a European nuclear force would take many years, its formation would probably raise more problems than it solved. Naturally such a force would presuppose complete political unification and solidarity before this most difficult of all political decisions, can be delegated to a common institution. Since the military field is likely to be the last to be integrated in the process of unification, it will take a long time to create this pre-condition. More important, however, for many years to come it will be impossible to square the circle of West Germany's nuclear participation which now neither the Germans nor the other Europeans want and at the same time avoid discriminating against her. Finally, since the formation of such a force is likely to meet vigorous Soviet resistance and to sharpen East-West tensions, such a force would undermine rather than increase European security.

It is therefore doubtful whether American encouragement of a European nuclear force would be wise. As an American observer rightly put it: "For the United States actually to support the nuclear development of Western Europe and Japan, in the hope of being ultimately relieved of its role as nuclear guarantor, and in the conviction that the present central balance makes any Soviet or Chinese retaliation impossible would sacrifice, if not nuclear peace, at least the chances of moderation and détente to a distant and dubious pentagonal nuclear 'balance'.[1]

Since the preconditions for an autonomous European defense role are unfulfilled in the case of European unity and undesirable in the case of a European nuclear force, European security cannot be maintained without active American involvement and presence. Even if many Americans, like most Europeans, conclude from the ongoing détente that Soviet intentions have become less hostile, it would be premature to assume that military conflicts will no longer occur. Even if the probability has decreased to a 1% chance, one needs an insurance policy for that 1%. Otherwise, as the experience of the 1930's in Europe showed, the 1% probability might rise to a more dangerous level. Defending the case of an American troop involvement in Europe or of European troop levels on the basis of the probability of all-out aggression, as it is still being done, overlooks the recent developments and is naturally vulnerable to criticism. The most relevant security problems for Europe in the future arise from crises and instances of instability and "Finlandization". While these threats will make possible and necessary a number of adjustments, reorganizations and a reduction of some military postures, they still call for a major American and European security effort. The last years have offered no grounds to believe that traditional power politics have disappeared in the Soviet Union sufficiently to make a common security effort unnecessary.

C. American Interests - European Interests.

If we consider the American interests first, the overriding conclusion from the preceding paragraph is obvious: though the likelihood of an all-out Soviet attack possibly aiming at occupation is extremely low, the likelihood of tension, instability, military incidents and growth of Soviet interference in Europe remains considerable requiring an adequate effort on the Western side.

In view of Europe's industrial potential and economic resources the maintenance of the status quo is vital to the United States. There is an intensive American

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1. Stanley Hoffmann, "Weighing the Balance of Power," Foreign Affairs, Vol. 50, No. 4 (July 1972), p. 622.

economic interest in Europe manifested in U. S. investments there, with a book value of over $20 billion and a market value of at least double the amount. This economic interest expresses itself in a variety of ways in an increasingly interdependent economy which requires, as we shall see later, new forms of common management.

Since Western Europe is unable to deal with all possible threats to security alone, for these reasons it is in the U. S. interest to actively participate in the organization of European security backing up its political commitment by physical military presence and economic cooperation.

So far the American presence in Europe has been a major factor in preventing war. The burden of proof that security can be maintained without that presence should really be borne by those who advocate reduction or withdrawal.

If the preceding conclusions are correct, the current debate between America and Europe is dominated by what are in reality two false issues. First, complete withdrawal given this reading of American interests should not be an issue at all. Those Americans who are understandably and justifiably attempting to reduce America's overseas involvement after the Vietnam tragedy should ask themselves whether the redefinition of the American role in the world should be carried to the extreme of a withdrawal from Europe and whether they are willing to face the prospects of instability in that crucial area of the world.

In the internal American debate it is often overlooked that a withdrawal from Europe in all likelihood will not permit a significant decrease of American defense expenditures; indeed, it might well require an increase. A reduction of American troops in Europe in answer to the decreasing threat, decided after careful prior analysis with the European allies and implemented in an orderly fashion is one thing, but a unilateral withdrawal leaving behind an unstable Europe is quite another thing. Moreover, it is highly doubtful whether under these circumstances Americans could actually dissolve all the divisions previously assigned to Europe, even if they were now based in the U. S. A withdrawal under such circumstances would not only be no gain to American security, but would undermine the cooperative basis in the American-European relationship, necessary for a reordering of the international economy in the coming years.

A withdrawal would also raise serious questions with regard to the U. S. commitments as one of the Four Powers in Berlin and in the German problem. Since Germany is located at the center of Europe where the Eastern and Western systems meet with the highest concentration of military power and since West Berlin remains particularly vulnerable, this area will continue to be crucial for world peace. To argue as some Americans and Europeans do that these commitments, derived from World War II and the Cold War, are now obsolete and should consequently be shelved

as the obsolete remnants of a dark past would be simply to overlook the continued existence of the international system created after World War II with most of its insecurities and threats, although the Cold War itself may have disappeared.

As long as the East-West conflict persists, this area crucial for European peace will continue to require prudent attention and careful security measures. The new Berlin Agreement of the Four Powers was negotiated by the U. S. primarily with a view to the future, not the past, in order to enhance the conditions of stability and peace in Europe. But the new commitment to West Berlin and stability in central Europe can hardly be fulfilled in times of crisis unless backed up by a sizable presence.

Most important, the notion of complete withdrawal overlooks the fact that the maintenance of the present status quo in Europe is in the national interest of the U. S. even if relations with Western Europe were less friendly than today. The U. S. would suffer a severe set-back if Europe with its resources and importance gradually or suddenly slipped into the Soviet sphere of influence. That also applies to the southern flank and the Mediterranean. The Sixth Fleet stationed there not only participates in securing European interests but American national interests as well. This force is a major factor of American influence in that area, in particular with regard to the Arab-Israeli conflict and plays a major role in her competition with the Soviet Union. To a growing degree the Sixth Fleet will secure the oil supplies from the Middle East on which the U. S. will become increasingly dependent. Even without NATO commitments, those U. S. forces would almost certainly be there. For these reasons the notion of withdrawal from Europe overlooks that the security of Europe is in the common interest of both America and Western Europe.

If the earlier interpretation of American interest is correct, the debate on financial savings of a complete withdrawal involves false issues. If a complete withdrawal of all 300,000 troops from the Mediterranean and Western Europe decreases stability there, no or little money is likely to be saved if these units are fully or partially maintained in the U. S. because of the European situation.

Moreover, the debate on the financial impact of American troop presence on the American balance of payments has grown out of proportion. In 1971 Senator Symington observed during the debate on the Mansfield amendment stipulating a withdrawal of American troops: "U. S. defense expenditures in Western Europe which entered the international balance of payments in the fiscal year 1970 totaled $1.731 billion, the highest figure ever for such expenditures. In order to place this figure in perspective, let us note that our balance-of-payments deficit in 1970 on a liquidity basis was $3.85 billion; therefore, our military expenditures in Western Europe accounted for 46.1 percent of all that deficit. If military sales to Western

Europe, which I am informed totaled $599 million in 1970, are deducted from the $1.77 billion of military expenditures in Western Europe, net military expenditures still constitute 30.5 percent of the total balance-of-payments deficit in 1970." [1].

Apart from the fact that the balance of payments deficit rose to $29.8 billions in 1971, such a perspective misreads the order of magnitude of the various factors which influence the U. S. balance of payments much more decisively: In the same year American exports amounted to $42 billion, imports to $40 billion while income from U. S. investment abroad added up to $8 billion (1971 : $9.3) and the net liquid private capital outflow was $6 billion.

It is somewhat difficult to understand why the U. S. spent up to $20 billion a year and many thousands of American lives in Vietnam on defense of an area which a growing concensus regards as unessential to American interests, while objecting to an annual expense of $3 billion for an area which is essential to American interests.

Unfortunately, the maintenance of the American commitment in Europe represents a genuine financial problem which the Europeans must recognize as far as the balance of payments aspect is concerned. A solution of these problems should be reached primarily through settlement of the major economic issues in American-European relations which should end the chronic American payments deficits of the last years. An agreement on burden sharing in a new multinational form to off-set American expenses would then only play a secondary role. We shall return to these questions below.

If we now turn to European interests, it is obvious from the earlier analysis that maintenance of a viable security link with the U. S. remains essential although there is need and leeway for a different organization and the creation of better conditions for maintaining that link. In this connection three aspects of European interest are particularly relevant: First, a reorganization of common security should express more adequately the increased weight, the identity, and growing unity of Western Europe and make room for a European contribution to an alliance which replaces the past concept of an Atlantic community in which one United States was associated with a number of smaller European and one Canadian ally and develop instead a more bilateral structure of partnership between Europe on the one hand and the United States and Canada on the other.

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1. Congressional Record, Dailey Ed., May 19, p. S7395.

Second, it is essential for Europe to create preconditions that will enable France to participate fully in the European defense contribution to an Atlantic security partnership.

Finally, it is in the interest of Europe that whenever American-Soviet dealings bear upon security in Europe and upon American-European relations, they should be accompanied by genuine consultation or should be multi-lateralized whenever the problems are of common concern.

America's and Europe's common interests in connection with a reassessment of their security relations are currently three-fold. First, both want to buy security at a lower cost by lowering their defense posture without upsetting stability and by reducing risk through détente, cooperative ventures with Eastern Europe, and arms control. Second, it is in the interest of both the United States and Europe to close the endless debate on troop stationing and withdrawals and end the mutual accusations which have been erosive and divisive in their relationship. They should instead examine together the existing situation in order to find an adequate and relatively permanent solution to the security dilemmas of both sides.

Thirdly, the United States and Europe have a common interest in pursuing solutions in the security and economic field simultaneously, for not only have both fields had a somewhat neglected but highly negative impact on the other, but a solution in one requires a solution in the other.

D. Elements of a New Approach

The preceding chapters have shown that the time has come for a fresh look at the American-European security relationship and the goals that should govern such a reassessment. In examining a new approach, let us consider consecutively the machinery to induce and sustain a reassessment of new measures, the pre-requisites for and participants in a debate on the issues involved and, finally, the specific measures to be considered in the appropriate time scale.

a. Machinery

If the governments on both sides of the Atlantic share some of the major conclusions of the preceding analysis, they obviously need political machinery in order to deal with the issues raised by security in the coming years and to examine the steps to be taken in the future. Some of the steps worth considering including organizational measures are examined further below, but needless to say, other measures are conceivable.

It would seem most useful to create an informal but effective body of special representatives of the heads of governments of the Atlantic area aided by experts to fulfill this role. Their working method should be as flexible and pragmatic as possible in order to produce well-considered results. For these reasons it might be advisable to keep the work of this group, at least for the beginning, outside established institutions such as NATO in order to get a fresh start and to make French participation easier. Of course, the possibility should not be excluded that by common agreement subsidiary bodies be founded to deal with specific issues or that existing institutions with their expertise be involved in the deliberations.

In view of the importance of a debate amongst the informed public on both sides of the Atlantic, this group should examine at an early point in its work when and in what form representatives of legislatures should get involved in order to create favorable conditions for a democratic consensus on all measures to be considered and taken.

In view of the urgency of the issues involved, this high level American-European group should start its work as early as possible. Its task would be to examine issues, establish auxiliary groups or call on existing institutions, work out recommendations for governments which could be accepted by the governments involved or serve as a basis of governmental meetings to negotiate agreements.

b. Debate and Consensus

In both America and Europe, there is a great need for political leadership in inducing and promoting a debate on these issues. While it might be easier to settle a number of problems through high-level private talks and quiet diplomacy it nevertheless remains crucial to complement such action with a public debate in which the present state of public ignorance is met with a presentation of the facts and of possible alternatives for the future.

Americans and Europeans will have to face some uncomfortable facts in this connection. In the United States, the relationship of trust which existed between foreign policy leadership and Congress and public opinion has been disturbed considerably by the Vietnam War. Consequently there is more, not less, need for public backing of any new policies if they are to introduce the degree of certainty and continuity that is required for the future.

Moreover, those few opinions voiced in public debate in America outside government pronouncements too often represent specific interests and are unable or unwilling to take a long-term view or see their interests from wider perspective. There is little careful analysis of the middle ground between the alternative

extremes of defending the status quo and of advocating radical change in the form of American withdrawal from outside commitments.

A similar phenomenon can be found in Europe. There is insufficient informed debate on the need for security and the possibilities of a gradualist approach to lowering the military posture between the many, particularly the young, who think the time has come for dumping all military security policy and those who - partially in reaction to this sentiment - cling all the more rigidly to the status quo.

There is no use hammering out solutions among governments and a small elite which would then not find the support of the legislatures and the public. The democratic traditions of both America and Europe require that a reorganization of their mutual relationship and of their respective roles in the world be endorsed by a democratic consensus of their legislatures and the public. Moreover, in the security field, continuity and a modicum of certainty are indispensable. Not only would the Europeans like to see an end to uncertainty about the American commitment to the common security, but the Americans in turn want a clearer and more certain perspective about Europe's contribution. For in the last analysis it is only in such an atmosphere of reasonable predictability and trust in the future that solutions can be found to the difficult economic and financial problems which America and Europe share.

c. MBFR I: A Troop Reduction of 80 - 100,000 in the Central European Region

Within a first and relatively speedy phase of Mutual Balanced Forced Reductions between East and West, a decrease of about 80 - 100,000 troops on each side in the area of the Benelux countries, West and East Germany, the CSSR, and Poland could be sought. 80% of that amount could be allotted to a withdrawal and dissolution of American and Soviet troops and 20% to a dissolution of other NATO and Warsaw Pact troops in these countries.

Such a procedure would solve the following dilemma: On the one hand it would meet the strong pressure on the American executive to reduce the American troops in Europe and do so in an orderly and mutually agreed fashion on the basis of reciprocity by the Warsaw Pact. On the other hand such a step would accommodate a desire held by both NATO and the Warsaw Pact to lower the cost of security without upsetting an adequate balance and without getting bogged down in the various aspects of MBFR which are so complex and difficult that they will take years to be settled through East/West agreements.

In order to explain this dilemma, let us briefly look at the main problems which are involved in MBFR.[1] This subject has been under intensive discussion within the West ever since NATO suggested negotiations on balanced troop reductions to the Warsaw Pact at its 1968 Council meeting. While there are differences of opinion among NATO members on various aspects of MBFR, it could be said that three goals might be common to the West as a whole: First, MBFR could help to limit the capacity for intervention and control of the Soviet Union in Eastern Europe; second, MBFR could help to reduce military confrontation and create a balance at a lower level of military posture; finally, MBFR could be a complementary negotiation as well as a testing ground for the political process of detente between East and West.

There are five different problem areas which can be assigned to MBFR of which the reduction of forces is only one:

1. An agreement on the principles on which security arrangements in Europe can be based in the form of a code of conduct of states, e.g. on non-intervention, the non-use of force, etc;

2. Constraints on military deployments (such as general military movements, maneuvers, reinforcements in time of crisis, etc.);

3. A force limitation agreement (a freeze on specific types of military forces);

4. The reduction of forces;

5. The establishment of a system of verification.

Each of these problem areas poses very different and highly complex problems which cannot all be dealt with here. How can balanced reduction be achieved when the Warsaw Pact has a natural geographic advantage because of the shorter distances for reinforcements? How can the thorny problem of verification be solved given the traditional Soviet opposition to any on-sight inspection? How can different weapon systems and different types of forces be compared? Behind each of these

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1. We follow here in part the comprehensive analysis by Christoph Bertram, "Mutual Force Reductions in Europe: The Political Aspects," Adelphi Papers, no. 84 (London: The International Institute for Strategic Studies, 1972).

problem areas are delicate political questions such as the influence of the respective super powers, the internal cohesion of the respective alliances, the kind of military strategy to be used, etc.

If the West pursues the goal of inducing political change within Eastern Europe too adamantly with the instrument of MBFR, its progress might be very slow, for not only do such intentions meet with deep distrust in the Soviet Union; agreements on constraints on military deployment and on restricting capability of intervention pose serious problems to the Western states as well since they are more dependent on reinforcement in times of crisis than the Warsaw Pact.

In fact it must be seriously questioned whether MBFR can be a major instrument in inducing political change. In most of its subject areas, e.g. the non-use of force or genuine restraints on military movements, progress is only possible when the political conditions are right. MBFR can therefore be little more than a series of measures that accompany and further accelerate a political process of improving East/West relations.

The preceding proposal is based on the assumption that MBFR could take place in two phases. In the first phase one particular aspect, the reduction of troops in the countries of Central Europe, would be the subject of negotiations and an agreement. By not raising the problem of geographical asymetry, verification, general principles, constraints, etc., negotiations should have a reasonable chance of success within a limited time span. In order to facilitate these negotiations and to avoid any detrimental precedent, it should be made explicitly clear in the negotiations that any solution found in the first phase should not prejudice any step or approach to be taken in the second phase.

Only during the second phase of MBFR, when the political situation of Europe will hopefully have improved as a result of the first agreement could the more complex and political aspects of MBFR become the subject of negotiations. These will undoubtedly take a considerable amount of time before they produce results.

While the exact number and location of troops to be withdrawn would be worked out as a result of study within the West and negotiations with the East, the general order of magnitude of our preceding proposal would imply a substantial reduction of American troops. If we assume that each side reduces by 100,000 troops, the resulting withdrawal of 80,000 American troops from Western Europe would amount to a 27% reduction of all American troops stationed in Europe and the Mediterranean and of 42% of the troops stationed in the central and northern region of NATO. The reduction suggested here should apply to the central and northern areas and reduce the American troops, primarily stationed in Germany, to about 110,000.

Although the reduction further increases the conventional superiority of the Warsaw Pact in Central Europe, the increment is small enough not to undermine substantially Western security with regard to the different types of threats possible within Europe over the next years. The effectiveness of the American commitment does not appear to be substantially weakened although it may approach its lowest threshold. Its effectiveness and credibility would be all the more secured if a restatement of the U. S. commitment (as it will be discussed below) would come from the United States.

Choosing the Benelux Countries and the Federal Republic in the West, and East Germany, Poland, and the CSSR in the East confines the reduction to an area where the high concentration of ground troops makes a reduction somewhat less intractable than in the northern and southern flank with their higher importance of naval and air forces. Although the eastern reduction area would be slightly larger than that of NATO the choice of these countries would simplify matters considerably by avoiding the complex issue of achieving balance through asymetrical reductions. At this stage NATO could live with a numerical reduction in East and West in the proposed area. But at a later stage and a lower level of military posture the question of balance has to be approached in a more thorough fashion by combining a package of various measures on each side that would achieve an adequate equilibrium acceptable to each side.

The preceding proposal of a first phase reduction of troops includes about 20% European troops. Their participation appears necessary not only in order to give them a share in the savings involved but in order to insure adequate European participation from the very first step of MBFR. If the need arises, the savings resulting from the dissolution of troops could be used by Europeans in part or totally to finance European contributions to American-European undertakings which would be the subject of a financial agreement to be discussed below.

The American-European Group mentioned earlier could prepare the first steps of a first phase of MBFR making use of the work done so far within NATO. But, the negotiation itself, in order to be effective should be conducted by only those countries which have troops in the reduction area. This implies participation not only of those countries and the super powers but on the western side of Britain and France as well. The participation of the latter two countries appears important not only in order to accommodate French concerns that MBFR might erode Four Power responsibility for Germany but also to involve the two major military powers in Western Europe outside the countries of the reduction area. We shall return to some of these questions when discussing the European Conference on Security and Cooperation.

d. A Reassessment and Restatement of the U. S. Commitment to Europe

An examination of the need for an American security commitment to Europe and of its possible character seems imperative. Some of the reasons have already been mentioned. Given the relaxation of tension in international politics and the neo-isolationist criticism of American security policy in Europe - partially as a spill-over from criticism of involvements elsewhere - only a rational assessment of the situation combined with the presentation of a security policy that is persuasive to Congress and relevant sectors of the public could put an end to that criticism and provide the kind of consensus necessary for certainty and continuity in policy.

The U. S. Administration has been trying to build that consensus as the basis of a foreign policy that implies a changed and more moderate role in world affairs and to provide a credible alternative to a war-weary public, wide sectors of which have been seized by a mood of withdrawal from international politics. Although the Administration has not failed to prove its commitment to the security of Europe in words or deeds, to the European that commitment would only then assume the desirable degree of long-term certainty if instead of being domestically challenged, it were based on a dependable consensus. This consensus would be all the more important if it should be decided - as we have suggested here - to reduce the physical presence of the United States in Europe and to reorganize certain aspects of the alliance.

The final assessment and restatement of any security commitment to Europe is, of course, an exclusively American matter, but discussions with the Europeans, e.g. within the proposed European-American Group, appear desirable prior to decisions on this question. Any restatement of the American security commitment to Europe cannot be taken in isolation but depends not only on a common assessment of the security situation but also on possible future measures, in particular the long-term contribution Europe is willing to make. In view of the desirability of legislative action, an appropriate participation of legislators in this process appears indispensible.

One possible form for the restatement of the security commitment between America and Europe would be a joint declaration of the participating governments accompanied by appropriate declarations from their respective legislatures, in the United States by a 'Sense of the Senate'. Though the declarations of the legislatures might differ, they could each relate to the basic issues raised in the governmental declaration.

The second approach would be to treat this declaration as a formal amendment to the NATO Treaty and to enlist legislative action through the usual ratification procedure.

The substance of such a statement or amendment to the NATO Treaty should include a brief assessment of the common security situation which prevails after the twenty-year period for which the original North Atlantic Treaty was concluded. Further developing the theme of the Harmel Report of 1968, the statement should outline the desirability of both security and detente and the prerequisites of each in both American and European policy. These prerequisites should include the mutual contribution to common security involving on the American side, the nuclear guarantee and the continued military presence in Western Europe. With regard to detente, the statement could outline the common goals of a policy on detente, arms control and disarmament in Europe.

Not unlike the NATO Treaty, the commitments restated and undertaken in the common declaration should be valid for 15-20 years, and each side should agree only to undertake important changes of its security policy in coordination with its trans-Atlantic partners (or partner, once Europe is able to act as a single unit in this field).

e. A European-American Financial Agreement

If the Europeans conclude that their security continues to depend on an American commitment to Europe and some physical military presence, they clearly should make an effort to ease the financial burden of that commitment. Conversely, if the Americans conclude that defense of Western Europe is in their national interest, it is likewise clear that a large part of that burden is to be borne by the United States.

Those Americans who argue that the U. S. presence in Europe is maintained as a favor to the Europeans and should consequently be paid by them misread the realities of common security in the same way as those Europeans who argue that the financial burden of the American troops in Europe is none of Europe's business since they are incurred in pursuing America's national interests. These kinds of arguments and the constant debate on sharing the financial burden has caused considerable strain in American-European relations and should be ended by an agreement which settles these issues for a long period of time.

The best method to ease, if not eliminate the financial problems in American-European security relations would be to carry out successful force reductions in

East and West in MBFR. The financial implications of the first phase of MBFR as proposed above would be quite considerable. Depending whether one takes the lowest estimate of $3 billion per year (operational, investment and indirect costs) or of $8.5 billion a year as the total cost for all troops stationed in Western Europe including the Mediterranean, a reduction of 80,000 American troops would amount to savings of at least $740 million to a maximum of $2.4 billion for the United States.

Nor are the foreign exchange savings negligible. Unfortunately, it is very difficult to give precise assessments since expenditures vary according to the type of troops to be reduced and according to possible arrangements concerning reinforcement (should the material of the troops that are being reduced stay in Europe? at whose expense? who pays for the transport capacity to be created for reinforcement?). But if we take the 1971 foreign exchange costs for U. S. forces in Belgium, the Netherlands, and West Germany which amount to $765 million ($1.24 billion minus $475 million of military purchases), the troop reduction will reduce the foreign exchange costs to approximately $350 million annually (these figures do not include the approximately $90 million annually which as a result of the 1971-73 U.S. -German offset agreement, West Germany pays to the U.S. budget for troop facilities in the Federal Republic). Further budgetary and foreign exchange savings would be made if in the second - but more difficult - phase of MBFR, a reduction of American troops or weapons could be negotiated.

But despite these potential improvements some difficult problems remain. Since the largest part of the American expenditure for troops in Europe is made in the Federal Republic, the United States negotiated agreements with the German government (Germany being the only country) whereby the foreign exchange expenditures of the U. S. were usually offset to about 80% through actions of the German government. In the beginning this was done primarily through purchase of military equipment in the United States, later, after the dollar weakened, by a German agreement not to change dollars into gold and to grant low-interest loans to the U. S. But both procedures become increasingly difficult since Germany's needs for military equipment from the U. S. have decreased with the completion of rearmament and with growing pressure for standardization and production of arms within a European context. Moreover, the granting of loans to the U. S. by the German Central Bank only postpones but does not solve the problem. Therefore in the 1971-73 Offset Agreement the Federal Republic agreed to pay $200 million in budgetary support to the U. S. to build and improve local facilities for U.S. troops. But here again, such bilateral payments are politically onerous since they are reminiscent of occupation costs.

In order to meet American criticism about the European contribution, NATO in December, 1970, also decided to spend an additional $1 billion over five years on a European defense improvement program for NATO infrastructure.

An attempt to reconcile American interests with European policies and financial capabilities in the light of the changing security situation could be made at two levels. At a first level, the financial implications of the U.S. security commitment to Europe must be seen in the overall context of the economic and, in particular, monetary situation in the non-Communist world. The reform of the international monetary system and - to a lesser extent - of the international trade system (to which we shall return later on) must create the pre-conditions for ending the chronic balance of payments deficit of the United States. If the non-Communist countries succeed in this venture - and Europe's contribution will be vital - a part of the problem of easing the financial burden of American security policy in Europe will have been solved. But in all likelihood, such reform let alone its effects on the American balance of payments will take a long time. For that reason some intermediate measures will have to be considered.

Therefore at the second level, measures should be considered which could enter into effect very soon and be relatively permanent in scope. Here one has to distinguish between two measures: first, an agreement on steps which the European side would take as long as the U.S. balance of payments is in deficit. This agreement could be stated as a quasi-automatic obligation of the European side to assist through whatever monetary and other means are available in solving what will hopefully be only transitional difficulties.

But a second agreement on the distribution of costs would be more important, since possible troop reductions and savings might well reduce the foreign exchange problem to manageable proportions. Western Europe and America could examine together which parts of certain expenditures in Europe could be taken over multilaterally by the Europeans as a group. These costs could include the expenditures for infrastructure which is located in Europe and which could be financed as well as administered by the emerging West European defense structure which we shall discuss later on.

In fact these measures toward a redistribution of costs would represent an important step toward the creation of such a group within the Alliance. The infrastructure it could take over would include, for example, supply and logistics, alert systems, radar installations or, stationing facilities for non-national troops. The last item would be particularly important, since such a solution would transfer the politically disadvantageous budgetary subsidy now paid by the Federal Republic for troop stationing from the bilateral level to a European pool. The financing of this arrangement while multilateralizing a number of bilateral and former NATO agreements could not, of course, radically depart from the present state of affairs in cost distribution.

f. The Creation of a West European Defense Structure

The strengthening of a West European defense structure appears desirable for a number of reasons.[1] First, the time has come to create a somewhat stronger European identity within the Atlantic security relationship and to make a European contribution not as the addition of various states but as a joint group. Such a group would attempt to establish common positions wherever a specifically European interest is at stake or a European point of view appears appropriate. It would work towards a standardization and integration of arms production and establish a European command structure where it appears feasible. The creation of such a group should facilitate and make a contribution to the emergence of a common European foreign policy.

Second, the establishment of such a structure should help to maintain a firm tie between the United States and Europe by reorganizing the mutual relationship and should supplant the Atlantic Community in the old sense, where a powerful United States was associated with a multitude of smaller countries by a bilateral partnership, in order to maintain security and to create the adequate preconditions for peaceful change in Europe over the next decade.

Third, such a structure would help to compensate for possible military weakening of Western Europe as a result of troop reduction and would be the group to assume certain functions which the United States, in redefining her own role, might pass on to Western Europe. Finally, such a structure would create better conditions for associating France more completely with the security efforts in Western Europe.

A West European defense structure could take the Euro - Group within NATO as a point of departure and develop it further wherever possible. In a number of cases such measures might require formal agreements which step by step could give a more formal structure to the Group. The West European defense structure would be the appropriate forum to pool a number of activities that were mentioned earlier in connection with a European-American financial agreement, notably a variety of activities in the field of supply and logistics, alert systems, stationing

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1. The following proposals incorporate some sugg estions made in Duchene, "Toward a New European Defense Community," op. cit.

of non-national troops. This grouping could negotiate as one partner with the United States and administer and finance such activities.

Although this group is not entirely identical with the enlarged European Community, it would be desirable to associate it closely with the ongoing efforts in European economic and political unification. One step in this direction could be made, if the members of this group would merge their permanent representations to the European Community and NATO.

After a phase of consolidation and working out of arrangements with the United States and Canada, a West European defense structure might also be the appropriate if not indispensable forum to prevent any movement toward British-French cooperation in the nuclear field from having a divisive impact on Western Europe but, on the contrary, to make it further its integration. A number of technical economic and political reasons speak for cooperation between and a merger of the two deterrents. But the time is not yet ripe for such a development.[1] Cooperation or merger of the two forces require American approval for Britain to pass on the nuclear know-how originating in the United States, and that approval is completely uncertain. Moreover, spokesmen of France, having stressed for a long time the indivisibility of the nuclear risk on which only a nation alone can decide, argue that a merger of nuclear forces requires complete political unity which is far from existing today.

Europe would, indeed, be well-advised to stay away from the potentially very divisive and controversial question of a common nuclear deterrent for many years to come. But the time is likely to come where a small but effective British-French deterrent which assumes a European role agreed upon with the partners in the European Community and complementary to the nuclear guarantee of the United States which in turn gives it support, might be useful and called for. A West European defense structure might help to prepare the ground for such a development and prevent tensions between Britain and France on the one side and the rest of the European Community, in particular the Federal Republic, on the other.

In the nuclear as well as the conventional field, there will be more than in the past differences in perspectives and interests between the United States and Western Europe, for example, in the field of arms control in Europe such as MBFR. But in view of European aspirations and the basic tenets of the Nixon Doctrine, Americans

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1. For a comprehensive analysis see Ian Smart, "Future Conditional: The Prospect for Anglo-French Nuclear Cooperation," Adelphi Papers, no. 78 (London: The Institute for Strategic Studies, 1971).

and Europeans should in the future regard an internal West European process of examining and formulating some European interests and positions as something natural.

Progress towards a European identity in defense therefore depends first, on the willingness of the Europeans to coordinate and pool their resources and to give that coordination an increasingly political character as the substance transcends technical matters. Second, as the unfortunate episode of the MLF in the 1960's showed, such a development requires American backing as long as Europe's dependence on military support from the United States (more clearly felt in West Germany than elsewhere), gives the American government considerable leverage to impose its will on a European ally though the long-term costs for American-European relations of the exacerbation caused by such a posture would be considerable, today even more than in the 1960's. It is imperative therefore that Americans and Europeans see the development of a European identity in defense matters against the background of basic common interests and make sure that such efforts do not erode the relationship of cooperation, in particular in the field of security.

A final word should be said about the possible Soviet reaction to the creation of a West European defense structure. It will almost certainly not be positive but, on the other hand, since such a development does not contain any overt provocation for the Soviet Union, her reaction should be relatively mild. Once before, when Brezhnev in his Tiflis speech in favor of MBFR helped to defeat the Mansfield Amendment stipulating unilateral U.S. troop withdrawals, a Soviet interest in preventing sudden and potentially destabilizing changes in Europe was expressed.

The creation of a West European defense structure can also be seen as an attempt to induce gradual change without fundamentally upsetting the existing security structure between East and West. Since a development as we have sketched it might well help to prevent the establishment of a European nuclear force which the Soviet Union must dread most she might well desist from opposing a West European defense structure.

Most important, however, is the general context of detente within which the formation of such a grouping in Western Europe occurs. If its development accompanies reductions of troops in Europe, negotiations about further measures of arms control, and various ventures of East-West cooperation, the political context largely defuses the formation of a West European defense structure. Much depends on the Western willingness and ability to genuinely cooperate in measures of arms control in Europe; if this is demonstrated, the Soviet Union might not strongly oppose what the creation of a West European defense structure really should be, namely "a minimum insurance against a breakdown of detente." [1]

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1. Du chene, op. cit. p. 81.

g. SALT II and MBFR II

There is no doubt that the United States and Europe have a common interest in curbing the arms race and lowering the risk of war and the cost of armaments. While the East-West agreements of the last ten years such as the Test Ban Treaty, the Non-Proliferation Treaty, the Seabeds Treaty and the SALT Agreement do not yet add up to the kind of qualitative change in the arms race that mankind needs, each of the agreements represent a net progress.

The SALT Agreement between the Soviet Union and the United States in particular represents a net step forward and has therefore been acclaimed by all European allies of the United States. The agreement on the limitation of anti-ballistic missiles and offensive missiles is the first instance of two great powers who remain opponents accepting a restriction of armaments in their strategic weapons. The enhancement of military security for both represents a gain for Europe as well, since it reduces the risk of war. However, the real importance of the agreement derives from the fact that "it had been part of a larger decision to place relations on a new foundation of restraint, cooperation and steadily evolving confidence," [1] hence from the positive impact on political relations between the two powers.

Those Europeans who in overlooking the security gains of the agreement interpret it as a step on the way toward superpower collusion in dividing the world among themselves over the heads of other states underestimate two important facts. First, whatever the efforts at restraint and cooperation between the two powers may yield, both will for a long time to come remain ideological adversaries who compete politically and militarily with each other and who try to oppose any significant advance of the other over their respective allies or an area essential to either one or the other.

Second, any success in improving political relations between the two superpowers and in strengthening their cooperative dimension is to Europe's advantage since it is likely to reduce competition in Europe and thus to enhance the possibility of cooperative links across the dividing line of Europe.

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1. Henry A. Kissinger, in a Congressional Briefing on the SALT Agreement, June 15, 1972, White House Press Release, mimeographed.

The second phase of SALT which began in October, 1972 may be of even greater importance to the West Europeans, for it may directly affect their interests and American-European relations. Should SALT II confine itself to examining the highly complex questions of technological change, quality and means of verification of offensive missiles, a repetition of the bilateral American-Soviet negotiations accompanied by constant information of the West European Allies about all developments, as it was practiced in SALT I, would be a satisfactory approach to the West Europeans.

But should the Soviet Union want to discuss other weapons system in SALT II, such as bombers, tactical nuclear weapons, MBRM's or general naval forces, the Europeans would be anxious to participate in negotiations and decisions. Any measures undertaken in these areas are likely to affect the arms situation in Europe, the character of the American security guarantee to Europe, the validity of current strategy, or the internal alliance structure.

Since joint security requires joint arms control, negotiations on the issues mentioned here should be multilateralized. Except on the issues which remain a bilateral American-Soviet matter, an enlarged SALT II should, therefore, be linked with MBFR since they obviously share a number of subject areas.

Such a linkage of SALT II and MBFR II, of course, raises the problem of finding an appropriate negotiating procedure that remains effective despite the large number of participants on the multilateralized issues. Possibly the task could be facilitated by trying to develop mechanism among the Europeans and between Americans and Europeans for working out common negotiating positions even though such a procedure may take more time. In any case, such an approach would meet the growing desire to establish collective European positions on certain issues. At least it should be obvious that Europe and America need to coordinate negotiating positions before and during the negotiations.

Turning to MBFR, all the subjects mentioned earlier in discussing the first phase of MBFR should be put on the negotiating table. Since immensely complex issues have to be settled in package deals in order to achieve a balanced result, MBFR II is likely to turn into an ongoing process. As we suggested earlier, each step can do little more than express in arms control terms the respective stage of political evolution between East and West. For this reason, arms control measures will depend upon the success of concrete cooperative ventures between East and West and progress at the European Conference on Security and Cooperation to which we shall return later on, is of particular importance.

In the second stage of MBFR (or enlarged SALT II), Americans and Europeans should give serious thought to relating certain solutions on which they could agree with the Socialist Countries to the United Nations system. As we suggested earlier, at a time when the international system is undergoing profound change, the moment has come to let the U.N. profit from new measures that introduce controls, restraint and cooperation into adversary relationships. The negligible role which the UN played in stabilizing the East-West relationship was due not only to the intensity of the East-West conflict - which has since declined considerably - but to the reluctance of the powers on each side to accord the UN any role in this conflict.

The assignment of certain functions of management, supervision, verification or mediation on which East and West might agree in MBFR II to a UN body to be created might not only actually facilitate such agreement but definitely strengthen the United Nations in its peacekeeping function. Thus a European Security Commission which might verify agreements on reductions, reinforcement capability, troop deployment, etc. or act as observers to troop movements and maneuvers could be constituted as a UN institution. It could, moreover, be physically located in Berlin and thereby add a United Nations dimension to the maintenance of the status quo there.

2. The Politics of Economics

A. The Crossroads Ahead

It is obvious that nothing causes as many strains in contemporary American-European relations as economic problems. Less obvious, however, is the fact that the international economic system as it emerged after World War II is at stake and might very well be disrupted and along with it the prosperity, stability and political cooperation which arose in its wake.

To deal immediately with the economic causes of strain in American-European relations is a paramount task of statesmanship, but any action will ultimately be futile if it is not undertaken against the background of the more fundamental problems in the contemporary international economy within which America, Europe and Japan play the crucial role.

The global economy may well be brought down by its own success. The post-war attempt at rebuilding the international economy through reconstruction, liberalization of trade, and an effective monetary system has produced extraordinary results. World exports rose from $60 billion in 1950 to $310 billion in 1970; the real GNP in the OECD countries rose from $836 billion in 1950 to $2012 billion in 1970 . The world can enjoy an unprecedented volume and freedom in the movement of goods and persons, in sharing technology and ideas and in mutual assistance.

The result has been an interdependent and interwoven international economy which did not emerge accidently but was rather a deliberate objective of the statesmen who planned and laid the groundwork for reconstruction of the post-war international economy. But the price of this interdependence is constant interference into each other's affairs. A decision by the American President may threaten employment in another continent; an action taken by European central banks may upset the economic policy of the United States; investment decisions made by private corporations or speculative money movements undertaken by private banks may neutralize the policy of various governments simultaneously.

Nation-states remain, as we have explained earlier, the ultimate units of decision-making in international politics, but they are no longer able to completely master these transnational forces. Moreover, since these welfare states can no longer afford to be indifferent to the oscillations of economic trends and as democratic states, are sensitive to popular demands

and reactions, tensions obviously arise between the new transnational reality of economics and the national inability to master it.

Two opposing conclusions can be drawn and are being drawn from the emergence of this multi-national economy of interdependence. States can, first, reverse this process and protect themselves from the undesirable effects of transnational freedom of movement by encapsulating themselves, erecting barriers, imposing restrictions on the movement of goods, persons, investments, etc. In America, Western Europe and Japan we can observe instances of this kind; however, they tend to set loose a chain of counter-reactions on the part of other states who participate in this inter-dependent system. And here lies the real danger of the self-defeating reaction against interdependence, as witnessed in certain external measures of the U. S. of August, 1971, or protectionist measures of the European Community and Japan; they are not far from triggering off a downward process reminiscent of the "beggar - my - neighbor" policies of the 1920's and 30's which might well wreck the achievements of reconstructing the international economy after the War.

The second conclusion that can be drawn from the emergence of a multinational economy of interdependence pertains to coordination and integration. If the societies participating in this system want to preserve the freedom of movement of goods, persons, and capital, as well as the freedom of choice(with their long-term effects on prosperity) and at the same time prevent the upsetting mutual interference and disturbance of policies, they have but one choice: They have to coordinate their policies and develop intruments of control which make it possible to enjoy simultaneously the advantages of an interdependent economic system and of effective policies which are not counter-acted constantly by forces from outside.

History provides ample warning about the potentially disastrous consequences of failing to coordinate policies in interdependent systems. A substantial and lasting economic recession which might result from a disruption in the present international economic system is likely to seriously threaten democracy in a number of countries. Moreover, such a disruption in the form of a breakdown of economic cooperation, reprisals, trade wars and block rivalries is likely to erode very fast the bases for cooperative security arrangement and hence likely to threaten international stability.

B. <u>The American Illusion of Aloofness</u>

Thus, America, Europe and Japan have a considerable stake in a

fundamental reform of the international economic system which would establish a more effective management of economic interdependence. This necessity is reasonably well-recognized in Europe and Japan because of the particular importance of foreign trade to both areas. But protectionist practices and a deeply-rooted desire for national autonomy still form a strong obstacle to the kind of bold steps necessary to bridge the gap between the recognition of the need for reform and actual measures in these countries.

The situation is worse in the United States. Although there are many forces which see the necessity of reform and an American contribution to maintaining a liberal system of interdependence, those forces who advocate the first course of withdrawel from the international economic system of interdependence have visibly gained ground in recent years. Apart from the fact that in some of the external measures of August, 1971, the Executive has for the first time relinquished its traditional role as defender of liberal trade practices against protectionist forces in Congress, protectionist sentiment is rising within organized groups in the economy and inside Congress, partly in response to what is rightly or wrongly regarded as protectionist practice on the part of Europe and Japan. Thus a vicious circle is established which has a momentum of its own. Moreover, organized labor has joined these forces on the grounds that the export of capital by multi-national corporations exports American jobs and that liberal trade practices threaten employment [1]. However, the employment argument against capital export is partially incorrect and the preservation of jobs and protectionism are false alternatives as we shall explain later on.

All protectionist forces in the United States and wide sectors of the public assume that the United States because of its low dependence on foreign trade can afford a partial withdrawal from its free-trade practices of the past and can indeed leave the reorganization of the international

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1. On this point see C. Fred Bergsten, "Crisis in U.S. Trade Policy", Foreign Affairs, July, 1971, pp. 619-635.

economic system to the outside world which is apparently more dependent on it than is America.

An international comparison of the relative importance of foreign trade - only 4% of the GNP in the United States as opposed to 8% for the (enlarged) European Community - suggests at first sight that the United States might be able to afford a protectionist policy and could leave the job of reforming international trade to the others.

However, a look at the future shows that the relevance of the foreign trade to the American economy is bound to change quite drastically. At the moment, the U.S. is only marginally dependent on petroleum imports, but as a result of a domestic decrease of production and the constant expansion of energy consumption, the U.S. will be dependent on imports for 50% by 1985 (taking into account full-scale production in Alaska and domestic production from shale). This means that by 1985 the U.S. will import annually $25 billion worth of oil!

The situation is similar with regard to minerals. In 1970 of the 13 most important minerals, the U.S. was dependent on imports for more than half of its supply on six minerals. By 1985, that figure is projected to increase to nine and by the year 2000, to twelve.

In financial terms, this means that instead of spending approximately $8 billion of its total imports of $40 billion in 1970 on energy fuels and minerals the U.S. is projected to spend $31 billion in 1985 and $64 billion in 2000.[1]

This drastic increase of U.S. dependence on imports which, as a result of the relevance of these products for a highly-industrialized country is greater than these figures suggest, leads to two conclusions:

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1. Lester Brown, Re-thinking the U.S. Relationship With the Rest of the World, A Paper prepared for the Aspen Institute for Humanistic Studies, Institute for National Alternatives Workshop, August, 1972

First, the U.S. will need access to these resources which is only possible in a reasonably well-functioning system of international exchange and cooperation. Second, in order to be able to finance imports on the scale required for the future, the U.S. has a vital interest in a liberal world-trading system in order to find markets for its exports which by then will have to be several times larger than today in order to balance her accounts with the outside world.

In view of these realities, any notion or policy that the U.S. can afford protectionism or a neglect of the urgently needed reform of the international economic system would be as short-sighted and self-defeating in the U.S. as it would be for the European Community or Japan. Any policy of "benign neglect" amounts to a policy of self-neglect.

C. Strains With the European Community

With the enlargement of the European Community a grouping with a remarkable economic wealth and power has emerged. This Community of ten European countries has a population of 257 million inhabitants and in 1970 produced a GNP of $637 billion, i.e. 2/3 of that of the United States and more than double of the Soviet GNP. In 1970, the Community's share of world trade (excluding trade among the ten) was 25.5% compared with 18.3% for the U.S. and 8.4% for Japan.

This result represents an extraordinary success of common sense and hard work by European political leaders who in an arduous process of several decades succeeded in overcoming age-old national divisions and in forging this grouping amidst unprecedented prosperity in Europe. But this new and powerful agglomeration also represents a great success of American policy, for without the Marshall Plan and its incentives for European unification and constant American support, this grouping is unlikely to have emerged.

But American attitudes towards the European Community are changing. Many of the American leaders who were instrumental in building and supporting the Community are no longer in office. The number of active supporters of European unity in the American elite has dwindled considerably. A certain disappointment with the slow process of unification and a growing perception of the European Community not only as a competitor but as a rival explain this change in attitude which is further strengthened by a general

mood of withdrawel from international politics.

To be sure, official policy has not ceased to support European unification. Advocating a "common ground in a consensus of independent policies" between Europe and America, President Nixon, in his State of the World to Congress of February, 1972, stated that "this essential harmony of our purposes is the enduring link between a uniting Europe and the United States. This is why we have always favored European unity and why we welcome its growth not only in geographical area but also into new spheres of policy!' But what he mentions in the same message as new developments and certain problems are seen by certain sectors of Congressional opinion and the American public in more negative terms. They regard them as irritants, signs of disregard of American interests, selfishness and open challenge to the United States or the existing international order.

A brief analysis of the major problems in American-European relations will help us gain some insights, not only into what is the most abrasive dimension in trans-Atlantic relations, but also into problems which are relevant to American and European relations with Japan and to the international economy and its reform in general.

a. Discrimination

In the past the United States accepted without questioning the discrimination against American goods inherent in the formation of a customs union among the countries of the European economic Community. It did so primarily for two reasons. First, it was hoped and desired that the customs union would be the first step toward an economic union to be followed by a political union as, in fact, it had been the declared goal of the European states. Second, support of the Community occurred at a time, when the strengthening of Europe through unification was considered particularly desirable in view of the East-West conflict in Europe.

But today the exigencies of the East-West conflict appear less stringent; the hopes for economic union, let alone political union, in Europe are somewhat dim, and with the enlargement of the Community to include Britain and three other European states without a political union in sight, doubts have grown in the American public about the desirability

of this process. In the absence of political unity, this new grouping to many Americans appears like a huge customs arrangement with an anachronistic agricultural policy discriminating against American goods on the European market. Such views are mingled with a perception of the Community as an economic block and rival in which Europeans, forgetful of what America did for them in the post-war period, are ganging up against American interests.

In the face of increasingly emotional reactions towards the European Community, a sober look at the factual situation is urgently needed.

If we look at the average tariffs on industrial products as computed in the Williams Report [1]. and a study of the European Community, [2] the record of the Community compares quite well. (See the following chart).

Average Tariffs on Industrial Products (percentages)

	Williams Report	EC Study
EEC (Six)	4.0	6.0
US	6.1	7.1
Japan	5.7	9.7
UK	6.3	7.6

(The differences are due to different methods of weighting)

Although the enlargement of the Community gives the Six free access to these new markets it should have a positive effect on outsiders since

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1. United States International Economic Policy in an Interdependent World. Report to the President submitted by the Commission on International Trade and Investment Policy (Williams Report) (Washington, D.C.: GPO, 1971).

2. The European Community and the United States: 1972, Study prepared by the Spokesman's Group of the Commission of The European Communities, (Brussels, P-27, June, 1972). Unless otherwise stated, the figures in this section are taken from this study.

the enlargement did not result in a new average external tariff, but a maintenance of the old one. This means that the British tariff will come down to the level of the Community.

In terms of average percentages, the Community tariffs are lower than those of the United States. But its protective character is lower than these figures suggest because of the averaging process during the formation of the external tariff. Thus, in post-Kennedy Round rates only 13.1% of EEC Tariffs on industrial goods are over 10% and 2.4% over 15%, compared to 38.3% of American Tariffs over 10% and 20.3% over 15%.

With regard to quantitative restrictions, the picture is somewhat more balanced. In the U.S. the number of categories subject to quantitative restrictions when imported from OECD countries went up from 7 in 1963 to 67 in 1970 (not including some Japanese export restraints) and decreased in the European Community from 76 to 65 in the same period.

But what matters most in judging the discriminatory effect of the European Communities is its actual impact on American exports. In this respect, the formation of the European communities has provided a major boost to American exports. In 1958, the U.S. exported $2.8 billion worth of goods to the Community and imported $1.7 billion worth from it. By 1971, American exports had grown to $9.0 billion and imports had risen to $7.7.

In fact, the European Community has had a continuous and major trade deficit with the United States, averaging $1.7 billion annually. In 1971, the Community was the only major industrialized area with which the U.S. had a trade surplus of $1.3 billion when the overall U.S. trade deficit was over $2 billion. If the past is any guide to the future, the enlargement of the Community should have a positive impact on American exports to the European Community.

Though there are no doubt problems in American-Community relations, such as agriculture or non-tariff barriers (to which we shall return) the European Community, far from being harmful to the United States represents a major asset to American economic interests. A recognition of this fact in the on-going debate would greatly help toward a more rational approach.

b. Preferential Agreements

What concerns official American spokesmen and the informed public most about the European Community besides agriculture are the various

preferential agreements through which the European Community has associated a host of European, Mediterranean and African countries with a common market. These agreements differ considerably in their objectives and in their economic impact for the United States.

b1. The European Free Trade Area

Since for various reasons not all members of the former European Free Trade Association (EFTA) were able to join Britain, Denmark, Eire and Norway in becoming members of the European Community, a free-trade area according to the GATT rules was negotiated between the enlarged Community and Austria, Finland, Sweden, Switzerland, Iceland and Portugal. The free-trade area will enter into force in January, 1973 and reduce all industrial tariffs, except for 13 items, until 1977 among the 16 countries and 290 million people of Western Europe.

It is natural that the removal of internal barriers in this most prosperous area of the globe outside the United States raises questions in America as to whether American exports to this area might not be damaged. However, for the European states which primarily for reasons of neutrality could not join the European Community there was no other solution. As a result of a long history of economic interaction, they were completely dependent on access to this market. The following amount of their trade would be with the Community of Ten: Sweden 60%, Austria 50%, Finland 50%, Switzerland 50%, Portugal 45%, and Iceland 40%. The Community could simply not have taken upon itself the political responsibility for disrupting the external trade and internal economies of these countries so highly dependent on trade with the Ten.

In 1970, the United States exported $1.3 billion worth of industrial goods to these six countries or 3.5% of total American exports. It is to be hoped that the trade-creating effects of the new grouping will increase American exports as it did in the case of EEC. Nevertheless, the real answer, as we shall explain further below, lies in lowering the differentiating effect of the free-trade area by reducing tariffs.

b2. The Preferential Agreements with Africa

Since its establishment, the Community has concluded association agreements with 17 African countries and the Malagasy Republic. The

agreements were concluded in the form of a free-trade area. Their purpose was to make the Communities take over some responsibilities of the former colonial powers of these countries and to help them develop through trade and development aid. Since 1958 $2.2 billion were granted to them. More recently Kenya, Uganda and Tanzania concluded an association agreement on similar lines in the wake of Britain's joining the European Community. And it is the clear intention of the Community, in the interest of equity, to conclude similar arrangements with other developing countries in a comparable situation if they apply.

So far these agreements have had no negative effect on American trade. Between 1958 and 1971, American exports to the 18 African countries rose by 158% and that of the Community by 97% (although for historical reasons the latter's share is, of course, significantly larger)

b3. The Mediterranean Agreements

The Community concluded a number of association agreements with Greece, Turkey, Morocco, Spain, Israel and Malta which differ considerably from each other and the African Agreements.

In the case of the two European countries, Greece and Turkey, the agreements aim at assisting them in developing sufficiently to become full members of the Communities with participation in the customs union, institutions, etc. For this reason both countries receive aid from the Community and participate in lowering trade obstacles.

So far the agreement has shown no discriminatory effect; American exports have continued to grow. Behind these agreements are, of course, important political motives. The Community shares a belief that these two European countries should be assisted by the wealthier European countries in their development and guadually brought into close association with the unification process of the European democracies. Both countries are of strategic importance to Western Europe as well as to NATO thus justifying a special effort towards association and integration. These motives are shared by the United States at the political strategic level as is shown by the bilateral security assistance which the United States grants to these countries.

Finally, the Community concluded bilateral agreements with Morocco,

Spain, Israel and Malta. While the agreement with Morocco and Malta establish free trade areas gradually and consequently fulfill the GATT rules, it has been argued, that the agreements with Spain and Israel violate GATT provisions. Here again, however, the case should not be judged without taking into consideration political strategic motives. The Community has an interest in a gradual reintegration of Spain in the system of democratic states north of her borders. Toward that end, the Community must encourage internal change and strengthen Spain's links with the area to which she naturally belongs.

The case of Israel is somewhat different. The European Community cannot remain indifferent to the fate of Israel within a hostile environment and desires the survival of Israel through an equitable peace in the middle East. It is toward this end that the Community has concluded a commercial treaty with Israel which is highly dependent on trade with the outside world.

In the case of both Spain and Israel, political and strategic objectives of the United States and Europe are basically similar. The advantages granted to these countries through these arrangements amount to less (indeed it is only a fraction in the case of Israel) than the special assistance which both states receive from the United States.

In concluding it must be said, that the total Mediterranean area, excluding Italy and France, accounts for only 6% of U.S. exports and 3% of imports. So far these Community arrangements had no negative impact on American exports. In order to meet American concerns however, the Community first unilaterally and later in bilateral negotiations with the U.S. lowered its tariff on citrus fruit from the U.S. by between 30 and 60% in order to counteract the preferential treatment given to Mediterranean countries.

However, the agreements with the Mediterranean and African countries raise a more fundamental question which the Community and the associated states will have to face in the near future. Is it desirable that a group of developing countries has preferential access to a highly industrialized area for historical reasons while other developing countries are treated less favorably? This unequal treatment of developing countries might well result in their attempt to establish equally privileged access in other industrialized areas, e.g. for the Latin American countries in the United States. The emergence of such preferential arrangements reordering the North-South relationship on a regional basis does not appear to be a desirable solution in the long run.

c. Agriculture

Of all problems in American-European relations the agricultural question is probably the source of greatest concern in the United States. The Common Agricultural Policy (CAP) is regarded as a highly-protectionist device which seriously harms the possibilities of American agricultural exports to the Community. In the words of the Williams Report, "the implementation of the Common Agricultural Policy by the European Community was the principal obstacle during the decade (of the 1960's) to lowering agricultural trade barriers although it was by no means the only one."[1]

On both sides of the Atlantic, agriculture represents a sector where the standard of living and modernization has lagged behind progress in the rest of society. The farm vote is politically over-represented on both sides of the Atlantic and is even more important in the European economy where 13% of the active population is employed in agriculture than in the U.S. where it represents 4.5% of the labor force. The result has been that governments have developed a complex system of support, subsidies and protection in order to raise farm income.

The European Community assures agricultural income through a system of guaranteed prices and variable levies for a number of commodities that enter the Community. This system assures complete protection for a number of items such as wheat or milk products. Some products such as soy beans from the U.S. which accounted for nearly $800 million in 1971 enter the Community duty free. As a result of the CAP, European consumers pay prices up to several times the world market price.

A consequence of the Common Agricultural Policy particularly objectionable to the United States and other agricultural exporters is that the over-production which results from these high prices is then sold at the world market with high subsidies - amounting to $1 billion in 1968-69-and compete with other

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1. Williams Report, op. cit., p. 143

countries' products.

The American government, on the other hand, uses a very different method to support agriculture combining direct income support for farms with quantitative import restrictions on many agricultural products as well as subsidies to keep down production and to promote exports of surplus products. As the result of a 1955 waiver to the GATT rules, roughly one-half of American agricultural production is shielded by quantitative restrictions. The mechanism of mutual protection is demonstrated by the case of butter. The Community's variable levy on butter in 1969 was higher than 300% compared with the American duty of 10-15% but the butter quota of the U.S. is so low that it practically prohibits any imports.

The cost of this system to the European consumer are enormous. According to one estimate, the total cost of the common agricultural policy is somewhere between $11-13 billion yearly.[1] But the cost of income support for agricultural workers in America is not small either. According to an independent study, the European Community supports each agricultural worker by some $860 annually and the United States by $1320.[2].

Despite the protection of the CAP, the European Community has been a major market for American agricultural products. Since 1964, the last trade year prior to the beginning of the CAP, American agricultural exports rose from $1.2 billion to $1.7 billion in 1971. Compared with Community agricultural exports to the U.S. of $423 million. Thus creating an agricultural trade surplus of $1.3 billion in favor of the U.S.

While both Europeans and Americans might rightly complain of the protectionist character of their respective agricultural support systems,

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1. "A Future for European Agriculture", The Atlantic Papers, no. 4 (Paris, The Atlantic Institute, 1970), p. 9.

2. "Comparaison entre le soutien accorde a l'agriculture aux Etats-Unis et dans la Communaute," by G. Vandewalle and W. Meeusen, 1971 quoted in The European Community and the United States: 1972, op cit., p. 3.

the fact that American agricultural exports to the Community increased by 42% over the last seven years while increasing only 26% to the rest of the world, shows that American agriculture did not do as badly in Europe as is sometimes suggested in public statements. In fact the agricultural surplus to the Community accounts for a large part of the trade surplus that the U.S. has with the Community.

But needless to say the problem does not end here. The American surplus is achieved primarily through a few products. What concerns Americans most is the denial of a potential increase of agricultural products to the Community. The contemporary Common Agricultural Policy only replaced the various equally effective national systems of agricultural protection by one unified system. Behind American resentment of the CAP is the disappointment in the Community's unwillingness to open its agricultural market to the outside world. Should there be a genuinely free market in agricultural products, the United States, with its more efficient methods of production, its climate and good quality of soil would do much better with most products than the Europeans.

In theory a shift of production to the location of its lowest cost would result in a considerable decrease of food prices for the European consumer and therefore a desirable development. But of course, as Americans themselves know best, the political and social problem of helping the farm population which in some regions of Europe, in particular in Southern Italy, reaches up to 50% to adapt to modernization must not be underestimated. Any approach for the future in trying to lower the degree of protection in agriculture, will have to face this particular issue as we shall see below.

d. Distortions of International Competition

The United States, Europe, and Japan have a long-lasting tradition of various practices which distort international competition. These measures may differ in ingenuity, sector, character, or effectiveness between the three but none of these countries can accuse the other of such practices without accusing itself.

We shall mention these distortions to international competitions only in passing here and come back to them in discussing possible approaches for the future. These practices include a variety of non-tariff barriers,

in particular "voluntary" restraints to curb imports; certain valuation practices, in particular the "American selling price system"; certain taxes that have a possible distorting effect on foreign trade; administrative obstacles in the form of certain standards on health, pollution, hygiene, etc.; government procurement practices such as the "Buy American Act" of 1933 or the administrative discretion practiced by public authorities in Europe; anti-dumping and counter-vailing duties; export subsidies.

D. American Investment in Europe and Multinational Corporations

American investment in Europe is of growing importance in Atlantic economic relations, but the problems it raises far transcend American-European relations.

By 1970 the book value of American direct investment in the Community of the Six was $11.7 billion, having risen from $1.9 billion in 1958 (not including investments by American holding companies outside the U.S., e.g. in Switzerland or the Bahamas). This investment represented 15% of all American investments outside the country. Because of the particular importance of Britain as a location for American investment, that figure almost doubles with the enlargement of the Community to $20.5 billion book value.

How important these investments have become in Europe and to American-European economic relations is demonstrated by two figures. In 1968, the American manufacturing subsidiaries within the Community sold $14 billion worth of goods (compared with $4.8 billion in 1961) and repatriated in 1971 from the profits made within the Community $1.2 billion, re-investing the remaining profits in Europe.

By contrast the Community's direct investment in the United States is considerably lower. Its book value was $3.5 billion in 1970, although direct investment from Europe as a whole amounts to approximately $9 billion.[1].

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1. Jack N. Behrman, "New Orientation in International Trade and Investment," in: Trade and Investment Policies for the Seventies. New Challenges for the Atlantic Area and Japan, Pierre Uri, editor (New York: Praeger Publishers, 1971), p. 13.

American companies have made use to an extraordinary degree of the opportunities offered by this huge European market created by the European Community. From the very beginning their investment and planning of production and research took the vast market as a frame of action, something which the European companies have been very reluctant to do clinging on the whole to their traditional national markets, preferring arrangements with national companies in other parts of the Community instead. Thus Servan-Schreiber rightly noted in his The American Challenge, the only truly European companies are American.

Conversely, the absence of direct European investment in America results not so much from a lack of dynamism but from an unfavorable climate for foreign investment. Not only is foreign investment simply not allowed in a number of industries in the U.S. such as aviation, insurance or certain beverages, but American anti-trust laws are enforced not only against American subsidiaries of foreign firms but also against the parent companies for their business outside the United States (a practice which is not reciprocated by the Community which applies its anti-trust law only to activities within Europe). Beginning an investment, as Americans usually do in Europe, by acquiring an existing firm in many cases runs into administrative resistance.

Besides these unequal investment opportunities, a second problem arising out of American investment in Europe creates a different perspective among Americans and Europeans on an important issue. Americans have a tendency to blame two factors for the U.S. balance of payments deficit of the last years: A weak American export performance due in part to protectionism abroad and military costs outside of the country. Hence they demand that their partners create better access for their goods and contribute more generously to American military expenditure.

The Europeans view the problem quite differently. They point out that the trade deficit of $2 billion in 1971 is only a small fraction of the deficit in official reserve transactions of $29.8 billion in the same year. Moreover, the Community was the only area where the United States achieved a trade surplus, nor does the military cost to the balance of payments of around $1.2 billion annually seem a major factor to them. In their opinion what really caused this large deficit were the huge movements of capital, among them the $4.5 billion for investment capital in 1971.

Despite the technological and economic advantages, many Europeans

tend to regard the growth of American investment in exchange for unproductive gold or huge dollar holdings at least as important in dealing with the long-range questions of imbalance between Europe and America as the trade field where they feel they are doing their share in helping the U.S.

But the problem of investment raises fundamental questions for all industrialized countries and, indeed, for developing countries as well. The rise of the multinational corporation and of international production by companies which are owned, financed or controlled by companies in other countries is likely to change international economic relations and the manner in which governments will have to insure their functioning very drastically.

According to one estimate, the total sales of all multinational corporations in 1970 amounted to $450 billion compared with world exports of $300 billion.[1]. U.S. owned corporations had an international production of $219 billion compared with American merchandise exports of $40 billion in that year.

If one projects the present trend of international investment and production as well as domestic production, the conclusion points to a profound change of the international economy. Since international production has consistently risen by about 10% per year, while the total GNP growth of the non-Communist world stayed around 4% annually international production is likely to rise from its present 22% of total production in the non-Communist world to 35% by 1980 and 50% by 1990.

In a world in which a substantial share of the production will be planned and managed by international companies, our present concepts of comparative advantage and of insuring free trade may be inadequate if not obsolete. Investment decisions on a large scale will no longer be based on a comparative advantage but on non-trade considerations such as the general economic environment or policies of the host government.

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1. Jack N. Behrman, "New Orientation in International Trade and Investment," op. cit.,

Since already today, 30% of the total U.S. foreign trade is intra-company trade, i.e. goods exchanged between the national subsidiaries of the same parent company, we arrive at a startling conclusion. The future of international trade will to an increasing extent depend not so much on the classical instruments for liberalizing trade but on the manner in which large corporations conduct their internal business and the way governments influence them. This state of affairs calls for an entirely new approach and set of rules. This is all the more necessary since multinational corporations also raise problems for their host companies by either acquiring a political influence judged too dominant or by possible counteracting national policies through their internal decisions on investments or profit allocation (possibly resulting in tax evasion). We shall return later on to some possible approaches to this problem.

Over the last years, labor unions in the United States in particular have become increasingly opposed to multinational corporations. Their main objection has been to their export of capital which in their opinion removes jobs from the country. Because of labor's political and economic importance on both sides of the Atlantic, a rational debate with this group seems to be particularly important.

Although it is exceedingly difficult to assess the precise impact of international investment on trade and employment, the objection to international investments on the ground of job exportation seems to be questionable for several reasons. First, foreign investment is not a one-way street. Outside investment also creates employment in the United States. Thus while American-owned international production in 1970 amounted to $219 billion, the production in the United States owned by foreign portfolio investors and direct investors amounted to the respectable sum of $100 billion.[1].

Moreover a large part of the American external investment cannot export jobs since it involves production, such as oil or raw material production, which is impossible domestically. Finally, foreign investments are made for a variety of reasons other than possible lower labor-unit costs, such as

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1. Behrman, op.cit., p. 13.

avoidance of high transportation costs, advantages of being behind trade barriers or near the consumer, etc. If these productions are lost at home, they would have been lost any how, though at a later point. It is often overlooked that companies abroad support employment at home through purchases from the parent company.

Labor's growing concern about international investment combined in the United States with its increasingly protectionist attitudes points to an important problem, however. In all our societies, there is a growing consensus that social justice requires that individuals be protected against any hardships such as loss of jobs or income arising out of economic change. As economic inter-dependence grows, conflicts between social justice and competition are less apt to arise within the national framework where they can be resolved by intervention of the political authority, but between the national context within which a government enforces social justice and the external, multinational activity with no superior authority to resolve the conflict between the national and multinational level. Thus, our earlier conclusion that the emerging multinational system of economic interdependence requires new mechanisms for coordination of national policies, applies to this area as well.

Multinational corporations and international production obviously have many advantages and disadvantages. They represent an increasingly important element of the emerging multinational economy of interdependence. The problem is not to eliminate them but to regulate this phenonenon in such a way that it can make a positive contribution.

E. The Inadequacy of the International Monetary System

The cricis of the international monetary system is undoubtedly the most serious aspect of the present critical phase of the international economic system. If it cannot be reformed and put into order within the next few years, all other reform measures in the field of trade or international investment are likely to be futile and unable to prevent a disruption of the international economic system with far-reaching implications for political cooperation and security in the West.

Although the monetary system that was created at Bretton Woods is in crisis today, it served its purpose remarkably well for almost a quarter of a century. Despite its shortcomings, it was able to provide the monetary foundation for an upsurge of international trade and world production as it

never had occurred before in history. Considering that this system was able to accommodate the rise of new economic centers such as West Germany and Japan - enemy countries at the time of Bretton Woods - and a host of new countries which became independent it is remarkable that it lasted as long as it did.

While various incidents during the post-war period exposed basic weaknesses in the system, it was only in the late 1960's that the basic inadequacy of this system became obvious. The American measures of August, 1971, and the Smithsonian Agreement of December, 1971 put an end to basic features of the old system and along with the imposition of foreign exchange controls in France and Germany dramatically underscored the need for basic reform.

The Bretton Woods system has become inadequate because neither its adjustment mechanisms nor its system of providing liquidity and reserves correspond to the needs of the contemporary economic system. When the adjustment mechanism was discussed at Bretton Woods both the Keynes Plan and the White Plan had provisions for a supra-national authority which could influence decisions on a change in the exchange rates of a currency when a country could no longer balance its accounts in dealing with the outside world.[1]. Indeed, a provision was discussed which would have imposed interests on the holdings of a surplus country.

But neither a supra-national authority nor stringent rules on adjustment were accepted at Bretton Woods. The ultimate decision on adjusting exchange rates was left to national discretion. This arrangement created one of the main problems of the Bretton Woods system: Deficit countries tended to postpone adjustment for internal political and economic reasons until circumstances became highly critical. Conversely, surplus countries had no incentive to adjust exchange rates in time and revalued only under speculative

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1. The discussions of those years continues to be highly relevant today. For an admirable analysis brought up to date, see: Richard N. Gardner, Sterling-Dollar Diplomacy. The Origins and the Prospect of our International Economic Order, rev. ed., (New York: McGraw - Hill Book Co., 1969)

pressure in a crisis situation when it was too late for moderate action.

The system, therefore, badly needs an adjustment mechanism which is not so excessively flexible as to undermine certainty and predictability for the economic actors and yet is flexible enough to avoid adjustments in the form of shock waves that rock economic as well as political cooperation as they did during the last years.

The second inadequacy of the present monetary system lies in its mechanisms for providing liquidity and reserves. Thirty years ago Keynes suggested creating a clearing union with a man-made reserve unit and relatively unlimited credit facilities for every country. As we know, this plan was not accepted, primarily because of U.S. resistance which then assumed that it would remain a surplus country and objected on the ground that such a system would make it too easy for others and put the burden on America. The system that was finally adopted followed the American conception in its main lines. It provided dollars for a central fund, tied credit facilities with considerable restrictions (so that the U.S. was unable to use the system) and gold became a means for international settlement.

Gold production in the world was, however, not able to keep us with the extraordinary expansion of world trade. Since the International Monetary Fund was unable to provide the appropriate funds to finance the growth of world trade because of its limited reserves and the restrictions on credits dollars were used for that purpose. Thus the world gradually slipped into a dollar world standard, the necessary liquidity being created by a deficit in the American balance of payments. The outside world was quite willing to go along with this system, accepting either gold from the American reserves or dollars from the American printing press.

But this state of affairs became increasingly unacceptable as the American gold supply dwindled and the dollar holdings of foreign central banks rose to an unprecedented $60 billion in 1971. When President Nixon in August, 1971 suspended the dollar convertibility in gold, two things had become obvious. First, despite the economic strength of the United States, the dollar alone could no longer play the role of the main reserve currency for the monetary system. Second, the independence enjoyed by the United States as a result of that role appeared no longer acceptable. With large amounts of short-term and long-term capital leaving the United States to be used outside profitably, the other countries had no choice but to accept dollars which they already possessed in considerable amounts. In the absence of substantial re-

alignments of exchange rates, the growing trade deficit of the U.S. as well as military expenditures further aggravated the problem.

The measures taken as a result of the Smithsonian Agreement in December, 1971 helped to avert a worse crisis, but they only bought time for a more fundamental reform. The important and long-term questions were not settled in Washington and must be decided within the next years.

F. Approaches to the Future

Although the conviction that there is an urgent need for basic reform of the international economic system is growing in all Western countries, governments have not yet made an attempt to do so. But among experts a debate on these issues is gaining momentum. Besides a growing number of individual contributions, first attempts by groups to view all these problems in an integrated perspective have been made, such as the report of the President's Commission on International Trade and Investment Policy of 1971 and a report by American, European, and Japanese economists.[1]. These two reports in particular contain a number of fruitful suggestions some of which are reflected in the following sections.

a. A Reform of the International Monetary System

The Smithsonian Agreement of December, 1971 drew some obvious conclusions from the situation which the measures of the American government of August 1971 had created. The revaluation of the main currencies vis à vis the U.S. dollar, the devaluation of the dollar in terms of gold, the widening of the margin of fluctuation for the currencies and, finally, the removal of the 10% surcharge by the U.S. eliminated the most urgent problems of the international monetary question of that year. But the long term problems now demand attention.

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1. "Dreiparteienbericht ueber eine Neugestaltung der internationalen Waehrungsordnung," Europe Dokumente, no. 658-659 (Luxembourg: Europe. Agence Internationale d'Information pour la Presse, 7 January, 1972).

a 1. The Adjustment Problem

In considering possible long-term solutions to the adjustment problem three approaches could be distinguished. First the best approach to adjustment is, of course, to make it unnecessary or infrequent.

To be sure, as long as there are autonomous national entities with differing priorities and economic policies as well as different economic starting points the likelihood of imbalances in their relationship with each other will always exist. But the rewards of interdependence multiply if states succeed in coordinating their policies.

Most important in this connection would be a concerted effort to slow down the speculative movements of short-term capital which in the past have triggered off so many crises (though usually reflecting and accelerating a pre-existing structural imbalance). A coordination of interest rates, placement conditions of short-term liquidity, or taxes could have a considerable impact. But coordination to avoid imbalances between countries can, of course, go much further covering practically all fields of economic policy.

During the coming discussions on reform in this field, states will have to face a choice which had been discussed already at Bretton Woods and in connection with the Charter of the International Trade Organization: Either states submit to rules of economic behavior and coordination and accept advice, if not decisions by international organizations or due to the high degree of interaction between their economies which tends to accentuate imbalances, they have to live with the constant necessity of adjustment with all its accompanying economic disadvantages.

The second approach to the problem is to create a better mechanism for cases when adjustment becomes necessary. As we observed earlier, the two main weaknesses of the present system lie in the combination of national discretion over the changes of parities of currencies and fixed exchange rates which can be changed only under conditions of crisis and with disruptive effects.

A new system could consist of the following elements:

Strong fluctuations in exchange rates are undesirable because they enhance uncertainty and unpredictability for private economic actors and governments. However, a mechanism is needed which makes parity changes possible in

small and frequent doses under certain commonly agreed upon conditions which require such adjustments from both surplus and deficit countries.

The conditions and rules for such adjustment are of course the crucial element. They should stipulate not only that international organization play an importane role in bringing about such adjustment but should be sufficiently automatic without being completely mechanistic in order to put pressure on both deficit and surplus countries to adjust in cases of structual imbalance. Obviously, one would have a carefully define the conditions and indicators of imbalance and also make sure that changes of exchange rates do not become a substitute for domestic employment policy.

It should be possible for international organization sto ask both deficit and surplus countries to make adjustments in their exchange rate or specific changes in their domestic and external policies or both. In case on non-compliance with such recommendations and serious repercussions in the international economy, it should be possible to apply sanctions either in the form of general surcharges or selective duties against a surplus country or by with-holding credit facilities to deficit countries. [1].

A third and final approach to any new system of adjustment is a consolidating re-alignment of exchange rates which is indeed a pre-condition for a satisfactorily functioning system. The establishment of a realistic exchange rate structure concluding so to speak the work begun at Washington in December, 1971 would have to occur in conjunction with other steps of the overall reform, notably the creation of new reserve units, the consolidation of the existing dollar holdings, a decision on the role of gold as well as agreements in the field of trade and international production.

a 2. The Problem of Liquidity and Reserves

The second most important element in monetary reform is the creation of a new system of liquidity and reserves. There seems to be a growing

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1. Richard N. Gardner, Toward a New "Bretton Woods": The Politics of International Monetary Reform, Paper given at the Agneeli Foundation, Turin, 11 July, 1972, mimeographed.

consensus on the necessity for the following element in such a system:

At the center of the system as the main reserve in lieu of the dollar should be Special Drawing Rights, (SDR's) such as they have been established in the past, by drastically expanding their quantity and adapting them to the needs of the new system. The SDR's would be administered by the International Monetary Fund and available to all countries under previously set conditions which would make sure that deficit countries comply with the general rules.

The annual expansion of international reserves would no longer be determined by the countries with key currencies or by gold production but by a decision-making process within IMF relating the expansion of reserves to the state of the global economy, international trade and requirements of under-developed countries and basing such decisions on the best expert advice available.

The new system should insure a return of the dollar to convertibility. This could be achieved by consolidating the existing large claims on main currencies including the Pound Sterling. The holdings of central banks in such currencies could be deposited at the IMF and exchanged against SDR's. The IMF could then transform these dollar amounts into long-term liabilities of the U.S. (with a higher interest rate than the deposits) which the U.S. could gradually decrease. It is doubtful whether it is politically feasible and economically possible to eliminate gold entirely from this system without disruption. While the SDR would be de-golded, gold should not entirely lose a role in settling international accounts but be phased out of the system gradually.

The effectiveness of a new reserve system depends entirely on the confidence in its working. A reserve currency is not created or abolished by a unilateral decision of a country that holds it but by the role this currency plays and by the confidence which other countries or private actors have in it. Thus even with a new system with SDR's at its center, it is highly likely that the dollar because of the economic position of the United States will continue to be a reserve currency along with some other main currencies such as the Sterling, the Mark, the Yen or a common European currency.

These elements of a new international monetary system would not impair the creation of a common European currency. Nevertheless, in the absence of an economic and currency union of the European Community, these rules might be adapted to the on-going process of forming such a union within the Community. Within the Community, the harmonization of economic

policy is obviously more important as an instrument of adjustment than the flexibility of exchange rates. Consequently, it would be necessary at an early stage to tie the European currencies together through a common policy of intervention by their central banks and to assure that the process of coordination of economic policies becomes increasingly effective.

If the preceding reforms are to be implemented, the IMF must be strengthened in terms of its formal prerogatives and practice. If the present system of national autonomy is to be replaced by a multinational system of managing monetary affairs, the IMF will need stronger powers to advise and guide member countries and to impose sanctions in extreme cases. But equally important, the IMF would have to take on a new function as a forum for policy coordination. This would require more permanent mechanisms for consultation, a representation of countries at the highest policy-making level such as Central Bank Presidents or Finance Ministers, and more frequent meetings.

In addition to strengthening the IMF, a more adequate representation of under-developed countries appears desirable in order to bring into better harmony international monetary policy on the one hand and development policy on the other. Such a change should assure an adequate participation of these countries in the decision-making while maintaining the present system of voting power according to economic strength.

b. The Preservation and Establishment of Liberal Trade

b 1. The Need for European Unity

The key to many American attitudes and, indeed, to the preservation of cooperative ventures in many fields lies in Europe. Although the European Community has achieved remarkable successes in establishing an internal common market, the future of genuine economic union, of common foreign policy and defense, of democratically established institutions is as uncertain as ever. Mystical or merely narrow-minded nationalism continues to block the path to political unity which had been the declared goal of European and American political leaders in the past. As a former American representative to the European Community put it. "At a moment of crisis, the

absence of a European consensus necessarily leaves the United States with a feeling of confusion and malaise."[1].

As long as political unification of Western Europe through the intermediary stage of a pooling of economic policies appeared to have a reasonable chance of success, there was a general willingness in the United States to accept the economic measures such as the formation of a common market or preferential agreements with outsiders as a necessary and inevitable by-product of political unification. However, as the chances appear slimmer that the European Community will move beyond a customs union with agricultural protection and a system of preferential agreements with other states, the tendency grows in the United States to view the Community as an economic block harmful to American economic interests. It is in this sense understandable that the American attitude toward the Community has lost the momentum of enthusiastic support of the early post-war years and instead becomes increasingly reserved.

It is therefore absolutely essential to the preservation of a cooperative atmosphere between America and Europe and for a mutually advantageous reform of the international economic system that the European Community establishes a European identity, common institutions and policies in all fields of its activities, from monetary affairs to trade. One can only agree with an American observer who points to, "the difficulty the European leaders create for themselves and for the kind of understanding they need elsewhere in the world by their own current confusion (or timidity, or both) about what it is they are seeking to build in Europe. A good, sharp dose of old-fashioned European enthusiasm would do much to clear the air." [2].

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1. J. Robert Schaetzel, "Die neuen Dimensionen der Beziehungen zwischen einer erweiterten Europäischen Gemeinschaft und den Vereinigten Staaten," Europa - Archiv, no. 24, 1971, p. 860-1.

2. Miriam Camps, Sources of Strain in the Trans-Atlantic Relationship: Strains Arising Primarily From American Politics and Attitudes, Discussion paper for a European-American Conference at Royaumont, May 4-7, 1972, mimeographed, p. 17.

b2. Monetary Reform and Free Trade

The replacement of distorted exchange rates by more realistic ones in conjunction with the introduction of more effective adjustment mechanisms in the cause of monetary reform is likely to affect international trade considerably and to offer a new opportunity for an undistorted international division of labor.[1]. Monetary reform requires adaptations in the internal production which arose in the wake of the distorted exchange rates of the past. In particular, the surplus countries, Japan and less so West Germany, will be forced to create additional domestic demand.

But at the same time, the removal of the over-valuation of the dollar which had contributed to the weak performance of American goods abroad and the ensuing rise of protectionism in the U.S. should improve the conditions for liberal practices in international trade.

At present, quite a number of barriers and distortions in America, Japan and Western Europe obstruct free trade. In fact, some of them owe their existence to difficulties in the monetary field. With the establishment of a more realistic rates and more adequate adjustment mechanisms that offer better opportunities for an equilibrium in national balances of payments, the chances for removing obstacles to trade should improve.

b3. Removing Tariffs and Quantitative Restrictions

After the Kennedy-Round of tariff negotiations, average tariffs on industrialized goods in Western countries came down to a level of 5-11%. However, this does not mean that tariffs have become unimportant. On the contrary, as we explained earlier, the tariff structure continues to be selectively protectionist, since on many goods there are still tariffs above 15%, reaching even beyond 50%.

The time has therefore come to make a renewed effort at trade liberalization. The last set of negotiations during the Kennedy-Round with its

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2. We follow for this section the findings of, "Dreiparteien-bericht ueber eine Neugestaltung der internationalen Waehrungsordnung," op. cit., p. 7

new negotiating style greatly facilitated liberalization. But the next GATT Round scheduled to begin in 1973 should try to adopt an even more flexible negotiating procedure and a much more ambitious goal: agreement on a complete elimination of all remaining tariffs within ten years.

Exceptions for industries which require a prolonged transitional protection should not be formulated in the form of maintenance of tariffs but rather as agreements on domestic adjustments and aids which would be the subject of international negotiations. Under modern circumstances an elimination of all tariffs might well become meaningless since governments can now use a wide range of instruments of protectionist intervention in the form of subsidies and other means of support. An acceptance of the principle of complete removal of barriers and of achieving special exceptions through commonly negotiated policies would represent a net progress for it would submit the necessary exceptions from free trade to generally accepted standards and common review.

A complete reduction of all tariffs on industrial good would eliminate the preferential treatment which the European Community now accords to European states in the European free trade area arrangement or to European and African states in association agreements. Moreover, some of the thorny issues in American-European trade relations would disappear such as the "American Selling Price" system and other questionable tariff valuation procedures on both sides on the Atlantic, since there will be no valuation problems any more once tariffs cease to exist.

Quantitative restrictions had been, on the whole been eliminated except in Japan by the late 1960's as a result of many years of hard work. During the last years, however, they have experienced a comeback in the form of "voluntary" restraints negotiated between specific industries and usually under discreet but effective threats from governments to take legislative action unless such voluntary restraints were agreed upon.

"Voluntary" restraints are basically irreconcilable with a system of free trade . Although their defenders argue that they represent an instrument for controlling international trade which is much more flexible and easier to remove than quantitative restrictions or tariffs which require legislative action, they do represent a cartel mechanism which distorts competition.

Since these "voluntary" restraints seem to assume an increasing importance, it is time for the industrialized countries to decide whether they want to maintain and possibly expand an instrument of protectionism that

is left outside of the established procedures of international law and which makes such agreements subject not to commonly established procedures but to the power relationship between the negotiating parties.

To be sure, "voluntary" restraints raise a basic question which has been mentioned in other contexts. There is a need for a mechanism to help backward or stagnant industries to adapt to competition or to be phased out. As we shall see later, in view of the priorities of social justice such mechanisms are desirable, but in the interest of an equitable system where such adjustments do not distort international trade, the adjustments should be based on commonly accepted standards.

b. 4 Preferential Agreements

As we explained earlier, the various preferential agreements through which the European Community has associated a number of European and African countries with its common market represent a particular concern not only to the United States. The order of magnitude of the total preferential area which these agreements create inevitably undermine the validity of the Most Favored Nation treatment which has been a basic element of a liberal world trading system. The exceptions from the Most Favored Nation treatment elaborated in the GATT rules were intended to cover exceptions but not such a huge part of world trade.

If the industrialized countries could negotiate a complete reduction of all tariffs on industrial goods, the problem of preferential treatment would be largely eliminated. In such a case, an arrangement covering the transitional period until complete removal of tariffs and agricultural products would still be necessary.

As a first step the European Community should, therefore, begin to negotiate compensations for outsiders for possible trade diversions created by the existing preferential agreements. Under the GATT rules, third countries are entitled to such compensation, but the Community has rufesed negotiations so far. Secondly, the European Community, the United States and Japan should review the existing preferential agreements of the Community for their political strategic desirability as well as their implications for an overall strategy on development aid. The three could then examine on which industrial products the preferential treatment should be diminished until the tariffs are completely eliminated and what arrangements could be made on agricultural products.

b 5. Agriculture

Of all the world resources, the agricultural resources are used least rationally from an economic point of view. High cost agricultural production such as that of Western Europe is maintained at the cost of many billions per year while countries with low-cost agricultural production such as the United States or New Zealand have to restrict their own production. But, as we observed earlier, political and social objectives rather than economic rationality prevail in the agricultural sectors of almost all countries, especially in the European Community and Japan which still have a significant sector of their working population employed in agriculture.

Because of the economic hardships created by a complete liberalization of agricultural trade, it would be unrealistic to expect a drastic change of official policy in Western Europe or Japan in the near future. Nevertheless, certain forces of economic change are at work which will improve the chances for liberalization.

In both Japan and the European Community, the percentage of agricultural workers in the active population has been declining constantly - in Japan from 40% in 1955 to 17% in 1970, within the European Community from 21% in 1955 to 13% in 1970 with a projected decrease to 6% in 1980. Within the European Community, the "Mansholt Plan" by trying to encourage the formation of larger farms and by paying stipends to agricultural workers who leave the land, privides incentives for reducing the farm population and for increasing the competitiveness of farms.

These trends improve the conditions for important and necessary changes in the agricultural support system and international trade. The present system within the Community is not characterized by a particular degree of social justice. The system of support through prices is most profitable to large and efficient farms which need the support much less, if at all, than the small farms. Moreover, as we described earlier, the cost of this system is enormous to the consumer within the Community, for he pays not only prices considerably above the world-price level, but the administration and handling of surpluses is very costly. In fact, not only the consumer within the Community but outsiders too must pay a contribution since the Community gets rid of its over-production at high cost by selling them on the world market at a subsidized level.

Once the farm population in the Community has decreased further, a system of direct income support to farmers would be an infinitely more rational and less costly method to support European agriculture. This system

would not only have the additional advantage of being socially more just by paying the support to those who really need it, but also make it possible for the international market mechanism to come into play again in this field. The European Community, the United States, Japan and agricultural producers such as New Zealand and Australia-would then have to devise an agreement on the conditions and amount of farm support. The complicated system of protection through variable levels, duties, or quotas which Europe, the United States and Japan now use could then be discarded.

Nevertheless, there is room for some intermediate measures of liberalization of agricultural trade during the next years. Not only the European Community and Japan, but also the United States indulge in various forms of agricultural protection. They should try in the interests of their consumers to expand the outlets for agricultural products from the country that produces them at the lowest cost.

Only by the late 1970's would there be a reasonable chance for fruitful discussions among the United States, Europe, Japan and a number of other countries to overhaul in a fundamental fashion the system of agricultural production and to agree on common principles of agricultural support thus creating the pre-conditions for extending at last a liberal trade system to the area of agriculture.

b. 6 Removing Distortions to International Competition

As the importance of tariffs decreases, other obstacles to international competition weigh more heavily. There is a striking number and variety of factors that can distort the free exchange of goods and services. GATT has drawn up a list that contains 800 of such non-tariff barriers.

As we indicated earlier, there is no country which has not developed a considerable number of such barriers although, of course, they differ in nature according to national circumstances. Besides quotas, which were dealt with earlier, the following non-tariff barriers deserve common study and agreements at the earliest possible period.

Although the impact of taxes on foreign trade has been studied for many years, it is unclear whether the present arrangements under GATT are sufficient. We do not possess sufficient data and knowledge about the impact of many taxes. This would be an area where the U.S. and Western Europe along with Japan have a major interest in starting studies of this

question within the framework of GATT.

Valuation practices have been one of the thorny issues in trade relations. If a complete reduction of tariffs could be negotiated, this problem would disappear. But even if an agreement could be reached, the transitional period of ten years would still be sufficiently long to call for intermediate measures to decrease the negative impact of some valuation practices. One of the urgent requests from Europe in this connection would be for an early ratification by Congress of the agreement reached in the Kennedy-Round on the elimination of the "American Selling Price System."

Government purchase practices are a major factor distorting international competition. In the U.S., the "Buy-American-Act"of 1933 requires purchase in the U.S. unless a foreign-made product is between 6-12% cheaper. In the field of defense, foreign-produced goods have to be 50% less expensive than American products. On a number of products, foreign goods may not be purchased at any price. While the American system is relatively open, the Europeans practice their own discrimination against foreign goods, as some local and state authorities in the United States, by administrative discretion. This entire area should be reviewed together in the context of American-European-Japanese negotiations in order to arrive at common procedures.

A number of international rules have been established on "anti-dumping duties" and "countervailing duties". Since not all of them are applied in the U.S., a common review should be undertaken by Europe, Japan and the United States in order to assure that they are applied in each of them.

The field of standards of health, safety and pollution is one of the most complicated and yet most effective obstacles to international competition. It is in this field and that of technical regulations and other administrative obstacles that the GATT negotiations of 1973 have to try to study the existing obstacles and eliminate their trade-distorting effect through common standardization. Since government intervention in the form of standards constantly increases, this whole area becomes an increasingly impenetrable thicket which has a growing impact on international trade. Besides coordinating standards, there is an urgent need for machinery of coordination and consultation before standards are applied in order to minimize their effect on international trade.

One last source of distortion in international competition are subsidies

to exports. These subsidies can take the form of taxes, as for example in DISC, or discriminating standards, or a variety of economic measures. While some cases are reasonably obvious and could be made the subject of negotiations, the majority of cases requires a thorough common review before any agreement can be undertaken.

c. Regulating Multinational Corporations and International Production

Earlier we concluded that the spectacular growth of multinational corporations and international production brings about a fundamental structural change in the economic system. If already today 22% of the total production in the non-Communist world is planned and managed by international companies, a figure projected to rise to 35% by 1980 and 50% by 1990, we would simply miss an essential dimension of the contemporary international economy if we were to focus exclusively on trade and monetary matters in order to secure its functioning.

To be sure, monetary reform is likely to diminish some of the difficulties which appear to stem from capital movements. The export of American investment capital which has been a major source of the American balance of payments deficit is likely to slow down with a re-alignment of currencies which will make the purchase of foreign companies and assets more expensive. Similarly the outflow of short-term capital - recently the most important cause of the balance of payments deficit - is likely to be slowed down by a more flexible exchange rate mechanism.

With the growing importance of international production, however, a growing share of international trade will become intra-company trade (this applies today to 30% of U.S. foreign trade). Since a decision to invest abroad depends on a multitude of factors many of which cannot be subsumed under the traditional comparative cost argument, such as political climate, governmental help, growth potential of the market, etc. and since such investments in turn promote and restructure international trade, international economic interaction becomes removed from the traditional factors that once determined its flow such as liberal trade practices. What matters rather in shaping the nature of this kind of interaction is the internal decision-making of the multinational corporation and the particular circumstances under which it operates.

Since we assume that multinational corporations and their international production are a desirable development because they increase economic welfare, their rising numbers and importance faces the international community with two tasks:

First, there is an urgent need to arrive at an international understanding on the conditions that govern international investment decisions. This works both ways. On the one hand, there should be rules that limit governmental obstruction and control of multinational corporations. Japan (and to a lesser degree France and a number of under-developed countries) have either prohibited specific investments or imposed stringent controls. On the other hand, since international investment is becoming such a major factor for creating employment, prosperity and exports, there should be agreement on how far governments can go in attracting or facilitating such investment. This would pre-suppose a review of a variety of instruments, which governments use to support such investments, as for example, industrial and regional policy.

A second task, no less difficult or important, has to be faced by the international community. Though it has been argued, that some of the fears about the economic consequences of international investment are exaggerated. [1]. The strength and flexibility of multinational corporations nonetheless raises many problems to the host countries and to international interaction. These companies are able to shift investment capital, decide on imports and exports, allocate research funds, possibly shift profits and taxes, and influence employment to such a degree that there is a danger of not only counteracting the policies of the host governments but of creating undesirable imbalances.

If the trend in which influence over international as well as domestic

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1. See Raymond Vernon, "The Economic Consequences of U.S. Foreign Direct Investment," and "Problems and Policies Regarding Multi-National Enterprises," in: United States International Economic Policy in an Interdependent World. Papers submitted to the Commission on International Trade and Investment Policy and published in conjunction with the Commission's Report to the President, Washington, D.C.: GPO, July, 1971) vol. 1, pp. 929-952 and 983-1006.

economic developments increasingly slips out of the control of democratically elected governments or international organizations formed by them is to be avoided, the international community will have to agree on ways and means to regulate multinational corporations by introducing some measure of control without stifling this basically desirable new phenomenon.

Much is to be said in favor of a "proposal for the creation by a multi-lateral treaty of a supra-national authority that would preside over the enforcement of a set of rules regulating the conduct of multinational corporations in host states while, at the same time, prescribing the limits in which host governments might interfere in the operation of such corporations."[1].

d. Institutions and Procedures: The Need for Policy Coordination

If we review the findings of the preceding sections on policy and coordination in various areas, the following picture emerges:

In the field of monetary reform, we concluded that there is great need for policy coordination among governments in order to avoid imbalances which will set off adjustment moves.

In the field of tariffs, we suggested that a complete removal of all tariffs within ten years requires a shift of the focus of support for adjustment from the tariff field to domestic policies of transitional support on the basis of previously agreed international guidelines and under conditions of intergovernmental consultation.

In the field of "voluntary" restraints, we concluded that it is necessary to lift them out of bilateral relations and subject them to international rules as a means of administering transitional support in adjusting to international competition.

In the field of agriculture, we proposed that the international community should strive toward a system of direct support of agriculture on mutually agreed lines by the end of this decade.

In the field of distortions of international competition, we suggested that there is need for a general review of the multitude of deliberate or undeliberate obstacles to international competition which accompany the

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1. George W. Ball, "Introduction" to Richard Eels, Global Corporation, p. 6.

modern welfare state's gamut of interventions in complex societies ranging from taxes to health standards . International action should aim not only at a harmonizing such distortions but go further and establish a machinery of consultation which goes into action prior to decisions in order to prevent negative effects on international trade. Hence on a number of policy instruments used by modern governments, there is need for international consultation when applying them.

In the field of multinational corporations and international production, we concluded that the time has come to regulate these bodies which transnationally link our individual societies and increasingly influence the fate of the international economy as a whole; such a regulation should take the form of a governmental agreement on common rules for the activities of these corporations and for governmental relations with them.

All these suggestions point in the same direction: either we draw the conclusion from the emerging system of economic interdependence which has brought us unprecedented prosperity and freedom of movement of men, goods, services and ideas and establish effective systems of management and policy coordination, or this system of mutual interference will be ridden with tensions and ultimately break down.

Therefore, we must move beyond present multilateral diplomacy and traditional inter-state relations in a number of fields and establish new modes of direct contact and cooperation between the relevant bureaucracies in different countries, accord international organizations a vital role in management, and arrive at a modicum of common policy planning among the important countries of the Western economy.

Such change implies abandonment of the sector approach in which departments or specific international organizations deal with problems separately which in reality belong together. In fact, the preceding analysis has hopefully made clear that an effective system for steering today's international economy of today requires a re-integration of the field of monetary policy, trade policy and the regulation of international production.

These requirements call for an overhaul of our institutional framework. There should be regularized contacts between the relevant departments of governments, in particular of the European Community, Japan and the United States, either directly between them or within international organizations.

OECD should be strengthened to become the center for economic policy coordination. Its members would in any case have to be associated with a system of decision-making in economic policy that has the European Community, Japan and the United States as its centers.

In order to accommodate the necessary reforms IMF will have to be reorganized substantially, whereas GATT may be flexible enough to accommodate with minor changes some of the new tasks advocated above.

In any case, GATT, IMF, and OECD have to be brought into a close working relationship with each other to make possible the integrated approach which is required today. Reform attempts should review the three bodies together in the light of the present and future needs, decide upon changes, on modes of cooperation among them, on the establishment of new departments and their location within this triangle.

e. Starting Reform

Time is running out for many of the critical issues of the international economic system. Reform discussions have started on some of them, informally or officially as within IMF on monetary matters. The next round of GATT negotiations in 1973 will raise a number of the problems that are in need of reform, in particular non-tariff barriers.

There is an urgent need for an integrated view of the present state of the international economic system and possible approaches to reform taking into account the interests of less developed countries and the new dimension of environmental problems. The European Community, Japan and the United States should therefore consider setting up a "Group of Wise Men" who while remaining independent and acting in their individual capacity possess the kind of knowledge and grasp to review the major problems of the international economic system in their interdependent relationship and to draft an integrated plan for reform to be used by the governments as guideline for action.

The governments involved should put all the necessary expert advice and research facilities at the disposal of this group as well as the means to consult any political and economic group in major countries or international organizations active in related fields. Since it will take some time for this group to produce a report, a link should be established between its deliberations

and the on-going reform discussions in various international organizations, within countries and between governments in order to ensure that they mutually benefit from the ongoing work.

The task of reforming the international economic system is undoubtedly going to be extraordinarily difficult. The very high price of failure is no guarantee of success. Besides foresight and patience, the commodity most in demand will be political courage, for many necessary solutions will break with established traditions and patterns of thinking. As in the field of security, there is great need for public debate lead by courageous political leaders. As long as these issues are left to a few experts, the debate is dominated by the spokesmen of narrow interests. What is needed is a rational presentation of the alternatives and a persuasive case for reform in order to create the necessary support for new measures among legislators and the public.

3. Political Strategies

In dealing with the security problem in Europe and the necessities of reform in the international economic system in the preceding sections, some political strategies for important areas have been outlined and discussed, but a number of additional problem areas remain where America and Europe should consult or coordinate their strategy. What are they and how do they relate to our findings in the fields of European security and international economics?

A. Change in Europe

a. Goals

Europe is one of the major areas of change in contemporary world politics. In Western Europe, the integration process alters the nature of inter-state relations and Western Europe's role in the work and vis a vis the United States. In Eastern Europe, the rigid block structure of the past is loosening up, and the requirements of economic progress promote increased contacts with the West. In both parts of Europe, the perception of threat slowly diminishes and gives rise to hopes for more cooperative relations between both sides.

In our earlier discussion of European security, we concluded that due to Europe's strategic importance and the relationship of forces between East and West in this area an active American involvement is required to preserve peace in this region. In looking ahead at the steps which could be taken in Europe as part of a general effort towards a more moderate and stable international system, we submit that an earlier conclusion, drawn in connection with MBFR and an enlarged SALT II, applies here as well: in devising and implementing future strategies, American and European interests are parallel on the most important goals, and while there will naturally be differences in perspective and in interests on secondary aspects and on procedures, in most cases they are likely to be complementary rather than opposed.

In all likelihood, the interests of the European Community and the United States are identical in approaching change in Europe with regard to the following five goals: first, the prevention of war; second, lowering the costs of armaments and the risk of military conflict; third, preserving and increasing prosperity and the effectiveness of liberal democracy in the western part of Europe and extending these goals to the eastern part wherever possible without risk of major conflict; fourth, promoting cooperative undertakings in the West, in particular West European unification and trans-Atlantic cooperation.

lines; second, that the existing borders with Poland and East Germany could not be accepted until a peace treaty had been concluded, and, third, that the process of relaxation of tension in Europe could not begin until the German problem - then as well as today the most intractable of Europe's problem - was solved.

But Western policy on Germany did not represent the only challenge of the status quo; it was accompanied by President de Gaulle's unsuccessful attempt to disassociate both Eastern and Western Europe from the super powers and more than matched by the Soviet Union's repeated attempts to undermine the Western status of West Berlin and to interfere in West German politics.[1]

The recent agreements between the Federal Republic of Germany and the Soviet Union and Poland as well as the Four Power Agreement on Berlin signal a significant change of policies on Europe's central problem, Germany. In recognizing the borders to Poland and East Germany, West Germany has accepted not only the territorial status quo but also the existence of two politically different German states, a policy which was and is being corroborated by a variety of intra-German dealings aiming at a normalization of relations. To be sure, an improvement of relations across the dividing line remains a central goal of German policy, but it is sought not as a pre-condition but as the result of a process of détente in Europe.

The Soviet Union, in turn, withdrew her challenges to the status quo first, by renouncing her claim to a right of intervention in West German politics in pursuance of the so-called "enemy clauses" of the U. N. Charter - a withdrawal which might be particularly significant in the light of West European fears that dangers for the future lie not in open military attack but in political pressure and intervention from the Soviet Union. Second, in the Four Power Agreement on Berlin, the Soviet Union along with a reluctant East Germany withdrew from her offensive policy of separating West Berlin from the Federal Republic by explicitly recognizing the existing ties between them and agreeing to an orderly set of procedures for communication and free movement between West Berlin and the outside world.

To be sure, the Berlin Agreement does not eliminate the physical ability of the Soviet Union to challenge West Berlin's ties with the Federal Republic nor does it provide absolute certainty that she will abstain from interfering in West German or West European politics. Nevertheless, the agreement on Berlin and the treaties with the Soviet Union and Poland have

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1. This process of change in Western and West German policy has been examined in greater detail in my German Foreign Policy in Transition. Bonn Between East and West (London: Oxford University Press, 1968).

removed some important challenges of each side to essential interests of the other and have, therefore, diffused some of the most explosive issues which had constantly threatened European stability in the past.

The Soviet acceptance of the strong restatement of American and Allied commitment to West Berlin which the Soviet Union had constantly tested and tried to undermine in the past is, in fact, one of the most important implications of these agreements and often over looked. Russia's co-signature on a restatement of an American guarantee and commitment to co-responsibility for peace at one of the most sensitive spots in Europe is a significant step toward Soviet acceptance of an American role in restructuring relations in Europe.

Mutual recognition of essential interests would have been impossible without the decreased perception of threat which we have mentioned earlier. In fact, the agreements further contribute to a changing attitude toward the adversary, strengthening the conviction on both sides that the probability of war in Europe is decreasing significantly. It is in this context that both sides share a desire to reallocate some resources from the military to the civilian sector in view of their urgent domestic needs for reform and to achieve a military balance in Europe at a lower cost.

Besides these interests which East and West share, the Soviet Union which has lagged behind Western economic progress is increasingly interested in participating in Western technology in order to accelerate her own growth. This appears all the more necessary since the economic base is too weak to realize her objective of becoming a world power with a global capacity for presence and involvement. Finally, there is every reason to believe that the Soviet Union's concern over problems in Asia and Sino-Soviet relations, as it is demonstrated by the spectacular build up of her military forces on the borders to China, is a strong inducement for seeking more stable relations on her western flank.

While the chances for East-West cooperation have improved significantly, only concrete negotiations and steps will show whether the rising hopes can be fulfilled. Besides MBFR and possibly an enlarged SALT II, which we analyzed earlier, a future European Conference for Security and Cooperation is at the center of attention as a possible means to initiate institutionalized East-West cooperation in various fields.

c. A European Conference on Security and Cooperation: Problems and Prospects

The proposal for a conference of all European states has been mentioned from time to time in East-West propouncements since the mid 1960's. Only since the NATO Conference of Reykjavik in 1968 in which the proposal for balanced force reduction was made and a declaration of Budapest of March, 1969 when the Warsaw Pact proposed a European security conference,

has this idea been the subject of intensive discussions within the West and between East and West. The Warsaw Pact countries and NATO in turn have in the meantime specified their views on possible subjects for such a conference. Since the pre-condition formulated by NATO that the ongoing negotiations on Germany and Berlin should be successfully concluded before entering any negotiations have been fulfilled, the conference will enter a stage of preparatory soundings at the end of 1972.

c1. Divergent Interests

East and West and the states within each camp will go to the conference with rather different objectives. Whether the common interest between both sides will prevail over these differences is, of course, entirely open at this point. One of the striking characteristics of this earlier phase of discussions before the preparatory stage of the conference has even started is the dynamic process of shifts in perceptions and mutual influencing of attitudes with regard to basic issues of that conference. Thus the Soviet goal of weakening American influence in Europe seems to have become weaker in the course of the last two years while, in turn, the scepticism of some Western states about the desirability of such a conference has been undermined by the successful East-West negotiations of the recent past.

The most fundamental difference in interests between East and West seems to lie in diverging conceptions of how peaceful change can be accommodated in new structures of cooperation between East and West. In fact, there are also considerable differences of opinion on this point within both camps. Obviously, the Soviet Union would like to see a further recognition of the status quo and "the results of World War II" and thus a consolidation of her sphere of influence. It might very well be in fact, that she conceives of such a consolidation as the precondition for more flexibility within her own camp. The West will, of course, not go to a conference with the objective of challenging the status quo either but in turn take the existing structure of political regimes and security commitments as a point of departure for cooperative measures.

But the crucial question remains how each side defines the limits of peaceful change which inevitably follows any intensification of economic cooperation, movement of persons and goods or ideas, etc. At its Prague meeting, the Warsaw Pact proposed that an agreement on the renunciation of the use of force should be qualified by the "existing bi-lateral and multi-lateral treaties and agreements." This formula seems to suggest that the Soviet Union will want to subject any process of change in Europe brought about by cooperative agreements to the Brezhnev Doctrine of limited sovereignty among Socialist states.

This problem of defining the framework and frontiers for peaceful change in East-West dealings will be raised in connection with virtually every single subject that will come up under the heading "cooperation" whether the field of joint economic ventures, cultural and scientific exchange or common environmental programs are under discussion.

While it would be short-sighted to overlook these fundamental divergencies in interests, it would be likewise short-sighted not to enter negotiations on these subjects because of them. The desire of some smaller East European countries for an enlargement of their freedom of maneuver will put a moral burden on the Western states to try to reach an agreement with the Socialist countries. The possibility of compromise cannot be excluded, and given the rigid and sterile structure of relations between East and West in the past, small progress would be better than none at all.

However, change is not a one-way street nor are its positive and negative repercussions confined to the side within which it occurs. The Soviet Union might be particularly afraid of the consequences for Communist orthodoxy of a massive contact of Eastern European populations with the West, but a far-reaching liberalization of movement is not necessarily without problems for Western societies either. In any case, if repercussion occurs in Eastern Europe as a result of accelerated change, there is always the danger of spill-over to relations with the West.

What is obvious in the field of security also applies, though to a lesser degree, to possible arrangements in the field of cooperation: while much is to be gained from new arrangements between East and West ~~but~~ much can be lost as well, namely international stability. While East and West may differ on the extent of change desired both have an interest in prudent pragmatism.

The second most important divergence of interest between East and West in connection with the European Conference arises from a possible Soviet intention to block or slow down West European integration. We shall analyse this problem below in a separate chapter. Suffice it to mention here that the problem arises not so much out of a rigid Soviet hostility to the European Community taken alone but out of a possible combination between Soviet opposition and the weakness of the European Community due to disunity among its members, a constellation which could be aggravated considerably by American passivity on this issue.

The third clash of basic interests between East and West which is often mentioned in connection with the European Conference could result from a Soviet attempt to weaken American links with Europe. It is sometimes said that the Russian objective is to induce an American withdrawal which is sufficiently strong to make the Soviet Union the dominant power of Europe and yet not so complete as to push the Europeans toward joint conventional and nuclear defense.

On this issue Western fears might possibly turn out to be exaggerated. Over the last years, one can detect in Soviet policy a growing realization of the stabilizing role of the United States in Europe. This attitude was not only clearly reflected in the Berlin Agreement but may well have been strengthened as a result of bilateral American-Soviet contacts and recent agreements.

An analysis of potential divergencies of interest becomes even more speculative if one turns to the tactical objectives and to procedural questions that arise in connection with this conference. Not until the conference has entered a working stage can anything be said on the various fears and hopes about the conference which can be found in East and West. One will then see whether some states might want to turn the conference into a podium for long speeches and propaganda or whether there is a chance for effective negotiations on concrete issues. The present consensus among Western countries that the Conference should not be convened unless careful preparation provides a chance for effective action is a very sound one and should not be abandoned.

Whether the Conference should be a single event, a series of meetings or a permanent process with an institutionalized structure is, of course, more than a procedural question and an essential point for the agenda of the Conference to which we shall now turn.

c2. Issues of the Conference

The agenda of the Conference has been the subject of a multitude of bilateral diplomatic meetings, communiques of conferences, unilateral declarations, inter-allied consultation and non-official studies.[1] The general trend in East and West appears to move toward agreement on three issue areas to be discussed at the Conference: first, a common definition of principles of inter-state relations including the renunciation of the use of force; second, political and military aspects of security; third, measures of economic, scientific and environmental cooperation as well as cultural exchange. The West is interested in adding measures to this agenda that aim

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1. For a Western and an East-West collection of articles see: Hans-Peter Schwarz and Helga Haftendorn, eds., Europäische Sicherheitskonferenz (Opladen: Leske Verlag, 1970) and "Organisation der Sicherheit und Zusammenarbeit in Europa," papers of a symposium in Vienna 10 - 12 March, 1972, Wissenschaft und Frieden, no. 2, June 1972 (Vienna: Internationales Institut für den Frieden). For the most comprehensive proposal see: Some Institutional Suggestions for a System of Security and Cooperation in Europe (Oslo: International Peach Research Institute, 1972).

at the liberalization of movement of persons, goods, ideas and information across the border.

The priority of these issues depends to a great degree on one's conception of the conference and its aims. If the conference is to achieve even limited, concrete results at an early stage, the negotiable issues would have to be treated first.

In approaching discussions on establishing an agenda for the conference, the Western states should try to give priority to those issues where East-West agreements are possible. A pragmatic approach which moves in steps from the easier to the more difficult issues also implies a conception of the conference as not merely a single event but as a permanent process which could gradually become institutionalized. The notion that major issues in East-West relations in Europe could be settled in one single conference completely under estimates the difficulties and complexities of the problems ahead and should not be entertained by the West.

c2(1). Principles of Inter-State Relations

It is intended that the conference should in a thorough fashion review and formulate principles on which inter-state relations should be based, such as reciprocity of advantages in mutual dealings, equality, political independence, territorial integrity, non-interference and self-determination.

This subject area might well turn out to become one of the least tractable issues where agreement becomes difficult. It could be argued that a discussion of these principles which are contained in the Charter of the U. N. does not cast a good light on either the Charter or these states since all of them subscribe to the Charter and hence to these principles. Nevertheless, a case can be made for introducing principles as an issue of discussion in the conference, for even if it leads to a simple reiteration of some principles contained in the U. N. Charter they will require a thorough discussion on international politics in Europe and on a variety of grievances and problems in inter-state relations. In fact, some of the smaller East European states are particularly anxious to submit the theories of limited sovereignty among Socialist states to a discussion in an international forum (although their ability and willingness to speak up against the Soviet Union on this issue is widely overestimated in Western discussions).

Moreover, the U.N. principles were formulated before the Cold War arose and without knowledge of the particular problems of Europe. It could be meaningful, therefore, to discuss the application of these principles to the new situation in Europe and to formulate other principles which are not contained in the Charter, defining long-term goals for common action in East and West specific to the European situation.

One of the most interesting non-official proposals for the conference[1] suggests starting the conference with a discussion and formulation of the principles and then move to a practical implementation through agreements on concrete issues in the following years. It appears doubtful, however, whether such a course would be wise. Any serious discussion of the problem of non-interference or territorial integrity which goes beyond generalities will undoubtedly run into the difficulty of reconciling Soviet conceptions about limited sovereignty among Socialist states with Western notions. While it is desirable to have such a confrontation of views, it would be mistaken to make further progress of the conference dependent upon agreement on such principles.

The desirable course which Western states should choose in connection with a discussion of the principles of inter-state relations at the conference would be to introduce these principles at an early stage as a secondary field of negotiations while focusing and giving priority to subjects where agreements are both urgently necessary and possible.

c2(2). Political and Military Aspects of Security

The enhancement of security is, of course, one of the major goals of this Conference. More recently, however, the Soviet Union and the Warsaw Pact states have given indication that they are more interested in those parts of the agenda dealing with cooperation than with the security aspects, where they appear to give priority to a discussion of security in terms of general principles rather than concrete arms control measures. This shift is corroborated by the Soviet reluctance to take up the Western offer to discuss MBFR.

So far Western states have not minded this apparent shift in Soviet policy on the conference. They have never liked the idea of a large European Conference discussing the complex issues of MBFR anyway since the concrete measures will primarily concern a small number of states in the center of Europe and the two super powers.

It would not be wise, however, to center the European Conference on issues of cooperation while postponing the problems of security. While it might be true that the East is more interested in the former, the West definitely has a strong interest in the latter. The urgency of the American troops issue, the budgetary pressure and the necessity of a redefinition and restatement of the American-European relationship make it necessary to discuss the question of force reductions from the very beginning of the

1. See Some Institutional Suggestions for a System of Security and Cooperation in Europe, op. cit.

European Conference. In fact, while the West should avoid a formal junctim, a de facto should stipulate MBFR as one of the first issues to be discussed by the Conference.

In order to increase the chances of progress on this issue, MBFR could be subdivided in two phases as outlined earlier. Phase I could be dealt with in a sub-committee of the conference comprising the states of the reduction area (Benelux countries, CSSR, Federal Republic of Germany, German Democratic Republic, Poland) and the countries which have troops stationed in this area (France, Great Britain, the United States, USSR). This sub-committee could report from time to time to the plenary conference. In fact, if it were possible to negotiate a system of observers to supervise the reduction in Phase I, some involvement of other conference member nations would be desirable, if they are to participate in such a system of supervision.

Independent of MBFR I, the conference should at an early point focus on the possibility of establishing an effective system for crisis management in Europe by defining in common what constitutes a crisis and by establishing a flexible institutional framework within which one can deal with any such crisis by means of mediation, compromise or any other way to regulate a conflict before it becomes too virulent. Such a crisis management system could be established in the form of a "European Security Commission" with participation of the United States and the USSR and a number of European states which would be available at the request of any state in the area in times of crisis.

At a later stage in the Conference, MBFR II should be initiated to try to agree on common rules for giving advance notice of maneuvers and troop movements, and to negotiate the establishment of a system of observers, constraints on troop reinforcements, the freezing of defense budgets and of specific arms systems and further reductions of troops. Some of the functions of administration and supervision could be delegated to the European Security Commission. Since the issues of MBFR II will concern a larger number of states and possibly require their cooperation on certain aspects, it might be necessary to enlarge the negotiating committee which dealt with the issues of MBFR I.

c2(3). East-West Cooperation

The field of new cooperative ventures offers a multitude of possibilities for East and West. Always guided by the principle that the negotiable issues should be dealt with first, East and West could consider first the removal of certain obstacles such as tariffs, quotas or non-tariff barriers to increase trade between East and West. Second, cooperative ventures could be examined, such as a common energy grid for Europe, the development of new means of transportation, the establishment of a common pipeline system, common industrial ventures, cooperation on a comprehensive environmental policy to clean up rivers which East and West share as well as a common

program to save the Baltic Sea.

While both sides could gain much from such ventures, agreement will not be easy and will take some time since the differences in social and economic systems, established patterns of thinking and traditions are enormous. Nevertheless, ~~but~~ not only the possible gains but the necessity to erode attitudes of hostility, to induce learning processes on both sides and to gradually establish cooperative habits in East-West dealings make it imperative to undertake negotiations in this field.

c2(4). Liberalization of Movement Between East and West

In order to extend the advantages of increased East-West cooperation to the individual human level, it would be necessary to liberalize the movement of persons, goods, ideas and information. The German government in particular is anxious to see the on-going negotiation between the two German governments on a normalization of human contacts complemented by a similar process at the European level.

In any case, if cooperation in the economic, scientific and environmental fields is to progress, a modicum of liberalization of movement becomes necessary. The Soviet government has shown some willingness to move in this direction. Both the Soviet-French Declaration of October 30, 1971 and the Soviet-Danish Communique of December 5, 1971 mention an improvement of "contacts between people". Nevertheless, serious differences exist in this area, since there is still wide-spread fear among Soviet leaders that a significant increase of contacts at the human level and of movement of ideas and information might have undesirable political consequences in the Eastern system. Only patience and perseverence on the Western side will produce concrete results.

One could envisage a variety of fields where liberalization could be negotiated, such as the creation of facilities for mass tourism in both directions, student exchange (accompanied by equivalence of degrees and massive expansion of scholarships for such purposes), all-European TV programs, exchange of newspapers and books.

c2(5). Institutional Aspects

Pragmatism and flexibility appear to be major pre-conditions for success at the European Conference. The problems involved in establishing the conference as a more permanent process and creating institutions for the implementation of agreements will have to be faced when the moment arises. The European Conference on Security and Cooperation could establish itself as a quasi-regional body of the U.N. General Assembly with a small permanent secretariat to work between plenary sessions which should take place not too often.

The main task of implementing agreements should be delegated to permanent sub-committees, in particular to the European Security Commission, once the participants have agreed on a system of crisis management, on certain measures of arms control that need supervision and administration and on a body that can examine problems of arms control in Europe on a regular basis. This body could be a kind of European Security Council though without the powers of the U. N. Security Council and hopefully functioning better than a regional arrangement according to Chapter VII of the U. N. Charter would probably do.

A link between the European Security Commission and the U. N. system should be established in any case. However, it would be premature to delineate the nature of the link at this stage, since this question requires very careful study by the members of the Conference.

The implementation of various economic agreements could be delegated to the Economic Commission for Europe or in certain cases to sub-regional organizations such as the European Community or COMECON.

The various arrangements that result from a European Conference should be linked with the U. N. system. As we explained earlier, the chance to extend some basic structural changes and reforms of international politics in a crucial area like Europe to the U. N. system should not be missed. Hence new measures should not abstain from questioning or revising existing U. N. procedures or institutions if necessary, for only in this way can change in Europe give new impulses to the U. N. and strengthen it.

c3. Towards a European Security System ?

It is often said that the goal of a European Conference on Security and Cooperation should be the establishment of a new European security system. Anyone who espouses this goal, unless he leaves the realm of practical politice, must naturally opt for a type of conference which evolves as a long process over many years. The existing antagonism with its social, psychological, economic and military foundations run very deep indeed. Any attempt to change these structural elements in a political process will require much time and arduous work.

Obviously, security ~~security~~ should be enhanced and not diminished during this process. Given the basic characteristics of contemporary international politics, security can only be maintained through effective guarantees with credible sanctions, and these in turn require some military means which should be in adequate balance. In the absence of an U. N. supra-national authority with military force at its disposal - and we are very far from it -

guarantees, sanctions and hence security can unfortunately only be provided by maintaining a core of the traditional instruments of security, namely commitments within alliances. Hopefully, they will operate at significantly lower levels of military postures and under conditions of reduced threat with effective machinery for crisis management and arms control.

A "new" security system in Europe could therefore not dispense with certain elements of the old security system for quite a long time, although it would differ from that system by providing more security. Only after the present antagonism between East and West has disappeared will a completely "new" security system emerge that has rid itself of some of the characteristics of today's alliance structure with its mutual deterrence. Unless the existing antagonism is replaced by a genuine international community of common interests and outlook, a "collective security system" which is often cited as the ultimate outcome of the trends set into motion today, would have no political basis. To be sure this should be the long-term goal and guide political action over the next years, for example, by encouraging East-West cooperation. But the practical answer for the years to come lies in an approach which gradually transforms the present system.

c4. Western Consultation

When the Federal Republic of Germany entered the active phase of her Ostpolitik with the negotiations of a treaty with the Soviet Union, there were considerable fears in the West that the result of Germany's policy would be a weakening of her relations with the West. These fears turned out to be completely unfounded, thanks primarily to a far-reaching degree of detailed consultation with the Western Allies at all phases. In fact, there has not been such intensive consultation within the West for many years as during the negotiations on the Moscow and Warsaw Treaties as well as the Four Power Agreement on Berlin.

So far there has been a considerable amount of consultation within Western institutions which has produced position papers on a variety of issues connected with the Conference. Within the European Community, the committee charged with the coordination of foreign policy has established a sub-committee on the Conference; a second ad hoc group including a Commission representative considers economic aspects of the Conference. Within NATO, the Conference has been the subject of studies and consultation for over two years.

In the recent past, cooperation within the West and the maintenance of security on the one hand and progress in the field of detente on the other have both been possible because of effective consultation inside the West.

The Western countries have therefore every reason to maintain the most intensive consultation possible at the European and NATO level in preparing for and negotiating at the Conference.

d. West European Integration and All-European Structures: Opposition or Complementarity?

The relationship between the course of European integration and progress toward East-West cooperation in Europe is going to be one of the crucial issues of the next years. Many West Europeans have not yet faced up to the dilemmas that these two processes of change raise for each other.

Over the last years, integration in Western Europe and the movement towards cooperation in all of Europe have often been confused. The confusion was glossed over by such attractive formulas as the "reunification of Europe" or the "European system of economic cooperation".

In approaching the future, it will be necessary to be aware of the essential differences between the integration movement in Western Europe and the movement toward cooperation in all of Europe: West European integration in which by common agreement of governments and populations, the first goal, economic union, is to be followed by political unity at a later stage, is a process conducted by countries of similar political structure and outlook and on a multilateral basis where no one country outweighs the others.

All European cooperation, however, while aiming at a decrease of tension, at arms control and crisis management, at a normalization of relations and cooperative ventures, brings together states which remain antagonistic in their foreign policy objectives and ideology, which differ profoundly in the nature of their political regimes and where one state, the Soviet Union, by far outweighs the others in political and military power. The antagonism may not be as strong between Western Europe and the small central European Socialist states as between Western Europe and the Soviet Union, but it still is a reality.

Our earlier conclusion about an all-European collective security system applies here as well: any fully integrated economic or political system that extends to all of Europe, pre-supposes the disappearance of the present hostility and antagonism, hence profound change, in particular within the Soviet Union. We know from the experience of the last two decades how difficult such change is, but the West can encourage such a process through a patient policy of cooperation and relaxation of tension vis a vis the East.

Although there are significant differences between the processes of West European integration and all-European cooperation, there is no innate incompatibility between them. They do not represent alternatives. The West

Europeans would be extremely short-sighted to sacrifice or slow down the process of unification, trading the uncertain benefits of an all-European system of cooperation - should such an option occur - for progress in the field of West European integration. The only sensible way for the Western States to avoid possible dilemmas raised by the relationship between West European integration and all-European cooperation is to develop policies that make them complimentary rather than contradictory.

Much will depend on Soviet policy toward the European Communities. It has often been asserted that one of the Soviet Union's main objectives in promoting a European Conference is her goal to undermine the European Community. While there is no doubt that the Soviet Union has been opposed to West European integration on grounds of Communist orthodoxy as well as power politics, there are many signs that she is beginning to accept the European Community as a permanent fixture in European politics and even a possible partner for cooperation.

The Soviet demand for a "dissolution of all blocs" has often been cited as evidence for her desire to dissolve the European Community. However, it is highly doubtful whether in the course of a process of East-West negotiations the Soviet Union will press this demand, for it would undermine the cohesive structure in her own sphere both within COMECON and the Warsaw Pact. Moreover, if one reviews the development of Communist ideology and its theoretical interpretations of West European integration, one can clearly see a general trend which moves toward a reinterpretation that acknowledges the inherent advantages of European integration and prepares the theoretical ground for cooperation with it. Indeed, the Italian Communist Party has advocated cooperation with the European Community without any reprimand from Moscow.

Finally, one should consider Brezhnev's remarks of March, 1972 in which he said, that "the Soviet Union does not ignore the realities of the situation in Western Europe, among them the existence of such an economic grouping of the capitalistic countries as the Common Market." The assertion that the Soviet proposal for a conference was aimed at "undermining the European economic community is an absurd thought." Even if one does not take the latter remark of the First Secretary of the Communist Party too literally another observation made on the same occasion suggests what the general direction of Soviet Policy toward the European Community might possibly be: "Our relations with the participants of this grouping will naturally depend on their degree of acceptance of the realities which have emerged in the Socialist part of Europe, in particular of the interests of the COMECON members. We are for equality in economic relations and against discrimination." These remarks suggest that the Soviet Union might well discontinue challenging the existence of the European Community and instead seek to influence her policies in such a way that the Socialist countries can draw the maximum advantage from this properous grouping.

For the members of the European Community, the answer to the dilemmas raised by the relationship of internal integration and all-European cooperation should be twofold. First, only if they continue the internal process of integration and move toward genuine economic and ultimately political union will the Soviet Union desist from any further attempt to challenge this grouping and finally accept it as a working partner.

Firmness in the face of any temptations to abstain from further integration and determination in the face of all possible offensives should, however, be combined with a second policy. The European Community should be flexible enough in her external policy to make it easy for Eastern Europe to negotiate with it and to begin practical working arrangements without insisting on a recantation of the political and ideological past. Official diplomatic recognition and the exchange of ambassadors is not the main problem but rather practical steps toward cooperation. The European Community might even consider moving the Eastern trade department to place other than Brussels such as West Berlin for a transitional period. The flexibility toward eastern Europe should include an open-mindedness in making liberal trade arrangements with the East European countries, particularly the smaller ones which are in more urgent need of trade relations with the Community than the Soviet Union.

In view of the past political and economic achievements of the Community and the potential for the future of West European unification, all-European cooperation can only be complements not an alternative. If the Western countries apply this simple wisdom to their policies in going to the European Conference, both the Community and the East European states can gain from cooperative arrangements. What would be most fatal is a combination of Soviet pressure on Community members to desist from integration and disunity within the Community combined with an American passivity vis a vis Soviet attempts to weaken the Community in the course of the conference.

B. Towards Coordinated Regional Policies?

The European Community, and the United States are each becoming aware of fundamental changes in world politics and separately begin to argue and conceptualize about a future structure of international politics. But so far there has been no single attempt to review in common a future which they will increasingly share under the existing conditions of interdependence.

There is a striking absence of consultation or any integrated view on a number of regional problems in world politics which are vital for the European Community, Japan and the United States. Only partial aspects such as military dimensions or a specific problem arising from somebody's trade policy become the subject of consultation. An attempt is necessary to review multilaterally

the problems of a region in a comprehensive way and to discuss possible common approaches. Three regions are relevant here.

a. A Mediterranean Policy

The most striking example of an area vital to Europe which has been neglected as a possible subject for comprehensive review and consultation among Europeans and between Americans and Europeans is obviously the Mediterranean. Yet this region is growing in importance to both the United States and the European Community for two basic reasons.

First, it is ridden with actual and potential conflicts. The Arab-Israeli conflict is likely to continue to remain the dominant relationship of tension in the region. Contrary to the relatively stable situation in Central and Northern Europe wars have broken out here and might break out again. But actual and potential conflicts can be found throughout the Mediterranean Basin: the continued tension between Turkey and Greece over Cyprus, potential domestic instability in Greece, Spain and Turkey; the uncertain future of some Arab states such as Morocco and Saudi Arabia; internal Arab disputes and tensions such as those between Algeria and Morocco and between Jordan and her neighbors; finally, the uncertain future of the multi-ethnic Yugoslavia, delicately poised between East and West in an area traditionally riddened with ethnic tensions and instability.

Second, with the growing energy demands of Europe, the United States and Japan will make these areas increasingly dependent on imports of oil from the Middle East. In fact, in no other field will their complex industrial societies be economically as vulnerable as in oil imports. This was brought home to the Europeans during the Suez Crisis, but today and in the future the consequences of a cut-off of oil imports would be infinitely more serious. The United States would suffer equally hard although public awareness of the growing dependence on oil imports still lags behind the factual developments. The functioning of the Western industrialized societies has become dependent on imports from one of the world's most unstable area.

The present absence of a comprehensive review of these problems and of attempts at common policies and contingency planning is one of the worst examples of short-sightedness among Western countries and amounts to a brinkmanship which we can no longer afford.

To be sure, some attempts at common review and consultation have been made. The attempt of the European Community to arrive at a common position on the Arab-Israeli conflict or NATP contingency planning for this area (lacking, however, French participation which would be vital in any case of crisis) are

examples. A comprehensive review of the problems of this area is urgently needed at a high political level with competent expert advice integrating the various issue areas relevant in this field ranging from the strategic importance of trade agreements with Mediterranean countries, to a policy on the Arab-Israeli conflict, military deployments, contingency planning for specific crises arising out of upheaval in various parts of the Mediterranean area, and emergency plans in case of a cut-off of oil supply from this area.

This comprehensive review should be undertaken in a pragmatic way in order not to raise any problems about the participation of states that are vital, such as France in the European context and possibly of Canada and Japan in a wider context. For obviously, on the issue of oil, Japan and Canada would be indispensible partners in such a review.

b. An Understanding on Africa

In our earlier discussion of preferential agreements, we concluded that the United States and the European Community should not allow the problem of the Community's preferential arrangements with Africa to remain a constant source of friction.

The European Community, Japan and the United States should undertake a comprehensive review of preferential arrangements in the context of a general strategy towards the development problem and world order. To be sure, if the proposal of a complete removal of all tariffs within ten years could be realized, the problem of preferential treatment would lose a great deal of its relevance, but the question of quantitative restrictions will be posed all the more sharply.

Assuming that a removal of tariffs will eliminate the basic threat of these agreements for the validity of the most-favored treatment as a basis for international trade, the European Community has no reason to be particularly defensive about its association agreements with the African states. Their main purpose consists in helping the African states in their development. Indeed, the Yaunde Convention represents Europe's own little Marshall Plan for Africa.

When Britain joined the Community, it became official policy to offer association agreements to all African states. The East African states have already taken up the offer and concluded an association agreement. An extension of the association to all African states solves some problems and raises new ones. It could help to overcome the age-old division of Africa into English-speaking and French-speaking countries but at the same time sharpen the inequality of treatment among nations of the under-developed world.

The European Community, Japan and the United States should have a frank exchange of views on this problem. Should it become their long-term policy to eliminate their respective special spheres of influence in the under-developed world? Is the United States willing to abandon the notion that Latin America represents a special area of responsibility and cooperation as expressed inter alia by such arrangements as the Alliance for Progress and the OAS? Or should the European Community, Japan and the United States agree on a policy that attenuates over a period of years discriminatory treatment of developing countries by regions and accept the notion that each of them has responsibilities in a region where it would make special efforts of development as a complementary action to aid by multi-lateral institutions and other countries?

c. Consultations on Asia

Asia which is undergoing such far-reaching change should be one of the major areas of consultation. Besides a discussion of the long-term strategic implications of the changing power relations in Asia consultation could incluse American, European, and Japanese trade and economic relations with China or the possibilities of jointly entering cooperative ventures with the Soviet Union for the development of Siberia.

There is unfortunately no forum for the discussion of such long-term questions of political strategy, and while some of these questions could be taken up in connection with international economic reform others should be discussed at a political level.

The time has come for the European Community, Japan and the United States to review possible strategies for the future at a high political level thus complementing their common attempts at reforming the international economic system. Such a common assessment of the existing situation and possible policies for the future should cover all basic elements pertaining to international stability and the changing structure of the international system.

C. The United States and the European Community

American attitudes toward the emerging European Community have changed considerable over recent years. Our earlier analysis of a variety of issues in the fields of economics and security traced the change in this attitude from the unconditioned support in the early post-war period to a mixture of qualified support at the official level to indifference, misgivings and opposition at the unofficial level. Moreover, the nature of the divisive issues between the United States and Europe and the dynamics of the forces at work suggest that this American-European alienation might get worse unless both sides make an energetic effort to reorganize their relationship.

Such a reorganization should aim at restructuring their relations along the lines of a bilateral partnership with special machinery for consultation and coordination of policy and requires substantial progress in the movement toward European unity.

a. The Necessity for European Unity

The present inability of the European Community to overcome its national divisions and move toward genuine economic and political union is one of the major reasons for growing American reservations about the European Community. As we described earlier, the revival of unification and the infusion of genuine steps toward unity will make a great deal of difference both to the United States and other outsiders in evaluating the economic impact of this grouping on themselves.

Greater unity is necessary not only to influence attitudes but also to create the prerequisite for greater effectiveness in solving common problems. Our earlier analysis showed quite clearly that the United States and Europe have to undertake thorough reform in a variety of fields. The chances of success will be infinitely greater if instead of going through the frustrating experience of dealing with ten different partners the United States can deal with one single partner in a Europe that is able to express itself through one voice, regardless of whether this is the Commission of the Community or any of its members speaking in its name.

If the European Community fails to make substantial progress in unification within the near future, American resistance to certain economic measures of this grouping is likely to grow along and American disillusionment with this undertaking which they had supported for many years with great hope will rise. A tougher American policy in dealing with ten countries which remain divided could, of course, aggravate European resentment of their inferior situation

and turn against the United States, leaving American policy torn between withdrawal and involvement to protect her own interests.

b. The Difficult Path Toward Partnership

As we tried to show earlier, the degree of mutual misunderstandings, mere lack of information and ignorance of the fundamental problems at stake has reached the danger level in American-European relations. As a European observer put it, "American opinion tends to perceive simultaneously the spectacular 'reconciliation' with China, the partial arrangements with the Soviet Union and the monetary commercial quarrels with the Europeans; it appears as if the United States had as adversaries, if not as enemies, allies only." 1.

A rational debate on the issues at stake is necessary in which the problems are examined, illusions and prejudices exposed and alternatives presented. Unless, for example, the informed American public can be convinced through a rational presentation of the facts that isolationism and protectionism are basically irreconcilable with American interests, any attempt at reforming trade or monetary policy, let alone security policy, will be difficult. if not futile. Therefore, in order to create that consensus, we argued earlier for a debate accompanying measures at the diplomatic level between America and Europe.

We have already outlined in greater detail the policy measures that will be necessary in the various fields. In the field of security, a reassessment and restatement of the mutual security commitment combined with common efforts to maintaining an American presence at reduced levels and a reorganization of the trans-Atlantic defense by creating a West European defense structure which will assume a greater share of the common defense will be necessary.

In the economic field, we delineated a variety of areas where both sides have a common stake in reform and in establishing an effective and new system of managing the interdependent economy. Though most of these

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1. Raymond Aron, Vingt-cinq ans après le Plan Marshall, paper given at an American-European Conference at Royaumont, 4-7 May, 1972, mimeographed, p. 27.

steps will require some coordination with Japan as well as the establishment of institutions in a larger framework comprising the major industrialized countries of the West, there can be no reform without American or European contribution. Their leadership is decisive in approaching the multitude of problems to be solved in the forthcoming years.

In the political field, the success of the forthcoming rounds of negotiations with the Communist states on arms control and cooperation in Europe will depend to a great degree on the ability of the Western states, with the United States and the European Community at their center, to develop and implement a coordinated strategy.

Hence, the tasks ahead are huge and the stakes enormous. What distinguishes American-European relations as well as American-Japanese relations significantly from American relations with the Soviet Union and China, although they are sometimes mentioned in the same context as if they were similar, is an underlying identity of interests in major political and economic areas as well as a basic predisposition towards tradition in cooperation.

To mobilize these traditions of cooperation and to activate the common interests in approaching these problems will be the task of statesmanship in America and Europe. Each will depend on the other for effective policies in a variety of fields. Yet both sides will face the difficult task of seeking an identity of its own which is respected by the other within this relationship of interdependence.

President Nixon's State of the World message of 1972 remarked on this problem: "This change means the end of American tutelage and the end of the era of automatic unity. But discord is not inevitable either. The challenge to our maturity and political skill is to establish a new practice in Atlantic unity -- finding common ground in a consensus of independent policies instead of in deference to American prescriptions."[1]

Nevertheless, in dealing with ten European countries which are engaged in the difficult process of integrating themselves, certain United States decisions will inevitably affect this process of unification positively or negatively. If American policy does not wish to repeat the stand taken

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1. U. S. Foreign Policy for the 1970's, op. cit., p. 40.

under President Kennedy which made acceptance of Europe as a partner dependent upon completion of unity and thereby postponed the partnership, the American government should treat the emerging community in day-to-day dealings as one unit wherever possible even if unity is only partial and still in progress.

c. Pre-conditions and Machinery for Communication and Coordination

In view of the urgency and complexity of the problems, the United States and Europe badly need more effective communication and coordination of policies in entering a new phase of restructuring international politics, but the pre-conditions and the machinery that would be necessary are either insufficient or totally absent. We shall distinguish four areas.

First, communication does not function well in the field of policy-making at the government level. While in the case of the American governmental structure, the divergencies between policies of different departments sometimes pose problems the major problem arises out of the absence of a clear partner in communicating with the European side. The experiment of regular consultations between the US and the Commission was discontinued because the Council of Ministers was unwilling to give a meaningful mandate for a continuation. But such regular communication is absolutely essential to keep each other informed and to eliminate all the minor causes of misunderstandings and frictions.

There is therefore an urgent need for establishing some machinery for constant communication between the United States government and the European Community. This task would preferably be assigned to the Commission which should possess a sufficiently large mandate to be able to fulfill it. Such a machinery must be accompanied by a commitment of both sides to consult and inform each other on specific problems in order to avoid surprise unilateral decisions which affect interests of the other side.[1] Such a machinery would complement the existing channels of bilateral and multilateral communication within OECD or NATO.

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1. See in this connection the proposals made by Robert Schaetzel, op. cit.

Second, the effective communication between elites that were particularly relevant for foreign policy on both sides of the Atlantic, is declining. On both sides of the Atlantic some of the elites which have to maintain effective communication in the past are gradually being eliminated from the foreign policy process as a result of age and a restructuring of foreign policy-making. Trans-Atlantic communication among legislators which has never been very intensive in the post-war period has declined to minute proportions.

Since America and Europe are entering a phase of reassessing and restructuring their mutual relations and their role in the world, it is absolutely crucial that a modicum of communication be revived between legislators and other members of the political elite which will influence this process. This is all the more necessary since the measures of reform to be negotiated and implemented in the forthcoming years cannot remain a matter between the Executive branches in Europe and America but require of a consensus of legislatures and the relevant public to support the new policies. The time has therefore come for legislators and private groups on both sides of the Atlantic to make a deliberate effort to increase communication and debate among themselves.

This leads us to a third area, public awareness and involvement in the process of reform. Public debate on both sides of the Atlantic that produces a rational assessment of the situation, factual information and available alternatives must be promoted in order to create a democratic consensus behind any reform measures. On many of the relevant issues one meets with either ignorance or misconceptions. In the United States where the rebuilding of a domestic consensus behind a restructured foreign policy is a particularly urgent task, the media on the whole failed to provide information about the world, let alone qualified analyses and examination of possible alternatives.

For these reasons, private groups and foundations on both sides of the Atlantic should make a major effort to establish a minimum basis of information, to encourage discussion and presentation of rational alternatives in order to create a domestic consensus behind new measures in restructuring relations between the United States and Europe as well as a common contribution to reform in international politics.

The fourth and final area is in essence a special manifestation of the third area: attitudes among the young. European and American governments and foreign policy elites must make a more deliberate effort to confront their younger generations with the problems and choices of foreign policy. At the moment all analyses of youth in America and Europe point to the same con-

clusion. The more educated members of the younger generation tend either to withdraw entirely from any interest in foreign policy or actually oppose it on the ground that it stabilizes those domestic circumstances which these young people want to see changed. Or foreign policy is seen entirely in moralistic terms focusing attention exclusively on liberation movements in the Third World and on questions of development. The concerns of policy-makers on both sides of the Atlantic are simply regarded as irrelevant. Another less educated, less vocal and less involved segment of the younger generation share some of the concerns of foreign policy-makers, but usually conceives international politics in a crude conservative fashion as a struggle in which the strongest survives.

The frequent answer that the younger generation is not particularly relevant in the making of foreign policy and that the socialization process of elite recruitment will secure continuity is highly unsatisfactory. A continuation of the present rift between the educated and vocal younger generation and the foreign policy elite in power is not only generates constant tension in domestic politics in various countries but is likely to affect policy through the growing impact of this group on public opinion in general.

A more deliberate effort by governments and foreign policy elites to engage in a rational dialogue with the younger generations on the issues of foreign policy is necessary on both sides of the Atlantic, however painful and difficult that actually may be. What matters most, of course, in creating some interest in and consensus behind foreign policy is the policy itself, its persuasiveness and credibility, its concern for the developing countries and its ability to create better conditions for peace.

4. The Environmental Problem: Implications for US-European Relations

(To be added in the final version)

5. The Development Problem

To the European Community, Japan and the United States, particularly prosperous countries and major aid donors, the problem of development has been and will continue to be a major concern. However, they will be forced to devote even greater attention to this problem in the forthcoming years. First, the dimension of underdevelopment and relations with underdeveloped countries will be linked with a variety of issues which they have to discuss in connection with a reform of the international economic system. Second, a number of trends which will be discussed below suggest that the development problem is likely to assume greater urgency within the next years and impel them to become more active in this field.

A. Aggravating Trends in the Development Problem

Despite the substantial aid effort of industrialized countries and a remarkable growth in the underdeveloped countries during the Development Decade that ended in 1970, the gap between the rich and the poor countries has widened. Although the target growth of 5% of the GNP was exceeded, a large part was neutralized by the unprecedented rate of population growth in most developing countries in the 1960's, averaging almost 2.5% per year. Therefore the gap between rich and poor countries widened both relatively and absolutely. While their income rose about $10 per head during the decade, it rose by about $300 in the industrial countries.

Moreover, the developing countries went ever deep in debt. The private and public debts of developing countries have reached such proportions that the debt service amounts to between 50 to 85% of new loan dispersements in quite a few cases. In fact, in some low-income countries, the debt problem assumes genuine crisis proportions.

Modest progress is over-shadowed by the deepening of inequalities between social groups inside developing countries.

Despite many hopeful signs, the pace of progress is so frustratingly slow and the perception of the widening gap so intensive that in the years ahead, instability and militancy are most likely to increase in the developing countries.

The environmental problem almost certainly adds further sources of

strain between developed and underdeveloped countries. The additional cost of pollution-free industrial equipment on which industrialized countries will increasingly insist is likely to more than consume the very marginal increase in development aid and therefore de facto decrease the productive impact of aid. The pollution and health standards which will become more and more stringent in the industrialized countries will affect some exports from developing countries, and it is by no means certain that they will receive complete compensation for possible losses. Developing countries understandably object to being deprived of industrialization because of its alleged damage, having reaped neither its rewards nor its curses (yet), simply because northern countries, having grown rich no longer want to live with its negative consequences.

Whether the growing strains between developed and under-developed countries as they erupted for example at the U.N. Conference on Trade and Development at Santiago will make a rational development strategy easier is doubtful. But the European Community, the United States and Japan have a considerable stake and responsibility in taking the interests of the developing world into account when they set out to reorganize relations among themselves.

B. Reform of the International Economy and Development

Most of the issues involved in a reform of the international economic system have a developmental dimension. Since no ready-made answers are available as to how the interests of the developing countries can best be served, it is essential that the European Community and the United States make an effort to include them in a common review and possible solutions.

Thus a review of possible monetary reform should give developing countries a full voice in the discussions and should examine how a new system could better help developing countries. This applies in particular to credit facilities in connection with SDR's.

Turning to preferential agreements with African and Mediterranean countries, the Community, Japan and the U.S. should examine the desirability for all states concerned of a continuation of the present system which might in the long run result in three spheres of influence of Europe, the United States and Japan respectively. In any case, a complete removal of tariffs if combined

with a removal of quotas for goods from developing countries would offer the kind of trading opportunities which the developing countries need. In discussions about possible adjustment procedures, one would have to examine what special allowances could be made in favor of developing countries.

A possible agreement on rules concerning multinational corporations would be of particular interest to the developing countries since they have been especially concerned about their political and economic implications, in particular as threats to their independence. In fact interests differ to such an extent, that a case could be made for working out an agreement on multinational corporations within the industrialized world first and for dealing with the problem in developing countries separately in a second round of negotiations.

a. Environment and Development

In our earlier analysis of the political and economic consequence of the environmental crisis we concluded that the finiteness of our world and its resources necessitates far-reaching adapatations to be made in our economic and social policies in order to deal effectively with these problems. We were then thinking primarily in terms of industrialized societies. But if we examine the consequences of the environmental problem for developing countries, the possible implications are no less intriguing than for industrialized nations; indeed, if considered in a world-wide context the reasons for adaptations of policy in industrialized countries become even more compelling.

Our past conception of developing has been one in which the industrialized world continues to grow and becomes richer and in which the under-developed world through a massive transfer of aid and the application of high technology grows even faster so that the present gap between rich and poor would constantly narrow. But if we were really to succeed in raising the standard of living of the five billion people in the under-developed world to approximately the level of Japan, the result would indeed be a drastic depletion of the world's resources, catastrophic forms of pollution (in particular in connection with agricultural technology) and eventually major disruptions.

Yet it would be simply inhuman, to deny economic growth to under-developed countries. Many of the ardent advocates of zero growth have not entirely faced up to the moral implications of such views with regard

to underdeveloped countries. For economic advancement is the sine qua non in solving the problem of underdevelopment.

But is there no alternative between the two unacceptable extremes: denial of development of the prospect of possible environmental catastrophies? "We are left with the absolute necessity of a third course: the purposive development in the Third World of sustainable standards of nutrition, schooling, widely shared incomes and, above all, labor - absorbing agriculture and industry on the one hand and, on the other, the equally purposive development in the rich countries of standards which are more intellectually, artistically and spiritually rich and less consumptive in materials and energy."[1]. Such a course requires a fundamental re-thinking of existing development models which in most cases merely repeat the wasteful patterns of the industrialized North. This course is likely to meet with strong resistance in developing countries themselves. Moreover, such a shift would only be acceptable to the less developed world if industrialized countries in turn would make their own contribution toward a more rational use of existing resources, and as we have seen earlier that is an immensely difficult task.

It is difficult to see where the immediate implications of the environmental problem for the development policy of the European Community, the United States and Japan lie. We have just begun to think about these problems. Diplomats and politicians on the occasion of the first discussion of development and environment at the U.N. Conference on the Environment in Stockholm were concerned with the "traditional" questions of transfer of resources, payment of additional costs of pollution devices, compensation for possible export losses as a result of new standards, etc.

Much could be said for another "Pearson Commission" which would thoroughly look at these problems to provide some orientation on possible implications of the environmental problem for the development policies of both industrial and underdeveloped countries,.

b. The End of Aid Increase?

Although the environmental problem casts a shadow of uncertainty on the future orientation of development policy, the massive and increasing

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1. Lady Barbara Jackson (Barbara Ward) in a letter of March 3, 1972, to the author.

transfer of resources continues to remain of utmost necessity. However, the record of aid to developing countries is not encouraging. In 1970 of the total increase of about 7%, half was the result of price inflation and most of the increase was due to private export credits and investments whereas the really crucial aid, the official development assistance rose only 3%, hence just enough to keep up with price increases. Although official development assistance rose in absolute terms from $4.6 to $6.8 billion between 1960 and 1970, it decreased in relative terms from 0.52% of GNP to 0.34%. In the same time span, the GNP of the OECD members doubled, and governments increased their expenditures from $156 billion in 1961 to $292 billion in 1970.

In the past the governments of the industrialized countries of the West had agreed that development aid should not only grow proportional to their own increase in wealth but grow faster until a new flow of resources to developing countries of 1% of GNP had been reached. To be sure, one can cite a number of reasons why aid expenditure which had reached a figure of 0.95% in 1961 fell to 0.74% by 1970. Each of the governments in question faces the necessity of costly domestic reforms in many areas.

But the fatalism with which this downward trend of aid is accepted by policy-makers in the West is profoundly disturbing. No doubt given public mood at the present one cannot gain votes with development aid in elections. But that public mood could be changed if political leaders choose to do so by taking a strong public stand on these issues. Self-interest in a stable world, but above all humaneness, demand a change of our policies.