US/EC RELATIONS AND EUROPE'S NEW

ARCHITECTURE.

21-23 SETTEMBRE 1990, ANNAPOLIS - USA

US/EC RELATIONS AND EUROPE'S NEW ARCHITECTURE

America-European Community Association

Annapolis, 21-23/IX/1990

a. Programme
b. Participants
c. Participants working group
1. "Changing nature of power and security"/ Robert E. Hunter
2. "Common values and interests in the Euro-American relationship"/ Peter Ludlow
3. "Europe's new architecture"/ William Wallace
4. "Institutional aspects of the U.S.-E.C. relations in the framework of Europe's new architecture"/ Gianni Bonvicini, Jacques Vandamme
5. "The European Community and the United States: proposals for an institutionalized relationship"/ Reinhardt Rummel
6. "Europe 1993: evolving Transatlantic ties: what future lies adhead?"/ Günter Burghardt
7. "The new Europe in a new age: insular, itinerant, or international? Prospects for an alliance of values"/ Robert B. Zoellik
8. "Germany's new role in Europe"/ Wolfgang Roth

THE AMERICA-EUROPEAN
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STRUCTURE FOR CONFERENCE
US/EC RELATIONS AND EUROPE'S NEW ARCHITECTURE

FRIDAY 21 SEPTEMBER

pm — Registration in the Blue Room,
Governor Calvert House,
Historic Inns of Annapolis
16 Church Circle, Annapolis,
Maryland 21401
Telephone: (301) 263-2641

1930 — Governor Calvert House
Welcoming cocktails and dinner
Chairman: Sir David Nicolson
Opening Address: Bob Zoellick
Commentator: Robert Hormats

SATURDAY 22 SEPTEMBER

0900-1000 — Governor Calvert House
"Changing Nature of Power and Security"
Paper submitted by: Dr Robert Hunter
Chairman: David Morse
2 Discussants: Adrian Basora
Elmar Brok MEP

1000-1100 — Governor Calvert House
"Redefining US/EC Common and Diverging Values and Interests"
Paper submitted by: Dr Peter Ludlow
Chairman: John Yochelson
2 Discussants: Harald Malmgren
John Richardson

1100-1115 — Atrium
Coffee and group photograph

1115-1245 — Governor Calvert House
"Europe's New Architecture"
Paper submitted by: Dr William Wallace
Chairman: Dennis Klosky (tbc)
Discussants: Robert Blackwill
Gunter Burghardt
John Wyles

1300-1430 — Atrium for lunch

1430-1730 Governor Calvert House
3 Working Groups

Group 1: Chairman: TBA
Rapporteur: Richard English
Group 2: Chairman: William Lee
Rapporteur: Linda Powers
Group 3: Chairman: Ronald Cass
Rapporteur: Bob Whiteman

1930 Maryland Inn
Duke of Gloucester Room
Cocktails and dinner
Chairman: Governor Gerald Baliles
Address: Willy De Clercq MEP

SUNDAY 23 SEPTEMBER

0900-1000 Governor Calvert House
Chairman: Wolfgang Roth MdB
Report back by rapporteurs: short discussion

1015-1030 Atrium for coffee

1030-1215 Governor Calvert House
"US/EC Relations Institutional Aspects of Europe's New Architecture"
Papers submitted by: Prof Jacques Vandamme
Prof Gianni Bonvicini
Dr Reinhardt Rummel
Chairman: Edmund Fitzgerald
4 Discussants: Rep Tom Coleman
Dominique Moisi
Alessandro Ovi
Amy Kaslow

1215-1230 Concluding remarks: James Elles MEP

1230 Atrium for lunch

1400 Departure

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(b)

US/EC RELATIONS AND EUROPE'S NEW ARCHITECTURE
21-23 SEPTEMBER 1990, ANNAPOLIS, USA

PARTICIPANTS

John Anderson*	Washington Post
Governor Gerald Baliles*	Hunton and Williams
Michael Bartholomew*	Contributor Wall Street Journal
Adrian Basora*	NSC (Director, Soviet and European Affairs)
Timothy Bennett*	Vice President, SJS Advanced Strategies
Robert Blackwill*	Harvard University
Gianni Bonvicini*	Director of Istituto Affari International (IAI)
Elmar Brok MEP*	Member of the European Parliament, (EPP) Germany
Gunter Burghardt*	Director, EPC Secretariat
Ursula Carpenter*	Programme Co-ordinator Konrad Adenauer Foundation
Ronald Cass*	Dean, Boston University School of Law
Rep Tom Coleman*	United States Congress R Missouri
Willy De Clercq MEP*	Member of the European Parliament (LDR) Belgium Chairman, External Relations Committee
Job Dittberner*	Vice President Atlantic Council
Thomas Dubois*	Assistant to Willy De Clercq
James Elles MEP*	Member of the European Parliament (ED) UK

Richard English*	Senior Advisor for EC 1992 Affairs, State Department
Ed Fitzgerald*	Director, STC
Jorge Fuentes*	Minister, Spanish Embassy to the US
Samuel Goekjian*	Partner, Kirkpatrick & Lockhart
Mike Haltzel*	Woodrow Wilson Center
C Randall Henning*	Institute for International Economics
Robert Hormats*	Vice President, Goldman Sachs
Dr Robert Hunter*	Vice President, CSIS
Amy Kaslow*	Christian Science Monitor
William Lee*	Senior Partner, Shearman & Sterling Europe
Harald Malmgren*	President, Malmgren and Associates
Alessandro Merli*	IL Sole, 24 ore
Christopher Meyer*	Minister Commercial UK Embassy to US
Dominique Moisi*	Deputy Director, IFRI
David A Morse*	Senior Partner Jones, Day, Reavis and Pogue Member of the Board AECA
Michael Mosettig*	MacNeil-Lehrer NewsHour
Sir David Nicolson*	Chairman, DRG; Chairman AECA International
Alessandro Ovi*	Director, International Affairs, IRI
Tom Patton*	Vice President, Philips NV
Corrado Pirzio-Biroli*	EC Delegation Washington

Linda Powers*	Deputy Assistant Secretary, Department of Commerce
John Richardson*	EC, Head of Division DGI European Commission
Wolfgang Roth MdB*	SPD, Germany
Reinhardt Rummel*	Stiftung Wissenschaft und Politik
Robert Samuelson*	Newsweek
John Schmitz*	Deputy Counsel to the President
Bruce Stokes*	National Journal
John Stremlau*	Deputy Director Policy Planning State Department
Ambassador Andreas Van Agt*	EC Ambassador to the US
Jacques Vandamme*	Chairman, TEPSA
William Wallace*	Director, Royal Institute of Foreign Affairs
Prof Werner Weidenfeld*	Germany
Andrew Whist*	Senior Vice President, Philip Morris, President AECA US
Bob Whiteman*	EC Delegation Washington
John Wyles*	Financial Times
John Yochelson*	Vice President, CSIS
Bob Zoellick*	Counsellor to James Baker, State Department

* Have confirmed attendance.

THE AMERICA-EUROPEAN COMMUNITY ASSOCIATION USA

(C)

'US/EC RELATIONS AND EUROPE'S NEW ARCHITECTURE'
SATURDAY 22 SEPTEMBER 1990
ANNAPOLIS, USA

PARTICIPANTS WORKING GROUPS

GOVERNOR CALVERT

GROUP 1

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RAPPORTEUR: LINDA POWERS

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ADRIAN BASORA
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ROBERT BLACKWILL
GIANNI BONVICINI
ELMAR BROK
GUNTER BURGHARDT
TOM COLEMAN
THOMAS DUBOIS
JAMES ELLES
JORGE FUENTES
MIKE HALTZELL
AMY KASLOW
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BOB SAMUELSON
WILLIAM WALLACE
ANDREW WHIST
JOHN YOCHELSON

JONAS GREEN

GROUP 2

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RAPPORTEUR: BOB WHITEMAN

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MICHAEL BARTHOLOMEW
WILLY DE CLERCQ
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ED FITZGERALD
SAMUEL GOEKJIAN
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HARALD MALMGREN
CHRISTOPHER MEYER
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ALESSANDRO OVI
CORRADO PIRZIO-BIROLI
WOLFGANG ROTH
REINHARDT RUMMEL
JOHN SCHMITZ
JOHN STREMLAU
BRUCE STOKES
WERNER WEIDENFELD
JOHN WYLES
JACQUES VANDAMME

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TABLE LIST

SIR DAVID NICHOLSON
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ROBERT HORMATS
DAVID A. MORSE
WILLY DE CLERCQ
ANDREW WHIST
AMBASSADOR VAN AGT
WERNER WEIDENFIELD
BOB ZOELLICK
MRS ZOELLICK

ROBERT HUNTER
DONNA WOOD
VIVIEN HAIG
MICHAEL MOSETTIG
CORRADO PIRZIO-BIROLI
GUNTER BURGHARDT
TIMOTHY BENNETT
CHRISTOPHER MEYER
ALESSANDRO OVI
Mrs Hunter

ED FITZGERALD
KEE FITZGERALD
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(1)

CHANGING NATURE OF POWER AND SECURITY

Dr. Robert E. Hunter

AECA Annapolis Conference
September 21 - 23, 1990

September 16, 1990

"The Changing Nature of Power and Security"
A European Model
Robert E. Hunter *
Background Paper, AECA Conference, Annapolis, September 1990

The end of the Cold War has brought with it a profound understanding that the prevailing instruments of power among nations are changing. At least that is true of Europe, the birthplace of the Cold War and the region where it had its clearest and most precise focus.

When the Berlin Wall opened and the Soviet Union did not respond with military repression, the structure of confrontation in Central Europe collapsed. Very soon, it became obvious that the role of Soviet military power in the region was drastically depreciated, even though, physically, that power remained in place and substantially does so, today -- thus seeming to validate the proposition that political issues produce military confrontation and not the other way around.

With the collapse of Communist regimes throughout Central and Eastern Europe, it thus rapidly became apparent that all Soviet forces would be withdrawn because they no longer fulfilled a valid function. They did not help to keep Communists in power or to keep peoples down. They did not guard against a Western attack, preserve cohesion in the Warsaw Pact, or threaten or intimidate the West. Likewise, the Pact was rapidly hollowed out, both militarily and politically.

In parallel with these developments, the role of Western military power in Europe, including that of the United States, was also depreciated. The NATO doctrine of "flexible response" became, in effect, an empty shell, relevant only to the emergence of most unlikely circumstances, even thought, in theory, an "existential" nuclear deterrent would always exist and NATO will continue for at least the time being as an insurance policy, engaging the United States in the European future. Among other developments, this change in the role of military forces also changed the transatlantic bargaining relationship. A major factor in this relationship -- the U.S. export to Europe of security and nuclear commitments -- was suddenly far less relevant to consideration of other matters at issue in relations between the United States and its European allies, notably political and economic bargaining.

It also rapidly became fashionable to speak of the rise of economics as a prime mover and shaper of political relations on the Continent, eclipsing the role that had been played by military forces and accompanying political arrangements. This is no doubt true, even though it is very likely premature -- or perhaps simply erroneous -- to say that military power has ceased to be important for the European future. But it is also true that the rising importance of economic power in playing a critical role in determining political relationships did not just begin with the end of the Cold War. If anything, the consummation of that conflict merely cast a spotlight on developments which had been taking place over many years, but which had

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* Robert E. Hunter is Vice President for Regional Programs and Director of European Studies at the Center for Strategic and International Studies in Washington, D.C.

largely escaped the notice of those officials and experts who were preoccupied with the conduct of the Cold War. In particular, the growth and prospering of the European Community was creating the alternative coin of power -- expressed in economic terms -- even as there was a rise during the 1980s in governments' preoccupation in following the U.S. lead in defense build-up.

The end of the Cold War, therefore, merely revealed a new structure that had already been building underneath, like healthy new skin that appears once a wound heals.

This role of economics was confirmed by another fact: It was precisely the failure of the Soviet economy that led Mikhail Gorbachev to undertake the most extensive strategic retreat in peacetime history. Both in terms of being able to create and sustain power and capacity for his country and to be relevant to the new age -- that is, to be "secure" in the most elemental sense -- Gorbachev had to strike his historic bargain. This entailed his accepting the collapse of Soviet military power in Europe -- where the Soviets had some real advantages -- in order to gain access to the Western economy and a "breathing space" at home. Ironically, Gorbachev enjoys greater popularity, a form of political influence, in the Western half of the Continent than did any of his predecessors with their big battalions -- though of course the goals of Soviet power and influence are also more benign from the West's perspective than before. Thus Josef Stalin has gained a belated answer to his question, "How many divisions has the Pope?": "Quite a few," is the response, in the sense of the power of ideas and inspiration.

The increased importance of economics in shaping political relationships among nations in Europe and elsewhere, to different degrees, has its analogue in perceptions of the nature of security. Before the Cold War ended, it was widely believed that security depended significantly on deployed military forces, arrayed in certain configurations and backed by an elaborate doctrine and a web of political understandings and practices.

The collapse of Cold War confrontation in Europe has revealed something also besides the increased relevance of economic and other non-military instruments of power: It is that there now exists a political culture of attitudes, ideas, agreements, and practices that itself is providing a firm foundation for security in a large part of the Continent. Perhaps without many people's realizing it, the political interrelationships built up over the years, either to contain Soviet power (primarily NATO) or to reconcile West Germany to its neighbors (primarily the EC) worked as their creators had designed them. But what in the Cold War were often dismissed as political window dressing -- e.g., political, economic, and cultural cooperation -- in comparison with the engines of confrontation have in fact emerged as major elements in a new process of security.

Yet this is not a "new" form of security but the reemergence of an old one -- at least in form, because the substance has far outstripped any previous experience: witness the unprecedented voluntary merging of sovereignties that is represented by implementation oft the Single European Act, the European Monetary Union, and the projected outcomes of next December's two Intergovernmental Conferences.

The period of Cold War was, in fact, an aberration -- a widespread belief that military confrontation was an end of security instead of just a means and, indeed, a temporary means. The structures of security themselves took on a quality of permanence, so much so that changes to them -- validating the original purposes of Western security efforts -- both took most people by surprise and led some to mourn the passing of the stabilizing effects of those security structures. These had always been only second best to political resolution of political conflict, just as arms control efforts are generally only a second best alternatives to ending political disputes.

It is easy to forget that the North Atlantic Alliance was not founded as a military institution, but rather as a set of political "security" guarantees designed to increase confidence while the European Recovery Program was having its positive economic and political impact. The militarization of political confrontation in Europe came later, on both sides -- but then it imposed a logic that had to be worked through.

That, in effect, is what the end of the Cold War is about: the completion of the working through of the logic of confrontation in Europe and the emergence of confidence in security -- i.e., that neither side in Europe had anything particular to gain from threatening the other militarily -- plus the development of new attitudes and practices.

This new culture of European security -- politics buttressed by economic interconnections and, where needed for psychological reassurance, military forces and arrangements -- does not span the Continent, however. The phenomenon essentially stops at the borders of the European Community and EFTA (the European Economic Space), although the prospects are reasonably good for extending this ideas-based security culture to include Poland, the Czech and Slovak Federative Republic, Hungary, and some parts of a dissolved Yugoslavia, such as Slovenia and Croatia (East Germany will perforce be brought within this culture). States to the East -- Romania, Bulgaria, the rest of Yugoslavia, Albania, and most republics of what is now the Soviet Union, with the Baltic Republics being the most likely exceptions -- are far more problematical. Indeed, it is as if the political-cultural division of Europe has simply been shifted Eastward -- in part along lines marked out by the extent of the old Ottoman Empire.

The most urgent requirements of the new security for Europe as a whole, therefore, are to create a blend, on the one hand, of the political and economic instruments that have regained their traditional significance though in a new culture and, on the other, the imperatives of specific challenges to comity on the Continent. Thus Germany's being embedded in the European Community resolves that potential security concern better than could be done by any military arrangements or even any coalition arrayed against it (indeed, a premise of the new Germany's role is that it must not be "singularized", although there is almost universal agreement that it should not have atomic, biological, or chemical weapons -- which it has freely and formally renounced -- and at least for a time should have most of its military forces continue to be integrated within Allied Command Europe.) This point was underscored by Chancellor Helmut Kohl's renewed commitment to the Community on the morrow of victory in the East German elections and is a major argument for the precedence of "deepening" over "widening" in the evolution of its institutions and relationships.

The most palpable security concern in Europe, today, lies in those areas where old nationalisms and ethnic, irredentist, and religious disputes have remerged after the boot of Soviet and Communist power was removed. These issues reflect one part of a triple challenge in Central and Eastern Europe, the other two parts being the requirements of creating pluralistic, democratic societies and some form of market economies. Obviously, there can be no common solution, and many things must be done (providing for conflict resolution in Central and Eastern Europe is the one institution in Europe that does not yet exist, and such an institution should be created at the November 19 CSCE meeting). But in the longer term, one factor will be most important, just as it was in Western Europe during the past 45 years: prosperity. It is the essential lubricant of resolution of all three sets of problems over the long term.

Thus whatever structures are created or adapted to provide security in Europe -- and there will likely be several, including CSCE, NATO, and WEU -- there will be a premium on arrangements that place a heavy emphasis on political agreements and understandings, strengthening and spreading the new Western political culture of security and underpinning all with economic efforts to bring other states -- eventually including the Soviet Union as a whole or in its constituent parts -- into the political culture of security in the West. Francois Mitterrand's proposals for a European confederation, a "continental entente," fit this mold.

In this process, the European Community becomes a major *security* institution because of its basic purposes and without considering the role to be played by European Political Cooperation (EPC) or some future military arrangements. The EC has a major security role, by the nature of its success in defining a new European political spirit and culture -- on its own and in relationship to the United States. Thus implementing the Single European Act and later developments is a critical geopolitical act. Furthermore, the EC's development in all aspects -- including the European Parliament (e.g. in responding to "the democracy deficit") are critical to European and Atlantic security in the future. Likewise, economic assistance to East European countries and to the Soviet Union is a valid, indeed essential, Western security activity, just as is keeping the Soviet Union's seat at the table warm during the development of any formal security structures like CSCE, until it or its constituent parts can determine and adequately express long-term interests.

It is also clear that the transatlantic political relationship will gravitate more and more toward the European Community, especially because the coin of power and influence is increasingly economic and the locus for political as well as economic cohesion is increasingly Brussels. NATO should continue to play a political-military role, but it cannot usurp the EC's role in other areas, nor enable the United States to exaggerate influence based upon older models of security.

* * *

Because this conference focuses on Europe, these background notes do not explore all the many changes taking place in the nature of power and security throughout the world. But a few developments should be highlighted, in part because of their impact on Europe and transatlantic relations:

o there is a general, striking rise in the role of economics in global politics, in the broadest sense, even though military power will continue to be highly pertinent in many regions and, in appropriate forms and circumstances, in Europe, as well;

o the role of ideas (e.g., democracy, nationalism, and religion) is again assuming critical importance even as the ideological confrontation of the Cold War collapses; this role of ideas is gaining further strength through mass communications, forming a combination whose strength must not be underestimated.

o there is greater opportunity for expressions of power and influence through multilateral action, including a more effective use of the United Nations -- closer than ever before to its original purposes -- in large part because of the basic change of Soviet strategic policy and the collapse of Communist ideology; yet that does not mean Soviet-American condominium, precisely because the disciplining effect of the Cold War is gone;

o to be effective, however, a new multilateralism -- in some forms terms a new world order -- implies a reduction of U.S. unilateralism even if it does not (yet) mean a diminution of U.S. leadership; current experience in the Persian Gulf, where the United States has set the strategy and successfully sought support from other nations for that strategy, should not be extrapolated because no other spot on earth commands the interests and attention of so many countries;

o the end of Cold War changed the transatlantic bargaining relationship, but the Persian Gulf crisis has also had a major impact. In previous such crises, the United States took the lead and bore most burdens in part because of its concern to retain control of managing East-West relations; by the same token, many European states were reluctant to support U.S. policy where that seemed to conflict with the amelioration of East-West tensions in Europe: neither factor is no present, and thus the United States can ask for more support and get it;

o far more countries and entities (e.g. international corporations) than ever before will be engaged in shaping and managing the global political and economic system; some, of course, will be more important than others, and the roles to be played by different nations will vary from region to region in a "variable geometry" of coalitions -- not in fact, a global multipolarism -- where major powers, and especially the United States, will be better able to decide when and where to be engaged and when and where to abstain;

o the nature of the security issues to be faced is also changing. In the future, critical matters will be proliferation, the twins poverty and population (including massive migrations into Europe from the East and South), and pollution; and

o what we mean by "security" in a global sense and in some regions (like Europe), though not in others, will increasingly focus on process rather than on product: how states and peoples and larger collectivities continually redefine and implement shared perspectives on mutual security rather than construct rigid structures.

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(2)

COMMON VALUES AND INTERESTS IN THE EURO-AMERICAN RELATIONSHIP

By Peter Ludlow

AECA Annapolis Conference
September 21 - 23, 1990

Common Values and Interests in the Euro-American Relationship

by Peter Ludlow.

The disintegration of the North Atlantic Community and the emergence of profound conflicts of interest and value between the two sides have frequently been predicted since, towards the end of the 1960s, American hegemony began to falter, and the first glimpses of détente suggested that the Western world could not for ever be organised around the principle of continuing East-West tension. Since then, those who have wanted to have been able to find ample evidence that the end was nigh.

A quick check list of some of the more celebrated examples or causes of discord in the last twenty years will suffice. It would include:

- recurrent disagreement about nuclear strategy.
- disputes over East-West political relations.
- discord over out-of-area issues.
- burden-sharing.
- macroeconomic policy coordination, including not only its direction, but also its utility.
- different perceptions of the role of the state in economic management, reflected in the 1970s and 1980s by widely divergent trends in public expenditure.

- bilateral trade.
- policy towards the GATT.
- the growth of regionalism, both through the strengthening of the European Community itself (Fortress Europe and all that) and through a more general strengthening of regional ties on both sides of the Atlantic.
- the emergence of Asia-Pacific as a counter pole of attraction to the United States, and to a much more limited extent, to the European Community.
- demographic trends, undermining the privileged positions of East Coast and Western European élites whose collaboration had been consolidated by educational exchange, intermarriage, and by no means least, decades of common membership of the cluster of exclusive clubs thrown up around the Bretton Woods institutions, the OECD, NATO, and so on, in the aftermath of the Second World War.

The list could be almost indefinitely expanded. In the light of it, it is scarcely surprising that with the apparent end of the Cold War and the emergence of a new generation of problems and opportunities on both sides of the Atlantic, the imminent demise of the alliance has become once again a matter of speculation in op. ed. articles and elsewhere.

The basic argument of this paper is that reasoning of this kind is not so much premature as irrelevant. There is no question at all that the organisation of the North Atlantic Community must over

the coming ten to fifteen years be profoundly modified. Equally, its management on a week to week or even day to day basis will require constant vigilance if disputes and misunderstandings are not to cause disproportionate disruption. "Competitive cooperation" is not, however, something new to the North Atlantic Community: on the contrary, it has been one of its fundamental features since the relaunching of the Community in the years 1937 to 1941 and as such both a demonstration and a ground of its robustness and dynamism. Our relations with each other should be and, indeed, will be boisterous and on occasions uncomfortable. To compare current or prospective boisterousness and discomfort with the breakdown of the Atlantic order that did undoubtedly occur in the inter-War period is however to indulge in a Spielberg-type exercise in reverse: the way forward does not involve a journey back to the past. There are real dangers ahead, but attempts to define them in terms of pictures drawn from the 1930s featuring autarkic blocs and resurgent militarist régimes in Central Europe have little sense. The bilateral relationship between Western Europe and the United States is not in any real sense in danger. The real danger is, on the contrary, a shared one: complacent incestuousness. A rich, predominantly white North representing a shrinking proportion of an expanding global population stands most to lose if it concentrates on its own parochial problems and ignores the wider threats and opportunities from the world at large. Our common agenda may no longer be dominated by East-West issues. It will soon, however, unless we take preventive action, be swamped by those of the North and

South.

The arguments advanced in the previous paragraph can be substantiated if we look in turn at some of the principal elements of the "glue" in the trans-Atlantic relationship. The concluding paragraphs examine some practical implications which should, at the very least, provide some defense against the charge that the thesis as a whole is excessively complacent.

An analysis of the glue that holds the North Atlantic Community together should in all conscience run to many more pages than those allowed in this conference. The following paragraphs can only highlight some of the more obvious aspects of a complex, multi-layered relationship under the following headings:

- the continuing relevance of the security dimension.
- economic interdependence.
- social and technological infrastructure.
- common values.
- cultural diversity.

The security dimension

As far as the first of these points is concerned, it is easier, since the beginning of August, than it might otherwise have been

to make the point that although the reduction of East-West tension has undoubtedly diminished the significance of the security component of the West-West relationship, the latter has by no means disappeared altogether. Even in the East-West framework, it is far too early to argue that the American commitment to the defence of Western Europe in both nuclear and conventional forces is redundant. Whoever rules in the East, whether it be the Soviets, the Russians or some other latter day successors of Novgorod, will be the possessors of a vast nuclear arsenal and the rulers of a population that together far exceeds that of any single Western European state. The Cold War may be over, but it is far too early to suggest that perpetual peace in Europe can now be taken for granted. As long as this is the case, the basic equation that has existed since 1917 will still be valid: Western Europe needs the United States, and the United States for its part cannot in its own interest afford to see Western Europe overrun.

Even if, however, for a moment we discount the possibility of East-West conflict, the security dimension remains relevant. Little that is good can be said for Iraq in present circumstances, but one positive consequence of the Gulf crisis may be that those who on both sides of the Atlantic were beginning to cast doubts on the continuing importance of the military factor have been given pause for thought. As subsequent paragraphs will suggest, the present asymmetry in the commitment of the US and Western Europe in the Gulf is unhealthy and unsustainable. At the very least, however, it has confirmed the continuing dependence and

interdependence of the two sides of the Atlantic in security matters.

Economic interdependence

In the aftermath of the collapse of the Bretton Woods system and the first oil shock, there was, naturally and inevitably, a tendency to overstate the degree of economic interdependence between Western Europe and the United States and, as a result, the benefits of economic policy coordination. Subsequent second thoughts in the seminal Brookings' Paper by Sachs and Oudiz, which was later reinforced by contributions from many other quarters, emphasised the limitations of coordination of macroeconomic policies in the West. The appropriateness of this reaction to overreaction should not, however, be allowed to conceal the fact that the two sides of the Atlantic are now more dependent upon each other and on international trade in general than they have ever been before. Intra-OECD trade has expanded significantly faster than global trade as a whole in the second half of the 1980s. The Canadian figures provide perhaps the most eloquent comment on this. At precisely the same time as both Canada and the EC appeared to be "going regional" their bilateral trade exploded, doubling in value between 1986 and 1988.

It may be that the benefits of macroeconomic policy coordination

are still relatively slight - and that, as a corollary, the advantages of continental-sized economies whether they be the United States of America or the European Community are very considerable - but the figures point even so to a high degree of common interest. Any serious indentation in a two-way trade of +/- 150 bn ECU per annum would have a major impact on the welfare of both sides of the Atlantic. All this also puts the continuing series of trade disputes in perspective. They are necessary and inevitable but in the last resort of minor significance. The 1989 dispute over hormones, for example, involved little more than 0.015% of total two-way trade.

The social and technological infrastructure

The economic interdependence of the two sides of the Atlantic is mirrored in and to a very large extent underpinned by a vast complex of economic, business, social and familial networks. The relevance of networks as an element of glue in the Atlantic alliance has long been recognised in the literature about élites. In 1990, however, far more than the élites are concerned. The inexorable growth of trade, the globalisation of manufacturing processes, the technological revolution in the financial markets, the proliferation of mergers and acquisitions, not to mention the explosion of relationships which have economic significance but are in the first instance inspired by non-economic motives, all

underline the point. For reasons best known to themselves, trade negotiators are more prone than almost any others to employ the images of war. They rarely, however, if ever analyse in detail what "war" in their terms will entail. Without any definitive guidance, sceptics might be forgiven for believing that once the first shots were fired, there would be howls of protest not only from those for whom the shots were intended, but also from many on the same side as those who took preemptive action. Interests and sentiment cross cut the two sides of the Atlantic.

Common values

Formal communiqués released after NATO summits are usually freer with the rhetoric of common values than academics. The events of the last few years in Central and Eastern Europe have, however, highlighted how important the adoption, even in formal terms, of common value systems can be in international relations. No history of the revolutions of the 1980s could ever be written without extensive reference to the Helsinki Final Act.

In the West-West relationship, common values are more often than not taken for granted. They are nevertheless real. A list of them is superfluous in a paper of this length. In the present context, however, the most important by far are the common belief on both sides of the Atlantic that disagreement and competition

are natural and healthy as long as they take place within a common legal and institutional framework. Competition and cooperation are not in other words mutually exclusive but mutually reinforcing. Nor are not thrown together by chance in the trans-Atlantic relationship. They are fundamental to it because they are fundamental to the way in which the societies on both sides of the Atlantic work. The best safeguard of the alliance is, in other words, the value system to which we are independently committed for our own good and without regard to each other.

Two episodes, one historical and one almost contemporary, can illustrate the point. The historical example is the genesis of the archetypal "special relationship" in the late-1930s and early 1940s. Even the most superficial acquaintance with the Anglo-American alliance, out of which the North Atlantic Alliance itself grew, will confirm how riven it was by dispute, divergences of priority and interest, and outright misunderstanding. The British and the Americans were for much of the time rivals - not on the battle field but in the money markets, in international trade, and in "out of area" situations where, not without reason, the British suspected that the Americans were intent on destroying the bases of their Empire for their own interests under the cloak of idealism. It was at many points very rough indeed. And yet it survived and flourished. The most obvious explanation, namely the primacy of the security dimension, is of course of fundamental importance. It is not mere romanticism, however, to stress that there were many other dimensions too.

The other episode is the trans-Atlantic debate about the Single Market programme. Those who in the United States in 1988 minted the slogan "Fortress Europe" were in one, profound sense absolutely justified. The Single Market programme is a defence against American (and Japanese) competition. It is a defence, however, of a very particular kind, which takes as its fundamental assumption that the only safe way in the final analysis to stave off foreign competition is to become more competitive oneself through increasing the competitive climate at home. All this does not mean that there will not be dirty tricks designed to protect domestic constituencies in Europe, just as there are in a great deal of US trade legislation, not least the Omnibus Act of 1988. In both cases, however, the basic bias of the system for domestic, even more than altruistic international reasons, is towards rather than against openness and liberalism.

Cultural Diversity

The fact that unity can be enhanced by cultural diversity on both sides of the Atlantic may at first sight seem paradoxical. It is nevertheless fundamental to both the underlying stability and robustness of the European Community itself and, more broadly, to the future of the Atlantic Community as a whole. The old adage that one of the reasons that the Swiss could never be other than neutral stems from the fact that there would always be one element

of the Confederation attached in some fundamental way to each of the parties to the conflict applies also in the European and Atlantic framework. Even amongst the well-established successor generations of nineteenth century and early twentieth century immigrants, the diversity of ethnic origins is a factor of some importance. In the "new" United States, however, which, as the more pessimistic literature on EC-US relations often points out, the Hispanic element will become increasingly important, it is not unimportant that the Community too has its Hispanic dimension. On the contrary, as the last eighteen months have demonstrated particularly clearly, the Spanish have actively, and at times almost aggressively, asserted the importance of cultivating Hispanics and more generally Latins in America North and South, in the interests not of themselves alone, but of the Community as a whole. If in the nineteenth century, despite much greater opportunity, outright conflict between Americans educated in universities which aped in their buildings and mores English models was inconceivable, the checks and balances introduced by the much greater, overlapping diversity of ethnic and cultural background of the late twentieth century Atlantic community should not be underestimated.

Some practical conclusions

The relatively laid-back tone of most of this essay should not be seen as implying that all is well in the best of all possible worlds. There is much that needs to be done in the North Atlantic community in this last decade of the twentieth century. We do not, however, need to complicate our task by inventing apocalyptic dangers. Our efforts should be concentrated elsewhere: on the achievement of a better balance in the transatlantic community itself and in constant, mutual reminders that the real threat to our long-term welfare lies not in internecine strife but in our neglect of our global responsibilities.

Both themes lie somewhat outside the original mandate of this essay. They must, however, be touched upon briefly. As to the first, the perpetuation of the asymmetrical structure of the alliance into a decade in which the United States already senses and will increasingly sense the limitations of its leadership role, is indefensible. The principal culprits are of course the Europeans. As the Gulf crisis has shown all too clearly, we are still prone in security matters to assume that the United States will not only lead the alliance but make the preponderant commitment in men and materials. The absurdity and fragility of this assumption have been underlined graphically in the last few weeks by the sight of senior United States' officials touring

allied capitals asking money for their efforts. Mercenaries cannot indefinitely remain leaders, nor will they for ever be enthusiastic allies. If the alliance is to continue to function efficiently, it must be based on real partnership which means an end to the asymmetries of the past. In an era when in the final analysis Western strategy rested on nuclear balance and the United States had therefore of necessity a peculiar responsibility, asymmetry was inevitable. In the new era, however, when threats to Western security seem increasingly likely, as in the Gulf case, to come from the South, and to call for a response which is, one hopes, exclusively conventional, the imbalances are unsustainable. The difficulties of individual Western European countries responding effectively are nevertheless real, and none more so than those of the Germans. The solution is obvious: piecemeal efforts, however energetic, by medium-sized powers with fewer inhibitions are no substitute for collective effort by the Community as a whole. Mrs. Thatcher was in many ways right to rail against the ineffectiveness of the European Community in Helsinki in August. She failed, however, to draw the obvious conclusion. The deficiencies of the Union that exists is not an argument against the notion itself; on the contrary, it is a ground for accelerating the process which she so fiercely resists.

The transatlantic corollary of European Political Union would and should be a redefinition of the bases of the North Atlantic Alliance itself, involving a much greater equality both in burdens and privileges between the two sides.

Finally, as previous paragraphs have implied, our bilateral relationship can only be thought about adequately if it is seen in a global perspective. It cannot in the final analysis be an end in itself. On the contrary it must be a pillar of a healthy multilateral system, including not least the United Nations. East-West conflict may be becoming a thing of the past: North-South conflict could, unless we are imaginative and practical, dominate the agenda of the short to medium term future. Our most important common interest, in other words, is that we should not hide ourselves in a cosy and relatively well-regulated North Atlantic club.

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EUROPE'S NEW ARCHITECTURE

Paper for AECA Conference, Annapolis, Maryland,
September 21-23 1990

WILLIAM WALLACE

Deputy Director, Royal Institute of International Affairs,
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The title, of course, is misleading. When European politics is being reshaped by the uncompleted processes of German reunification, by the uncertain first steps in democracy of the formerly socialist states of East Central Europe and by demonstrations on the streets of Balkan states and Soviet Republics, it would be absurd to imagine that we can design any neat blueprint for a future European construction, complete with roof and locks on the doors. We recognize that we are going to have to live with some painful uncertainties for several years to come: about the size and boundaries of the emerging European system, about the relationship between the major states of Western Europe which constitute Europe's institutional and economic core and the growing number of neighbouring countries which are drawn towards them, about the pattern of relations between this European system and its major partners across the Atlantic and across Eurasia. We need therefore to think in terms not of construction in stone but of a modular building, capable of adaptation as numbers grow and needs change.

In mid-1990 the most important point to grasp about the future structure of Europe is its uncertainty. By mid-1991, when we will have seen the outcome of the first all-German elections, the conclusion of the first round of CFE talks, the formal ratification of the German settlement in the CSCE summit, the normalization (we may hope) of relatively stable democratic government in Hungary and Czechoslovakia as well as in Poland, the evolution of Western programmes of economic assistance to help the countries of East Central Europe through the transition to market economies, and - not least important - the completion or breakdown of the EC-EFTA negotiations on a 'Common Economic Space, the prospects for future development may seem a little more clear.

But even then immense uncertainties will remain: about the future coherence or disintegration of the Soviet Union, the stability or instability of Yugoslavia and the other Balkan states, the long-term costs of supporting economic and political transition in Eastern Europe, and the implications of economic developments in Eastern Europe for the Mediterranean countries which have benefitted from German investment and privileged access to the prosperous markets of core Western Europe. And this leaves out of consideration external uncertainties: the response of American opinion to the declining importance of the security guarantee and the disappearance of a clear and present Soviet 'threat', the rise and fall of tension in the Middle East, the implications for Europe of potential changes in US-Japan and Japan-USSR relations, and so on.

The relative institutional tidiness of the two postwar European systems was superimposed upon them: by the leadership, protection and patronage of the USA, the military and ideological domination of the USSR, and the supremacy for both sides of security issues over economic, cultural or social. West Europeans have conveniently forgotten how central a role the United States played in setting the terms and conditions of institutionalized Western Europe, as well as establishing and maintaining its Eastern boundaries. OEEC Europe was called into being in response to an Act of Congress, which made it a condition of providing funds for the European Recovery Program that a permanent European organization should be established to guide Europe's path to recovery. American policy-makers, then and for many years later, hoped to persuade the countries of non-Communist Europe to create their own federation, capable of sustained economic growth without long-term American assistance and - many also hoped - without a long-term commitment of US troops. When Britain and the Scandinavians resisted the tighter institutional framework which so many in Washington preferred, their support shifted to Monnet's second-best alternative: a smaller core institutionalized

European Community, sufficient to contain a reviving West Germany and to drag its reluctant partners in its wake.[1]

The institutions of Western Europe thus developed under American patronage, and with the tacit acceptance of subordination to American security interests and economic leadership. OEEC/OECD and NATO went together, for all that the membership of the former was wider than of the latter. The European Community grew up within that wider framework. Western European Union spluttered and flickered within it, deliberately subordinated to the Atlantic Alliance at the insistence of the majority of its member states. The recovery of European prosperity, the success of the EC in channelling and symbolising that prosperity, its repeated enlargement and the gradual diminution of the Soviet threat progressively shifted the balance from subordination to partnership - though never to the full Atlantic partnership for global security and development which John F.Kennedy had dared to envisage. But until the events of 1989 the EC remained part of an Atlantic system. Its members are now having to adjust their perceptions and perspectives to a world in which a self-consciously robust European Community finds itself called upon to play a central role in redefining the structure and the limits of Europe: a role which most of its political leaders had not foreseen.

Discussions of 'Europe's new architecture' wander across three overlapping mental maps of relevant space. The metaphor itself is drawn from the Russian concept: a 'Common European Home' which includes the USSR. At the other end of Europe, many policy-makers in Washington and some in West European capitals still, for good reason, see the area to be maintained as the West: the Atlantic world plus those who may wish to accept the values and conditions for which it has stood for the past forty years. In between these the major governments of Western Europe are increasingly preoccupied with the day-to-day realities of Europe organized around the European Community:

Europe without the superpowers, in effect - the socialist and Gaullist concept which was illegitimate within the Atlantic world, but which re-emerges unavoidably with a united Germany as reflecting European economic and political dynamics once the security threat has been removed.

It is the argument of the remainder of this paper that this third concept is likely to emerge as the dominant definition of 'Europe' over the next few years. The Atlantic concept is rooted in the political, security and economic conditions which existed in the 1950s and 1960s, which no longer obtain. The Russian concept is ill-defined: a plea for help, for recognition and for inclusion, rather than a strategy or a position of strength. The West Europeans' own concept reflects regional economic realities, and is reflected in operating institutions. It is further strengthened by the emphasis which the ex-Socialist states put upon closer association with it - even eventual full membership: an objective with real benefits and costs, as opposed to the symbolic costs and benefits offered by the CSCE or the Council of Europe.

This is not to pretend that the West Europeans have any clear concept themselves of the exact shape of their own future construction. Several alternative 'models' for the future development of the European Community and the wider European system are in circulation, from 'concentric circles' to European confederation. The member governments of the EC are approaching two parallel intergovernmental conferences on institutional development with divergent and incoherent ideas about the nature of a European Union, and with much less careful preparation than the Dooge Committee provided for the previous exercise of 1985-6. Douglas Hurd's reported opening query to his fellow foreign ministers at their preparatory meeting before the Dublin European Council, as to whether they were discussing the institutions needed for a Community of 12 or of some larger number, expresses the confusion.

But the other organizations seem in a state of greater confusion. Alongside the EC, the secretariat of the Council of Europe is exercised both by the determination of the governments of East-Central Europe to validate their democratic credentials through gaining membership and by the prospect that a more institutionalized CSCE might displace a number of its functions in human and civil rights: with an apparent inclination therefore to associate the USSR, as well as the states of East-Central Europe, as closely with its future work as possible, in order to demonstrate that it can include all those who might wish to be within a common European home. The prospect opens up of a symbolic struggle between Strasbourg and Berlin to be the 'city of reconciliation' for Europe, as Francophones defend the Strasbourg institutions and Germans promote the establishment of new CSCE institutions in Berlin.

NATO, an alliance created by and dependent on American leadership, is struggling to adapt to an emerging European security system in which the US role would be less dominant, and the Soviet role ancillary; and to define its relationship to an evolving pan-European security system, with a more highly-structured CSCE offering some reassurance to the USSR as well as constraints on the domestic political behaviour and defence policies of European states.[2] The NATO 'London Declaration provides a classic example of compromise: all three concepts of relevant space appear in it, the issue of priority among them unresolved.

There are however a number of assumptions which we can safely advance about likely developments within the European region; as well as a number of awkward issue areas which are likely to rise further up the European agenda. In what follows, I start from some reflections on historical reference points and on timescales of change, and move on to put forward some propositions about the future shape of the European

system and about some of the issues with which European policy-makers will have to grapple over the next decade.

Back to the future: or, the relevance of history.

We have all grown up in the Atlantic world, in which 'the West' seemed a natural entity and 'the East' was composed both of the semi-European USSR and of the clearly Asiatic Communist China. With that world turned upside down by the events of the past year, we find ourselves struggling to agree on alternative mental maps to order 'our' world , to define our 'natural' partners and to separate off one region and community from another.

The shift in assumptions about international order which we may well face - and successfully make - over the next ten years may be compared to that which economists and bankers made about the proper conduct of international monetary exchanges between the late 1960s and the late 1970s. Proponents of floating exchange rates were regularly denounced in 1966-8 as 'irresponsible', even 'unpatriotic'. Some influential voices in Paris were arguing for a return from the IMF- (and Anglo-Saxon-) managed international monetary system to the gold standard which had seemed 'natural' in the prewar era; few 'sound' policy-makers or opinion-leaders accepted that floating rates could provide an alternative model. Ten years later, sound opinion was all for floating, dismissive of pegging; practical Anglo-Saxon economists reacted with scepticism to French proposals to peg (through the EMS) international exchange rates on a regional basis.

Our postwar world, of a divided Europe and a divided Germany, dominated by a deeply-committed USA and a heavily-armed USSR, was highly unnatural: the outcome of

a cessation of hostilities without a peace settlement. The structure of the European economy and polity of the first decade of the 20th century represents an alternative model: a Germany-centred continent, round which as J.M.Keynes remarked 'the rest of the European economic system grouped itself, and on the prosperity and enterprise of Germany the prosperity of the rest of the Continent mainly depended.'[3] That international political order had a relatively stable basis in established nation-states in Western Europe; it was the absence of any such structure in Eastern Europe, together with the impact of competing nationalisms on the multinational empires of Eastern Europe, which sparked the Great War. At the end of that war the victorious Western allies (for such, with the collapse of the Russian empire, we were) set out to give the peoples of Eastern Europe, from Czechoslovakia to Estonia, the benefits of liberal diplomacy and self-determination - with mixed success.

In 1990 far more than in 1910 Western Europe represents a stable political order, with established boundaries among states and intense and peaceful interaction across national frontiers. Politically and economically, Western Europe is core Europe, with the border regions to east and south as its periphery. But how far east - or south-east - should 'our' Europe now extend? The political rhetoric of 'East-Central Europe' harks back to the happier periods of Polish and Hungarian history, when their cities and their universities were part of a Europe-wide culture; for all that their peasants and their villages were continents away from the life of Paris. On such cultural and historical echoes are built claims for membership in the European Community (brushing aside the prior Turkish application), assumptions about market access, free movement of persons and substantial economic assistance during the period of transition to a stable democracy and market economy. But Tolstoy and Tchaikovsky do not alone make Russia 'European'; no more than Henry James thus qualifies the United States. With a lengthening queue of countries asking for privileged relations with the states and

organizations of Western Europe, the grounds on which such privileges should be granted need to be considered very carefully.

The geography of the emerging European order - the real map without the artificial dividing line imposed by the Cold War down its centre - is itself important in determining its post-postwar shape. The intense integration which Western Europe has experienced over the past 30 years - economic, political, social - has partly reflected mutual proximity: an EC-12 with a population 40% higher than that of the USA, packed into a territory 25% the size. Acceptance by the EFTA countries of the same general rules of market behaviour, banking regulation, property ownership and police cooperation have allowed the emergence of a common European economic and social 'space' across which goods, money and citizens move with increasing disregard for state boundaries. Bohemia, Western Poland and Hungary, Slovenia and Croatia are natural extensions of that space: a few hours' drive from the cities of Germany and northern Italy once the motorways are improved, already well-accustomed to watching German, Austrian and Italian television. Czech tourist busses already throng the streets of Berlin and Vienna, as traffic on the Danube hydrofoil between Vienna and Budapest continues to rise: 'reclaiming' the historical links which bound central Europe together, while also demonstrating the economic and geographical dynamics which will pull them back towards their historical position of dependence on the West European economy.

Once beyond Western Europe's immediate hinterland, however, more difficult questions for policy arise, and the old fault lines of European history re-emerge from underneath the ideological overlay of the cold war. Do Hungary and Poland belong to 'the West' more than Rumania or Bulgaria? The divide between Western Christendom and the orthodox world provides many with an almost unconscious answer.[4] Do Estonia and Lithuania deserve more of our aid and attention than Albania? Our unspoken

assumptions about the Christian West and the Islamic East whisper in reply.[5] Expectations about rightful places in the European order, once aroused, are difficult to deny without arousing antagonism: the management of relations with Turkey, insisting as it elite does on maintaining a mental map of Europe - and of the Middle East - at odds with those of its Western neighbours - will require immense skill throughout the 1990s.

It would be easier to build a common European home if we were clear how large the site was. The seeds of future conflict could easily be planted by drawing new boundaries too tightly on cultural or ethnic lines. Yet a sense of community, of sharing common values and history, is an essential factor in persuading the publics of Western Europe to share markets - and to pay taxes - with their neighbours to the east and south. One need only note the Moroccan Government's references to the place of North Africa in Mediterranean history, and the increasing proportion of Moroccans (as of Turks - and of westward migrants from the territories of the ex-socialist countries and the USSR) likely to be living and working in the Europe of 2000 A.D. to recall that this is a sensitive issue not only with reference to the former members of the Warsaw Pact.[6]

Political Time and Economic Time.

Kurt Biedenkopf at an Anglo-German Conference at the end of the 1970s confidently predicted the broad outlines of the European order he expected to see by the year 2000. It was easier to see where we might be in 20 years' time, he added, than to anticipate how we would get there or the speed at which we might move. 1989-90 has seen political change move extremely rapidly: political time, as it were, moving week by week, sweeping away previous calculations. The new democracies of East-Central Europe need

our recognition and support now: their timescales are short, the expectations of their domestic publics immediate.

But we are all aware that the timescales of economic recovery, of military reorganization, of social reorientation and of the establishment of new patterns of behaviour and expectations necessary to entrench constitutional democracy and a market economy, are of a different order. It may be that military time will prove to be the most rapid of these, pushed by the imperatives of German reunification and of the search for budgetary savings in all East (and most West) European states. Economic adjustment is likely to be a long and painful haul, whatever the success of Poland's attempt at shock therapy. Western Europe and the Group of 24 are committing themselves to ten years or more of concessionary policies and of economic assistance before the ex-socialist economies can survive unaided in the European or world economy. In historical terms, that is not unprecedented: it took a full ten years from the initiation of the Marshall Plan to the abolition of all institutional and economic concessions to the recovering West European states. Political and constitutional stability will take at least as long to learn, as old habits fall away and new norms are accepted.

For the foreseeable future Europe's western powers and partners will therefore have to exercise both pressure and patience, pushing their eastern neighbours along a path on which they are likely to stumble and falter from time to time. The issues for policy, time and again, will be what standards to set within what timescales; what privileges to grant in return for what benchmarks reached; when to grant full and equal membership of the organizations to which they aspire, from the IMF (for the USSR) to the Council of Europe and the European Community; when to be patient, when to be stern. The postwar Atlantic system designed for Western Europe came out of its first 'transition period' in 1958, with the ending of the European Payments Union (and the founding of

the EEC); only to plunge into efforts at restructuring with the Kennedy Administration's 'Grand Design' (and the British EEC application, and the Kennedy Round in GATT, and the complex negotiations over nuclear doctrine and strategic planning within NATO). We must anticipate a similar span of economic adjustment and political evolution, and a similar rediscovery that when we have reached the end of the transition process there will be another set of structural issues on the European and global agenda.

Europe in 2001.

Nevertheless, some propositions can confidently be made. In any event, a set of working assumptions is necessary for policy. We may agree - or at least accept as a basis for discussion - that:

1) **The European Community will be the institutional focus and fulcrum of the new European order**: not the CSCE, nor NATO, let alone the Council of Europe or other ancillary organizations. The EC has now become a robust organization with a still-expanding range of competences. It provides the institutional structure and rules within which the most important players in the European region - Germany, France, Italy, Britain - bargain over mutual obligations, costs and benefits. The EC-12 now accounts for some 80% of the GNP of OECD Europe; the economies of all of the states around the Mediterranean depend upon it, and those of the formerly-socialist states hope to depend on it more. As a forum for coordination of foreign policy it has already (through the consultative procedures of European Political Cooperation) done much to displace NATO;

the direct link between economic policy and assistance and security concerns which is already emerging in East-West (and North-South) relations will reinforce that trend.

2) The European Community will become wider over the next decade, as the queue of applicants lengthens. The logic of the EC-EFTA negotiations pushes for eventual membership; some indeed on both sides see the European Economic Space negotiations more as an educational exercise in preparing opinion in the EFTA countries for the inevitability of membership than as intended to reach any long-term agreement. It is evident that the EC will have more than 12 members by the end of the coming decade; the difficult question is whether we anticipate a Community of 15, or of 18, or of 21 or more. The EC has never yet definitively refused an application for membership; Article 237 of the Treaty of Rome states invitingly that 'Any European state may apply to become a member of the European Community'. We may confidently predict that neither the USSR nor Turkey will be close to membership - too large, too distant and too far from emerging European expectations about economic,political and cultural qualifications. Austria and Norway, Sweden and Finland, quite likely Switzerland and Iceland, will have joined; the East-Central European states may well have achieved the status, or at least the promise, of membership, with periods of transition towards the full application of Commmunity regulations agreed. The 'Mediterranean orphans' - Yugoslavia, Malta, Cyprus - will have become EC political responsibilities in one form or another, though the remaining Balkan states may be orphaned still.

3) Widening implies deepening: the development of more effective mechanisms of decision-taking, implementation, financing and accountability within EC institutions. The greater the diversity, and the larger the numbers, the stronger the pressures for central institutions which can deliver well-thought out policies in good time. New members approach the Community hesitant about the potential loss of autonomy, but anxious to

gain the benefits of membership from an efficiently-operating structure. The British Government supported the extension of majority voting in the Single European Act because it recognised that a Community of 12 could not maintain the decision-making mechanisms of the EC-9 without accepting delay and indecision.

4) The Community will also have become the fulcrum for European security - or, the institutional framework within which the key actors in determining Europe's security determine their policies. This is not to argue that the EC will necessarily expand its competences into the defence sphere, nor that the Soviet Union and the United states will not have important politico-military roles to play: rather to assert that the currency of power in an increasingly interdependent world (to use Joseph Nye's terminology) will be increasingly politico-economic, and that both the USA and the USSR will look to the EC to take the lead in this area. With further enlargement unavoidable, with neutral states taking on the political obligations of membership, and with environmental and developmental issues crowding its agenda the EC would be well advised to leave defence, strictly defined, to the major governments to determine through other means. The WEU provides a convenient forum through which the major West European players can concert their defences. Post-CFE the reorganization of European defence will revolve first around relations between Germany and those other states with forces currently stationed in Germany, with multinational forces requiring higher levels of military (and therefore political) integration; second around the security of East European countries without the presence of Soviet forces; and third around Mediterranean insecurity, with Italy and Spain bargaining with their northern partners over how best to meet the challenge.

Nor is this to argue that the CSCE will not play a vital role in reasssuring the Soviet Union about its continuing status in European security matters, providing a forum within which the fringe members of the developing European system, and the external powers which

help to guarantee its stability, will have their say; nor that the Atlantic Alliance may still continue, with a modest contingent of US forces on the European continent. But European security - even more so than West European security in the decade after World War Two - looks likely to be a matter of economic development and assistance rather more than of military hardware or forces in being. For the provision of economic concessions on political and security conditions, the EC is already becoming the key institution.

5) Formally and informally, European politics will move in concentric circles out from the strongest and most politically-integrated states. The CSCE will represent the outermost of the circles of influence, offering the opportunity for Malta and Cyprus to try to build Mediterranean coalitions and for the Soviet Union to use what leverage it has to extract concessions from its richer Western neighbours. Beyond that, indeed, will stretch Europe's dependent south: the states of North Africa and the Near East, their surplus populations spilling northwards and their economies as locked in to European prosperity as those of Mexico, Central America and the Caribbean are to that of the United States. The weaker the institutional development of the EC, the more likely that an informal inner grouping of key states will emerge; the stronger the developing institutions, the greater the balance between large and small member governments, and between Germany and its partners.[7] Those countries outside the EC, without much political or economic leverage to gain the attention of their neighbours, will find themselves in the most difficult position; one can envisage stagnation in Rumania or Bulgaria without arousing any acute sense of crisis in Brussels or Berlin. We may see some useful cross-cutting regional groupings - as already with the Pentagonale, and potentially with Baltic cooperation; but these will be secondary bodies, helping to provide additional counterweights to German centrality but not altering the balance substantially.

6) **The USSR will be on the fringes of this European order, not a key player in its central structures.** This follows from geography, from the shift from security as a dominant issue to economic development, and from the prospect of a looser Soviet federation (at best) preoccupied with internal developments. The USSR is in a position of long-term weakness. Its western republics will wish to strengthen their European links; but its Central Asian republics may well be rediscovering rather different regional emphases, and links between Siberia and Japan will have major economic attractions. West European governments, the Germans above all, will wish to provide reassurance, symbolic status, and economic concessions to the Russian leadership, in order to promote as stable a process of change within the USSR as possible. The CSCE as an institution can provide that. But that will not provide any government in Moscow with substantial leverage over its Western partners, **unless** the process of arms control now under way were to be reversed. The USSR will remain a nuclear power; but its conventional forces are likely to suffer from domestic strains, and there is little evidence that the Russian public would welcome renewed economic deprivation in order to regain international standing through military power.

7) **The United States will remain closely associated with this developing political system, but will no longer be a central player - perhaps not much more central than the USSR, or Japan.** The division of Europe and the Soviet threat held the Atlantic 'world' together. The removal of the first, and the potential disappearance of the second, fundamentally alters the nature of the relationship. The European and global agendas of the 1990s offer few items where US and West European interests are insinctively closer than those of their other partners; and offer a good many issues where their interests and attitudes may well push them further apart. In the Group of 24 Japan, as a potential investor in the developing market economies of Eastern Europe, provider of technology and of aid, is likely to play an increasingly significant role: the more significant if US

budgetary pressures incline American policy-makers to minimise their contribution to successive aid packages. The interest Japanese officials have already expressed in some form of association with the CSCE underlines this trend.

In Mediterranean security American preoccupation with Israel will cut across European preoccupation with the Islamic world, with the stability of the Mediterranean region, and the danger of instability spilling over into Europe's own Islamic communities. In international environmental negotiations, as these come to preoccupy governments and international organizations, it is by no means apparent that European and American interests will fall on the same side of the balance - no more than in trade negotiations.

The USSR must be of immediate interest to the governments of Central and Western Europe: as a dependent economy, a potential source of major instability, and a supplier of energy and raw materials. Relations with a USA which is as concerned with its Pacific and Western hemisphere interests as with the legacies of its 40-year commitment to Europe will be played out within a global context more than a regional one.

Will there still be an 'Atlantic Community'? As surely as there is still a 'Special Relationship' between the United Kingdom and the United States, but as transformed as that has been by developments in international economics and politics, and by the passing of the generation who felt its special qualities deep in their bones.

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Notes

1 Robert Marjolin, Memoirs 1911-1986 (London: Weidenfeld, 1989) set out the story of American partnership in West Europe's institutional construction very clearly. Miriam Camps tells the delightful story of a draft speech for Paul Hoffman, the head of the US Economic Cooperation Administration, to deliver to an OEEC Ministerial Council meeting, coming across the desks of the State Department planners. Finding it peppered with references to the desirability of 'European Union', and fearing that this might be seen as excessive intervention in the tense intra-European arguments within the Council of Europe and the OEEC, they successfully insisted that the word 'union' should be expunged and replaced at every mention with the term 'integration', chosen because it was so vague and meaningless as not to commit anyone to anything concrete.

2 It seems unlikely that the Belgians would emerge as intransigeant defenders of the current NATO institutions, if changes were in prospect. Apart from their weaker influence than the French or Germans in European politics, alternative employment and development in Brussels is not a problem.

3 The Economic Consequences of the Peace (London: Macmillan, 1919) p.14.

4 Mrs.Thatcher in her Bruges speech of September 1988 included Prague, Warsaw and Budapest in her list of 'great European cities' - but not Belgrade, or Bucharest or Sofia. Her assertion that the Poles, Hungarians and Czechs were among those peoples 'who once enjoyed a full share of European culture, freedom and identity' suggests a rosy view of Hungarian and Slovak history, at the very least.

5 Some shout rather than whisper. The leader of the Serbian Communist party assured us on the 600th anniversary of the battle of Kosovo (when the Turks overwhelmed the mediaeval Serbian empire) that in Kosovo the Serbs are now fighting 'the battle for Europe' against the forces of Islamic fundamentalism.

6 I have explored the issues of European mental maps and of alternative definitions of Europe's identity and boundaries in chapter 2 of The Transformation of Western Europe (London: RIIA/Pinter, New York: Council on Foreign Relations Press, 1990).

7 The argument that a united Germany will 'inevitably' dominate the EC, whether of 12 or of a larger number, is frequently made in London, and occasionally heard elsewhere. It leaves aside the key question of how well-established an institutional structure there may be within which other players can effectively exert influence. New York and California do not dominate the United States; the institutional advantages the US federal structure gives to the smaller states indeed builds in advantages from which Delaware and Rhode Island clearly benefit. The support which Belgian and Dutch politicians express for 'European Union' is based upon similar calculations.7

THE AMERICA-EUROPEAN
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INSTITUTIONAL ASPECTS OF THE U.S.-E.C. RELATIONS IN THE FRAMEWORK OF EUROPE'S NEW ARCHITECTURE

Discussion Paper Presented By

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and
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AECA Annapolis Conference, September 21-23, 1990

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INSTITUTIONAL ASPECTS OF THE U.S.-E.C. RELATIONS IN THE FRAMEWORK OF EUROPE'S NEW ARCHITECTURE.

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As indicated in another paper the "institutionalisation" of the U.S.-E.C. dialogue was discussed at the Talloires Seminar in September 1989.

Starting from the existing mechanisms of cooperation (annual meeting between the Commission and U.S. Cabinet Members, political cooperation (1), etc.) Prof. J. VANDAMME suggested a cooperation Treaty between the U.S. and the E.C. in order to deal "with political and global issues, from strengthening the forces of democracy in the third world, to managing regional tensions, to putting an end to the division of Europe" (2).

Such Treaty could provide a flexible institutional framework including :

- the creation of a high level body in charge with the global coordination of the U.S. and E.C. policy in matters of common concern; this body to be composed with five members of U.S. Cabinets and five E.C. Representatives - two Commissioners and the Troika;
- a permanent dialogue between U.S. Administration, E.C. Commission and political cooperation in order to fix the agenda and supervise the execution out of high level bodies' decisions;
- a joint consultative committee with representatives of the European Parliament and the Congress.

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1. "How E.P.C. can contribute to a more balanced transatlantic dialogue". Paper presented by G. BONVICINI at the Talloires Seminar.
2. Address of President G. BUSH at Boston University, May 21st, 1989.

A majority of participants was not in favour of such an institutionalisation for following reasons :

1) although economic and security matters are to be considered together, the discussion of both in a single framework could be a divisive exercice : the E.C. has no competence in security matters;
2) an E.C.-U.S. dialogue could be felt as directed against Japan;
3) before creating new institutions, the existing ones should perform better (O.E.C.D., etc.) : business and provisional contacts should be increased;
4) it is not clear who will have the leadership of the E.C. Delegation : the President of the Commission or the President (in exercice) of the Council : the question could also be divisive for the Europeans !

Notwithstanding these objections most participants agreed that an overall approach towards the U.S. - for issues that cannot be divided into categories (3) - would be highly recommandable. Therefore a declaration of intent and the reinforcement of the existing channels of discussion and cooperation would be advisable above the creation of a new organ.

The question came again on the forefront after the speech pronounced by the Secretary of State James BAKER in Berlin on December 12th., 1989.
Mr. James BAKER urged to strengthen this dialogue, obviously of crucial importance for the U.S. at a time when fears that the E.E.C. might become an instrument for restricting U.S. trade, investment and political influence in Europe are real.
According to Mr. BAKER, the U.S. and the E.C. should "work together to achieve, whether in treaty or some other form, a significantly strengthened set of institutional and consultative links. Working from shared ideals and common values, we face a set of mutual challenges - in economics, in foreign policy, the environment, science and a lot of other fields. So", continued Mr. BAKER, "it makes sense for us to fashion our responses together as a matter of common course".

It may be interesting to note that the present pragmatic channels of cooperation between the E.C. and the U.S. have recently been reinforced.

Until now, the American Secretary of State and his Cabinet colleagues specialised in economic affairs met every December in Brussels with the President of the Commission and the concerned Commissioners. Recently, this first arrangement has been strengthened by a return meeting held in Washington in the Spring : such a meeting, lately, occured at the end of April,

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3. R. E. HUNTER's background notes for a presentation at the Talloires Seminar.

just a few days before the European Summit of Dublin. Besides these two annual meetings, which are of course carefully prepared at subministerial level, the European Commissioners of course entertain regular contacts with their American counterparts, contacts which have proved to be particularly useful on disputed matters such as trade policy and agricultural matters. At last, the pattern of E.C.-U.S. consultation is completed by the agreement of a biannual meeting of the American President with the leader of the country holding the rotating Presidency of the Community, and an annual meeting of the American Secretary of State and the twelve Foreign Affairs Ministers of the E.C. (4).

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Although good progress has been made in the U.S.-E.C. relations, a vacuum remains about the security questions. The major difficulty in promoting the idea of a new framework for the U.S.-E.C. dialogue is the lack of competence of the E.C. in security matters. This is the reason why some people suggested to organise this dialogue in the framework of N.A.T.O.

In the same Berlin speech, Secretary of State James BAKER considered the unevitable evolution of the Alliance's role in the European architecture. In his mind, "N.A.T.O. will become the forum where Western nations cooperate: where Western nations cooperate to negotiate, to implement, to verify and to extend agreements between East and West". M. BAKER sees the solution of the N.A.T.O. dilemma in giving it new political tasks, such as arms control and the strengthening of East-West cooperation through the Helsinki process.

It can be questioned whether N.A.T.O. is the appropriate forum for promoting economic links between East and West, for building democracy in the ex-Warsaw Pact countries, or for fashioning a more open environment for trade and investment. For the European partners, it might be interpreted as a way for the U.S. to keep its leader's role in the changing Europe. N.A.T.O. certainly will change, but it is doubtful that it can assume the task of reconstructing Eastern Europe and restoring democracy from Poland to Romania while keeping its actual structure. Moreover N.A.T.O. has no competence in out-of-area questions.

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4. R. DENMAN, "The United States and a Uniting Europe : the relationship after 1992", Paper presented on May 29th., 1990 at the Harvard-Luxemburg meeting held in Luxemburg.

Finally the increased political role of the E.C. in the last year indicates that this institution is more appropriate at least for the political and economic dialogue which will become more and more the crucial issue.

But the E.C. must acquire a security dimension and establish an adequate relationship with N.A.T.O. With the Single European Act (1987), a security competence was given to the E.C. Art. 30 provides that the political and economic aspect of security should become a matter of discussion within the efforts to develop a common external policy.

The European Council decided in June 1990 that two Intergovernmental Conferences should take place in December, 1990 one dealing with the new requirements of a "political" union between the E.C. Member States. The truth is, as Dublin showed, "Political Union" is by no means commonly defined. Clearly a comprehensive discussion of "Political Union", notwithstanding divergent opinions about the exact definition of this term, cannot exclude the security dimension.

According to the opinion of many experts the best solution could be to absorb in the E.C. the Western European Union (W.E.U.). The fact that the W.E.U. is only including 9 out of the 12 E.C. Members is not a major objection (with an exception for Ireland).

In other fields of competence of the E.C. such as the European Exchange Rate Mechanism not all the Member States are present.

Were the E.C. to develop a substantial competence in the security domain, an E.C.-N.A.T.O. agreement could be envisaged and the major objection against a global institutional dialogue between the E.C. and the U.S.A. would disappear : this might be a way in which the U.S.A. could be associated with the new European architecture.

THE AMERICA-EUROPEAN COMMUNITY ASSOCIATION USA

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THE EUROPEAN COMMUNITY AND THE UNITED STATES

Proposals for an Institutionalized Relationship

Reinhardt Rummel,
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AECA Annapolis Conference, September 21 - 23, 1990

THE EUROPEAN COMMUNITY AND THE UNITED STATES
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I. The new setting for institutional innovation

What ever the final outcome of the present Persian Gulf stalemate, Iraq's invasion of Kuweit has demonstrated to the northern hemisphere of the globe that despite of the ending of the Cold War hot conflicts are ahead. Even short of war some regional and some global challenges of today have the potential to disrupt the sensitive international system and produce nothing but loosers. The United States, West Europe, Japan and a few other actors in the world are the only ones to have enough resources to try to avoid such global chaos and to safeguard as much stability in East-West and North South relations as possible.

To the extent that military power and military alliances loose some of their validity, at least in the northern hemisphere of the globe, trans-Atlantic relations are affected too. From one NATO summit to the next, communiqués in the last three years have stressed the political nature of the Atlantic Alliance. The new means to cope with the former enemy in the East are increasingly of a nonmilitary kind. Washington which used to dominate NATO in an ideologically and militarily confrontational East-West setting is loosing some of its influence. This does not seem to be a problem so far when both the United States and the West European allies follow pretty much the same policy toward the East or the Third World. However, some of the traditional trans-Atlantic trade conflicts could well become more visible as NATO and the Soviet threat cease playing the disciplining role. The Community and its trade policy will be more exposed to American attempts to make up for its loss of influence, while the West Europeans themselves will have to come forward with substantial solutions for the remaining security risks which are not small at all.

The Community is rapidly developing genuine relations with East European countries and with the Soviet Union. This breaks with a tradition of nonrelations between the EC/EPC and Moscow. Most of Western Europe's strategically important connections and negotiations used to be coordinated in NATO and were dealt with in the multilateral framework of the CSCE where Washington has been an integrated member. It comes as an ambivalent surprise to the American diplomacy that Western Europe opens up its own dialogue with Moscow and other East European countries and that a network of bilateral treaties creates a new field of West European prominence: On the one hand Washington likes to see the West Europeans take over more of the burdens of assuring stability in Europe. On the other hand the US Administration suspects a peering of Brussels and Moscow (see the common

declaration on the Iraq conflict of September 1990) and the American business hates to see the West European competitors in a more advantageous position. Hence the demand from Washington to coordinate most of the Western policy toward the East within the Western institutions, especially in a reformed NATO but also beyond. The EC/EPC member states are thus faced with the question of widening and deepening the trans-Atlantic dialogue in order to give the U.S. more influence on intra-European relations. Then again, the West Europeans want to develop as much of a political union in Western Europe as possible and need a certain amount of autonomy for this enterprise represented by such catchwords as Internal Market, Monetary Union and Intergovernmental Conferences..

Washington's desire to sit in on the Single Market negotiations within the Community is a representative example of the United States' interest to remain more immediately involved in structural changes on the European continent. If Economic and Monetary Union as well as the Political Union are installed in the near future, it might well be that Western Europe will be perceived more like a fortress than a system open to enlargement, cooperation and interaction with other states or organizations. Integrationism which produces positive results within Europe may lead to a sort of isolationism or extreme "regionalism" on the level of the Community. The United States may feel like a victim of such a course of events.

Regional integration in Western Europe should neither lead to the creation of an inward looking power bloc nor to an arrogant or dominant international actor. The Community should develop its relationship with the United States along with the intensification of the West European integration process and the establishment of bilateral ties with Eastern countries. The West Europeans continue to need Washington as a strategic partner to balance both Soviet military power and any other potentially dangerous power concentration in the world which - like in the Iraq case - can produce dangerous spillovers. West Europeans also need to keep up close economic and political ties with the Americans to preserve and develop the Western values. The quality of their relationship cannot fall beneath a level dictated by the high degree of trans-Atlantic interaction and interdependence. It would thus be as foolish as backward to ban the U.S. from Europe. However, the kind of American involvement in Europe and the sort of new cooperation with Washington in a post cold-war era should be carefully determined.

II. Propositions

To intensify West European-American relations four considerations are to be made:

- the creation of the Northatlantic Cooperative Space,
- the development of the Euro-American Dialogue,
- the extension of the institutional relationship,
- the insertion in the international environment.

Some explanations to these propositions follow.

1. Creation of the Northatlantic Cooperative Space

The totality of relations between West Europe and North America should be developed toward a large cooperative space.

In the last decades, the structure of multilateral relations between West Europe and North America was largely shaped via NATO. This included also Canada. Other consultative bodies like the EC-US Dialogue and the Economic Summit only played a secondary role. Today, the Northatlantic Alliance can no longer deal with the amount, the variety and the interconnection of necessary cooperative relations in an adequate way. As a consequence of the reduced East-West antagonism NATO itself looses weight, questions of economic influence are becoming more prominent and the European Community has gained in political power. The adquate adaptation to these chnages in terms of new challenges and shifting power structures can not be achieved via the reform of just one institution, NATO. The totality of Northatlantic relations neeeds amendment and modernization.The goal of this stubstantial, contractual and institutional renewal and extension should lead to the creation of a wide Northatlantic cooperative space.

The region around the Northatlantic ocean enjoys an already high level of cooperation. The area is characterized by a high degree of liberal democratic political culture, the close traditional cooperation in defense and security matters and the extensive network of economic cooperation. In all these respects, the area differs significantly from the all-European cooperative space which appears as an underdeveloped region due to the decades

of East West separation. Contacts in the Northatlantic Cooperative Space ought to be intensified but an integrative process like in West Europe is not intended. Instead, the Northatlantic space would host a large variety of governmental and nongovernmental relations, without thriving for an association, a union or a confederation among the states of the North Atlantic.

On the American side, the US and Canada are participants, on the European side, mainly the NATO partners. This core of sixteen nations may eventually be widened by some neutral and East European countries. The objective of cooperation in the Northatlantic Cooperative Space is the preservation and the promotion of "Western" values, especially human rights, liberal democratic pluralism, free and fair trade as well as a global responsibility of economies which are guided by the principles of the market, the protection of the environment, stable currencies and growth without inflation. An initial Northatlantic conference, later on a Northatlantic Cooperation Council guides and coordinates common activities of the participating countries and organizations such as NATO, the Northamerican free trade zone, the European Economic Space (EC+EFTA), West European Union, Council of Europe.

The initial Northatlantic conference should

- start with a proclamation of the set of common Western values,
- describe the new international constellation such as the extended scope of inter-dependence, the new balance within the European-American partnership, the reference to the all-European cooperation space,
- confirm the ground rules of mutual interaction among participating countries.

This time, West Europe should launch the initiative for such an approach.

2. Development of the Euro-American Dialogue

The scope of the transatlantic dialogue should be adapted according to the progress of West European unification as achieved via the Single European Act and envisaged by the plans for an Economic, Monetary and Political Union. The new partnership between these Unions of West Europe and the United States evolves in the Euro-American Dialogue.

Up to now, the West European institutions are underestimated within the existing transatlantic relations. Present transatlantic relations do not represent in a satisfactory way the incremental transformation of West Europe from a peer group of states to an economic and political entity. Most likely, the nineties will bring a further push toward West European community building, especially with respect to the Internal Market, the Monetary Union, the extended coordination of economic policies, the coherence of foreign policy, the parliamentary reenforcement of the Community political system. Thus, the substance of the collective actor West Europe is enlarged. The dialogue between the Community and Washington should take account of this increase of integration in West Europe by the following four measures:

- The relationship between the United States and the Community should be turned into an equal and balanced partnership. This can be realised by an institutionalized dialogue of all institutions of the West European integration and the respective partners of the American Administration. (see below *c. Institutional expansion*).

- The United States and the EC/EPC should agree on a framework treaty or memorandum for mutual information, consultation and cooperation on all economic and political subjects as far as they are not regularly dealt with in other fora such as NATO, OECD, World Bank.

- Cooperation of the American and European actors in international organizations should be strengthened without giving up autonomy of either side. Practical examples are the coordination of political positions of EPC and US diplomacy in the United Nations and the concertation of trade liberalization initiatives within GATT.

- Both sides should ameliorate the technical preconditions for cooperation. In Washington the part of the Administration which deals with the Community at large might need some expansion and sectoral competences (such as in trade or with respect to EPC matters) might need to be interconnected to form a cohesive interlocuteur. In West European institutions a more stringent executive branch for international relations needs to be developed and the external identity of West Europe has to be enhanced.

The Euro-American Dialogue, established along these lines, should parallel and complement a NATO which is in the process of restructuring and reorientation, partly for the same, partly for different reasons. Both NATO and the Dialogue will constitute core elements of the above described Northatlantic Coooperative Space.

3. Expansion of institutional relations

The variety of existing and partly formalized contacts between Washington and the West European institutions should be officially confirmed and extended according to the further need for the European-American Dialogue

The joint official confirmation of the existing net of contacts should include a description and an assessment of these contacts just as EPC handled a comparable question in the Luxemburg and Copenhagen Reports. In addition to such a stock-taking, pragmatic proposal for further development should be made. This procedure helps to avoid an unrealistic fixation of a certain level of cooperation.
The institutional expansion englobes the consultation between the US Administration and each of the relevant Community actors, the European Council, EC and EPC as well as the relationship between Congress and the European Parliament .

a. The European Council and the US Administration

Where we are: As of recent no direct relations existed between the European Council and the US Administration. Meetings of the American President and the President of the European Council happened by chance rather than by desgin or offical mandate.

Where to go: Bi-annual meetings of the President of the European Council and the President of the United States should raise the status of the transatlantic dialogue. This proposition was already made during the meeting of Bush and Haughey at the end of February 1990. These metings should be design to provide some general orientation for European-American relations at large. However, a participation of the EC Commission President in these meetings should be considered, especially if more weight is attributed to this position in the future.

Together the President of the European Council and the EC Commission President represent the major initiative and executive branches of the Community. They can link EC and EPC matters in a cohesive way and thus render the transatlantic talks more comprehensive and more valuable. The interaction of EC and EPC is first of all a problem inside the Community of how to strengthen the coherence and the simultaneous external representation of EC and EPC. In any case, mixed external representation Presidency/EC-Commission should increasingly be used and should become the rule for the meeetings on foreign minister level as well. This has to be regarded as an element to advance the formation of a more distinct foreign policy branch of the Community and the future Political Union.

b. The US Administration and the EC

Where we are: Relatively speaking this chanel of European-American relations is the most advanced and the most experienced. In addition to the bi-annual calendar meetings on minister or commissioner level serving mainly as a forum for mutual information on the main topics of the actual agenda, a large quantity of high level meetings takes place among representatives from the Commission and experts of respective US government agencies. These gatherings are very often of a high practical importance, but mostly focussed on "technical" matters and without any reference to the wider public.

Where to go: Concerning EC isssues three consultative meetings a year should be held on minister level. The third meeting could be held at the fringes of OECD conferences and the UN annual session in New York where regular ministerial talks have taken place between EPC and the State Department. Insiders claim that a more thorough and comprehensive praparation of those meetings could augment the output of such talks. Limits of mutual consultations become obvious, however, when they start to undermine the multilateral character of OECD, GATT, World Bank and IMF. Regular American-European pre-negotiations risk to cause damage to other valuable multilateral regimes among the Western nations.

Within the above proposed structure of a regular European-American Dialogue, mixed committees should deal with questions of a complex nature, particularly those which combine economic and foreign policy components. On the European side of the conference table representatives of both the EC and the EPC would have to participate. To prepare such

agendas the EC Council administration, the Commission and the EPC secretariat should form a coordinating committee. This again would contribute to the evolution of a more forceful foreign policy arm of the Community and the European Union.

c. EPC and US Administration

Where we are: The information meetings of EPC and US Administration representatives continue to be largely a one way street. There is less esprit de corps than in EC-US gatherings.

Where to go: While the network of contacts between EPC and US Administration has become more dense, the European side still lacks a better "grip" on the American policy agenda. To achieve a two way street in this regard the following measures should be considered:

- to form a more forceful and concerted lobby of the EPC representatives in Washington vis-à-vis government agencies and more importantly also the United States Congress. This is to a certain extent a problem of the representatives of the EPC Presidency in D.C. Maybe the more extensive use of the troika could be helpful in this case, too.

- to nominate within each Community Presidency a coordinator for European-American relations. This personality could be drawn upon by the American diplomacy and by Community personnel as well.

- the establishment of an "experts group North America " within EPC.

- the official agreement on a regular exchange of views in foreign policy in the framework of the Euro-American Dialogue. This understanding should push the relations beyond the provisions of the Gymnich formula of 1974. Moreover, it can be expected that the participation of EPC in the above mentioned mixed committees of the Euro-American Dialogue can contribute to an increase of EPC's influence on American decision-making in foreign policy.

To improve the confidentiality of Euro-American consultations in foreign policy matters the following steps should be considered:

- a second ministerial meeting under the 12:1 formula, preferably to be held as an informal Gymnich type meeting.

- the intensification of the Euro-American "coordination reflex", although the degree of cooperation will have to remain underneath the level which exists inside EPC.

- the mutual exchange of confidential information. On the European side the EPC secretariat could, in accordance with the Presidency, send part of the internal correspondence (Coreu) to the Brussels US embassy. This should be restricted to areas where special European-American consultaions have been agreed upon anyway like in human rights questions.

- the expansion of those "special consultations" into further appropriate areas. Those consultations are regarded by diplomates as most useful because of their high degree of confidentiality and their practical importance.

d. European Parliament and United States Congress

Where we are: So far, delegations of the two parliamentary institutions meet twice a year for an exchange of views. The difference in status between the European and the American parliamentarians hinders a more extensive interest on the American side. Senators have particular problems to find their homologues in Brussels or Strasbourg.

Where to go: The contacts between the European Parliament and the US Congress should become an official part of the Euro-American Dialogue. Following activities could be considered in this context:

- A meeting of the Presidents of the two institutions could improve the mutual understanding of the divergencies in the two parliamentary setups.

- The regular gatherings of the parliamentarians could become more specialized and include metings on committee and subcommittee level.

- The research services of both institutions could meet to discuss foreign policy issues and exchange views on practical questions of consulting.

The EC Council of Ministers as well as the EPC foreign ministers could develop closer contact with Congressmen to make up for some of the above mentioned asymmetries in status.

4. Insertion in the international environment

From the very start, the Northatlantic Cooperative Space and the Euro-American Dialogue should be embedded in the rapidly changing international environment.

Currently, relations within Europe among West Europe, Central and East Europe as well as the Soviet Union are reshaped. The relations with countries outside the Continent, such as those between Moscow and Washington, Moscow and Tokio, are in flux, too. This reveals also the high level of interdependences between European and non-European states. It is obvious that any initiative to alter traditional EC-US relations will go beyond the transatlantic partnership and affect the whole future constellation of states of the northern hemisphere.

Except for the United Nations, no international organization exists which counts all the states of the northern hemisphere among its members. Northamerica and West Europe are represented in CSCE, Japan is not. In the Economic Summit neither the Soviet Union nor the countries from central and eastern Europe are represented. CSCE and the Economic Summit could be regarded as complementary in terms of membership and policy agenda and could coordinate their activities. Preconditions are not yet achieved for such an evolution, but this sort of perspective is not totally unconceivable anymore.

CSCE comprises membershipwise both the Northatlantic and the all-European space while concentrating its activities on Europe. At present, many reasons and initiatives point toward an institutionalization of CSCE. In comparison, the Northatlantic space appears like a side field. This is of course natural given the already relatively high degree of transatlantic

cooperation. Yet, the need for an adaptation of European-American relations should not be underestimated. The United States wish to have an influemce on the dynamics in Europe to the extent in which they affect their interests. West Europe wants to profit from the opportunity to put transatlantic relations on a more equal and balanced footing and to insert the wider Northatlantic Cooperative Space in the network of international relations.

To sum up: West Europe and the United States should join to design and develop the Northatlantic Cooperative Space (among others including Canada and some of the non-EC states of Europe) and to organize a more comprehensive and meaningful Euro-American Dialogue. It is an opportunity where under present conditions both sides can only win. The scope and the direction of a reshaping of the transatlantic relations should stress the special nature of this relationship as compared to the all-European cooperation. It should also be a test case for West Europe's new assertiveness. Moreover, the parallelly evolving all-European order has to be part of the considerations, especially when it comes to its institutional arrangements. Therefore, one shouldmake sure to synchronize both processes, the transeuropean and the transatlantic one. The most urgent need, however, is obviously for the establishment of stronger transeuropean cooperative structures.

DR. GÜNTER BURGHARDT

EUROPE 1993
Evolving translatlantic ties : What future lies adhead ?(*)

Since nobody can predict the future, we are on particular moving grounds, but we will do our best to contribute to the debate. Let me start with Europe 1993. Then add some comments on the trans-Atlantic dimension and thirdly try some prognostics about the future further ahead.

"Europe 1993" may look futuristic but is in fact already very much part of present policy. If I would have to define what Europe 1993 means in a nutshell, I would have to mention three essential components.

First : 1993 was conceived in 1985, the very first year of the first DELORS Commission. The objective was to realize a turn-around of the European integration process from what was called at the time "Euro-pessimism" into what some people now call "Euro-optimism". The recipe was to set a new goal for the integration process. Setting a new goal was an ambitious exercise, while the field chosen was the classical field of European integration, the achievement of the internal market.

(*) Transcript of the speech delivered to the Defence Study Centre Conference on "European Security and Defence Economy after 1992 : new challenges and opportunities" (Brussels, Palais-Egmont, 21 June 1990).

This idea was therefore nothing dramatically new, the new thing was to redefine the full achievement of the internal market as a political, a strategic goal. And this is what the DELORS concept added to the process.

The constitutional implementation of this objective was achieved in 1987 with the entering into force of the Single European Act, amending the original constitution of the Rome and Paris Treaties in two important aspects.

The Single European Act translated into constitutional language the political objective of the full achievement of the internal market and it institutionalized the until then "process" of European Political Cooperation. The Single European Act thus gave expression to the principle that the external relations of the European Community and the coordination of Member States' foreign policies are the two sources of the future common foreign policy, the essential constituant element of a European Political Union. And I am stressing this because the Canadian Ambassador to NATO just alluded to the problem of coordination among the Twelve versus coordination among the Sixteen. It would be quite illogical indeed if our friends and allies considered the European Political Cooperation "à Douze" as an unwelcome competitive process from a NATO point of view. The eleven members of the Community you normally meet at NATO cannot but express the common positions they have reached at Twelve. When putting on their NATO hat, they cannot change the substance of these positions. This has to be seen as a complementary not a contradictory process.

To expect the Community to evolve towards Political Union, while wanting to conserve the advantage of eleven individual negotiating partners inside the NATO sixteen would amount to no less than institutionalized schizophrenia which could only be detrimental to the Alliance's capacity to share the burden of carrying out its common tasks.

The second element constituting "1993" was added in 1988 when the European Council under German presidency adopted the so-called "DELORS package" designed to making a success of the European Single Act. The DELORS package was about triple agricultural, financial and structural policies reform, a number of accompanying policies to the establishment of an economic space without internal frontiers and a more efficient Community decision making process. The two elements created movement and dynamics well before the changes which occurred in Central and Eastern Europe. Already before 1989, the Community started to attract growing interest by its neighbours. A newly born, reactivated Community turned into the kind of political and economic magnet which it has proven to be since. President BUSH in his Boston-speach in May 1989 - before the Berlin Wall cracked down - welcomed this emerging Europe as a partner in world leadership. This was a remarkable change of tone compared to the language of the 1974 "Year of Europe" when the Community was considered by the United States to exercise only limited regional responsibilities.

The third element of what will be Europe 1993 emerged clearly with the cracking down of the Berlin Wall which in fact was the symbolic event which marked the end of the separation of the European continent. The Community aquired another new role as a solid framework within which the Germans as well as their neighbours and allies obviously prefer German unification to take place. Indeed, when German reunification became a new topic on the international agenda, the Community became the vehicle which was thought to be most suited to absorb this new problem. At the same time, the Community appeared as the focal reference point and basic supportive structure for what some referred to as "a common European home" or "a Europe whole and free", a Europe on its way to democracy and market economy. The G 24 coordination process entrusted to the Community by the Paris Western Economic Summit of last year is a concrete expression of this new role.

The European integration process therefore is not part of the old pattern of Cold War. It is the translation into politics of an ideal which attracts more and more other nations in Europe. It is the foundation of the future architecture of Europe.

How does Europe 1993 translate itself into a calendar ? Here we have to distinguish the internal calendar of the Communities' own integration process and the external calendar which relates to evolutions around the Community and especially in Europe.

Concerning the internal calendar, 1993 has become a kind of symbolic date for a number of developments to happen about at the same time. I already mentioned some of them.

The first is the full realization of the Internal Market. The deadline is the 1st of January 1993.

The second is the Intergovernmental Conference on Economic and Monetary Union which will start at the end of this year and define the second and third stages of Economic and Monetary Union. The objective is to achieve negotiations and ratifications in time for results to enter into force on the 1st of January 1993.

The third major task for which 1993 is a deadline is Political Union. The mandate for a second Intergovernmental Conference will most likely be adopted by the European Council in Dublin at the beginning of next week. The mandate will cover improvements of the democratic accountability of the European integration process, greater efficiency of the European Community institutions and the definition of increased unity and coherence in the Community's international action. The second Intergovernmental Conference will also be expected to accomplish work in a way to make it possible to ratify the results parallely

to the results on Economic and Monetary Union, which means entering into force as of 1st January 1993.

And finally, speaking about the internal calendar I have again to mention German reunification, the political phase of which will probably take place sometime in the course of this year. Through political reunification of the two Germany's, the former GDR will become an integral part of the Community. A number of transitional arrangements will have to be put into place in order to allow this integration process to happen smoothly. These arrangements should as far as possible phase out by the end of 1992, in order to make full unification of the former GDR into the Community coincide with the coming into effect of the major changes outlined above. 1993 has thus become a magic date for a strengthened Community to enter into a markedly higher speed of integration.

This, of course, has consequences for the Community's external calendar, all the more since it is the Community's declared policy that internal strengthening is incompatible with further enlargement negotiations before 1993. Answers need therefore to be given to the question what the Community offers those countries in Europe which are attracted by our political and economic developments. The Commission has since 1988 reflected on this question and come up with a number of proposals which now start to become operational.

The first proposal is the creating of a European Economic Space between the European Community and the EFTA countries. Negotiations have started yesterday on the basis of a mandate which the Council has approved at the beginning of this week in Luxemburg.

The second proposal is to negotiate with the Eastern and Central European countries a second generation of association agreements with a marked political profile. The "Europe Agreements" are designed to respond to the wish of these countries to firmly anker themselves in the political and economic structures of Western Europe. At the same time, we are proposing a similar type of agreement to Yougoslavia and the revitalization of our association agreement with Turkey.

The third element of the external calendar is a reinforcement of existing cooperation links between the Community and the Southern and Eastern Mediterranean countries, as a contribution to economic and political stability of a region which is of vital importance not only for Europe but also for the Alliance.

Finally, another fundamental element of the external calendar is the CSCE. The "Conference on Security and Cooperation in Europe" has started in the early 1970's as an exercise perceived to have been monopolized by specialized diplomats and essentially designed to consolidate the Soviet post-war European empire. Since then, the Helsinki Final Act of August 1975 has exercised an unexpectedly crucial role accompanying evolutions in Central and Eastern Europe mainly in the field of human rights. It is now widely seen as a basic structure for institutionalized all-European relations providing a place for the United States and Canada at the European table.

The European Community has decided to play a full part in this process provided of course that the intergovernmental process of the CSCE is a complement and not a substitute to the Community's own integration process. It is our policy to participate in the CSCE process leading to the November CSCE Summit as a European Community. We are therefore grateful to the United States and Canada to have finally withdrawn their initial reserves against a visible own European Community presence. We are convinced that it is in the well understood Alliance's interests to share our

own analysis which - again - consists in the need to strengthen all-European structures of cooperation and security while consolidating the European Community as the stabilizing basic element of any greater European architecture.

Future CSCE institutions based on the principle of consensus will not be able to serve as a substitute neither for NATO nor for the European Communities, as much as the Société des Nations has not been able to prevent Europe to enter into a Second World War.

J'ai parlé assez longuement de 1993 et de l'Europe. J'ajouterai quelques commentaires sur les deux autres sujets : les liens transatlantiques et les perspectives pour l'avenir.

Au sujet des liens transatlantiques, je ne reviendrai pas sur ce que Tom NILES nous a dit. Le discours de James BAKER à Berlin a en effet énoncé les grandes idées autour desquelles devrait être axée la coopération transatlantique.

Le facteur essentiel est que les Etats-Unis et la Communauté européenne sont les deux piliers de ce partnership qui revêt trois dimensions : économique, politique et de sécurité. Ce sont surtout les deux premières dimensions qui étaient au centre des discours de Boston et de Berlin. Le leitmotiv est clair : les Etats-Unis cherchent à maximiser le dialogue avec l'interlocuteur européen en utilisant intégralement toutes les structures actuelles de dialogue (communautaires et de coopération politique), laissant aux européens le soin de renforcer leur "état de l'Union" pour l'avenir.

Quant à la sécurité, la situation est compliquée par l'absence, à l'heure actuelle, d'un interlocuteur européen qualifié. Le défi reste lancé au côté européen de savoir comment jeter les bases d'une identité européenne faisant émerger dans le domaine de la sécurité un pilier européen au sein de l'Alliance

atlantique, tenant compte par ailleurs du fait que la sécurité n'est pas uniquement une notion militaire.

Un prochain pas à franchir dans le cadre de la révision envisagée des Traités pourrait consister à relier le processus d'intégration européenne aux structures à la fois de l'OTAN et de l'Union de l'Europe Occidentale.

Quant à l'avenir, il serait imprudent de sous-estimer les facteurs d'incertitudes.

Une première incertitude concerne le processus d'intégration lui-même. Le renouveau de l'intergouvernementalisme est apparent. Par exemple, dans le cadre des "35", les Etats Membres risquent de soigner la nostalgie des "puissances souveraines" d'antan. L'Union politique fera-t-elle la force ? Les desseins de la Grande Europe prendont-ils le devant ? La manche n'est pas encore gagnée.

Une autre incertitude résulte de la situation en Europe de l'Est. Le fardeau de la réforme économique en URSS sera un sujet de discussion au Conseil européen de Dublin et au Sommet Economique Occidental à Houston. L'évolution des structures politiques et constitutionnelles de l'URSS, la question des nationalités/ minorités ethniques en Europe centrale sont d'autres points d'interrogation.

Une troisième catégorie d'incertitudes tient aux problèmes de la drogue, de l'environnement et de l'immigration, à la prolifération d'armes nucléaires et chimiques. La nécessité de trouver des réponses communes est évidente.

Finalement, il s'agit de ne pas sous-estimer les nouvelles menaces à la sécurité, notamment en provenance du Moyen-Orient.

Voici plein de tâches communes aux partenaires d'une alliance atlantique rénovée au sein de laquelle un partenaire européen plus homogène pourrait assumer des responsabilités bien plus grandes.

Je vous remercie.

Robert B. Zoellick

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The New Europe in a New Age: Insular, Itinerant, or International? Prospects for an Alliance of Values

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Washington, DC

Following is an address by Robert B. Zoellick, Counselor of the US Department of State, before the America-European Community Association International's Conference on US/EC Relations and Europe's New Architecture, Annapolis, Maryland, September 21, 1990.

The letter inviting me to speak to you tonight described this conference as a "brainstorming" session. And I was asked to speculate about the future. Since my speculation often starts with an observation on history, that's where I'd like to begin this evening.

History books identify seminal events and years; they mark the end of one age and the beginning of the next. But reality is more complex, as patterns of thought evolve and leaders and publics shift their thinking toward new challenges. We are living in a transition between two eras. What came before was the post-war era—the Cold War. So far, the next period has been labeled the post-Cold War era. It does not even have a name of its own because we do not yet know its dominant characteristics. But we must take actions today that will shape this next age. So we need to speculate about both continuing and new challenges. And we need to consider how the United States, Europe, and others might meet them.

Tonight, I will focus on three questions about the new Europe in this new age:

- Will the new Europe be insular, itinerant, or international?
- What are the primary challenges Europe will share with the United States in the post-Cold War age?
- What practical steps should the European Community (EC) and the United States take to get on with the job?

Insular, Itinerant, or International?

Insular. Imagine a place in the not-so-distant future, with tall mountains, clear streams, and picturesque meadows. The cities are clean. The people speak a number of languages—Romance, German, and English. The political system is a federal republic, and the citizens are prosperous. You may believe you already know the land I'm envisioning. But when the flag comes into view—a white cross on a red field—it's the ensign of Switzerland. Might the new Europe be akin to a large Switzerland?

My European colleagues are startled when I suggest the new Europe could be an insular Europe. After all, Americans and Asians are supposed to be insular; Europeans are cosmopolitan. But consider the possibility of insularity. The Germans could be preoccupied with unification. The EC could be absorbed by the economic, monetary, and political integration of Western Europe. The new market democracies of Central and Eastern Europe could be concentrating on making their reform efforts work and on drawing closer to their Western neighbors. The EFTA [European Free Trade Association] nations could be focusing on their relationship with the Community. The Balkans could be intensely involved in reconciling nationalisms with nationhood.

Some might reason that there's no shortage of work to be done in Europe, which is, after all, where the "horizons" all come together. Besides that, the outer reaches might be portrayed as unappealing: Exports, especially from Asia or foreign farmers, could disrupt European harmony; people to the south want to migrate north or start deadly conflicts; and perhaps the Americans have had a say in European affairs for too long. If that were not enough, the new Europe is also going to have to accommodate and help determine the place of its large, Eurasian neighbor, the Soviet Union. Frankly, I do not believe the insular Europe is the most likely new Europe. But some public and political currents, as well as some policies, reflect this insular spirit.

Itinerant. A second possibility for the new Europe would be to become what I call the itinerant Europe. By this, I mean a Europe that will engage around the world, but autonomously, without much interest in new, durable alliance ties for this new era. This itinerant Europe could reflect recovered self-confidence. It also could draw from Europe's past, when wandering, unsettled spirits from missionaries to colonial adventurers roamed the globe carrying a singular European perspective. Indeed, as in the past, this regional outlook on global issues could turn out to be a product of intense intra-regional discourse that overlooks the perspectives of non-Europeans. Or it might reflect the difficulty of accommodating additional preferences after the European view has been determined through a complex, negotiated process.

International. My third speculation for the new Europe is as an international Europe. An international Europe would be cognizant of its capabilities and responsibilities. It would accept the importance of cooperative, collective action in addressing the challenges of this new era. Perhaps most important, this Europe would recognize that the bonds of ideas and values are at least as important as geographic propinquity.

The Economist recently offered a similar view, explaining that "Euro-America," as the editors called it, grows from the common roots of the Renaissance, the Reformation, and the Enlightenment. Moreover, they pointed out that the politico-cultural ties are backed by movements of people, trade, investment, and thought.

I believe that shared ideas and values will become increasingly important as we create the "alliances," institutions, and regimes that will address the challenges of this new era. The Cold War alliance structure was fastened together primarily with the glue of anti-communism. Our bond was the hostile threat to our common values, rather than just our mutual commitment to these principles. As the perception of that threat recedes, neither the United States nor Europe can take these associations for granted. New generations may not proceed on the basis of old assumptions. For example, an insular or itinerant Europe might instead define its connections or policies on the basis of geographic separateness, not shared values.

It will be no small achievement in coming decades just to maintain the assumption that the United States, the European Community, and Japan are colleagues in pursuit of common ends. The three of us together could, however, accomplish a great deal more. We can be the catalysts and major contributors toward addressing the post-Cold War problems. We can draw other nations into existing or new international structures that support our common interests and objectives. With the changes in what had been labeled the second world, the concept of a residual third world has lost much of its meaning. Many of the nations in that heterogeneous group may find it in their interest to associate with us through new or adapted international structures.

An international Europe is the only Europe that will enable us to take on the work ahead. An insular Europe would ignore its responsibilities within an interdependent world. An itinerant Europe would be incompatible with and would disrupt the development of a global system that can address our new challenges.

Primary Challenges of the Post-Cold War Age

Turning then to my second question, what are the primary challenges for the United States and an international Europe in this post-Cold War era? I will briefly describe four topics on our common agenda.

First, perhaps the surest indicator that the Cold War age of containment has passed is the crumbling of the communist nemesis. This development offers both opportunity and risk. Empires in transition can prove dangerous, both internally and externally. Fearing the erosion of power, a challenged leadership, or the counterreaction it provokes, can strike back violently, as we witnessed in the People's Republic of China (PRC) in 1989. Or old problems, submerged by repression, can be revived, as is the case with smoldering nationalities throughout the Soviet Union and Eastern and Central Europe. New, dangerous figures can prey on fears and frustrations rising out of the turmoil. And the devastation long wrought by communist systems—to individual initiative, civil structures, economic capabilities, the environment—may take many years to overcome. Yet the people of these nations have high expectations and modest patience. These are the dark sides of the new instability; when combined with still-mighty military force, the bubbling brew threatens to spill over and ignite.

The reform or abandonment of communist systems also offers enormous opportunities. People are experimenting with economic and political freedoms. Their leaders want to embrace democratic and market institutions. They are looking for ways to overcome conflicts and dangers around the globe, not to fuel them. There is no simple formula for moving beyond containment to seize the opportunities and overcome the threats of a crumbling communism. Indeed, it would be a mistake to assume that the task will be the same for dealing with the Soviet Union, the PRC, the old Eastern bloc in Europe, Vietnam, or other residual communist outposts. Each involves unique national characteristics and circumstances. This shift will be of such scope and duration as to require sustained management by new structures and regimes.

Our **second** challenge is to stop or dampen regional conflicts, now made even more threatening by the proliferation of advanced weaponry. Throughout the post-war era, regional disputes were the most probable points of conflict, violent or otherwise. While the tanks, missiles, and massive armies faced off in Europe, the greatest likelihood of people dying turned out to be elsewhere. And although regional protagonists might have maneuvered for superpower support, the superpowers also maintained a rough capability to restrain clients, or at least prevent an escalation to the verge of obliteration.

In the post-Cold War era, regional conflicts remain as highly probable as before, but the proliferation of dangerous technologies—especially missiles and chemical and nuclear weapons—has raised the costs of encounter exponentially. Moreover, some of the superpower restraints have been lifted. As the threat of East-West conflict recedes, new powers are seeking to establish regional influence. Some, such as Iraq, demonstrate no respect for international norms. There are many old scores to be settled, territories in dispute, and ethnic rivalries ready to flare up.

We need collective approaches to resolve or deter regional conflicts before they spark. We also need joint action to address those that nevertheless erupt. And since our record is unlikely to be perfect given the causes of potential conflict that have been amassed over generations, we need to turn back or at least limit the proliferation of new weapons technologies that can transform battle into regional and even worldwide tragedy.

Our **third** task involves international economic policy. The post-war system produced an array of highly beneficial economic structures, particularly the IMF, the development banks, the OECD, and the GATT. These institutions will continue to play key roles, although they will need to continue to evolve to meet changed circumstances.

Indeed, foreign economic policy will face no shortage of challenges with commensurate political implications. Successful policies will necessitate strong support from international structures. For example, the democracies of Central

and Eastern Europe need economic support, market access, and links to Western institutions. Each new stage of economic *perestroika* is bringing the Soviet Union's reform program closer to a market system that can benefit from international interaction. Eventually, new stages of development in the PRC, both economic and political, will need to draw from abroad. Many Latin American nations want to unshackle their economies from statist, autarkic constraints in favor of private initiative, markets, and economic liberty. Increasingly successful Asian countries are recognizing both the benefits and responsibilities of the international economic system, but they are worried that the developed "club" will close the doors of opportunity just as they enter.

Nor can we take for granted cooperation among developed economies. The interdependence of markets—finance, production, trade—requires greater attention to policy coordination at both the macroeconomic and micro levels. Given the range of development challenges, the domestic political implications of economic performance, and the related political benefits of global adherence to a market system, both Europe and the United States need to strengthen the capabilities of international economic institutions and arrangements.

Fourth, to an increasing degree, our publics view their security as dependent on our management of dangers that we have not traditionally viewed as priority matters among nation states. Transnational threats posed by narcotics, terrorism, environmental dangers, immigration, and disease continually score high in public polls that rank topics of concern. But governments are just beginning to learn how to create international regimes to address these problems, which derive primarily from the actions of individuals and groups outside the realm of official governmental relations.

We have to learn how to integrate these issues into regular statecraft. In addition, we need to calculate carefully what features will make new regimes most effective in addressing these problems while considering the effects in other areas. For example, voting arrangements and veto rights, decision principles, reliance on private sector involvement and market-based solutions, and arrangements for regulating tradeoffs have become important elements of the relatively well-developed structure of international economic institutions; similar decisions will need to be made as we consider devising new collective efforts to cope with the transnational issues.

Practical Steps To Be Taken

Finally, I will turn to my third question: What practical steps should the European Community and the United States take to address the new challenges of the post-Cold War age? I'd like to offer a personal list of 10 suggestions.

First, we should further institutionalize the US-EC relationship by negotiating a framework agreement; at some future point, it might even evolve into a treaty. This idea builds on President Bush's call in May 1989 for "new mechanisms for consultation and cooperation on political and global issues" and from Secretary Baker's proposal in his December 1989 Berlin speech. The agreement would reflect the shared ideas and values that we would plan to apply in addressing the new challenges. The intent would be to encourage the development of common, or at least complementary, approaches. To support this aim, the agreement could establish regular consultation procedures at various levels to enhance the practice and expectation of joint action—or at least avoid presenting either side with non-negotiable or surprise positions.

Second, we should give content to this form of association by working together on the problems of regional conflict and proliferation. This effort is already proceeding. For example, the United States and the EC are already examining needs and means to alleviate economic dislocations of the Iraqi embargo. We have also begun cabinet and subcabinet discussions on other regional problems. If we are to avoid an itinerant European policy, this close working relationship will become increasingly important as the European Political Cooperation (EPC) mechanism assumes a greater role. We should develop our cooperation in a fashion that encourages a reinforcing network of other multilateral efforts directed at similar objectives—such as the Missile Technology Control Regime, which was created by the G-7 and which is now expanding its membership.

Third, we can employ the consultative arrangements of a framework agreement to address the transnational agenda. The new regimes that we develop, whether formal or informal, should reflect our shared values. They will also require decisionmaking systems that protect our interests. From the vantage point of the EC, cooperation in these areas may prod the [European] Commission and Council [of Europe] to reconcile their respective roles on matters of so-called "mixed competency."

Fourth, we should recognize that there is likely to be an overlap between NATO and EC processes in the future that we need to manage flexibly and pragmatically. NATO is the vehicle for the US defense and security presence in Europe. It is also a brilliantly successful expression of how democratic nations sharing common values can work together to maintain their security. I hope that Europeans will want to maintain this tie. It serves as a stabilizing force and insurance against any threat to 16 like-minded democracies. In addition, NATO has the potential to be a forum for organizing the West to cope with regional conflicts, such as those in the Middle East, that also threaten our security. And from the perspective of this side of the Atlantic, the United States has good reason to be interested in the security of Europe: Europe's conflicts not only swept us into one cold and two hot wars this century, but also reached our shores in earlier centuries, for example during the Seven Years War and the Napoleonic Wars.

There are several ways that both the European pillar of NATO and NATO itself can adjust to new missions and times while ensuring European stability and the common defense. For example, NATO discussions leading to cooperative operations among the United States and other member states with the Western European Union (WEU) could supply a valuable mechanism for tackling regional security problems. We used this combination in the Persian Gulf in 1987 and are employing it with Iraq today.

Fifth, we share a common interest in the future shape of the CSCE [Conference on Security and Cooperation in Europe]. CSCE may prove to be a valuable process for supporting the efforts of the nations of Central and Eastern Europe, including the Soviet Union, to build local institutions based on democratic and free-market values. It might also further develop means to build confidence against security threats. But it

will be up to the EC, the United States, and a few others to ensure that new CSCE institutions and processes complement the institutions we constructed in the post-war era, instead of seeking to supplant them with hopeful but untested concepts.

Sixth, the United States and the EC can create new ways to encourage others to embrace democracy and development based on market principles. The Group of 24 for Central and Eastern Europe offers a good example. That's why we hope to work with the EC to form an analogous group to help Central America. We will need to coordinate our economic and political institution-building approaches toward the Soviet Union as well.

Seventh, we face the near-term task of snatching a market-opening Uruguay Round from the jaws of protectionist interests. It is selfish and ultimately destructive for agricultural, textile, and other lobbies to threaten GATT at the exact time struggling developing nations are turning to the rules of economic liberty. This, too, is a first test of the post-Cold War order.

Eighth, the United States and the EC need to consider what new or changed economic regimes will be necessary to manage our increasing interdependence. The Group of Seven's macroeconomic coordination is still nascent, and must adapt to possible Community moves toward monetary union. On the microeconomic front, we need to continue to prevent the Single Market program from creating new barriers to outsiders. And, over time, we may wish to expand our OECD discussion of structural microeconomic barriers, as the United States has begun to do with Japan.

Ninth, the events of the past month have reemphasized that both of us need to be alert to Turkey's place and prospects. As a NATO ally, Turkey offers a valuable foundation for our mutual security in a dangerous part of the world. While recognizing that the EC must make its own determinations about future members, I hope that together we can help draw Turkey closer to us politically and economically.

Tenth, North America and the EC need to welcome Japan as a colleague in this new alliance of values. It will take all three of us, plus the Soviet Union and others, to meet the new challenges of the post-Cold War order. Together, we can extend our effectiveness considerably. I recognize, of course, that many Europeans, as well as Americans, are suspicious of Japan's willingness to take on this responsibility. But I also know that Japanese leaders will never be able to move their public to accept their appropriate global duty if we do not include them.

Conclusion

In this same month, in this city, 204 years ago, delegates from a number of states met to discuss their commercial relations. The quality of their discourse, led by Alexander Hamilton, was notable, but the delegates decided there were too few of them to proceed productively. As a result, that initial Annapolis Convention urged the 13 states to send commissioners to a new convention to be held in Philadelphia in May 1787. Its purpose would be even broader: to discuss all matters necessary "to render the constitution of the Federal Government adequate to the exigencies of the Union."

That early Annapolis meeting is a good precedent for this conference of representatives of 13 states, as we consider the challenges of building a new order for a new age. We need to unite Europe and the United States in a common approach to the challenges of our generation. Europe and America are the trustees of the values and ideas that enlightened those delegates two centuries ago, and it's those principles that offer the best blueprint for the new international architecture. ■

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WOLFGANG ROTH: Germany's New Role in Europe

The Social Democratic Party's chief spokesman on economic issues charts a course for a reunited Germany beyond 1992

Europe is on the rise again. The times when people spoke of "Eurosclerosis" are long gone. The idea of a progressive association of sovereign European nation-states to form a supra-national structure has become a success story. For the former COMECON countries of Central and Eastern Europe, the European Community has attracted focal interest as an historic response to the international challenges facing us today. The EC is a factor for global stability in a time of dramatic political and economic change.

The East is going through a phase of fundamental change. The centralized command economies in the countries of Central and Eastern Europe have failed. Many people in the former Communist countries are today speaking of their "return to Europe"—and by this they mean joining the EC.

The Federal Republic of Germany is very strongly affected by the changes taking place in Eastern and Central Europe. The peaceful and democratic revolutions that took place there have opened up an historic opportunity to overcome the division of Germany, together with our partners and neighbors. There can be no doubt that the economic and political weight of a united Germany will grow. A united Germany will not pose a danger or a threat to its neighbors as long as it remains firmly integrated in the EC and as long as the unification process is made transparent for our neighbors and partners.

What role will a new and united Germany play in Europe?

For the Germans, the EC is and will continue to be an important constant in economic and political decision-making. As a voluntary association of democratic and free-market countries, the EC was a conscious response to Europe's sorrowful experience in the first half of the century. Germany's firm integration in the EC is one of the main reasons why German unity found the full support of our European neighbors and partners. A united Germany will not pose a danger or threat to its neighbors since it remains firmly integrated in the EC.

One of the major milestones along this road will be the establishment of a European single market which, with the German Democratic Republic, will involve nearly 340 million people. Walls are being eliminated here, too. By the end of 1992, trade barriers of all kinds will be eliminated, and legislation, administrative practices and tax structures will be harmonized in accordance with a set schedule. There will be no differences in tax rates. There will be no obstacles to freedom of movement for job seekers and business owners. There will be no limits on cross-border capital transactions.

In a study carried out by the European Community Commission, it was forecast that, as a result of the single market, the GDP of the EC will increase over the medium term by about an additional 5%, consumer prices will drop by an average of about 6%, public budgets will be unburdened by an amount equivalent to 2% of GDP and around 1.8 million new jobs will be created. With all due caution in connection with prediction of this kind, economic and technological competitiveness of European companies will increase in comparison with competitors in the U.S. and Japan as a result of the single market. The target of completing the single market by the end of 1992 is already providing impetus for increased investment activity.


WOLFGANG ROTH

Upon completion of the single market, latitude for separate economic policy courses on the part of individual member states will become increasingly limited. Therefore, it will only be possible to attain an objective as ambitious as the single market if the economic and monetary policies of the member states are coordinated more closely, parallel to the process of completing the single market. For this reason, the new objective in Europe is the achievement

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of an economic and monetary union with the further objective of establishing a single European currency.

The first stage in the process of achieving economic and monetary union at the European level began on July 1, 1990. This will considerably strengthen integration in Europe. Above and beyond its economic effects, it will promote political cohesion in the EC. By this means we will move considerably closer to our objective of achieving political union with common foreign and defense policies.

In the past, the European economies were strongly affected by fluctuations in the dollar exchange rate. By establishing economic and monetary union in Europe, the European monetary and financial area will become less sensitive to external disturbances and the international weight of European currencies with regard to the dollar, and the yen will increase. With the existence of a European currency, it will be possible in the future to establish a trilateral monetary relationship and for a common European currency to enter into a firmer relationship with the dollar and the yen. This will also be an opportunity to establish a greater degree of stability in international monetary relations.

European economic and monetary union would also open up new prospects and opportunities for European countries outside the EC. The new economic and political impetus created by an economic and monetary union can and would be of benefit to these other countries as well. The EC must remain open. Following the democratic revolutions in Central and Eastern Europe, the EC needs to make firm offers of association to the countries of Eastern Europe and to make it possible for Czechoslovakia, Poland, Hungary, Yugoslavia and—some day—Romania to become members of the EC. It is foreseeable that this will result in a future shift in EC attention toward Eastern Europe.

Parallel to the single market, increased efforts are now underway to create a Greater European Economic Area. The objective is to establish trade relations between the European Free Trade Association countries (Norway, Iceland, Finland, Sweden, Switzerland and Austria) and the EC in a manner comparable to the trade relations established in the single market among the 12 countries of the EC. Since 1972, the EC has had a free-trade agreement with EFTA countries. What is needed now is to place more emphasis on mutual cooperation. To the extent that EFTA member countries want to join the EC—Austria has already applied—and are willing to fulfill the prerequisites necessary for this, they must be accepted into the EC.

Overcoming the division of Germany will only be possible under a European umbrella and can only take place as the division of Europe is eliminated. It is thus important for Germany to make its contribution toward strengthening the West European integration process, but, at the same time, also to promote the all-European unification process, including the reformist countries in Eastern Europe.

Germany will play a special role in the political and economic reconstruction of Central and Eastern Europe. An economic and monetary union has existed between the FRG and the GDR since July 1, 1990. The Deutsche mark is now legal tender in the GDR, and monetary sovereignty has been transferred to the Bundesbank. Integration of the GDR into the economic and social system of the Federal Republic will take place step-by-step until the point in time when formal unification of the two German states takes place. This process will, incidentally, strengthen the West German economy so that there can be no question as to the stability of the D-mark. Once initial irritations in transition have been eliminated, the D-mark is likely to increase in value with respect to the dollar, and it is quite possible that West German interest rates will soon drop again.

The unification of Germany will also have considerable effects on the EC. According to EC Commission estimates, it will result in an additional 0.5% in the EC's economic growth rate. A united Germany will also create a bridge between Western and Eastern Europe. The long established political and economic ties between the GDR and the former COMECON countries can be useful in creating an all-European economic area extending from the Atlantic to the Urals. Everyone will stand to profit from this.

Our answer to the democratic and economic reforms taking place in the countries of Eastern Europe must be their inclusion in the system of world trade. The countries of Eastern Europe are faced with tremendous problems in this regard since they have little knowledge of the way the system of world trade works. A kind of subsistence mentality continues to be prevalent in these countries. Growth in market-oriented thinking will be slow and dependent on the development of a functioning market economy. Therefore it will be important to include the reformist countries of Eastern Europe—including the Soviet Union—in all relevant international organizations as early as possible. In the future, it will be necessary to invite the Soviet Union to the economic summits held by the major industrial countries. Material assistance will also be necessary. In addition to assistance provided by the EC, it will be necessary for other Western countries—the U.S. and Japan in particular—to provide increased support for the economic reconstruction of Eastern Europe. All Western countries will profit from the reconstruction of these economies and their integration into the international system of trade.

The Soviet Union will, of course, need to have its firm place in a Europe of the future. As such, the FRG will advocate stronger economic cooperation between the EC and the Soviet Union. The dangers posed by ethnic conflicts in the Soviet Union, as well as by conservative forces, can only

be eliminated if the political reform processes in the Soviet Union are placed on a solid economic basis. Thus, the EC will need to open up its markets a great deal more toward the Soviet Union. Similarly, it will have to considerably expand its offer for economic cooperation.

This also applies to the U.S. The conclusion of a trade and cooperation agreement must not be delayed. The complete elimination of COCOM restrictions on the sale of technology to the Soviet Union, except for militarily relevant goods, is long overdue. It was, after all, the Soviet Union which made the democratic reforms in Eastern Europe possible.

The international weight of the EC will increase as a result of the single market, European economic and monetary union, as well as developments in Eastern Europe. Europe will need to acquire its own responsibilities in international bodies. It will need to have a seat and a voice in all international organizations. The objective of attaining political union will increase Europe's weight in the foreign policy sector.

The creation of European security structures will not make Europe a third superpower alongside the U.S. and the Soviet Union, but it will have an influence on NATO and on the relative weight of the U.S. in world politics. Already today the U.S. is no longer the only leading economic power. Japan and Europe are in the process of contending with the U.S. for this role.

A united Germany will, above all, advocate progress in the process of global disarmament. In this way, it will be possible for the West to free funds for more meaningful use. At the same time, disarmament will enable the Soviet Union to use its resources to rebuild its economy. At the present time, the Soviet Union is using approximately 25% of its GNP for military purposes. If it were able to use these funds for its economic build-up, it would be equivalent to a self-financed Marshall Plan.

The reconstruction of Eastern Europe must not cause the West to lose sight of other countries. Despite the historic changes taking place, we must not make the mistake of focusing our view exclusively on Eastern Europe. Germany will continue not to take a Eurocentrist approach to things. There are huge markets in Eastern Europe, but technological competition is taking place primarily in Western markets and in Southeast Asia. For this reason, German and other European companies will need to be present in these sunrise markets.

It will only be possible for technological development to take place if world trade is further liberalized. Trade barriers, customs walls and other restrictions stand in the way of potential technological competition. The EC, the U.S. and Japan need to be more vigorous in implementing the ideas of free trade in their countries. In the GATT talks, participants should be less eager to level accusations at the other side and, instead, combat protectionism in their own countries. As an export-dependent country, West Germany will continue to urge its partners in the EC and in other international bodies to bring about further reduction in protectionism worldwide.

The FRG has a vital interest in helping to see to it that the global debt problem is resolved. Latin American countries currently have to pay some $30 billion in interest annually to service their debts. Their economic performance has dropped accordingly. If this trend is not to have an adverse effect on the industrial countries themselves, it will be necessary to modify the debt strategy. At the same time, the developing countries will need to help overcome the debt crisis by increasing their own efforts to promote economic, democratic and social reforms. Failure of economic and social reform leads to capital outflows and prevents the formation of a strong consumer potential in the middle class population.

In the coming years, the global environmental crisis will be a central political theme in Germany. As a country with major economic and technological potential—yet, with massive environmental problems of its own—the Federal Republic will need to play a key role in finding solutions to this critical problem. We have developed a model for the ecological renewal of the industrial society, involving not only new environmental technologies, but basic structural decisions about the type of industrial activity we carry out. In the future, we will need to ensure that our economic growth is not acquired on the basis of increasing environmental damage.

In 1985 it was determined for the Federal Republic that nearly 165 billion D-marks would be needed to eliminate damage already caused to the environment and to cover resulting social damage. At the time, the figure amounted to 10% of GNP. Since then, the negative side effects of growth have increased four times faster than growth itself.

The situation is similar in other industrial countries—and much worse in Eastern Europe. This does not mean that economic growth is superfluous. Economic growth is particularly necessary to reconstruct the completely moribund economies in Eastern Europe and promote development in the Third World. However, growth today needs to be integrated into ecological processes. In addition to an ecological Marshall Plan for the elimination of existing environmental damage, there is a need in the industrial and the developing countries—as well as in the West and East—to move toward environmentally compatible growth. This is the global challenge Germany will help to face: increasing prosperity without destroying our planet. It can only be hoped that economists everywhere will understand that this is their issue. ♦