

## Statement by William J. Casey (5 April 1973)

**Caption:** On 5 April 1973, William J. Casey, US Undersecretary of State for Economic Affairs, sets out before the US House of Representatives' Foreign Affairs Committee the policy line to be followed by the United States vis-à-vis the European Community.

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**Statement by William J. Casey  
Under Secretary for Economic Affairs  
(5 April 1973)**

It is a pleasure to participate in your hearings on the United States and the European Community. You have timed your hearings well, for our relations with the enlarged Community are in a formative stage. The hearings are well timed for me personally because I have just returned from extensive consultations in Europe. I would like to share with you this morning the same impressions and thoughts about those consultations and the direction of our relations with the European Community which I reported to Secretary Rogers earlier this week.

But first let me attempt to place these relations in a larger perspective. Four developments have combined to radically alter our relationship and to make it vastly more complex:

—First, generally improved relations with the Communist powers have decreased international tensions and brought a new flexibility to political ties.

—Second, western Europe, Canada, and Japan have developed relatively greater economic strength, and we have developed the need to deal with them on a basis of equality. They are not only our best trading partners but also our keenest competitors.

—Third, two decades of American balance of payments deficits fueled both our own and the world's economic growth, but successive crises finally led to the realization that the postwar system requires major revisions.

—Fourth, we have achieved unprecedented interdependence with other industrial democracies, an interdependence which has assured record prosperity for all but has brought new problems which require new approaches to the management of our economic policies.

The next few years will be a time of testing for our bonds with all the industrialized democracies as we develop new relations to cope with these new complexities. This is clearly no time for complacency, but it is equally clearly no time to accept the counsel of those who despair, of those who seem to believe in the inevitability of confrontation—for our common interests and our common vision of the world far outweigh our specific and passing differences.

President Nixon has consistently stressed our continuing belief in the necessity for strong ties with Europe. These ties form an indispensable part of his strategy for world peace. The Nixon doctrine makes clear that others now have the ability and responsibility to do their share. As the President said in his first report to Congress on foreign policy, "America cannot—and will not—conceive *all* the plans, design *all* the programs, execute *all* the decisions and undertake *all* the defense of the free nations of the world." He went on to say, however, that "America cannot live in isolation if it expects to live in peace. We have no intention of withdrawing from the world."

In particular, the administration has made it quite clear that it regards our relationship with Europe to be the cornerstone of the whole structure of peace. European unity adds to the strength of our transatlantic relationship and enables us to proceed to a new era of detente with the East from a position of greater strength in the Atlantic area. This is why the President affirmed last October a strong support for the European Community summit's announced intention to transform by 1980 the whole complex of its member state relations into a European Union—and I quote: "It is, and always has been, my own deeply held view that progress toward a unified Europe enhances world peace, security, and prosperity."

We continue to feel that political and defense cooperation within Europe will be the fulfillment of European unity. Two strong powers in the West would add flexibility to Western diplomacy and increasingly share the responsibility of decision. But European unity has come first in the economic field. This increasing unity has brought benefits and opportunities for increasing cooperation. It has also brought problems of adjustment to

the new relationship. The President has taken the initiative to begin managing the new relationship so as to enhance the benefits to us, take advantage of the opportunities for increased cooperation, and deal with the problems of adjustment. Left to fester, these problems could in fact lead to a confrontation neither we nor the Europeans desire.

### **Dialogue With Western Europe**

Just a month after his first inauguration, President Nixon symbolized the importance he attaches to this subject by visiting western Europe. During that visit he met with the President and the Commission of the European Community. Subsequent more dramatic visits to Peking and Moscow should not obscure this fact, nor should they obscure the continued high level of U.S.-EC consultation since 1969.

In 1970 we initiated the practice of semiannual meetings with the European Community. I have just headed our delegation to the sixth round of these increasingly frank, wide-ranging, and useful consultations. In recent months the U.S.-EC dialogue has reached an unprecedented level of intensity and substance. In December Secretary Rogers met in Brussels with the Commission. In mid-February the new EC Commissioner for External Relations, Sir Christopher Soames, visited Washington for a series of informal discussions. He saw the President and leading members of the Cabinet, and he held extended conversations with me and other senior government officials concerned with U.S.-EC relations. In February the President sent Peter Peterson [former Secretary of Commerce] to Europe where he met with leaders of the Community both in Brussels and national capitals to discuss the entire range of our relationship with western Europe. In March Secretary [of the Treasury George P.] Shultz visited the key capitals of western Europe and discussed our economic policies, especially monetary reform and trade negotiations, with the Commission and national leaders.

Last October, as part of the process of intensifying the dialogue with western Europe and other developed countries, the OECD [Organization for Economic Cooperation and Development], largely at U.S. initiative, initiated a new style of executive committee to enable high-level policymakers to focus more frequently on the broad range of questions which concern the more economically developed nations, and on my recent trip I headed our delegation to the second of these meetings.

As NATO's Secretary General Joseph Luns noted last week during the Europe-America Conference, "I cannot think of a period when there has been so much diplomatic activity, so many meetings and conferences."

We particularly welcome the steps taken by this committee to intensify the American dialogue with Europe. Your growing relations with the European Parliament and the European Community are highly desirable. We are prepared to facilitate this process in any way that you believe useful—for it is clear that without the support and participation of both the Congress and the American people we cannot succeed in our goal this year of building such lasting ties that our relations with the Community will be, like those we have in NATO, a solid and enduring pillar of U.S.-European association and cooperation.

All of this activity is part of the process of dealing with our overall relationship with western Europe which the President has moved to the "front burner." I want to stress that he regards the problem of managing our new economic relationship as inextricably linked to the maintenance and enhancement of our political-security relationship.

And during my recent visit to Europe, I found quick and ready recognition of the importance to our overall political and security relationship of the successful management of our economic problems. Successful management requires for the long run a fundamental reordering of the world economic system to make it more open and equitable, more flexible, and better suited to solving problems such as those which face the developing countries. In the short run, it requires better management of specific problems with the Community as they arise.

### **Reordering the World Economic System**

As you know, we are working on the reordering of the world economic system through reform of the world monetary system in the Committee of Twenty and through preparations for major multilateral trade negotiations in the GATT [General Agreement on Tariffs and Trade] beginning this September. In addition, in the OECD we have launched an examination of the problems of international investment with a view to assuring that this area does not become contentious among governments as we move to new understandings in the trade and monetary fields. In all these matters western Europe plays a vital role. If we are to successfully reorder the world economic system to make it more open and equitable, U.S.-European cooperation will prove indispensable.

As we approach formal trade negotiations in the GATT this September, the first requirement will be to assure that both we and the EC place a higher priority upon mutual growth than on individual protection, on further lowering trade barriers rather than creating preferential arrangements. Rapidly increasing trade was an essential stimulus over the past quarter century to the most substantial global economic growth in man's history. The reduction of barriers to trade made this contribution possible. We have participated and benefited from this process.

Further substantial trade liberalization is essential if we are to maintain and enhance our prosperity. But the political aspect of the future trade negotiations is equally important. The Community has made its greatest progress toward unity in the field of trade. Sir Christopher Soames, the Community's "Foreign Minister," has made clear that the trade negotiations will be at the center of the Community's future relations with the United States and will be crucial to those relations. He has urged the Community not to forget that negotiations must be situated in the wider political framework of U.S.-EC relations.

I wish to stress this point to these two subcommittees, which are interested in both the political and economic aspects of our relationship with Europe. Passage of the trade bill the President will submit to Congress in a few days will be vital to the implementation of the President's strategy on improving the relationship with Europe.

During my trip to Europe I continued the process launched by Secretary Shultz of informing European leaders of the main outlines of the bill the President intends to submit. I found a generally favorable reaction to what we have in mind.

I found, however, some misgivings about the surcharge and safeguard features of our proposed trade legislation. But generally this kind of sensitivity seemed to dissipate as it was pointed out that we are merely seeking for the President the same broad authority to negotiate already possessed by European governments. The reactions against safeguards moderate when they are presented as a liberalizing force. Without providing sensitive industries time to adjust to changing patterns of trade, governments are not likely to muster the will to open up trade. I also pointed out that the shape and implementation of our legislation would be importantly affected during the coming months by our ability to deal satisfactorily with some of the shortrun trade issues with the EC, notably the GATT negotiations over the impairment to our trade arising from the enlargement of the Community.

### **Agricultural and Energy Problems**

I also found some concern in Europe, which I attempted to dispel, that the United States might try to split the Community on specific and fundamental issues. For example, the European press has been pushing hard on what it sees as a possible common interest of the United States and Great Britain in breaking down the common agricultural policy (CAP). Our view, as I explained, is that we are not seeking to destroy the CAP but only to bring about agricultural liberalization which would work in the mutual interest of both the United States and Europe. Rather than hoping to split the Community, we look forward to cooperating with it in every significant area of economic endeavor in which the Community and the United States share a common interest.

With regard to agriculture, I might add that there exists a growing recognition in western Europe that the

fight to manage their serious inflation problem will require some modification of the high degree of agricultural protectionism which presently exists. We would of course welcome any move on their part in the grain-livestock area which would give them cheaper cereals and cheaper meat and at the same time improve the prospects for U.S. grain and feed exports. We have recently taken steps in the United States to dismantle longstanding governmental restraints on agricultural production. In the interest of keeping down their prices, we would hope that the Europeans will move toward substantial liberalization of their highly protectionist agricultural system. We expect to include agricultural trade as an important element of the forthcoming multilateral trade negotiations and to seek meaningful easing of restrictions on a reciprocal basis.

I also found common ground in Europe in our shared concern over the emerging energy problem. Europeans are awaiting the President's forthcoming energy message with great interest. They are discussing this issue among themselves on a priority basis, and the EC leaders, at their Paris summit meeting, have called for the formulation of a common EC energy policy as soon as possible. When viewed from the standpoint of the domestic economy and balance of payments, energy and agriculture emerge as two of the most critical fields for future economic cooperation between the United States and western Europe.

Both western Europe and the United States also face a common task in seeking effective solutions to the problems of the developing countries. We have viewed with considerable misgivings the increasing proliferation of the Community's preferential trading arrangements with those developing countries of Africa and the Mediterranean with whom they have maintained historically close ties. These arrangements may soon expand to include the Commonwealth countries of Africa and the Caribbean as well. We support the special relationships between the Community and these countries and agree that they foster stability and peace in the areas involved. However, we fail to see the justification for the discriminatory trade aspects of these relationships, particularly reverse preferences, which could lead to the creation of closed North-South trading blocs. In drawing up our own trade bill, we do not see how we can justify the extension of generalized preferences by the United States to those developing countries which discriminate against us in favor of imports from other industrialized countries. Clearly we must seek a common solution to this problem which will work to the benefit of the developing countries. It is a matter which I have already discussed and which we will be discussing in some detail with the Community in the near future.

In all of these areas we must insure that adequate means exist for a full and frank dialogue with the European Community. A number of leading Europeans have talked about a more comprehensive and institutionalized mechanism for a dialogue between the United States and the European Community, but the Community has yet to agree on a formula. We have told the Europeans that we would consider seriously any suggestions they might advance and that our concern is with the substance of our dialogue rather than with its form.

My overall impression is that our relationships with the European Community are moving in the right direction but they need constant attention and effective collaboration on our great common interests in the political and security realms and on our common problems in energy, development, and the whole economic and financial realm. That problems exist between us is a consequence of our growing interdependence as well as the special circumstances surrounding the need to work out basic and overdue reforms in the trade and monetary fields which will take full account of the changed economic conditions. The new leaders of the Commission have impressed me very favorably, and we are conducting a frank and open dialogue with them. They recognize, as do we, that the common bonds between the United States and the Community far outweigh our differences and that we must maintain a sense of proportion in our relationship. With good will on both sides, I am confident that we will succeed in the common tasks which lie before us. As the President has stated, it is of the highest importance that the United States and Europe work closely together.