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Monday 22 May 1995

The following are the key points of a speech made by the Foreign Secretary, the Rt Hon Douglas Hurd, MP, to the Economic Club, the Chicago Council on Foreign Relations and the Union League Club, Chicago, on Friday, 18 May, 1995. The full text is attached.

'The Transatlantic Partnership'

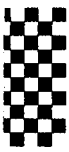
The alliance between the US and Britain 'is bound together by hard common interests and a readiness to defend them'. Commercial ties are flourishing. We are the biggest foreign investor in the US; US investments in Britain are greater than in the entire Asia-Pacific region. With our shared commitment to free trade, 'Anglo-American cooperation can release new forces of wealth creation throughout Europe and North America.'

Trade and investment between North America and Europe is worth hundreds of millions of dollars and millions of jobs. We must reinforce that link. 'Britain will continue to argue for a Europe which is outward looking; which creates wealth not bureaucracy, which strengthens not diminishes our transatlantic ties'. Free trade between Europe and North America can deliver prosperity, jobs, lower prices, more choice. Completely free trade will not be easy, but it must be our target. Europe and the US should act as pathfinders for the World Trade Organisation, starting with a commitment to tackle all non-tariff barriers between us. Canada and Mexico

should also be involved. Wider multilateral progress must be sought in parallel. Business people understand business better than bureaucrats or politicians do, they should have a direct say in the debate.

Promoting prosperity and extending security are in our interests. That does not mean trying to solve every crisis in the world. But we should not fall into the trap of thinking a problem can either be solved by sending in the US Marines or cannot be solved at all. Bosnia, Rwanda and Angola pose difficult, unattractive choices; but such crises may be more common in the future than one state invading another as Iraq did in Kuwait. We must be realistic about what we can do, but ready to exercise our responsibilities.

The UN is often the best way to share the burden. The cost, \$1 a year to the UN regular budget for each US citizen, is far cheaper than unilateral action or picking up the pieces after a crisis. We must make the UN more efficient: Britain has ideas for that. But we have to be constructive. Here too the United States and



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Europe could act as pathfinders. 'We want the UN to spend our money better: we will not achieve that by throwing away the cheque-book'.

Fascism and communism are defeated, but nuclear proliferation, terrorism, drugs and hu-

manitarian disaster represent new potential threats. In dealing with them America will need Europe and Europe will need America and Britain will remain an essential part of the equation.

'The Transatlantic Partnership'

Governor, Mr Chairman, Mr Daly, Ladies and Gentlemen, may I thank you for having this idea for extending this information and for coming in such a distinguished gathering to this discussion. It is a real treat. I have a little rabbit-run through New York and Washington, which I do from time to time. I am delighted that I had the audacity to break out of it on this particular occasion and to come to Chicago for the first time in 10 years. So thank you very much and it is a pleasure to be here,

I seem to have missed that edition of 'The Economist' which produced such polite remarks. I rather suspect you read it over your breakfast table this morning, Mr Gavin. I may put you to the test by asking for the press cuttings. There are a whole series of rather terrible stories about British patriotism or British chauvinism. One of my predecessors, Lord Palmerston, received a French visitor who rather unwisely said: "Look, Palmerston, if I had not been a Frenchman I would very much like to be an Englishman". Lord Palmerston replied rather sternly: "Sir, if I had not been an Englishman I would have wished to be an Englishman". And a rather more modern version is of the Englishman at Stockholm Airport who went up to the official in charge, who fortunately could speak English, and said: "Please will you guide me as to what I am to do, I see the notice which says: Swedes present themselves here in this queue and another notice which said foreigners present themselves here at this queue. But I am neither A Swede nor a foreigner, so I don't know quite what I should do.

I am afraid these stories do go on through the centuries and you have to forgive them as best you can.

I would like to carry on for a few minutes beyond the commemoration which we had in London, indeed in bonfires and street parties throughout our Kingdom two weeks ago at the end of the European war to commemorate its

end 50 years ago, and which you had here, and which occurred right the way through Europe. And it was a very moving occasion for us for many reasons, but because old people who had taken part in all those campaigns, found their voices. Shakespeare said: "Old men forget". I don't think it is so much that old men forget, old men keep their mouths shut because they don't think anyone will listen.

But on this occasion old men spoke and people listened, and young people listened, and it was an exercise in memory which I think was extremely health-giving for our country and for others. But of course what happened 50 years ago was not actually just looking back, not just the end of a war but the beginning of a new partnership across the Atlantic. The first steps were taken even before the war ended with the Bretton-Woods Conference, the beginning of the Monetary Fund, the World Bank. That led through the Marshal Plan, which Winston Churchill called "the most unsordid act in history", And out of economic recovery came a huge revival of trade, out of the experiences of wartime partnership came the collective security organisation of NATO, and out of the need for international cooperation came the UN, the OECD, the GATT. All these in their time, they may look a little shop-worn now, but they were all challenging and dramatic ventures at the time. And that creative work in the late '40s and early '50s made the foundations for the partnership, for the trade, for the security which we enjoy today.

And I believe this partnership across the Atlantic, between the United States and Britain certainly, between the United States and Europe certainly, remains central to certainly our prosperity, our security, and I think to yours as well.

Can I say a word first of all about the United States and Britain, and then I will come on to Europe? This wartime alliance which we remem-

bered 10 days ago inspired, but it could not actually have sustained, everything that has happened since. Life has not drained from our partnership like the colour from some photograph of a GI bride, fading with every year. It is not a matter of the past, it is a matter of being bound together by common interests and a readiness to defend them.

I don't doubt of the modern value of this partnership, I see a good deal of it. I see a good deal of it in ways which the newspapers perhaps fortunately do not glimpse. I see the relationship, the partnership in nuclear matters. I see the relationship which is unique to my country, and to yours, in intelligence matters. I know that this is crucial and continuing and important to both of us.

I don't believe in talking about a special relationship in ways in which as it were diminish other relationships. I don't think it is like children in a schoolyard rushing up and down saying: "It My relationship is more special than yours". I don't think that is a sensible way for nations to behave, and we don't behave in that way. But we know that we have in various respects a specific and unique relationship with the United States which is important to us.

Our commercial ties, for example, are stronger than ever and they are very vividly illustrated in this room. British exports to the United States increased by over one-third in the past two years. In 1979 British investments in America amounted to \$15 billion, now they are over \$100 billion. Britain is the largest foreign investor in the United States. We sink in of course under the pretext of a common language and it may not be perhaps widely always known that some of the most familiar names in America - Burger King, Dunkin Donuts, Holiday Inn - are British owned. And many of our biggest companies - Amersham, Courtaulds, Coates-Viyella, British Steel, ICI, are established here in the Chicago area. And the reconstruction of Navy Pier on Lake Michigan is just the latest major project under way in the mid-West involving British or British-owned firms.

And of course it works the other way dramatically as well. American industry commits more investment to Britain than to Germany, France and Italy combined. We read, and rightly read, a great deal of the Asian tigers and the huge expansion of trade in Asia. US investments in Britain are greater, in that island of ours, than in the entire Asia and Pacific region. Over 4,500 of your companies are now established in the UK, including 98 of the Fortune top 100, From Chicago., Motorola, Amoco, Sara Lee, Quaker Oats, and of course McDonalds are household names with us.

And you and we are world teachers, world leaders, in providing financial services. Our foreign exchange dealings in London have grown to an average \$300 billion a day. Over 90 percent of cross-border equity trading in Europe comes through London. Chicago and London house the world's three largest futures and options exchanges.

That is why the Governor of the Bank of England comes here. That is why these ties are thriving and increasing all the time. I am delighted that you, Mr Daley, will be going on the new American Airlines flight from Chicago to Birmingham. I am delighted that American Airlines have thought that worthwhile and got the rights for it. This is just the latest and exciting example of these growing contacts and I am delighted that Chicago and Birmingham - two rather similar cities - have established this particular partnership.

So we are not talking of wartime memories, we are talking of actual comings and goings of friendship and cooperation today. Britain and the United States, we have a common commitment to free trade and multilateral institutions. We had a rough time last year, I tell you, getting the GATT agreement in the Uruguay Round, it was the biggest trade liberalisation agreement ever made. I took part in the arguments, I helped to bring the compromises, I know this is hard work. Everybody here who has been involved in trade negotiations knows it is hard work. It owed much to your efforts,

Mickey Kantor's efforts, it owed much to our efforts, to the efforts in particular of the Commissioner, Leon Brittan, and so did the establishment of the World Trade Organisation. That stemmed from the GATT agreement, it is the institution of key importance to the trading future and we had to put our weight behind it, relying on it as our chosen way of ensuring that international trade stays within the framework of rules and that the goal of market opening is achieved - those are two sides of the same coin.

But it is not enough. I think that in trade, as in other matters, if you simply say that was very good news and now we can relax, it begins to slide backwards. I believe that the struggle for freer trade has to move forwards, and I would like to elaborate on that a little bit.

I would like in particular now to turn to the European part. Under the Treaty of Rome, as I have said, Leon Brittan negotiates on behalf of the European Commission for all 15 members of the European Union. Trade between the US and Europe as a whole is over \$200 billion a year and we have well over \$400 billion invested in each others markets. That is millions of jobs for Europeans and Americans. This advocacy of free trade serves everybody's interests, both sides of the Atlantic. We want to add to the link between North America, which remains Europe's most important external market.

We have therefore to continue to remind our partners that protectionism, which has its attractions, particularly at moments of economic difficulty, is in the long run a threat to our economic health, an illusory safeguard for short-term prosperity. We have to go on spreading the benefits of peace, freedom and prosperity eastwards, from the West of Europe to the centre and east.

And that is why we in Britain are firmly committed to bringing the new democracies in central and Eastern Europe into the European Union and the NATO Alliance. Countries like Poland, the Czechs, Slovaks, the Hungarians,

they look at the two big successful institutions, which have transformed the life of western Europe - NATO and the European Union - and they say this must be for us, how soon can we join? And I believe that they will join before many years have passed.

So we in Britain will continue to argue for a Europe which is outward-looking, which creates wealth and not bureaucracy, which strengthens and not diminishes our transatlantic ties, and which promotes security in Europe while upholding the central role of NATO.

A successful European Union does not try to submerge the identity of its members. The variety inside Europe will remain. It is much greater than the variety between the original 13 states of this Union, and it will remain, and to try and suppress it and to make us all harmonised and homogenised is actually an error. We have to do something very difficult, we have to draw strength from common policies and from the diverse energies of nation states. And we have to show in our own European arrangements, as we do, the flexibility which actually uses that diversity instead of suppressing it. That is the kind of Europe which will be good for Europeans and good for a successful transatlantic partnership.

To be more precise, how can we carry this forward in business and finance? It depends on the business and financial communities, you are the driving force in transatlantic trade. Governments can act, governments can hinder, how can we help?

Across the border in Canada there is a very energetic Trade Minister called Roy MacLaren. And he started a debate last October when he called for a Europe/North America Free Trade Area. This must be the right direction. Its attractions are clear - prosperity, jobs, lower prices, more consumer choice. All competitive economies benefit from freer trade. And uncompetitive economies, instead of actually becoming strong if they brick themselves up behind high walls, actually become weaker.

We have seen free trade work in Europe, as you have here. And it is therefore right that a free trade area across the Atlantic, not just in Europe, not just in NAFTA, but between at any rate the United States and perhaps Canada and Mexico as well, and the European Union - that should be our objective.

It will not be easy and it will not be brought about by politicians making speeches. The problems in the Uruguay Round focused towards the end on agriculture and textiles. It will not be straightforward for the United States to open its market completely to European textiles or European ceramics. And it will not be certainly easy for Europe to give free access to North American agricultural exports. So this concept of a free trade area across the Atlantic is not for this year or next, but it is I am sure the right target.

But there is more to it than because after the Uruguay Round industrial tariffs are not going to be the predominant barrier to trade. If I asked industrialists in this room or in Europe or in Britain what were the main problems, what were the main obstacles in doing trade across the Atlantic, I don't think they would actually put tariffs at the top. I think it would be different standards, unfair subsidies, protectionist bureaucratic restriction on investment, public procurement. It would be different policies which got in the way of freer trade. That is what we would hear and the finger of criticism would point sometimes one side of the Atlantic and sometimes the other according to what was being described. So in the services sector, tariffs are not the issue, the problem is about being allowed to compete on equal terms with domestic suppliers.

I believe that Europe and the United States should commit themselves to tackle, and in due course dismantle, all the non-tariff barriers to transatlantic trade and to work together for free trade in services. We should act as pathfinders in the new World Trade Organisation. This progress is worthwhile in itself and it can act as a catalyst for wider liberalisation among mem-

bers of the WTO. Standards, public procurement, subsidies, rules of origin, intellectual property rights, deregulation - it is quite a list, a list of areas in which we need to lower barriers and do that by simple means.

These are not matters just for government, it is business we want to promote and business people understand business better than bureaucrats or politicians. We are asking in Britain our Trade Associations to tell us what barriers hamper their export efforts. In Europe we are working particularly with the Germans to get businessmen, not officials, to identify what the regulations are in Europe which act as a barrier to competitiveness. I would like to use this technique also across the Atlantic. The private sectors should have a direct say in this debate.

My Prime Minister, John Major, said in Washington last month that we need to look at how we can build on the Uruguay Round Agreement and move forward step by step to freer trade between Europe and North America. What I am trying to do today is to suggest what are the practical steps moving forward to that goal. I think they fit in well with the instincts of this Administration and of the European Commission, and I hope that through the European Commission and the US Administration we can carry them forward.

Can I turn, before I close, to the wider political and security scene because this partnership that we are talking about is not simply about economics although economic, trade and commerce are crucial to it. Alexander Hamilton said two centuries ago, "The spirit of commerce has a tendency to soften the manners of men ... Commercial republics like ourselves will never be disposed to waste themselves in ruinous contention with each other." Well, history hasn't entirely borne that out but the principle is a good one, the thread is right. We have an interest to spread more widely our habits of commerce and cooperation so that people learn how they can live in prosperity and peace.

The world is full of problems, the problems

change but they don't go away. We are all democracies and in our democracies our peoples are very conscious of these problems in a way which they simply weren't before the age of television and the mass press and there are those who call on us to solve every world problem. I get many letters as Foreign Secretary from people in Britain saying, after describing some particular tragedy in some distant part of the world, something must be done and I always look for page two to see what precisely is suggested but page two is often not there. The instinct that something, usually undefined, must be done runs right through all our public opinion and yet neither you in the United States nor we in Europe are ready to be the world's policeman. You and we know better than most others the limits of military power. We saw that twenty years ago in Vietnam and as another ragged ceasefire breaks down in Bosnia, we are seeing it again today.

But we have to be a little more precise in tackling this problem and resist the temptation to oversimplify. We shouldn't fall into the trap - and I suggest that Americans shouldn't fall into the trap - of believing that there are only two types of problems: the kind of problem which can be solved by sending in the US marines and the kind of problem about which nothing can be done. The great mass of the world's problems fall outside those two categories. Bosnia, Croatia, Nagorno Karabakh, Angola, Rwanda, the choices in these conflicts are unattractive and difficult but I think they will be the pattern for the future.

We are no longer faced with simple choices between good and evil. There is no longer what President Reagan called "an evil empire", it has collapsed. We are not likely, I think, to see many examples of one sovereign state simply invading and taking over another as Iraq invaded and took over Kuwait. What we see - and we will go on seeing in my judgement - is a series of small-scale, savage civil wars disfiguring more than one continent. There are between fifteen and twenty going on at this time; in some of them the television is there and so we are aware

of them, in others equally savage the television is not there and we are not aware of them but they are.

There will be many places and many oases where you and we will feel that we can't help but there will be others where we judge that it is in our interests to contribute to an international effort to save lives, to limit conflict, to try to help those who are doing the fighting towards a peaceful solution. We have to be realistic and we have to avoid rhetorical flourishes but where there are ways in which we can sensibly help we should do so and we have an instrument also fifty years old this year called the United Nations.

The US contribution to the UN regular budget represents \$1 a year per US citizen; it is for you to judge whether that is a huge sum. For that modest sum, we and other members get supreme legal authority for actions like the Gulf campaign, we get measures such as international sanctions against countries like Iraq and Libya; we get a means to share the costs of peacekeeping among those not taking a direct part as in the Gulf; we get the chance to share the military burden too, as when the UN took over from American forces in Haiti. The costs of coping with chaos if the UN were not available to help keep the peace, were not available to intervene in humanitarian emergencies, were not available to fill a political vacuum when we don't want or can't try to do it ourselves, the costs of not having the UN, would I think be formidable. It is not magic; it can fail; it has a very mixed record and we tend to remember the things that went wrong. It doesn't always act as we would wish it to but it can achieve a great deal which individual countries on their own can't or won't do so I think it is a bargain and if it didn't exist, we would have to invent it.

It is a bargain we can improve. Like a lot of fifty-year-olds, the UN has put on a great deal of weight and not always in the right places. We have to do our bit - and Britain is doing its bit - to help the UN root out waste and fraud and improve its own procedures. We are sug-

gesting a completely different scale of assessment of contributions which we think would be fairer; we want the UN's finances to work better and more positively; we want the UN to spend our money better but we don't we think that we achieve that by throwing away the cheque-book.

So here again, I suggest a pathfinder role for Europe and North America. We have to work together to persuade others to join in making this system more effective, making the UN fitter, more efficient but obviously we cannot do that if we withdraw our support and I say this because clearly the United States takes the lead at the front and needs to do so. We will be there with you but we can't be there if you decide it is all too difficult and you simply give up on the UN. The case, I think, can be summed up like this: that really neither you nor we can afford to throw away the one organisation in the world, albeit imperfect, which has legitimacy, experience and global authority.

Fifty years ago, we defeated Nazism and fascism. Five years ago, the peoples of Eastern Europe defeated communism. There are no more great dragons in the world to slay and because there are no great enemies, I find - and perhaps you find - that people turn away from this kind of discussion, indeed they turn away from politics as a whole; political issues seem trivial, political comment degenerates into gossip; the leaders of the world meet and meet again but somehow that isn't the same drama as when Churchill and Roosevelt met on a battleship to plan how we were all to escape destruction and out of that contrast comes a certain apathy, a certain distaste for political effort but that apathy and that distaste are dangerous because the world has not actually come to rest,

its future is not going to be comfortable or secure, history has not come to an end, We can be quite sure, I think, that new dangers and new threats will materialise; we can't be sure where they are going to come from, they may come, as in the past, from the East, they may come from some dictator whose name we simply don't know who may get hold of nuclear weapons despite the success we had last week in New York in renewing the Non-Proliferation Treaty. They may come from terrorism, of which we all have tragic experience; they may come through the drugs trade, these new dangers, through the rapid build-up of highly-financed world crime; they may come through barbarism, some massacre, some atrocities so terrible that people living and sitting thousands and thousands of miles away who never thought of themselves as citizens will wake up and say the international community has to intervene.

We cannot be sure except of one thing: that there is uncertainty and there will be danger. One thing I think is certain about these uncertainties and that is in dealing with the dangerous world which remains. Albeit the dangers have changed but America will need Europe and Europe will need America and Britain will remain an important part of that equation and that is why this partnership has to be preserved; it is no less relevant today than it was in past decades. So anniversaries, whether the anniversary of the end of the War or whether the anniversary of the birth of the UN, they are not simply voyages into nostalgia; they should not just help veterans to speak, they should serve to instil into all of us in the Western World the energy and confidence which we shall certainly need to surmount the challenges yet to come.