

sphere — precisely the field in which integration in Europe has come first. While reduction of trade barriers is a major goal of the Community, this has progressed more rapidly within the Community than between it and the outside world. So far, in practice, protection of certain special interests within Europe has been a major concern in the Community's collective decisions; this is the easiest course for an economic union that has yet to develop the political unity needed to make hard decisions taking account of interests outside the Community. As this political will develops, it will facilitate cooperation in the wider Atlantic relationship.

Europe's economic recovery has, of course, been of enormous benefit to U. S. trade. But it means, also, that the postwar economic imbalance across the Atlantic has been redressed. We now face the additional prospect of a 10-nation European Community — a giant concentration of economic power — with a common external tariff and an expanding network of preferential trading arrangements with other countries in Europe, Africa and Asia. This cannot fail to have an impact on the trading position of the United States.

There is only one constructive solution: to face up to the political necessity of accommodating conflicting economic interests. In the postwar period this came easily; today, it will come only with effort. Inertia, which may seem comfortable to one side, will only lead to strains in our relations. We must both keep our eyes on our fundamental shared interest in freer and expanded trade across the Atlantic, a foundation of our mutual prosperity. Last June, under the leadership of Secretary Rogers, the leading industrialized nations in the OECD embarked on a major collective effort to address the many trade and related issues. This will require determined statesmanship and hard political decisions. We are prepared.

The 1971 international economic crisis was a facet of the same problem, and an example of how cooperation can work. Twenty years had eroded the predominance of the U. S. economy and U.S. dollar upon which the trading and monetary system had been built. In new conditions, the system

was structurally unsound. In two previous Foreign Policy Reports and in many forums I called for basic reform. Progress was slow. Then last August, we faced an emergency; I acted decisively to put our own house in order and to turn the crisis into an opportunity for the West to put the international monetary house in order as well. We brought home to our partners that we were serious.

There were temptations for the United States then to make separate bilateral arrangements with selected countries in order to bring pressure on our other trading partners for a solution most economically advantageous to us. However, the political unity of the Atlantic world was of paramount importance to the United States, and we had to reach a solution in a manner that fostered it.

My summit meetings with allied leaders in December and January laid the political basis for a broad cooperative solution. I was able to assure Prime Minister Trudeau of Canada — our most important trading partner — that we understood the strong impact of our New Economic Policy on Canada and were eager to reinforce our close friendship with Canada. I then made an approach to the ally whose views on the economic question differed most from ours — President Pompidou of France. Our meeting at the Azores produced an agreement in principle on major points, which opened the way for the multilateral consensus achieved in December at the Smithsonian meeting of the Group of Ten. This development is discussed in greater detail in the International Economic Policy chapter.

There were important concessions on all sides; the result was a tremendous gain for the whole free world.

International trade policy.

In 1971 we took strong measures to reverse our declining trade position, focused international attention on the fundamental problems confronting the world trading system, and moved ahead with a major effort to improve our competitive position.

The Setting. World trade affects the standard of living and the welfare of citizens of this and every other country. For this rea-