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THE NEW ECONOMIC PROGRAM AND WESTERN EUROPE

I. INTRODUCTORY

Mr. MANSFIELD. Mr. President, this statement to the Senate is in the nature of a summary of my impressions of reactions in Western Europe to the administration's new economic program. In due course, I shall file with the Committee on Foreign Relations a formal report on this subject. The observations which I make now and others which will be contained in my subsequent report flow from a recent visit to various European states and, briefly, to Morocco. Some of these states are members of the European Economic Community and others are on the verge of membership. All of them are affected directly or indirectly by the new economic policy.

I held direct exchanges with U.S. Embassy personnel and government leaders in seven countries. These conversations were supplemented, under my direction, by staff reports from still other areas. The journey culminated in Paris at the 50th Interparliamentary Union which I attended for 2 days. The focus of the study was the new economic program although in Morocco and elsewhere other subjects were raised. In Paris, I made it a point to eschew discussions of Vietnam with the various delegations to the Paris Peace Conference.

My principal concern was to weigh European reactions to the new economic program for communication to the Senate. Wherever I went, however, I also took occasion to emphasize to European leaders the urgency of the economic problems at home which had led to the promulgation of the program. I pressed for their understanding of our situation even as the people of the United States have shown understanding to theirs on many occasions in the past. Invariably these exchanges were frank and friendly and, at the same time, reassuring of the continuance of a high degree of mutual consideration between Western Europe and the United States.

II. EUROPEAN REACTIONS TO THE NEW ECONOMIC PROGRAM

The European nations have been aware of the economic difficulties which have been gathering for the past several years in the United States. They have watched the unchecked inflation, the persistent high level of unemployment, and the shifting trade flow with deep interest and concern. Indeed, a number of major European countries have long been pressing the United States to take strong measures to correct its payments deficits.

The alarms which had been rung in the Senate and elsewhere had reached Europe. Closer at hand, European governments also had evidence of the ineffectiveness of the initial remedies for this Nation's difficulties. European central banks were witness to gyrations in gold prices, periodic speculative rushes of dollars from one currency to another and other manipulations in the European financial markets.

Notwithstanding these harbingers, the first reaction to the new economic pro-
The most universal reaction to the new economic program, however, is reserved for the general 10-percent add-on, or surcharge, with regard to U.S. import duties. All but governments oppose the provision although certain countries are hit more directly and painfully than others. Recession and unemployment now anticipated among certain European nations of highly competitive commodities such as shoes, jewelry, and watches. On the whole, however, the European economies do have alternative bases of trading strength—notably the inner market of the European Economic Community and they appear sufficiently stable to be able to absorb the increase in duty without widespread disruption.

There is little disposition to challenge the European economies, however, on a temporary basis may have been unavoidable but it is nonetheless regrettable. Should there be further retrogression, the most serious damage could be done to the well-being of both the European nations and the United States. In the end, both might well be cut loose from the moorings of a commonly sustained stability which has contributed so much to the evolution of peace in Europe and the North Atlantic.

In the circumstances, too much stress cannot be laid on the significance of the provisions and the increase in duty. The increase in the import duty is, at best, an awkward and dubious remedy for the Nation's economic difficulties. It operates as an inflationary pressure; it accommodates to them and, hence, contributes to higher prices at home. It serves as a relief for inefficiency rather than as an incentive to more efficient production. To be sure, the add-on may provide a breather for the dollar abroad but, in any durable sense, it will not be able to pump new breath into the international financial position of the United States.

A more pointed correction of the weakness in that position would involve ending governmental expenditures and especially those which are made in other nations. Many of these expenditures seem to persist out of resistance to the Nation's current needs or interests.

It is only too obvious, for example, what damage has been done to the Nation's economic position by an outflow in the range of $130 billions of dollars for the tragic and wasting war in Indochina. Yet the war goes on; so, too, do the expenditures, not to speak of the tragic waste of life and resources.

On a smaller scale, the expense of military bases abroad and of foreign aid illustrates the same point. With regard to the latter, year in and year out, billions have poured abroad. In many cases, constructive results have been scarcely perceptible and, sometimes, as in the India-Pakistan situation, the consequences have been downright deplorable. Yet the indiscriminate outflow for aid continues and even spreads further afield.

The cut of 10 percent in aid which has been proposed this year by the administration is to be welcomed even though it seems to me that it is far too meager. Moreover, there is no definite assurance that the proposed cut between what might be constructive and what is ineffective or worse in aid.

In the purposes of this report, the most pertinent example of the kind of excessive government expenditure which
tends to erode the financial position of the United States is the outlay for NATO at the present level. Clearly, the billions which are spent every year, directly and indirectly, on military expenditures bear a significant relationship to the weakness of the dollar abroad. In my judgment, these expenditures come from the hand of Congress. It is a hard hand, which, fixed on the Treasury, diminishes the capability of the United States for dealing with contemporary economic crises.

That is not to say that expenditures for NATO should be eschewed for reasons of economy if they are required to meet urgent security needs in accordance with the North Atlantic Treaty. However, there is nothing in that treaty which constitutes a commitment to make expenditures at the present level. The phrase “at the present level” is emphasized because what we do in the way of contribution to NATO is the consequence of our own national decision. Contribution with NATO allies may be desirable but the question of a reduction in U.S. Forces from their present level, however, is not one of international concern, but rather a national determination.

This question was reviewed by the Senate a few months ago and a cut in the U.S. contingency in Europe on the basis of legislative initiative was rejected at that time. However, the fact that the administration has now found it necessary to resort to urgent economic salvage operations underscores the necessity for further consideration of this question. It is to be hoped that a cut might now be brought about by Executive action. If it is not, the question of a legislative initiative may be raised once again in the Senate this session.

V. OBSERVATIONS ON NATO

For the present, however, I would only set forth certain observations on the status of NATO which derive from my recent study abroad. It seems to me that—

First. The Western European nations remain firmly wedded to joint defense of this country. As a result of the North Atlantic Treaty, May I add, it is my hope that such will also be the case with regard to the policies of the United States because of the mutual stake in the North Atlantic Treaty. It is very high.

Second. When it comes to material support of NATO, the European nations are prepared to urge the United States not to make reductions in its contribution. There is no indication, however, that any NATO nation is ready to make a substantial increase in its support of NATO. So far, they have simply fished to anticipate further reductions in the present European effort under the organization. Even now what the Western Europeans are doing in the name of NATO, in the name of the North Atlantic Treaty, it is, in my judgment, the preponderant part in whatever conventional defense they may deem necessary for their security.

In the circumstances, NATO engages in every effort to forestall a cold war while the climate in Europe warms to the prospect of an all-European peace settlement. In the circumstances, an enormous effort in manpower and funds disappears from the coffers of the United States, at the expense of the national economy and the international strength of the dollar. All the while, Europe uses its resources more pointedly for the economic well-being and progress of its people. This situation highlights the need, in my judgment, to face up to the anachronism of the current consignment of U.S. military forces to danger for Europe. The prospect of over half a million American servicemen and dependents in Europe is irrelevant to the political situation on the continent. The talk of the cost of maintaining the consignment is damaging to this Nation’s interests both in Europe and at home.

VI. INDICATED CHANGES IN NATO POLICIES

With or without mutual force reductions, it seems to me highly necessary there be a substantial and graduated reduction in U.S. forces in Europe. Indeed, what value in any negotiations is the debilitating waste of our financial resources? To follow the line of reasoning that suggests we should keep U.S. forces in Europe in order to increase our bargaining power with the Soviet Union is to argue that if the present forces were doubled in size our bargaining power would be doubled.

It should be noted that there have been some administrative reductions in U.S. forces in NATO in the last few years. What is needed is a maximum of several years ago. However, welcome, these limited economies are not to be confused with the financial benefit to the United States of an updating of the policies which govern present troop-numbers in Europe. A realistic reading of the current situation, in my judgment, indicates possible changes which should contribute effectively to the recovery of the Nation’s financial health without in any way impairing its security. Specifically, the following measures may be practicable:

First. A reduction in the U.S. military contingent in Western Europe on a graduated basis within the near future. The critical factor in maintaining the North Atlantic Treaty in present circumstances is not the size of the U.S. military contingent but the reliability of the total U.S. commitment. In my judgment, two divisions or less of U.S. forces would be effective in the latter connection as four or more.

Second. A substantial cut in U.S. command participation in NATO. It would seem most appropriate, in particular, to remove the American Commander in Chief of the organization and for the United States to take the initiative in encouraging such a selection.

Third. A substitution of multinaval NATO forces in the Mediterranean for the conspicuous and overwhelming presence of the 6th Fleet. A development of effective techniques for keeping alive the vital concept of the North Atlantic Treaty while at the same time NATO, as it presently exists, is cut to streamlined essentials, perhaps prompter application in the event of emergencies. If present political trends in Europe continue, this conversion of NATO to standby status might well be possible within 5 years.

VII. ADJUSTMENTS IN U.S. POLICY AND ADMINISTRATION

As already noted, the trends in Europe are toward detente. In this Nation’s economic interest, and in the interest of...
maintaining a constructive diplomatic role in the evolution of peace in Europe, we should adjust our policies, in all respects, to those trends and do whatever we can to encourage them. To that end, it is agreed.

First. All parts of the Federal machinery, involving the administration of U.S. policies regarding Europe should be reexamined by the President and the appropriate congressional committees in order to update procedures which may be still out of harmony with present trends.

Second. Our policies with regard to Germany should be redesigned to stabilize the existing situation. To that end, these policies should accept the permanence of the two Germanies for the foreseeable future and encourage peaceful and developing contacts between them. They should provide affirmative support for ratification of the West German-Polish Non-Aggression Pact and for the West German-Soviet Union Non-Aggression Pact.

Third. Finally, our policies should endorse, without reluctance, an all-European policy, as I see it, would be to point it by the compass of the Nixon doctrine. It would be a direction for a vote in the Senate.

Mr. FULBRIGHT. I would agree with the distinguished Chairman of the Committee on Foreign Relations, and I wish to say to him that it is my intention to do so at an appropriate time in connection with an appropriate bill. There are a number of measures to which the amendment seeking to bring about a substantial reduction of U.S. forces in Western Europe on a graduated basis could be attached.

Mr. FULBRIGHT. I hope the Senator will do so. To me the reports coming out about the demoralization of our forces in Europe are about the most serious and alarming that we have ever had. It is nothing more serious with regard to our own military defenses and, in addition to that, to our reputation, to our influence generally in Europe and over the world. I hope the Senator will do so. I assure the Senator my support and I think he has a great deal of other support. I thank the Senator for his report.

Mr. FULBRIGHT. I thank the Senator for his remarks. I have inserted in the record the three articles by Haynes Johnson and George Wilson, which were published in the Washington Post over the past 3 days. If everyone will take the trouble to read these articles, he will be found to be enlightened. I am disturbed at the lack of morale of our troops in Europe. I am disturbed greatly about the drug traffic, the crime increase, and the share of our enlisted men live, and I emphasize the word "enlisted." I think something should be done because I think it is quite clear that we are not the kind of army we have there at the present time, which I think is far from lean. It is quite to the contrary, certainly, in view of the race problem, the drug problem, the crime problem, and the strictness of morale, it is not efficient at this time.

Mr. FULBRIGHT. I thank the Senator.

Mr. SYMINGTON. Mr. President, will the Senator yield?

Mr. FULBRIGHT. Mr. President, I yield to the Senator from Missouri.

Mr. FULBRIGHT. I would also congratulate the distinguished majority leader for one of his typically wise and constructive observations to the Senate, this one based on his recent trip.

On the floor of the Senate it has been stated and restated that we have over 7,000 nuclear warheads in Europe. With that type and character of defense in Europe it still seems incredible to me that we have to continue to keep these hundreds of thousands of our conventional military over there. Surely these countries can have more of this problem of military bodies.

I would join the chairman of the Committee on Foreign Relations in hoping that when it does consider it proper, the majority leader will again introduce the resolution for a reduction of our troops in Europe.

A prominent physician only this morning told me that once a person is really "hooked"—that was his expression—on heroin, there is no out from his standpoint except suicide.

Putting it mildly, the drug problem in the most recent article in question was verified to Senator Pastore and me by enlisted and enlisted men of the Army when we visited Europe last April.

I would hope, therefore, again inasmuch as I believe in Germany we are creating additional Addicities, that we would look further into these articles entitled "Army in Anguish," published in the Washington Post and written by two responsible newspapers.

With that in mind I have requested the chairman of the Committee on Armed Services to establish a subcommittee to investigate thoroughly the allegations in these articles. It is about time we have the straight posture, that we begin to look at the vital problem of morale in the services, a characteristic of military preparedness that is just as important as any weapons system or group of weapons systems.

So again I congratulate the distinguished majority leader for the thoughtful position he has presented this morning.

Mr. MANSFIELD. Mr. President, I wish to thank the distinguished Senator and to say that I believe we have to have an
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army based not on numbers but effectiveness. There is a job to be done in rebuilding the Army, and I am sure the Congress as a whole stands ready and willing to participate in that effort, which must be undertaken for the security of the United States.

Mr. SYMINGTON. Mr. President, of course, I agree. We should have a mighty fine Army. I would hope this matter could be cleared up, not only in the Armed Services Committee but also, from the standpoint of commitment, in the Foreign Relations Committee, of which the majority leader is a member.

Mr. AIKEN. Mr. President, will the Senator from South Carolina yield to me without losing his right to the floor?

Mr. HOLLINGS. Mr. President, I am glad to yield to the Senator from Vermont.

Mr. AIKEN. Mr. President, the remarks of the majority leader, the Senator from Montana, are very timely and should be heeded and will be heeded, not only in this body but in the rest of the country as a whole.

It was at home on August 15 when the President made his unexpected and startling announcement relative to our national economy and the action he proposed to take. I think that, with very few exceptions the President's statement and proposed plan were very well received even by those who disagree with him on many, many other things. But there is also a feeling that this statement must be followed up by action without much delay. That action must not be a party issue, it must not be an issue between the Congress and the White House, it must not be an issue between industry and labor, because the stakes are too high and the situation is too serious to indulge in that kind of play.

It was only natural that other countries showed resentment at this statement. It came unexpectedly. They were surprised. Many of them thought it was directed at them, so they were not very happy. They do not feel very happy at having anyone in authority in the United States telling them how much they should revalue their own currency, which runs from 15 percent in Japan down to almost nothing in some of the other countries. But these other countries have a share in this responsibility themselves. They forced the President to take the action he did, in a way. They have in the past subsidized their own products through dumping them on the rest of the world, particularly the United States.

They have made internal restrictions against products imported from the United States which have been very costly to us and are largely responsible for the imbalance of our economic situation. Many of them have failed to observe the mandates of the United Nations while expecting the United States to fully observe those mandates.

Finally, I think Western Europe has to bear a great deal of the responsibility for forcing the hand of the President in doing what he did, because the time has now come, as the Senator from Montana has said, for Western Europe to assume the responsibility for their own defenses.

I agree with him that the next commander of the NATO forces should be a European.

The situation now calls for consultation and cooperation, not confrontation. There can be no delay if the damaging conditions of the 1930's are to be avoided, because what hurts the United States hurts these other countries as well, and even more. Reverting to fortress America is not in the interest of the United States. It could be popular at first. It is not in the interest of the rest of the world.

I am very, very hopeful that all nations, we share responsibility too, for the present situation and threatening situation in the world will be able to sit down together and work out fair and equitable trade agreements.

I do not want to see this country slide back into isolation, although there are people in this great Nation of ours who are advocating steps that would have that very result.

I think the Senator from Montana performed a real service, and I thank the Senator from South Carolina for yielding me time to say so.

Mr. MANSFIELD. Mr. President, I want to express my thanks to the distinguished junior Senator from Vermont and to assure him I appreciate what he had to say. I agree with him. There is much more I would like to say in view of the interest generated, but I do not want to intrude myself further on the generosity of the Senator from South Carolina.