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From Junior Partner to Global Player?

The New Transatlantic Agenda and
Joint Action Plan

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Introduction

Hailed by President Clinton as the “roadmap for the 21st century”, the New Transatlantic Agenda (NTA) and the Joint Action Plan (JAP) were designed to be a watershed in US-EU relations.

Rooted in the revolutionary changes of the late 1980s/early 1990s, the US and the EU realized that they were entering the uncertainty of a new and unprecedented political era - the post-Cold War world - which called for a fundamental overhaul of transatlantic relations. It quickly became obvious that the political dialogue between the two needed to be reinvigorated and incorporate a wider area of policy objectives. Ergo, it was necessary to move away from the ad hoc consultations common during the Cold War, and cope with issues which were formerly for the most part unilaterally dealt with by the United States.

Only a few years after the first attempt of strengthening transatlantic ties culminated in the Transatlantic Declaration of 1990, policy makers on both sides of the Atlantic realized that further cooperation was called for. At the US-EU summit in Madrid on 3 December 1995, President Bill Clinton, Spanish Prime Minister and President of the EU Council Felipe Gonzalez, and European Commission President Jacques Santer announced a New Transatlantic Agenda (NTA) and a Joint Action Plan (JAP) to forge even closer ties between the United States and the European Union by imple-

menting coordinated policies on a range of the most pressing economic, political, security, humanitarian, environmental and cultural issues.

The initiative was a concise plan laying out concrete action plans to cope with today's interdependent world in which challenges facing the United States and the European Union could no longer be dealt with satisfactorily by either party acting alone. Transnational in nature, these challenges, such as international crime, drug trafficking, terrorism, environmental degradation and the spread of communicable diseases, required resources which exceeded those at the disposal of either the US or the EU acting alone.¹

In particular, the two sides promised joined actions to work towards the following four goals:

- (I) promoting peace and stability and fostering democracy and development around the world
- (II) responding to new global challenges
- (III) contributing to the expansion of world trade and closer economic relations
- (IV) building social and cultural bridges across the Atlantic

Based on the Agenda, the Joint Action Plan is a more comprehensive document which contains 150 longer-term specific objectives from which a number are selected for regular updating of the Agenda between subsequent US-EU summit meetings.

The following assessment explores the origins of the Agenda in general and the overall state of transatlantic relations during the 1990's in particular. Furthermore, each policy area is discussed and evaluated from an American and European point of view. Lastly, potential points of friction are examined and a prospect for bringing the Agenda to fruition will be undertaken.

1 Michael Lind, "Pax Atlantica: The Case for a Euroamerica," *World Policy Journal* Volume 13, No. 1, Spring 1996, p.6.

The Beginning of the 1990's: Transatlantic Declaration - a First Step Towards Greater Cooperation

As early as 1976, the US and the EC agreed to biannual meetings between the head of state or government of the country holding the Community's presidency and the US president. In the aftermath of serious disputes regarding East-West relations in the 1980's, annual meetings were arranged between Troika political directors and the Assistant Secretary of State for European Affairs. In addition, several ad hoc consultations between US cabinet members and their European counterparts took place on the margins of annual NATO summits in Brussels.

The rapid changes which Europe underwent in the second half of the 1980's made evident that these kind of informal consultations would not suffice to successfully respond to the challenges ahead. The fact that the newly independent Central and Eastern European states (CEE) would likely be first and foremost oriented towards the European Community proved distressing to the US. Concerned that the European integration process could develop policies and institutions antithetical to and incompatible with American interests, the US called for closer transatlantic cooperation in the hope of influencing European affairs in its favor:

...we propose that the United States and the European Community work together to achieve, whether it is in treaty or some other form, a significantly strengthened set of institutional and consultative links.²

President Bush seconded Baker's initiative and approximately a year later, on 23 November 1990, their endeavor culminated in the Transatlantic Declaration. Emphasizing the transatlantic attachment to common values, principles and traditions, the Declaration foresaw the establishment of a mechanism for regular consultations between heads of state, foreign ministers, other cabinet members, political directors and experts. The meetings were to take place in a bilateral (US administration and European Commis-

2 James Baker, "A New Europe, A New Atlanticism: Architecture for a New Era," Press Office of the Department of State, 12 December 1989.

sion) or trilateral format (previous two plus EU Council presidency). In addition, the Declaration also formalized exchanges between the European Parliament and the US Congress.

While ambitious and forward-looking in content, the Declaration proved inapt at meeting its goals. The success of the summit meetings depended too heavily on subjective factors, such as the EU presidency country's commitment to advance US-EU relations or the personal chemistry between policy makers. Moreover, the Declaration achieved modest results because its design was unidirectional - in the sense that consultations merely consisted of briefings by US participants to their European counterparts - and therefore lacked the necessary synergy and European input.

Realizing the inherent deficiencies of the Declaration and fearing a subsequent shift of US attention towards Asia³, the German Chancellor Helmut Kohl proposed a further deepening of transatlantic relations. His efforts resonated with policy makers on both sides of the Atlantic and resulted in the launch of three "working groups" at the US-EU summit in July 1994 in Berlin. The groups were to focus on these areas: International Crime, including drug trafficking, nuclear smuggling and money laundering; Common Foreign and Security Policy (CSFP), particularly the means of improving coordination of humanitarian assistance to the developing world; and Central and Eastern Europe(CEE), particularly the means of improving coordination and technical assistance programs for market reform.

While the third group achieved at least modest results, the other two found themselves hampered by the three-pillar structure of the EU. The working group on international crime encountered the vehement opposition of numerous EU member states who claimed that the issue fell under the third pillar of the Maastricht Treaty and was thus to be treated on an intergovernmental basis. The same held true for the CFSP working group. In both instances, the member states feared that granting the Commission a role in issues falling under the intergovernmental pillars of the Union (pillar II and

3 Roger Altmann, Charles A. Kupchan, "Arresting the Decline of Europe," World Policy Journal, Volume 14, No. 4, 1997/98, p.1.

III) could result in a transfer of competences to Brussels and a subsequent loss of sovereignty.⁴

In retrospect, the three working groups may best be described as the trial stage for a more coherent and substantive cooperation effort. Both sides realized that it was necessary to "add flesh to the bones of the Transatlantic Declaration"⁵, and to move away from mere consultation towards joint action. The urgency of the issue was not only reinforced by the shortcomings of the Transatlantic Declaration but also by the concomitantly occurring political and economic disparities between the United States and Europe.

1990-1995: Two Powers in Danger of Drifting Apart

In the post-Cold War world it became increasingly evident that both sides were in danger of drifting apart. On the one hand, policy makers were overly occupied with domestic issues, while international actors were for the most part restricted to areas of geographical proximity or strategic interest. Severely curtailed public budgets further exacerbated this situation and forced policy makers to focus primarily on issues of tangible benefits.

On the security front, there was a sense that NATO - the premier forum for transatlantic consultations - had fulfilled its mission after defeating the communist menace. In other words, Washington's security guarantee was no longer needed, and a withdrawal of the only remaining superpower from European security affairs appeared imminent. This concern was vividly expressed by the Belgian Prime Minister Jean-Luc Dehaene:

The Cold War is over now. Very fortunately so, but at the same time...we have been deprived of an enemy. The glue which kept us together for so long, has lost its strength.⁶

4 Michael Calingaert, *European Integration Revisited: Progress, Prospects and US Interests*, Westview Press, Boulder, CO, 1996, p. 183.

5 Christoph Bail/Wolfgang Reinicke/Reinhardt Rummel, "The New Transatlantic Agenda and the EU-US Joint Action Plan: An Assessment", in *EU-US Relations: Balancing the Partnership*, Nomos, Baden-Baden, 1997, p.5.

6 Jean-Luc Dehaene, speech to the European Institute, March 1995.

Economically, the United States laid the groundwork for major free trade initiatives with Asia (APEC) and Latin America (NAFTA and the Free Trade Agreement of the Americas), which Europe took as further evidence of the United States' loss of interest in the old world. US foreign policy appeared to be monopolized by events in Somalia, Haiti, Iraq, Bosnia and the looming financial crisis in Mexico. At the same time, the outcome of the 1994 midterm election and the subsequent Republican Revolution threatened to catapult the country into isolationism and unilateralism.

With a common foreign policy still in an embryonic state, Europe proved unable to effectively cope with the crisis in Bosnia and also failed to authoritatively guide the countries of Central and Eastern Europe in their difficult transition to democracy, much to the frustration of the United States, which had explicitly asked Europe to take primary responsibility in both tasks.⁷ When talks began on the Transatlantic Agenda, both Europe and the United States were hopeful that such an agreement might enhance the Union's weak foreign policy profile.⁸

Despite initial doubts about it becoming a reality, the eventual prospect of European Economic and Monetary Union further compelled the United States to exert influence on the continent. Aware that EMU would dramatically challenge the hegemony of the US dollar – especially its status as the major foreign reserve currency⁹ – it was of vital interest to the Americans to stay involved in the European integration process.¹⁰ Additionally, the United States hoped that a cooperation agreement might be able to diffuse potential trade disputes with its most important trading partner.

7 Barry Eichengreen, "Transatlantic Economic Relations at the End of the 20th Century", *American Studies*, Vol. 42, No. 1/1997.

8 Horst Krenzler and Astrid Schomaker, "A New Transatlantic Agenda", *European Foreign Affairs Review*, 1:9, Sep 1996, p.12.

9 Jaques Santer, "The European Agenda: Preparing for the Next Millennium", Speech at the Economic Strategy Institute, May 5, 1998. See also Klaus Friedrich, "Consequences of EMU for Europe", testimony before the US House of Representatives, Committee of Banking and Financial Services, May 1998).

10 Ernst-Otto Czempel, "Europa und die Atlantische Gemeinschaft," in *Aus Politik und Zeitgeschichte*, B1-299, Januar 1999, p.13.

The New Transatlantic Agenda and Joint Action Plan

Once the need for a more comprehensive cooperation initiative had been agreed upon, the debates began over which form an agreement might take. Some, such as President Jacques Santer argued for a comprehensive transatlantic treaty, a proposal which was quickly dismissed because of the lack of true European political cooperation within the CFSP framework.¹¹ However, there was consensus on both sides that the successor agreement of the Transatlantic Declaration needed to contain more concrete commitments to joint actions. Likewise, it was supposed to nurture a European political identity and at the same time ease the financial burden of the United States in her role as global leader.

An even more ambitious proposal was put forward by the British and German Foreign Ministers, Rifkind and Kinkel, US Secretary of Commerce Brown and the Speaker of the House of Representatives, Gingrich, who planned to establish a transatlantic free trade area (TAFTA). The initiative quickly ran into vehement opposition, however, and was criticized by the newly established World Trade Organization (WTO) because a free trade zone between the world's largest economies was thought to negatively impact and distort the multilateral trading system.¹² Another obvious concern, which was most prominently voiced by France, was that TAFTA could pose a challenge to the sensitive area of EU agricultural subsidies.¹³

Although less comprehensive than some might have preferred, the New Transatlantic Agenda was a clear improvement over its predecessor because it set the stage for transatlantic relations to finally move from consultation to joint action.

11 Ernst-Otto Czempel, "Hat die euro-atlantische Gemeinschaft eine Zukunft?", *Blätter für deutsche und internationale Politik*, May 1998, p.25.

12 Horst Siebert, Rolf J. Langhammer, Daniel Piazolo, "The Transatlantic Free Trade Area," *Journal of World Trade*, May 1995, p.59. See also Ernest H. Preeg, "Policy Forum: Transatlantic Free Trade", *The Washington Quarterly*, Volume 19, No. 2, 1996, p.105.

13 See "France blocks bid for EU-US marketplace", *Financial Times*, 28 April 1998.

1995: Paradigm Change? The New Transatlantic Agenda

The New Transatlantic Agenda (NTA) and the Joint Action Plan (JAP) are two distinct, yet interdependent, documents which are designed to mutually reinforce one another. Whereas the former consists of general statements about the afore-mentioned priority areas, the latter lays out approximately 150 precise initiatives to be undertaken in pursuit of these goals.

While the NTA as a document is visionary and forward-looking, it also pays tribute to the long-standing linkage between the peoples on both sides of the Atlantic, and commemorates the extraordinary achievements of their cooperation:

For over fifty years, the transatlantic partnership has been the leading force for peace and prosperity for ourselves and for the world. Together, we helped transform adversaries into allies and dictatorships into democracies. Together, we built institutions and patterns of cooperation that ensured our security and economic strength. These are epic achievements.¹⁴ [emphasis added]

The fact that the remainder of the Agenda refrains from using such convoluted language and instead concentrates on genuine policy initiatives might be taken as another indicator of the new pragmatism in transatlantic affairs.

In essence, the NTA underlines a common strategic vision for Europe's security - reiterating the imperative role that NATO has, and will continue to play, in the European security structure -, and also emphasizes the transatlantic economic partnership. In their role as the largest trade and investment partners in the world, the United States and the EU furthermore commit to promoting global free trade and creating a "New Transatlantic Market Place". The Joint Action Plan is regularly "updated" to respond to new political and economic developments and articulates the specific initiatives which accompany the political objectives of the NTA, the most important of which include, inter alia:

14 European Union/Council, The New Transatlantic Agenda, Document 12353/95, Brussels, December 1995.

Promoting Peace and Stability

a) Peace and Reconstruction in the former Yugoslavia

In the midst of the Bosnia crisis, it was obvious that utmost priority was given to the implementation of the Dayton Accords and the reconstruction of former Yugoslavia. In comparison to past initiatives under the Transatlantic Declaration, the JAP outlined actual policy responses and specific initiatives, such as a framework for "free and fair elections in Bosnia-Herzegovina" and "respect [for] the work of the War Crime Tribunal...in order to ensure international criminal accountability." Fearing the potential spread of the conflict, the two will attempt to stabilize the Balkan region at large, for instance through the Southeast Europe Cooperation Initiative (SECI), and the Royaumont process of Stability and Good Neighborliness in Southeastern Europe.¹⁵

b) Central and Eastern Europe

A second priority for the United States and the European Union was to assist the integration of the newly emerging democracies of Central and Eastern Europe into international political and economic institutions. Agreeing to annual high-level consultations, both sides underlined their pronounced interest in preparing the region for eventual membership in NATO and the European Union. In an attempt to consolidate democratic rule in the region, the US and the EU granted fifty awards of \$20,000 each to non-governmental organizations, distinguished persons and communities to honor their achievements in protecting human rights, supporting good governance, and developing civil society.¹⁶

c) Russia, Ukraine and the other New Independent States (NIS)

In comparison to the ambitious plans for CEE, the transatlantic partners restricted their effort in this section to help Russia, Ukraine and other NIS

15 Senior Level Group Report to the U.S.-EU Summit, December 1996.

16 Fact Sheet released at the U.S.-European Union Summit in Washington, December 1997.

integrate into the global economy (not institutions). Given that these countries still have a long way to go before they will be competitive in the global economy, assistance is targeted at the most pressing requisites, such as tax and banking-sector reform, privatization and post-privatization activities, and small and medium-sized enterprise development. In 1998, the partners decided to give special consideration in this category to the Ukraine by working jointly on projects of civil society, energy reform, and specific trade issues. Additionally, it was agreed to ensure the safety of the nuclear reactors at Chernobyl.

d) Promoting the Middle East Peace Process

In this area, the transatlantic partners promise their support for the Middle East Peace Process, as well as the Palestinian self-government and economic development, by implementing the conclusions of the Casablanca and Amman Economic Summits. Also, the US and the EU promise large assistance programs which are made contingent on progress in the peace negotiations. To stimulate economic growth and promote greater regional interdependence, both will work towards free trade agreements between Israel, Jordan, Egypt and the Palestinian Authority, and also attempt to end the Arab boycott of Israel.

e) Closer cooperation of humanitarian assistance

Given the scarce financial resources which flow into development cooperation, the two sides promise to coordinate their assistance programs in order to make them more effective. Also, in an attempt to avoid wasteful overlap, both will consider joint missions whenever possible, for instance in Northern Iraq, Liberia and Angola, and hold early consultations on security in refugee camps as well as on the use of military assets in humanitarian actions. The JAP also calls for 'regular and intensified' contacts between US mission and Commission Delegations to supervise the coordination effort.

(II) Responding to Global Challenges

a) Fight against organized crime, terrorism and drug trafficking

Targeted primarily at the still volatile countries of the NIS and CEE, this section seeks to enhance bilateral cooperation and institutional contacts. Yet, its implicit aim is also to achieve greater levels of cooperation amongst EU member states. As previously elaborated, crime and drug trafficking presently still fall under third pillar collaborations, which is likely to impede progress on this part of the Agenda in the future. One success which may be attributed to this endeavor, however, is the promotion of the rule of law in former Eastern Bloc countries, for instance through international training programs at regional institutions such as the International Law Enforcement Academy in Budapest, the Italian Judicial Training Center, and the Middle and East European Police Academy.

b) Preservation of the environment

This section of the Agenda and Action Plan calls for intensified bilateral consultations on the environment and closer coordination in international negotiations on the environment. In contrast to the previous section, this area is politically less controversial, and one may conclude that the prospect for transatlantic cooperation is good. Indeed, even very difficult issues, such as Russian nuclear safety, have been tackled, for instance by creating a strategy to deal with submarine and ice-breaker spent fuel and waste. In doing so, American and EU experts have been meeting with their Russian counterparts and negotiated an action plan for the most urgent waste problems. Also, New Regional Environmental Centers (NREC's) will be opened in Russia, Ukraine, Moldova and Georgia, and will be modeled after the first NREC in Budapest.

c) Health

As a matter not subject to third pillar restrictions, cooperation falling under this category has produced solid results, for instance the creation of a health task force which agreed to exchange data on communicable diseases (i.e. food-borne diseases). In addition, the group plans to identify surveillance and re-

sponse capacities, review research approaches and training, and work closely with the World Health Organization. With regard to the latter, it was agreed to encourage the follow-up of its resolutions dealing with outbreak and reporting responsibilities and to strengthen response centers.

(III) Contributing to the Expansion of World Trade and Closer Economic Relations

a) Strengthening the multilateral trading system

One priority in this category is the strengthening of the WTO by helping the organization to enforce multilateral rules and commitments, and secure full implementation of the Uruguay Round Agreements by all its members. Secondly, both sides agree to work towards a further liberalization of financial services on a global basis, a comprehensive framework guiding government procurement procedures and intellectual property rights. Recognizing the long-standing and tremendously successful transatlantic economic relationship, this area of cooperation - while not without occasional controversy - makes intuitive sense. Not only does the European Commission have the authority to represent the Union in virtually all trade-related matters (and is consequently not impeded by member states jealously guarding their sovereignty), but both also share a vital interest in opening up new markets.

b) Establishment of a New Transatlantic Marketplace (NTM)

Agreed upon after the TAFTA initiative had been dismissed, the New Transatlantic Marketplace had the goal to deepen the existing economic relationship by harmonizing EU and US regulatory policies as much as possible. In particular, the partners pledged to undertake a joint study on ways to promote trade in goods and services, while at the same time work towards the reduction or elimination of tariff and non-tariff barriers. The latter have greatly obstructed transatlantic trade and have resulted in intense efforts - and successful conclusion - of so-called Mutual Recognition and Information Technology Agreements (MRA's and ITA's respectively). The fact that the ITA alone will liberal-

ize over \$500 billion in trade annually is indicative of the magnitude of these agreements.¹⁷

c) Jobs and growth

Cooperation in this segment occurs primarily within the context of G-7 summit meetings and in consultation with the OECD and the International Labor Organization (ILO). Joint projects include increased investment in human resources, including education and skills training, and exploring the relationship between work and welfare. Against the backdrop of the information technology "revolution", both sides promised to work on the issue of employment and new technologies, while at the same time encourage entrepreneurship. With regards to economic growth, the results are less ambitious and are reduced to a mere "exchange of views on macroeconomic issues in the light of the importance of a sound economic framework".¹⁸

(IV) Building Bridges Across the Atlantic

a) Transatlantic Business Dialogue (TABD)

By definition, the transatlantic economic partnership includes a multitude of private-sector actors. For that reason, it was agreed that section (III) should incorporate the active involvement of the business community. Within the framework of rotating chairmanships of participating companies, there are fifteen issue groups which produce specific recommendations, ranging from tax issues to export controls and investment/R&D to product liability. The TABD is a vivid example of the JAP's "hands-on", pragmatic approach, because it seeks the input of businesses in recognition of the fact that they are the most directly affected by the quality of transatlantic trade relations.

17 Fact sheet released at the U.S.-European Union Summit in Washington, December 1997.

18 Joint U.S.-EU Action Plan, Council Document 12353/95, 1995.

b) Broadening science and technology cooperation

While in the NTA both sides underline their commitment to promote greater scientific and technology cooperation, such an agreement only came about in 1998. In principle similar to the cooperation in humanitarian assistance, both sides base their collaboration on the attempt to achieve greater efficiency and reduce costs. Specific projects in this segment include intermodal transport and fast transshipment techniques, intelligent transportation systems and the study of environmental health and the effects of radiation.

c) People-to-people links

As the title indicates, this segment is addressed to non-governmental actors and institutions - youth, students, professionals, think tanks, etc. - with the aim of "deepening grassroots support for the transatlantic relationship". Educational exchanges for instance are based on the U.S.-EU Agreement on Cooperation in Education and Vocational Training. The people-to-people link is also being extended to the peoples of CEE, Russia, Ukraine, other NIS and Mongolia, which will receive assistance in reforming their higher education systems through the EU's TEMPUS program.

The sheer spectrum of joint activities, as enumerated above, impressively depicts the ambitious goals of the NTA. Unlike previous agreements, emphasis is on specific projects, not the abstract and at times utopian endeavors of the past. Clearly defined tasks and an unequivocal "command structure" previously not in place created, at least in principle, conducive conditions for the successful implementation of the JAP. The next section will analyze the NTA's track record and explore the underlying reasons for its performance.

NTA/JAP Progress Report

President Santer called it a "first milestone in a new, deeper and more robust relationship between Europe and America," and US Secretary of Labor Herman described it as a tool which helps us "realize our common vision of strong and growing economies whose gains are shared by every working woman and man". Indeed, the NTA seemed to satisfy - even exceed - the expectations of

policy makers on both sides of the Atlantic. Yet, a closer look at the actual achievements leads to a more sobering assessment:

Section (I)

Along with section (II), the goal of promoting democracy and fostering development proved difficult to "operationalize". Severely impeded by the intergovernmental structure and ill-developed foreign policy profile of the Union¹⁹, it was difficult to agree on joint actions, especially in light of the fact that the working methods and instruments used by each partner are quite different.²⁰ While in principle, the two sides share a common goal, such as democracy or the rule of law, there are at times seemingly irreconcilable disagreements. A case in point is Iran. From the American point of view, Iran is a 'pariah state' which actively supports terrorism and seeks to build up nuclear capacity. Such a state, according to the American rationale, must be punished with political isolation and economic sanctions. For the Europeans, however, the best strategy to deal with Iran is by way of 'constructive engagement', especially in light of the fact that the country is a regional power with vast oil reserves. In other words, Europe's pragmatic approach is perceived through American eyes as opportunistic because it places the sole burden of economic sanctions on American companies and gives their European counterparts an unfair advantage.

Cooperation of US and EU development and humanitarian assistance programs has proven more fruitful.²¹ Less controversial in nature, both sides have begun to align their foreign aid budgets and embarked on a number of joint missions, for instance in Rwanda and Burundi. Also, they agreed to hold regular trilateral consultations with the UN High Commissioner for Refugees. One of the greatest and yet most challenging accomplishments has been the implementation of the Dayton Peace Accords. Assigning the administration of the city of Mostar

19 See Dominic McGoldrick, *International Relations of the European Union*, Longman, London, 1997, p.143.

20 Bail et al., p.10.

21 See Horst Krenzler and Gunnar Wiegand, "EU-US Relations: More than Trade Disputes?", *European Foreign Affairs Review*, spring 1999, p.23.

to the EU has certainly helped Europe gain credibility as an international actor and has positively contributed to the further development of a foreign policy profile.

Section (II)

Progress in this section has been modest for the afore-mentioned reasons. A compounding factor has also been the sheer magnitude of the problems to be tackled. As in the previous section, it is evident that in order to solve problems of a global dimension, it takes strong and decisive leadership. However, the Union has found itself in a paradoxical situation: on the one hand, it wants to escape the image of being an "economic giant and a political dwarf", on the other, it is hampered by the institutional structure (i.e. three-pillar system) it has imposed on itself. To better cope with these inherent contradictions, the US government has made a number of proposals in the fields of justice and home affairs which are of practical nature, in the hope that they will not be met with such controversy. These have included, for instance, an invitation to an EU delegation to visit the US Customs Service Intelligence Center near El Paso, Texas, to obtain information on how US colleagues help prevent car theft and control airport couriers and commercial cargo. Similarly unproblematic have been joint environmental initiatives. Dealt with extensively in EU fora, the environment is an area Europeans not only feel comfortable dealing with but in which they have also acquired a great deal of expertise. Consequently, Europeans have taken a lead in the effort to coordinate positions in advance of future conferences on global environmental problems, such as climate change, and have initiated a joint project in the OECD aimed at reducing authorized levels of lead in fuel.

The profound vulnerability that both the US and the EU experience with regards to the global challenges listed in section (II) should improve the prospects for cooperation even in areas which are currently considered "off-limits". In other words, the potential benefits of acting jointly are likely to someday outweigh the cost of forfeiting sovereignty.

Section (III)

The fact that the NTA has made economic cooperation its most comprehensive and ambitious chapter exemplifies a fundamental shift in transatlantic relations. While economics may not completely have driven security out of the sphere of "top priority" issues, in the post-Cold War world it is certainly on equal footing. That is why the disappointment ran deep when section (III) initially failed to produce the desired results. The Mutual Recognition Agreements (MRA's) in particular proved to be a contentious issue. More complex and problematic than had been anticipated, a MRA on telecommunications, information technology products, electrical safety, and electro-magnetic compatibility was impeded by a dispute over whether the conclusion of agreements in these areas should be linked to the conclusion of agreements on pharmaceuticals and medical devices. An MRA on pharmaceuticals is very difficult to achieve in the United States because the Food and Drug Administration (FDA) does not possess the legislative authority to delegate the certification of pharmaceutical products.

Against the backdrop of these bureaucratic stumbling blocks, it was necessary for the Transatlantic Business Dialogue (TABD) to launch a concerted lobbying effort on both sides of the Atlantic before a partial MRA was concluded in June 1997. The MRA covered six sectors, including medical devices, pharmaceuticals, recreational craft, telecommunications, and electrical equipment. This was a major breakthrough, affecting more than \$47 billion of trade. In accordance with the TABD principle "approved once, accepted anywhere in the Transatlantic Marketplace", the MRA will eliminate duplicative testing, inspection and certification procedures, saving U.S. and European consumers and industry approximately \$1.37 billion per year.²² Overall, the TABD can look back on a solid track-record of achievements, best exemplified by the fact that of the 129 recommendations made between 1995-1998, over 50 percent have been implemented into law.²³

22 Senior Level Group Report to U.S.-EU Summit, May 1997.

23 Speech by Vice President Al Gore to the Transatlantic Business Dialogue Charlotte Conference, November 6, 1998.

Despite these indisputable successes, the transatlantic economic partnership continues to be plagued by the infamous banana issue, and more recently also by the European boycott of US hormone-treated beef. The escalation over the latter - and the subsequent threat by the United States to impose penalty duties on goods valued at \$900 million - has the potential to seriously disrupt transatlantic trade.²⁴

Section (IV)

The five areas of cooperation which were targeted under this chapter have greatly varied in their respective outcomes. Without a doubt, the TABD has been by far the most successful form of collaboration. Other projects, such as educational exchanges and a transatlantic labor dialogue, have yielded more modest results. More promising appears the in 1997 concluded Agreement on Science and Technology, which fosters links between research programs and institutes on both sides of the Atlantic. In a time of soaring government debts and notoriously under-funded cultural and educational exchange programs, section (IV) depends heavily on private contributions. With this in mind, it may seem as no coincidence that the TABD, with its support by some of the largest corporations on both sides of the Atlantic, exceeded even the most ambitious expectations.

The Future of Transatlantic Relations? TABD-Style Cooperation

Is the Transatlantic Business Dialogue a model for the future of U.S.-EU cooperation? Within the NTA, this section has been - in conjunction with section (III) - by far the most effective form of joint action. What makes the TABD so unique is its bottom-up structure - or entrepreneurial diplomacy as it is at times referred to - which appeals to business leaders and policy makers on both sides of the Atlantic. The underlying motives for businesses are obvious: an oppor-

24 See "Strafzölle bedrohen deutschen Lebensmittelexport," Frankfurter Allgemeine Zeitung, 15. May 1999, p.13.

tunity to communicate TABD recommendations to the highest levels of U.S. and EU officials, who can then develop effective policies with the ultimate goal of harmonizing the transatlantic market.

The idea of a business-driven transatlantic dialogue was launched by the late U.S. Secretary of Commerce Ron Brown. Given that the U.S.-EU annual two-way trade exceeded \$300 billion, it became increasingly evident that traditional government-to-government communication was no longer enough. At the suggestion of Secretary Brown, it was agreed that business leaders - as the practitioners of international commerce - should be consulted in the policy-making process.

The first TABD conference took place in Seville, Spain, under the Spanish Council Presidency in November 1995, shortly before the NTA was concluded. A unique aspect of the TABD is its annually rotating chairmanship, which is held by CEO-level executives on both sides of the Atlantic. Despite initial doubts about receiving a positive response by the policy making community, the TABD participants were willing to allocate a great deal of financial and management resources to make the conference a success. The joint document contained over seventy recommendations on practical ways to reduce impediments to trade, many of which were incorporated into the NTA and the JAP.²⁵

An integral part of the TABD is a follow-up and monitoring strategy which keeps track of its recommendations and maintains relations to policy makers. However, the TABD is not meant to be an end in and of itself. That is why the business community has informally agreed to continue the TABD dialogue only as long as governments continue to be receptive to their initiatives. For the time being, however, it does not seem that the TABD is in danger of running out of new ideas to make the Transatlantic Marketplace a reality. To the contrary, as confirmed by the U.S. Acting Undersecretary of Commerce for International Trade, Timothy J. Hauser, "virtually every market-opening move

25 Selina Jackson, TABD Official Journal, Spring, 1998.

undertaken by the United States and the EU in the last couple of years has been suggested by the TABD."²⁶

New initiatives include an Information Technology Agreement II, which is primarily targeted at electronic commerce and standards to advance regulation harmonization. For instance, President Clinton proposed that the internet become a free trade zone and called on governments to resist efforts that require technical standards for the internet or use technical standards as non-tariff barriers.²⁷ Another project in the works is a second generation of Mutual Recognition Agreements. An MRA II would expand the MRA scope to include other important products and sectors not covered in the first phase, for example chemicals and biotechnology products. An MRA II would also deepen agreements for the first products covered in MRA I.²⁸

If the TABD continues to successfully push its economic agenda forward, it will only be a matter of time until the Transatlantic Marketplace becomes a reality. However, as previously stated, trade conflicts are looming over the transatlantic horizon, and there are a number of other issues which could potentially disrupt the cooperation effort. Will after all the very problems *surface which were predicted to obstruct the future of transatlantic relations after the Cold War?*

Paradigm Lost? The Future of the NTA/JAP

The American Point of View

...the United States suffers from schizophrenia on the international front. On the one hand, it claims that Europe...should assert greater international responsibility and "share the burdens of leadership." On the other hand, its revealed preference is to

26 Congressional testimony by U.S. Acting Undersecretary of Commerce for International Trade, Timothy J. Hauser, July 1997.

27 Paula Stern, "The Transatlantic Business Dialogue: A New Model for Trade Expansion and Regulatory Harmonization," 1998.

28 Ibid.

try to maintain American dominance - even while asking others to pay the bill - and to exploit national differences within Europe whenever possible.

Fred Bergsten in America and Europe: Clash of the Titans

The European Point of View

...we, in the European Union, must build on these harsh lessons - notably by making our own foreign and defense policy apt for the 21st Century role that the EU must play. We can no longer accept having a foreign and security policy that is a clapped out relic of gone-by years...its like pigeon communications in the age of the Internet.

Speech by Jacques Santer, former President of the European Commission

Political/Security Cooperation

The generation change of policy makers on both sides of the Atlantic - best exemplified by President Clinton, Prime Minister Blair and Chancellor Schröder - may unfavorably affect transatlantic relations because these politicians do not share the traumatic experience of a World War and cannot build on long-standing friendships and networks. Indeed, there has been a noticeable alienation between American and European political elites. Increasingly, Americans are complaining about having to pave the way and pay the bills for their European partners. They accuse Europe of a free-rider mentality and are reluctant to accept the claim that Europe is not yet ready to speak and act with one voice. Europeans, on the other hand, object to US unilateralism.²⁹

In security-related matters, there has been a pronounced policy shift between the Clinton administration and its predecessors. The former has - in an unprecedented move - encouraged Europe to develop a common defense identity *and, if*

29 See "The Atlantic partnership, in a new shape, is needed more than ever", *The Economist*, 13 March 1999)

deemed necessary, engage in military missions without the participation of the United States. With the logistical support of NATO, Europe can now handle security issues via the Western European Union (WEU). Yet, despite US concessions, any European military action would in effect still occur under the umbrella of NATO. In exchange, European NATO members agreed to "out-of-area" missions - inconceivable before the collapse of communism. Critics now charge that the United States has won on both fronts: first, there will not be a true competition to NATO, secondly, NATO may now be used for military actions worldwide, and thereby further strengthen US hegemony.³⁰ Europeans feel as if the United States not only outmaneuvered them but also came across as generous and altruistic in doing so. On the other hand, when one considers that in the last fifteen years every US citizen spent as much as \$16,000 on defense-related expenditures, compared to about \$6,000 for every European, it may become a bit more comprehensible why American policy makers usually insist on having the last word on security matters.³¹

Another contentious issue in transatlantic relations is how to deal with Turkey. A loyal ally of the United States in a region of strategic importance, there has been a great deal of pressure on the EU to open its doors to Turkish accession. For the foreseeable future, this initiative will not be met with approval. To the contrary, the EU has viewed the advance of the United States as an inappropriate interference in its internal affairs.³² Potential conflict also lingers nearby, in the Near East and the Caspian Sea. Especially the latter area could lead to major transatlantic confrontations over the production and transportation of its oil wealth.

In the future, it seems imperative that Europe learns to speak with one voice on many of the above issues. By themselves the European states, even the large ones, are at best regional players.³³ Should Europe wish to become a global

30 Czempiel, p.16.

31 Ruprecht Polenz, "Der Nordatlantik ist ein Binnemeer," in W. Schäuble, R. Seiders, *Außenpolitik im 21. Jahrhundert*, Bouvier Verlag, 1996, p.141.

32 Margarita Mathiopoulos, "Die USA und Europa als globale Akteure im 21. Jahrhundert," *Außenpolitik*, Volume 49, No. 2, 1998, p.43.

33 Eckhard Lübke, "Soll Europa Weltmacht werden?," *Politik und Gesellschaft*, Volume 1, 1997, p.72.

player - and many believe with the introduction of the Euro this is no longer a choice - the member states need to overcome national differences and learn to pull on the same string.

Probably by far the most controversial issue in the recent history of transatlantic relations has been the U.S. claim to possess jurisdiction in perceived wrongdoings in third countries, the so-called issue of extraterritoriality.³⁴ The accompanying legislation, the Helms-Burton Act and the D'Amato Act (also referred to as ILSA) seek to punish companies doing business in Cuba and Iran/Libya respectively. Since US businesses are prohibited from doing business in both countries, these sanctions are purposefully targeted at foreign companies in general and European companies in particular. Yet, the truly disadvantaged in this transatlantic squabble are American companies which miss out on lucrative deals, particularly in Iran and Libya. The sentiment against Europe is unequivocally clear in a remark made by US Secretary of State Madeleine Albright:

I know there is a sense among some Europeans that the US is too inclined to act unilaterally and too quick to pull the sanctions trigger...there is likewise a sense among some Americans that too often, the US takes the heat for dealing with difficult issues while others take the contracts – that our willingness to take responsibility for peace and security makes it easier for other to shirk theirs.³⁵

Economic Cooperation

Despite the success of section (III) of the NTA, there are serious issues to be dealt with between the United States and Europe, the most critical of which is Economic and Monetary Union (EMU). Inevitably, the new currency, the Euro, will impact the "hegemony" of the US dollar and force the United States to de-

34 See Stefan Fröhlich, "Möglichkeiten Europäisch-Amerikanischer Kooperation", Konrad-Adenauer-Stiftung, January 1997, p.27.

35 Quoted in "Big partner takes care not to rock the boat", *Financial Times*, 5 Jan 1998.

crease its current account deficit.³⁶ The fact that economic theory has shown that monetary duopoly leads to more volatile market conditions than either monopoly or a number of competing currencies, present further grounds to be concerned about the future of transatlantic relations.³⁷

Today, the EU produces 31 percent of total world GDP and accounts for 20 percent of world trade. When comparing the corresponding US figures, 27 percent and 18 percent respectively, it is obvious that Europe will be *at least* as powerful as her Atlantic partner. There are even signs that in its fundamentals Euroland is in the long-run in better economic shape than the US. For instance, it enjoys considerably larger trade flows and monetary reserves and also holds a stronger financial position as a creditor area - which is particularly noteworthy given that America's net foreign debt currently approaches \$2 trillion.³⁸

Enjoying economic superiority for several decades, this may be perceived as a threatening development by the United States. For this very reason, it is imperative that Europe realizes that monetary union is not an apolitical and uncontroversial by-product of its integration process, and it better understand that EMU will dramatically curtail US economic predominance.³⁹ Additionally - and in contrast to most Europeans - Americans understand that monetary union will eventually lead not only to a comprehensive economic union but also to a full-blown political union. And so for many, the real issue is how, and not *if*, Europe can live up to its new role as world power.⁴⁰

36 Ernst-Otto Czempel, "Europa und die Atlantische Gemeinschaft," in *Aus Politik und Zeitgeschichte*, B1-299, January 1999, p.13. See also Klaus Friedrich, "Hello Euro - Good-Bye Dollar?", speech at the Pensions 2000 Conference, Berlin, May 14, 1998.

37 Ernst-Moritz Lipp, "Auf dem Weg zur transatlantischen Wertegemeinschaft", in Werner Weidenfeld (eds.), *Partnerschaft gestalten: Zukunft der transatlantischen Beziehungen*, Verlag Bertelsmann Stiftung, 1997, p.64.

38 C. Fred Bergsten, "America and Europe: Clash of the Titans?", *Foreign Affairs*, Volume 78, No. 2, March/April 1999, p.21.

39 Czempel, p.14

40 Werner Weidenfeld, "The Euro and the New Face of the European Union", *Washington Quarterly*, Volume 22, Number 1, Winter 1998, p.76.

Despite the significant reduction in tariffs and non-tariff barriers, the Union continues to be a stronghold of "agro-protectionism".⁴¹ US farm state Congressmen – prompted by reports that the EU will initiate new trade liberalization talks which do not include agriculture – recently introduced a bill in both houses of Congress which declared that “the elimination of restrictions...should be a top priority of any current or future trade negotiations between the US and the EU.”⁴² Even a WTO ruling condemning the European banana regime was met with little more than shoulder-shrugging.⁴³ In fact, in the US report on trade barriers, the European Union ranks right behind China. Lately, it seems that official discourse between the US and the EU has been hampered by what in the scheme of things are minor issues - like bananas or hormone-treated beef which together account for less than half a percent of overall trade - to the detriment of bilateral negotiations. Yet, European consumers for whom the issue of food safety is of vital concern have vehemently demanded that their interests not be compromised for the sake of free trade.⁴⁴ It may thus come as no surprise that at their December summit, the two sides could not agree to more than new winemaking standards.⁴⁵ The tendency to get caught up in insignificant, bureaucratic details, is vividly illustrated by the former Head of the Delegation of the European Commission in Washington, DC:

We [US and EU] have so many common interests and perspectives, but our capacity to squabble over issues of almost no

41 Paula Stern, Raymond Paretzky, "Engineering Regional Trade Pacts to Keep Trade and U.S. Prosperity on Fast Track," *Washington Quarterly*, Volume 19, No. 1, 1995, p.217.

42 "US farmers upset by Europe's agenda for talks", *Financial Times*, 13 Feb 1998. See also Jeffrey Garten, "Is America Abandoning Multilateral Trade?" *Foreign Affairs*, Nov/Dec 1995, p.50-62.

43 Rikke Thagesen, Alan Matthews, "The EU's Common Banana Regime: An Initial Evaluation," *Journal of Common Market Studies*, Vol. 35, No. 4, December 1997, p.625.

44 "At daggers drawn: first bananas, now beef, soon genetically modified foods. America and Europe are at war over trade", *The Economist*, 8 May 1999.

45 Bergsten, p.33.

importance is remarkable. Sometimes we're like two young toy.⁴⁶

The fact that the EU - in stark contrast to the United States - consistently runs boys that have everything but end up fighting over a small sizable trade surpluses may well trigger envy on the other side of the Atlantic. Quite understandable so if one considers that America's trade and current account deficits will probably hit \$300 billion in 1999. Consequently, any slowdown in the US economy would almost inevitably trigger protectionist sentiments which could - because of the negative impact on key European industries - lead to a rapid deterioration of US-EU relations.⁴⁷ The presidential election next year may yet compound the tension as candidates will likely try to blame Europe for running *trade surpluses while doing little to stimulate its ailing economies at a time when recession-hit countries urgently need to increase their exports. Already, presidential aspirant Al Gore has warned Europe that the United States "cannot carry the burden alone...[we] cannot be the importer of last resort"*.⁴⁸

Institutional Imbalances

The *sui generis* nature of the Union has over the years presented quite an enigma to US policy makers and diplomats because "sovereignty has been pooled in some areas but not in others...the balance between intergovernmentalism, federalism and supranationalism is constantly evolving."⁴⁹ Historically, the bilateral political relationship between the US and the European institutions has developed very slowly and has been of less intensity than that involving Washington and the major European governments.⁵⁰ Only recently have Americans begun to

46 Quoted in John Shaw, "European Union's U.S. Ambassador Hugo Paemen", *The-Washington Diplomat*, March 1999.

47 "US braces for wider trade gaps and new confrontations", *New York Times*, 20 Dec 1997.

48 Speech by Al Gore before the TABD Charlotte Conference, Nov 6, 1998.

49 Anthony Laurence Gardner, *A New Era in US-EU Relations? The Clinton Administration and the New Transatlantic Agenda*, Avebury, 1997, p.65.

50 Kevin Featherstone and Roy Ginsberg, *The United States and the European Union in the 1990s: Partners in Transition*, St. Martin's Press, New York, 1996, p.81.

realize that NATO's role in the transatlantic arena will be second to the Union, that "today's historic business revolves around the EU."⁵¹

De facto, there are no institutions which have the exclusive mandate of serving the transatlantic community. While the NTA and JAP are certainly a step in the right direction, both documents purposefully refrained from creating an institution to facilitate the cooperation effort. Consequently, the quality of the transatlantic relationship is to a large extent susceptible to election outcomes and changing political elites. It is for instance a well known fact that the Clinton administration has not been particularly fond of the "niceties of EU's institutional arrangements" because they are associated with Europe's inability to reach decisions on some of the most pressing trade and investment issues.⁵² Even more explicit, a prominent State Department aide has been known to call EU decision making a "disaster the US would never allow in NATO."⁵³

Undeniably, NATO was once a suitable forum for transatlantic consultations but in today's era of globalization it is impossible to address the most pressing issues via a security alliance and Cold War relict. In view of the fact that the transatlantic economic relationship has come to play a much more prevalent role than it used to, it is indispensable that Europe and America devise new strategies and institutional arrangements to manage both their bilateral economic relations and global economic issues. An opportune forum may be the G-2, which some argue urgently needs to be reinvigorated.⁵⁴

With the introduction of a common currency, the time has come - indeed is long overdue - to find an effective procedure to represent Europe/ Euroland in international organizations and financial councils. Despite the integration rhetoric, EU member states still push first and foremost their political agenda and jealously defend their national prerogatives. This has led to much confusion with regard to who represents the Union externally: the

51 G. Jonathan Greenwald, "The US should adopt a more positive role towards the European Union, *Financial Times*, 10 Dec 1997.

52 "UK presidency of the EU: big partner takes care not to rock the boat", *Financial Times*, 5 Jan 1998.

53 Ibid.

54 Bergsten, p.33.

European Commission for instance has the exclusive mandate for dealing with most trade issues, but many other subject matters need also be addressed with the member states, with the presidency rotating every six months.⁵⁵ As if this constellation was not sufficiently confusing, there are numerous exceptions to the Commission/Council rule, these being instances when either the presidency may act alone, or the troika and commission or all member states and commission. Against this backdrop, the recent appointment of Javier Solana as High Representative for Foreign and Security Affairs can only be seen as a step in the right direction.⁵⁶ However, even if the representation issue is tackled, the decision making structure remains a stumbling block, even after ratification of the Amsterdam Treaty. While in principle most decisions can now be reached by qualified majority, in practice the unwritten “consensus rule” is likely to prevail. If a country fears that it will be outvoted, it can threaten to block another – often unrelated – decision which does require unanimity.

Conclusions

The New Transatlantic Agenda and the Joint Action Plan helped solidify US-EU relations at a critical time in history. Today there is widespread consensus that the end of the Cold War has not only changed the former Eastern Bloc countries beyond measure but also fundamentally altered the dynamics of the transatlantic relationship. In a unipolar world – in which a common enemy no longer irrevocably ties both sides together – the Union has struggled to find its profile, whether it be in the political or economic sphere.

When – and the question no longer is “if” – the Euro transforms Europe into a world power, the transatlantic relationship will need to be adjusted to account for new realities. Europe will have to proactively push its agenda,

55 William Wallace, “The US and the EU must resolve their cultural differences if they want to make any real progress on international cooperation and trade”, *Financial Times*, 15 April 1999.

56 Günther Burghardt, Gerd Tebbe, "Die Gemeinsame Außen- und Sicherheitspolitik der Europäischen Union", *Europarecht*, Volume 30, No.1/2, January-June 1995, p.15.

not only to keep up with its main ally, the US, but even more so because other global players are emerging, most notably China.

The wars in former Yugoslavia have made it painfully obvious that Europe – even though immediately exposed to the horrific consequences of the conflict – was unable to act in unison and has lost a lot of credibility along the way. The NTA should be used by Europe as a platform to establish a global profile and finally escape the image of being a ‘soft power’ only.

New reforms and institutions need to be developed if the problems which are contained in, and outside, of the NTA are to be tackled successfully. In other words, this is not a time to herald our achievements, but rather to get to work. After all, the “governments have been quite adept at declaring the launch of new transatlantic ‘dialogues’, ‘partnerships’ and ‘marketplaces’, but the fundamental problems still remain unresolved.”⁵⁷

57 Bergsten, p. 29.

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