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**ECONOMIC
AND SOCIAL
COMMITTEE**
of the
European
Communities

INFORMATION REPORT

on

**Relations between the European Union
and the United States**

Brussels, 13 - 14 September 1995

Chair

President: Carlos FERRER
(Spain - Employers)

Vice-Presidents: Bent NIELSEN
(Denmark - Workers)
André LAUR
(France - Various Interests)

Secretary-General: Simon-Pierre NOTHOMB
(Belgium)

Origins

The Committee was established by the 1957 Rome Treaties in order to involve the various economic and social interest groups in the establishment of the common market and to provide the institutional machinery for briefing the Commission and the Council on all matters relating to the Community.

The Single European Act (1986) and the Maastricht Treaty (1992) reinforced the ESC's role.

Membership

The Committee has 222 members (195 men, 27 women) representing economic and social interest groups in Europe. Members are nominated by national governments and appointed by the Council of the European Union for a renewable 4-year term of office. They belong to one of three Groups: Employers (Group I - President: Manuel Eugénio CAVALEIRO BRANDÃO - Portugal), Workers (Group II - President: Tom JENKINS - United Kingdom), Various Interests (Group III - President: Beatrice RANGONI MACHIAVELLI - Italy). Germany, France, Italy and the United Kingdom have 24 members each, Spain has 21, Belgium, Greece, the Netherlands, Portugal, Austria and Sweden 12, Denmark, Ireland and Finland 9 and Luxembourg 6.

The Members' Mandate

The ESC members' main task is to issue Opinions on matters referred to the Committee by the Commission and the Council.

It should be noted that the ESC is the only body of its type which advises the EU Council of Ministers directly.

Advisory Role

Consultation of the Committee by the Commission or the Council is mandatory in certain cases; in others it is optional. The Committee may, however, also adopt Opinions on its own initiative. Both the Single Act (17.2.86) and the Maastricht Treaty (7.2.92) extended the range of issues which must be referred to the Committee, in particular the new policies (regional and environmental policy). On average the ESC delivers 180 Opinions a year (of which 10% are Own-initiative Opinions). All Opinions are forwarded to the Community's decision-making bodies and then published in the EC's Official Journal.

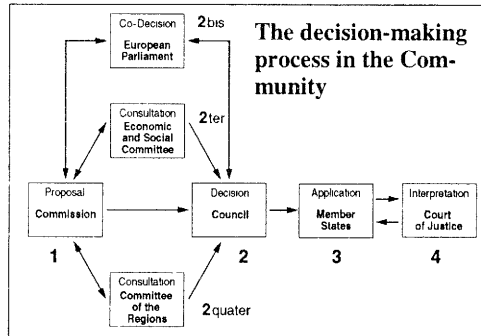
Information and Integration Role

Over the last few years the ESC has stepped up its role in the European Union and has transcended the straightforward duties flowing from the Treaties. Providing a forum for the Single Market, the ESC has, in conjunction with other Community Institutions, organized a number of events designed to improve links between the general public in Europe and the European Institutions.

Internal organization

1. Presidency and Bureau

Every two years the Committee elects a Bureau made up of 36 members (12 per Group), and a President and two Vice-Presidents chosen from each of the three Groups in rotation.



The President is responsible for the orderly conduct of the Committee's business. He is assisted in the discharge of his duties by the Vice-Presidents who deputize for him in the event of his absence.

The President represents the Committee in relations with outside bodies.

Joint briefs: relations with EFTA, CEEC, AMU, ACP countries, Latin America and other third countries fall within the remit of the Committee Bureau and President.

The Bureau's main task is to organize and coordinate the work of the Committee's various bodies and to lay down the political guidelines for this work.

2. Sections

The Committee has nine Sections:

- Economic, Financial and Monetary Questions - secretariat tel. 546.94.71 (President: Jean Pardon - Group I - Belgium)
- External Relations, Trade and Development Policy - secretariat tel. 546.93.16 (President: Roger Briesch - Group II - France)
- Social, Family, Educational and Cultural Affairs - secretariat tel. 546.93.02 (President: John F. Carroll - Group II - Ireland)
- Protection of the Environment, Public Health and Consumer Affairs - secretariat tel. 546.92.27 (President: Manuel Ataíde Ferreira - Group III - Portugal)
- Agriculture and Fisheries - secretariat tel. 546.93.96 (President: Pere Margalef Masia - Group III - Spain)
- Regional Development and Town and Country Planning - secretariat tel. 546.92.57 (President: Robert Moreland - Group III - United Kingdom)
- Industry, Commerce, Crafts and Services - secretariat tel. 546.93.85 (President: Liam Connellan - Group I - Ireland)
- Transport and Communications - secretariat tel. 546.93.53 (President: René Bleser - Group II - Luxembourg)
- Energy, Nuclear Questions and Research - secretariat tel. 546.97.94 (President: José Ignacio Gafo Fernández - Group I - Spain)

3. Study Groups

Section Opinions are drafted by Study Groups comprising an average of 12 members, including a Rapporteur, who may be assisted by experts (usually four with a maximum of six).

4. Sub-Committees

Where appropriate, the Committee can set up a temporary sub-committee, which operates on the same lines as Sections.

5. Plenary Session

The Committee meets in Plenary Session as a rule ten times a year. At the Plenary Sessions, Opinions are adopted on the basis of Section Opinions by a simple

majority. They are forwarded to the institutions and published in the Official Journal of the European Communities.

6. Relations with economic and social councils

The ESC maintains regular links with regional and national economic and social councils throughout the European Union. These links mainly involve exchanges of information and joint discussions every year on specific issues.

Moreover, the ESC maintains similar contacts worldwide with other economic and social councils in the "International Meetings" held every two years.

7. Relations with economic and social interest groups in third countries

The Committee has links with economic and social interest groups in a number of non-member countries and groups of countries, including Mediterranean countries, the ACP countries, Central and Eastern Europe, Latin America and EFTA. For this purpose the Committee sets up 15-30 man delegations headed by the President. For links with the countries of Central and Eastern Europe, some meetings will be institutionalized under the European Agreements.

Meetings

The average number of meetings held each year is as follows:

Plenary Sessions	10
Sections	70
Study Groups	350
Group meetings	85
Meetings of sub-groups recognized by the three Groups	160
Miscellaneous	370
Visitors' groups (approx. 8.000 visitors)	200
TOTAL	1,245

Publications

The ESC regularly distributes a number of publications free of charge (Order in writing by mail or fax - 546.98.22) inter alia its main Opinions in brochure format and a monthly newsletter.

Secretariat-General

The Committee is serviced by a Secretariat-General, headed by a Secretary-General, reporting to the Chairman representing the Bureau.

The number of officials (including temporary and auxiliary staff) is as follows:

Category A (Administrators)	59 (48 men, 11 women)
Category B (administrative assistants)	65 (25 men, 40 women)
Category C (secretarial and clerical staff)	237 (59 men, 178 women)
Category D (skilled employees)	48 (36 men, 12 women)
Language Service	121 (67 men, 54 women)

Total: 530 (235 men, 295 women), more than a third of whom are involved in language work, given the need to operate in the Community's 11 official languages. However, as of 1 January 1995, the Economic and Social Committee and the Committee of the Regions will share a common core of services, drawing the bulk of their manpower from the ESC's secretariat.

1995 Budget

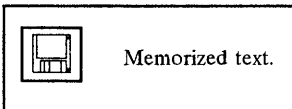
The 1995 Budget appropriations total ECU 83,900,000, of which ECU 57,800,000 have been earmarked for the joint services which the ESC shares with the Committee of the Regions.

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RELATIONS BETWEEN
THE EUROPEAN UNION
AND THE UNITED STATES

Brussels, 20 September 1995

INFORMATION REPORT
of the
Section for External Relations, Trade and Development Policy
on
Relations between the European Union and the United States

Rapporteur: Mrs DAVISON



Section for External Relations, Trade and Development Policy
INFORMATION REPORT ON THE RELATIONS BETWEEN
THE EUROPEAN UNION AND THE UNITED STATES

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PROCEDURE

On 17 September 1994, the Economic and Social Committee decided, in accordance with article 26 of its Rules of Procedure, to enable its Section for External Relations, Trade and Development Policy to draw up an Information Report on:

Relations between the European Union and the United States.

The preparatory work for this Report was carried out by the following members assisted by the Rapporteur's and the Group Experts whose names are given below:

President:	Mr	van DIJK
Rapporteur:	Mrs	DAVISON
Members:	Mr	ANDRADE
	Mr	BAEZA
	Mr	EWERT
	Mr	GAUDER
	Mr	GIESECKE
	Mr	LIVERANI
	Mr	PAPAMICHAÏL
	Mr	PELLETIER R.
	Mr	PEZZINI
	Mr	POMPEN

Experts:

For the Rapporteur:	Mr	WOOLCOCK
For Group I	Mr	ROMOLI
For Group II	Mr	ZELLHOEFER
For Group III	Mrs	O'NEILL

The Study Group met on three occasions:

18 January 1995

8 March 1995

24 May 1995.

In connection with the work of the study group, a Committee delegation visited Washington from 3-6 April 1995.

The Information Report was adopted by the Section on 6 July 1995 by a majority vote and two abstentions.

Summary

The US is the EU's most important trading partner and the two share common fundamental principles. The end to the Cold War signals less emphasis on security cooperation and more on economic cooperation and the Uruguay Round created a framework for deepening EU-US trade relations. The EU-US trade flow is more or less balanced and 95% of that trade is trouble free. The EU is no longer standing accused as "fortress Europe" and there are moves towards transatlantic free trade. With the US temporarily focused on domestic issues, it would be helpful for the EU to take the initiative on EU-US relations. Where trade differences between the EU and US keep resurfacing, it is largely due to different traditions in regulatory policy and to the different perspectives of the various interest groups on either side of the Atlantic. Transatlantic cooperation between economic and social interest groups, extending from the business dialogue which is currently being promoted, would have the benefit of deepening a dialogue which to date has been largely carried out by a relatively small group of experts in the political and security community. Progress could be envisaged particularly on the essentially technical subjects of regulatory policy, including standards and the important area of environmental protection.

Overcoming remaining difficulties between the US and the EU is also important for the full involvement of Japan in world trade and for a combined effort to help developing countries. The close interaction between economic and security concerns also means a growing role for transatlantic cooperation on conflict prevention.

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1. Introduction

1.1. For nearly fifty years the transatlantic relationship between the United States and Western Europe was based on a common security interest. There were shared common fundamental principles, historic, cultural links and growing economic interdependence. But the foundations of the relationship were in a common security interest. The end of the Cold War has brought a shift in the focus of the "transatlantic dialogue". When security concerns predominated the dialogue was led by the US and European specialists in security. The end of the Cold War has meant a greater awareness of the importance of commercial, environmental and social issues and created an opportunity for a positive EU contribution. Security issues are still of major importance. Indeed, close cooperation between the United States and the European Union will be essential if the new security threats stemming from political and economic instability and ethnic tensions are to be addressed. But if the transatlantic dialogue is to be sustained in the new circumstances prevailing after the cold war, it has to be broadened to encompass new constituencies concerned with commercial, social and environmental issues and the systems developed to cope with this representation. As the EU forum for consultation among representatives of business, trade unions, social, environmental, consumer and other interests, the Economic and Social Committee therefore feels it is timely to address the question of the future of EU-US relations.

1.2. In a more diverse and complex "dialogue" strong economic and social interest groups, operating within our increasingly pluralistic societies, will campaign hard on single issues. This may, as in the 1993 debates on trade policy, put pressure on EU-US relations unless those interests cooperate to recognize their common concerns and the benefits of an open approach to the rest of the world.

2. Political Framework

2.1. Political Developments in the USA

2.1.1. During the Cold War, the US's role was to provide the security guarantee for Europe and other regions of the "West". In the economic sphere its leadership role had declined. But the US is still the world's most powerful country, and a major economic power with an increasing tendency to use that muscle to defend its own national interests even at the expense of multilateralism, such as evidenced by the growth in the use of "unilateral" trade actions. But the end of Cold War forced the US to redefine its role in the world in a more dramatic fashion than before. The US is still to decide on its new role. To a large extent its role will be shaped by developments, not least the policies of the US's major partners including the EU as well as by changing domestic politics.

2.1.2. The incoming President Clinton shifted the focus onto a renewal of America and on the domestic economy. This focus on renewal found expression in efforts to strengthen US competitiveness, through federal support for research and development and an aggressive export strategy. Engagement in other parts of the world was run down (Somalia) or resisted (Bosnia). The era of President Bush saw greater commitment to the UN: attitudes have since changed, although US support for European integration remains. The Clinton administration embraced the concept of a European defence identity and a strong Common Foreign and Security Policy. There is a growing population from Latin America and the Pacific. Family and cultural ties with Europe remain strong. The President has shown his interest in European affairs by appointing some of the most prominent analysts of Europe to the highest levels of government. But there has been little contact between officials responsible for handling NATO and EU affairs. The administration has championed an enlargement of NATO to include central and eastern European countries and sought a pragmatic partnership with Russia. A broad consensus in the US insisted, however, that domestic renewal was a precondition for a responsible foreign policy.

2.1.3. Despite its emphasis on the domestic economy the Clinton administration supported the conclusion of the multilateral Uruguay Round trade negotiations. But it also completed the ratification of the NAFTA agreement (in December 1993) and supported the target of a free trade area within the APEC, (Asia Pacific Economic Community), area by 2020 (in September 1994) and initiated a Free Trade for the Americas Agreement (in December 1994).

2.1.4. Recent changes following the US mid-term election of 1994, raise new doubts about how the US will define its role in the world. The new Republicans, like the President, were also elected on a largely domestic programme. Some influential members of the new Congress are seeking

to reduce US foreign commitments, and to reduce US support for multilateral agencies and aid efforts. Others are new to international issues, but the new speaker of the House, Newt Gingrich, supported both NAFTA and the Uruguay Round. The recent economic problems in Mexico may jeopardize the expansion of NAFTA. It is now also unclear whether the Clinton administration's agenda for post Uruguay Round trade negotiations, which included environment and social issues, will survive the change in Congress. Congress will have the opportunity to set up priorities and include or exclude some elements. For example it is now a matter of considerable debate whether Congress will grant fast track negotiating authority for negotiations with Latin America on the Free Trade for the Americas and Chile on NAFTA if they include environmental and social clauses.

2.1.5. In the wake of a new US resistance to expenditure abroad, this regionalism or unilateralism in trade also reflects an effort to concentrate US areas of political action on regions where there is a clear national interest.

2.1.6. The constituency which feels that during the Cold War, problems at home were neglected is predominating at the moment whilst importers and exporters are failing to get across the benefits of an open attitude. US domestic policy reflects budgetary and job creation concerns. The US faces structural problems with relatively low productivity increases over the past twenty years (around 1% annually in contrast to over 2% in Germany and 2.5% in Japan), growing budget and trade deficits and 10-15% of the population in poverty. Cuts to the defence, health, housing and overseas aid budgets are to be accompanied by tax cuts. Growth in the US stands at 2.5%, unemployment at 5.4%. Income and employment levels are slowing down; probably consumption will follow suit. A "soft landing" for the economy is expected but possibly with only a pause before more buoyant growth.

Economic and Social Interest Groups

Business

2.1.7. The two major representative bodies of US industry are the US Chamber of Commerce and the National Association of Manufacturers. Both are represented on the US Business Round Table - the umbrella organization. The joint Council for EU and US business was wound up due to a lack of problems to put on the agenda. Instead a group of US and EU businesspeople have twice yearly bilateral meetings on agriculture. The National Association of US Manufacturers met with EU and Japanese industry representatives in March and hopes to establish a twice yearly pattern of meetings.

2.1.8. A joint initiative by the US Commerce Department and the European Commission is to consult business on which transatlantic issues they would like to see developed. A questionnaire has been sent off to thousands of companies on both sides of the Atlantic with a view to developing a Transatlantic Business Dialogue. US industry is not interested in anything too formal, rather in setting clear priorities and agendas. Issues on which it would like to make progress are product

standards, testing and certification, environmental legislation, and the EU's external trade policy, e.g. bananas, cars, textiles.

2.1.9. This is an attractive proposal. The Committee would like to be briefed regularly about developments, about the subjects dealt with in this context and about any problems which arise. This information will make it possible to coordinate attempts to secure deeper economic and social consistency between the EU and US and may serve as a model for other interest groups.

Trade Unions

2.1.10. The US trade unions are represented by AFL-CIO which has 14 million members in around 80 affiliated unions. Among its achievements, it numbers the 8 hour day and universal, free education. Historically, US labour unions were illegal, gaining legal status only in the 1930's. But they do have the right to propose trade measures to government. AFL-CIO is non party political, although it runs a committee on political education. AFL-CIO has called for a Transatlantic free trade agreement, since the working populations have similar wage, health and safety etc. standards. Indeed US trade unions feel that an improved awareness in the US of EU social standards and a convergence of our economies would encourage better conditions in the US. Unions on either side of the Atlantic are keen to compare economic models - exploring the reality of the US "job creating machine" compared with the EU "social market". (See 3.2.3 to 3.2.7).

Consumer Organizations and Other Citizen Groups

2.1.11. Consumer organizations hold an influential position in the US. The largest is the magazine publisher and product-testing organization, Consumers' Union (CU). CU belongs to Consumers' International (CI), which is active in campaigning on the world trade scene for less protectionism and more safeguards for the poorest. CU is supported in its trade work by the small but focused Consumers for World Trade organization. On the other side of the fence is Ralph Nader and his consumer organization, which leans towards the trade unions and is critical of environmental dumping, for example.

2.1.12. The current priorities of CU and of CI on trade are to encourage a more open and responsive WTO, to promote consumer-friendly behaviour by transnational corporations, to encourage international competition rules and to moderate the impact of the Intellectual Property Agreement on pharmaceuticals and biodiversity. Consumer organizations in the EU also belong to CI and share broad policy aims, but lack significant funding for intensive transatlantic cooperation. They would welcome any opportunity to deepen their discussions and to meet face-to-face.

2.1.13. Besides the consumer movement, there is an array of other citizens groups, charities and "social" businesses on both sides of the Atlantic which would benefit from greater exchange of information. For example, interaction of citizen groups with business has taken different forms. A significant route in the US has been through the promotion of social investment funds. It is estimated that stockholdings of over US\$ 600 billion in the possession of state and city authorities, pension

funds, mutual funds and churches are screened for social responsiveness, such as equal opportunities and environmental protection, by social investment funds. The labour movement too, has involved itself in standard setting for pension funds. The result has been significant policy change in some major corporations, for example, one of the world's largest retailers decided not to buy from factories using child labour. EU NGOs, on the other hand, have used labelling schemes to encourage consumers to select products that have been socially or environmentally screened.

Farmers' Organizations

2.1.14. The European farmers meet regularly through COPA with the US Chamber of Commerce, which includes the Farm Bureau. There is a split over trade issues between the two main US farming organizations. The larger, more powerful Farm Bureau, which represents the bigger farms - about three million farmers in all, spread over most constituencies - as well as agri-business supported the GATT settlement, but now insists on full use of export refunds to compete with the EU. The National Farmers' Union opposed the GATT settlement and favours support for family farms. It has a membership of 291,000 families, offices in 19 states and is engaged in education, cooperation and legislation. Farmers have objected to the recent US cut in food aid commitments. (The EU and US were committed during the GATT Round to providing food and other forms of aid to ease the transition for poor net-food importers).

The producer subsidy equivalent (PSE) to agriculture is higher in the EU than in the US. It is, however, higher per farm in the US than in the EU.

2.2. Political Developments in the EU

2.2.1. Europe is also seeking to define its role in the world. With Maastricht only a year old, the EU is still developing its ability to speak with one voice in foreign and security policy. For example, lack of agreement within the EU as well as with the US is holding up progress on the Inhumane Weapons Conference due in September 1995. The demand for "Europe to do more" both for its own security and for global security has increased and easily exceeded the capabilities of the intergovernmental pillar of Common Foreign and Security Policy built in Maastricht. In 1991 efforts to create a CFSP and European Defence Identity (EDI) were seen by the US and some in Europe as a possible threat to the established structures of transatlantic cooperation. Today, it is arguably the absence of a strong European voice which is undermining the American willingness to expand the transatlantic relationship although it should be borne in mind that the US government is sometimes held back too by the competence of the individual States in areas such as labour rights and the environment.

2.2.2. The need for cohesion in external policy of the EU applies equally to the area of commercial policy. During the Uruguay Round of multilateral trade negotiations as well as in other commercial relations the EU sometimes struggled to maintain a coherent position. Notwithstanding the European Court of Justice ruling of November 1994 on EC competence in commercial policy, there remains uncertainty about some areas of commercial policy. For the EU to be an effective actor

in transatlantic relations, it must maintain credibility in the core area of commercial policy. The challenges facing the EU are therefore not only in developing a common foreign and security policy but in maintaining a coherent common commercial policy and in ensuring that commercial policy supports wider foreign/security policy objectives.

2.2.3. Within Europe the end of the Cold War has resulted in an increase in the importance of commercial relations for security and foreign policy. For example, strengthening economic relations with the neighbouring countries in central and eastern Europe and the Mediterranean is an important way to help promote economic and political stability in these countries. But the same developments have taken place at a global level. In the multipolar world that is evolving post Cold War, neither the United States, nor Europe, nor any other single power can hope to deal, successfully with the challenge by itself.

2.3. Political cooperation

2.3.1. By the 1970s the EU was confident enough to develop an external dimension to its cooperation. At first, the EU was keen to demonstrate its independence from the US and the US was somewhat wary. But the new challenges posed by the end of the Cold War required effective political cooperation between the US and EU. This need was reflected in the Transatlantic declaration, adopted in 1990. It sets out a framework for consultation which has developed as follows:

Normally, the President of the US, the President of the Council of Ministers and the President of the Commission meet biannually. The Foreign Ministers meet biannually, and twice a year there are sub-cabinet meetings. There is also an average of 30 meetings a year between deputy or assistant Secretaries of State and the EU Troika. These can now be supplemented by video-conferencing.

2.3.2. The existence of such machinery does not, of course, guarantee effective coordination and during the first period of the Clinton administration contacts were routine without always resulting in much genuine cooperation. In an effort to reinvigorate the EU-US dialogue the Berlin Heads of State level meeting agreed to the establishment of three ad hoc senior level working groups, chaired by Deputy Assistant Secretary or equivalent, so there is now continuity between biannual summits.

There is some feeling in the US that these groups are still bedevilled by the problem of a disunified EU approach. The working groups cover:

- Central and Eastern Europe - how jointly EU and US can improve their economies, market access, integration into the OECD and WTO. This is the first joint enterprise reaching out to Central and Eastern Europe and includes cooperation over aid and on environmental problems, e.g. nuclear power stations;

- Narcotics - operational cooperation. Data-intelligence sharing, dealing with international cartels especially; (here, the US would like to be able to deal with joint representatives of all the fifteen national police forces); and
- Common Foreign and Security Policy - discussions on human rights, conflict prevention and on the problems of Africa come under this working group.

2.3.3. From the US side, the frustration with the lack of a united European voice on these issues raises questions as to whether bilateral negotiation would be more fruitful. There may therefore be suggestion to change the areas of work covered. Cooperation to reduce pollution and protect the environment is an area which might develop. There are annual technical consultations between the US and DG XI covering for example, air quality, hazardous waste and climate change.

2.3.4. The question of a Transatlantic Treaty to deal with international policy and security issues is under debate. The US is awaiting the outcome of the inter-governmental conference before taking this idea up. The US would certainly welcome a process of parallel consultation alongside the EU's intergovernmental conference. The June Summit of the three presidents charged a small group of high level representatives to examine how to reinforce EU-US relations and to report to the next summit in Madrid.

2.3.5. If the US and the EU share a responsibility for cooperation and leadership in the world, they also share the responsibility not to dominate. There is a need to negotiate with other countries in a genuine effort to understand their culture; also to take account of the problems of poorer states which often lack the resources to represent their own needs on the world stage. The US and EU should aim to promote multilateralism wherever possible, and to involve Japan and the new emerging economic powers in this process. Japan is currently trying to find its international role and will need help in doing so.

2.4. Security

2.4.1. Security issues are discussed within the working groups set up at the Berlin Summit. Following the end of the Cold War, the potential consequences of possible future conflicts are less all-encompassing than any direct East-West confrontation, but there have been smaller, more complex conflicts causing concern. Armed conflicts in the former Yugoslavia and the former Soviet Union, among others, have required changes in security policies and concepts, as well as rapid adjustment to events on the ground. The process of adaptation has begun among specialists in security policy, as evidenced by the NATO Summit in January 1994 which made progress towards establishing a common approach to the post-Cold War security order in Europe and appeared to set-aside some EU-US differences. There have also been a number of national attempts to reformulate defence priorities, but the process is far from comprehensive or complete.

2.4.2. The current US administration regards the US as an essential element of the balance in Europe so believes that it must be engaged. Its priorities are to strengthen and extend NATO, to

support European union, to encourage the upgrading and strengthening of the OSCE, (Organization for cooperation and security in Europe), and to develop its new relationship with Russia.

2.4.3. A new element in security is the recognition of its broader definition to include the economic field. Because the EU has become a major world player in economics, it is also a serious contributor to world security strategy. Examples of economic policies which contribute to stability are the ACP agreement, the Russia agreements, the Europe agreements, the European energy charter and aid to the Middle East and the newly independent states of the Soviet Union.

2.4.4. One area in which the EU and US will have to provide joint leadership within the framework of the UN, because of the close interaction between economic and security concerns, is conflict prevention. The Committee takes an interest in the area of conflict prevention through its efforts to bring together interest groups across ethnic divides in areas of potential conflict such as the Mediterranean and the ACP and by encouraging the growth of civil society in such regions. A current US bill aims to cut the US contribution to the UN peacekeeping effort; though it may be vetoed by the President. A reduced US commitment to peacekeeping is a matter for concern, but money could be saved by earlier action. A willingness to allocate resources to conflict prevention and to effective early warning systems of potential flash points would save the international community money as well as saving lives.

2.4.5. For example, a more common interpretation of the broad criteria for arms exports which were agreed by the permanent members of the Security Council, in the European Union and by the members of the OSCE may promote responsibility and restraint in arms transfers.

2.5. Overseas Aid

2.5.1. For over two decades, official concessional aid has stagnated at a level less than half the target of 0.7 percent of the GNP.

Very few EU countries have reached the target and, for the United States, the percentage amounts to hardly a quarter of this target of which more than half goes to two countries, Egypt and Israel. One problem, perhaps, is the lack of development education to sustain public support for overseas aid. Furthermore, there are threats from the new Congress to subsume the Agency for International Development under the State Department and to reduce overseas aid, especially to Africa. The Committee has frequently expressed its concern about the increasing poverty in, and isolation of, Africa. It is alarmed by this Congress proposal and indeed believes that the extent of poverty in developing countries and its destabilizing effect is sufficiently pressing that the EU, Japan and the US should discuss cooperation on a major new aid programme.

2.6. The Environment

The Committee has commented before on the need for the industrialized countries to be the first to take action, because of their responsibility for much of global pollution and because

they have the resources to act¹. Each individual in the industrial world consumes 15 times as much of the world's resources as one in the developing world. Yet at the most recent EU-US Summit , there was no mention of cooperation on environmental issues and progress at the Berlin conference on the climate change convention was disappointing. Progress at UNCED was also disappointing. The United States has a vigorous environmental movement. The EU and US should cooperate as a matter of urgency.

2.7. Educational and Other Exchanges

2.7.1. The European Union's Visitors' Programme (EUVP) arranges for 24 opinion-leaders from throughout the US to visit the EU annually. They come from trade unions, academia, the media and occasionally, voluntary organizations. There are also bilateral exchanges. Similarly, the US Information Agency (USIA) sponsors young leaders from government and other non-profit sectors to visit the US, both from the EU and bilaterally. NATO has exchange programmes for academics.

2.7.2. Further, vast numbers of universities send thousands of students both ways across the Atlantic by arrangements between individual universities. An example of bilateral exchange is that between the US and French military schools; also student exchanges between leadership training institutions in the US and France (especially the Ecole Nationale d'Administration).

2.7.3. Exchanges are frequent therefore but not as systematic as they might be; there is no central clearing house to put visitors in touch with appropriate sponsors and vice versa. Particular gaps felt are exchange programmes for faculty members to lecture at each others' universities and participate in conferences and think tanks, for which there should be non-government funding, and exchanges for voluntary organizations.

2.7.4. The Commission has a mandate to negotiate a cooperation agreement with Canada and the US on higher education and vocational training. This would involve more intensive interaction between EU, US and Canadian higher education establishments, training organizations and business interests. Support has been given to 23 cooperation projects, bringing together some 200 higher education establishments on, for example, the environment and microbiology and international marketing for small and medium-sized businesses. The focus is on student and staff mobility, common study programmes and course unit transfer schemes.

3. The Centrality of Economic Relations

The end of the cold war has increased the importance of commercial relations compared with military power, for example, through the promotion of economic and thus political stability. Trade, economic and environmental agreements whether multilateral (worldwide), as in the WTO (World Trade Organization set up by the latest GATT round) and UNCED (United Nations

¹ See Committee's Opinion on the proposal for a resolution of the Council of the European Communities on a Community programme of policy and action in relation to the environment and sustainable development (Rapporteur Mr. BOISSEREE) Official Journal C 287 of 4 April 1992.

Conference on Environment and Development), or regional, as in NAFTA, or the FTAA (Free Trade Agreement for the Americas) now play a greater role in international relations.

3.1. Transatlantic Economic Relations

3.1.1. Recent instability in exchange rates, brought about by the decline in the value of the dollar, have reawoken European concern about apparent US disinterest in the impact of exchange rate changes on the rest of the world. There is a deep-seated preference for stable exchange rates in Europe born out of many years exposure to currency fluctuations. Given the size of the US economy in relation to the world economy and the extent of its trade within NAFTA, the US has been less affected and has taken a more nonchalant attitude to international exchange rate stability.

3.1.2. The tradition of saving is higher in the EU than in the US. Lack of savings contributes to the constant inflow of capital into the US seen in recent years and lower confidence in the dollar. The dollar may in fact be losing its position as the single dominant currency with the D-mark (and then eventually the single European currency) and the yen playing more important roles.

3.1.3. One efficient way to counteract the fall in the dollar would be to increase interest rates, but this will not be done for international purposes only for domestic ones. There is limited concern in the US that the low value of the dollar may trigger inflation by raising the price of imports. The perception is that this is outweighed by the benefits to exporters. US industry, in particular, is happy with the low dollar value and with the government policy of benign neglect. Meanwhile EU exporters are losing out to US competitors.

3.1.4. This problem underlines the lack of international cooperation on macroeconomic and monetary issues. Industry on both sides of the Atlantic agree that instability and swings in currency values on the world market are unhelpful. EU policy puts the battle against inflation and stability of its currencies first.

3.1.5. Beyond exchange rates transatlantic relations are reasonably sound. Improved economic growth in Europe has reduced divergencies in growth rates between the EU and US. But even here there are underlying differences, with continental Europe showing a greater price stability than the US, where shorter term economic growth prospects are relatively more important.

3.1.6. The conclusion of the Uruguay Round has removed a substantial irritant in trade relations. There are no structural trade deficits across the Atlantic and trade balances change over time but broadly reflect relative growth and exchange rate changes. For example, the EU's trade deficit with the US fell from ECU 10.8 bn in 1992 to ECU 2.2 bn in 1993 as a result of European export growth to match high GDP growth in the US. This was mainly reflected in a growth in EU manufactured products, for which a US trade surplus with the EU of US\$ 5.1 bn in 1992 was converted into a deficit with the EU in manufactures of US\$ 2.2 bn in 1993 (Eurostat).

3.1.7. EU-US trade is very important. Two-way trade in 1994 will be of the order of US\$ 170 billion. But it is in the increase in foreign direct investment across the Atlantic that one sees the degree of economic interdependence. US foreign direct investment in Europe totals around US\$ 250 billion (some 41% of total US FDI) and EU FDI in the US about the same amount (or more than 50% of European FDI). (See tables 9, 10 and 11 for details). This compares with US\$ 48 billion investment in Asia. The sales of European affiliates of US companies total US\$ 800 billion per annum, and the sales of the US affiliates of European companies US\$ 600 billion. 2.8m Europeans are employed in US companies and 2.7m US citizens in EU companies. There is thus a broad balance of trade between the two, unlike the structural trade deficit which the US has with Japan and China.

3.2. Differences in Approach to Domestic Market Regulation

3.2.1. Despite this sound basis, transatlantic economic relations are repeatedly disrupted by disputes of varying degrees of intensity over what often appear to be issues of relatively minor importance to the economies as a whole, for example bovine somatotropin and hormones in beef. In order to understand why such disputes arise, it is necessary to understand the different approaches to domestic, regulatory policies and trade or commercial policies that persist between the EU and US.

3.2.2. There are three areas of difference between the EU and US:

- the nature of the market economy in each;
- the approaches to regulation of market distortions; and
- how the US and EU deal with the regulation of interdependent and integrating economies.

The nature of the market economy

3.2.3. The first of these concerns the predominant social market, consensus-based, market economy in the EU as compared to the free market, Anglo-Saxon form of market economy in the United States. In the former, higher social provision is seen as a means of achieving broad consensus among the social partners, which in turn promotes productivity and competitiveness. There is also a greater emphasis on institutions to ensure social cohesion and the fulfilment of regional and other structural policy objectives. The operation of the market is shaped by the existence of a regulatory framework based on a broad consensus within society. This fundamental difference finds expression in many ways including, for example, labour market regulation. In its Opinion of 20 October 1993, the Committee stressed that the most pressing problem facing the EU Member States at present is how to return to a growth rate high enough to mop up unemployment, while also maintaining an effective system of social protection and solidarity which reflects the aspirations and traditions of EU citizens. Here the Committee was reflecting the European preference for achieving a consensus and social cohesion.

3.2.4. Broadly speaking, the EU emphasis is on maintaining standards and wage levels for those in work and on shoring up declining industries, perhaps at the expense of creating new jobs for the unemployed. The US approach is the opposite. There is very little protection for workers who are

fired for trying to set up unions. It may take years for the legal system to reinstate them in their jobs. Employers can also permanently replace strikers with new workers. As a result, although, according to an independent survey commissioned by AFL-CIO, 40% of the workforce say they would like to join a union, only 16% belong. The US has approximately six per cent unemployment compared with an average 10.9% per cent in the EU. Since President Clinton took office 6.3 million jobs have been created. However, 20% of these have been low paid jobs in discount shopping stores while well-paid blue collar jobs in tyres, steel and cars have failed to return to 1990 pre recession levels. In recent years, the gap between blue collar and white collar workers has widened and with the exception of some such as auto workers, blue collar real wages have decreased.

3.2.5. Unemployment benefits depend upon the laws of the different Federal States. On average about 30% of the unemployed are covered. The remainder rely on welfare and food stamps. There is no state health insurance system. Only the very poor and retired people receive free medical care. Perhaps 15-20% of people draw the minimum wage with 10-15% of the population below the poverty level.

3.2.6. In the US, social provision is often seen first and foremost as a cost, which reduces competitiveness and thus the ability to pay for social provision. There is no broad political consensus on the regulatory framework within which markets are to operate. As a result there is a tendency for changes and arguably a tendency for regulatory competition and legal actions to shape the legal framework rather than for political preferences to do so. In this area there is, in effect, competition between the more laissez-faire Anglo-American form of market economy and the continental European model, across the Atlantic as well as within the EU.

3.2.7. A perhaps otherwise harsh environment is tempered by the USA's tradition of voluntary help. However, the very many voluntary organizations tend to lack mass membership or resources. They may on occasion, for example, rely on union help.

Regulation of market failure

3.2.8. The United States has been developing regulatory policies within the federation of states for nearly 200 years. This was based on limited regulatory intervention in cases of market failure. Within Europe, regulation of market failure was carried out at the national level until the 1980s when establishment of a genuine single European market following the earlier development of the common market necessitated the removal of national regulatory barriers. The national approach within Europe used, more often than in the United States, to be to take the sector concerned into public ownership (i.e. utilities). This resulted in regulatory policies under more political control than the independent regulatory agencies that developed in the United States under the control of the Federal and State Courts. The 1980s has seen a shift in Europe towards more regulatory agencies, but there is still reluctance to accept the establishment of agencies without direct political control, especially at the European level. As a result more areas of regulatory policy are subject to political discretionary control in Europe than in the US. Moves to create a single market in Europe have

reduced the discretion in the hands of national regulatory authorities, so that there has been some convergence between the US and European practice.

Regulation of interdependent and integrating markets

3.2.9. Although the US may have a long history and experience in the regulation of market failure, it is the EU which has developed the most advanced techniques and methods for dealing with regulation in integrating markets. The EU approach is based on policy approximation, mutual recognition and home state regulatory jurisdiction. The United States approach continues to be shaped by traditional "trade" policies and thus national treatment and host state control. These respective approaches are being reflected in the regional approaches of the EU and the US .

3.3. US and EU external commercial policies compared

There are also differences in EU and US approaches to commercial policy which result from the structures of decision-making concerning commercial policy and historical developments.

The United States

3.3.1. The US has proved much more proactive than the EU in commercial diplomacy. In the last decade the US has pushed for a new round of the GATT (the Uruguay Round), but US support for multilateral approaches to trade and investment issues has become progressively more qualified since the early 1970s. Support for multilateral negotiations has been accompanied by a strengthening of domestic trade remedies with which to address what the US perceives as "unfair" trade practices and policies not adequately addressed by multilateral negotiations. These trade remedies have taken the form of enhanced countervailing and anti-dumping provisions as well as the "unilateral" instrument Section 301. The qualified support for multilateral solutions was also reflected in the US position during the Uruguay Round on the area of dispute settlement and the establishment of the WTO and cases such as services. The issue of sovereignty sets clear limits to how far the US can or is willing to go towards multilateral agreements which touch upon constitutional powers granted to Congress in commercial policy and to the individual states in areas of regulatory and investment policy.

3.3.2. Whilst the US has been able to initiate multilateral negotiations, it has become progressively less able to determine the shape of the multilateral rules as other players, notably the EU, have gained in relative economic weight. At least in partial response to this loss of influence at the multilateral level the US has also initiated or supported regional agreements with Canada (US-Canada Free Trade Agreement of 1989), Mexico (North American Free Trade Agreement of 1994). More recently the US has become more active in regional strategies and initiated negotiations with the rest of the western hemisphere which the aim of establishing a Free Trade for the Americas Agreement (FTAA) (in December 1994) and has supported the calls for a similar free trade

arrangement covering the Pacific Rim countries in APEC (in September 1994). These developments suggest that regional agreements may be one of the US priorities over the coming years.

3.3.3. In addition to the multilateral and regional pillars of US policy there is also a plurilateral pillar. This takes the form of qualified mfn (most favoured nation agreements), such as the Government Purchasing Agreement in the GATT or agreements of "like-minded countries" such as the current effort to establish a binding investment instrument in the OECD.

3.3.4. Finally and worryingly, the US has become progressively more active in unilateral policy as the feeling that the multilateral system only serves others and not the United States' interests has grown. The EU should seek to bring the US back fully to the multilateral approach. The active use of "unfair" trade provisions designed to provide remedies for US interests affected by what are perceived to be the unfair practices of other countries has assumed greater importance. These take the form of Section 301 (introduced in the 1973 Trade Act), Super 301 (introduced in 1988 and since 1994 based on an executive order) and Special 301 for instances in which the US believe its trading partners are not protecting US intellectual property rights sufficiently. Nor are anti-dumping actions in any way limited to the protection from predatory pricing envisaged under the WTO. In short the United States uses one of three pillars, or a combination of multilateral, plurilateral, regional and unilateral instruments, depending on which can best achieve US objectives.

The European Union

3.3.5. In contrast to this activism on the part of the US, the EU has tended to be more reactive. It followed the US (and Japan) into the Uruguay Round with an agenda largely set by US proactive pressure. Once in the Round, the EU supported the process of negotiations and continuously pressed for genuine multilateral solutions (when the US sometimes appeared ready to accept plurilateral deals). As the US has moved to question the benefits of a "rules-based" multilateral system, the EU has come more and more to accept such a system, as is illustrated in the EU support for the WTO and revised dispute settlement provisions agreed in the Uruguay Round.

3.3.6. At a regional level the EU has had, if anything a greater impact, than the US. The European acquis is being put forward as an aim for neighbouring countries seeking guaranteed access to the large single European market. The EU is also now developing policies which appear to be aimed at establishing links with other regional entities. New or proposed preferential trading arrangements now cover, EU-CEE (Central and Eastern Europe), EU-Mediterranean, EU-ACP, EU-CIS, EU-Mexico and EU-Mercosur.

3.3.7. Unlike the US, the EU has not made extensive use of unilateral action. The main reason for this is a welcome commitment to multilateralism, as well as the absence of any consensus, among the Member State governments, on the advisability of deploying the "big stick" of unilateral leverage. The New Commercial Instrument has only been used in a few minor cases. A revised NCI may change this but the Commission's proposals will only open up the scope for industry petitions

under the NCI. The instrument still clearly comes under multilateral discipline of the WTO. As the United States, however, the EU can, and does, use trade instruments such as anti-dumping measures.

3.3.8. The only substantial trading powers with whom the EU or the US are not now discussing the possibility of a special trading arrangement are each other (See para 8.1.8.6). The question here is whether the future lies in toning down these regional agreements, multilateralizing them, or dividing the globe into competing blocs, from which the economically weak, such as many African nations, may be excluded. As the two major trading powers, the US and EU share the responsibility to take proper account of the politically and economically weaker nations. The disadvantages to those countries excluded from regional agreements are moderated only slightly by GATT rules. The WTO has slightly strengthened the right to challenge preferential trade agreements which do not progress into free trade areas within ten years or which do not include substantially "all trade", but not sufficiently to check their growth or any negative impact on third countries. The potential exists, therefore for the evolution of completing regional approaches to dealing with increased economic interdependence. The EU and US need therefore to make efforts to multilateralize their regional efforts or come to some accommodation with each other.

4. Bilateral Issues

The vast majority of trade relations between the EU and the US are trouble-free but there are some bilateral irritants, many of them characterized by the different approach to regulation as described above.

4.1. EU Enlargement

Overall the accession of Austria, Sweden and Finland has significantly reduced import tariffs for the US, notwithstanding increases in some areas such as chemicals and computer parts. Finnish tariffs on semi-conductors have gone up 14% for example. For this the US is entitled to compensation by GATT. Disputes over the scale of compensation featured in EU-US relations after the last enlargement of the EU. In the current enlargement an interim agreement has been reached which has defused some of the tension, but there remain some doubts about the final level of "compensation", with the EU emphasizing the gains made by the US in other sectors.

The US is also concerned that the EU should not extend barriers as it integrates more closely with Central and Eastern Europe. Already there is some inclination in the CEE to give preference to the EU.

4.2. Audio-visual

This is perhaps the clearest example of differing EU-US perceptions of the need for regulation. In this sector some Member States support the regulation of broadcasting in order to maintain a national/European cultural identity, to monitor the quality of material shown on European television and to support the national/European film industry. In the US, a free market in television

is equated with free speech and thus any restriction as undermining democracy. The US has therefore objected to the EU requirement for the majority of entertainment broadcast in the EU to be of EU origin "where practicable". Tensions are building up on this issue which both sides see as fundamental although the US industry would be alarmed if it came to sanctions. It is perhaps more concerned at the threat that the cultural argument, which it does not fully recognize, will be applied by the EU to new technologies. The General Agreement on Trade in Services (GATS) covers the audio-visual sector, but the EU sought an exemption from commitments to offer national treatment which effectively excludes the sector from the provisions of the GATS. Bilateral tensions on this issue are therefore unlikely to be resolved through GATS intermediation. A transatlantic dialogue on this, with clearer EU definition of the boundaries of its cultural argument could help.

4.3. Food Standards - Bovine Somatotropin (BST) and Hormones in Beef

4.3.1. There are two trade differences over food standards of which hormones in beef is likely to cause earlier tension. The EU extended moratorium on BST will probably also be challenged by the US. The Uruguay Round agreement says that food standards cannot be challenged as trade barriers, as long as there is scientific backing for them. However in both cases there is imperfect scientific evidence; and the agreement makes no provision for dealing with uncertainties. If scientific opinion is divided, however, the agreement provides for preventive measures. The US position at home is that it will maintain the highest possible food standards and allow the benefit of the doubt where scientific evidence is uncertain. At the same time it is pushing the EU to accept imports of beef produced with hormones and has rejected the call of the EU and certain US beef producers for certification of beef produced without hormones.

4.3.2. Consumer information on food standards should be provided on both sides of the Atlantic, but labelling would not work for BST since methods for detecting residues have not been developed yet and milk is pooled which would make identification for labelling very difficult. The Committee supported the EU moratorium in its Opinion on the use of Bovine Somatotropin in the European Union (CES 1023/94 September 1994) partly on the grounds that BST is not needed and in view of consumer opposition. Neither of these reasons would be valid under the new GATT. However, the Committee's other objections; animal welfare and effect on consumers of likely increased antibiotic use give the EU a good case. The fact that a limited number of countries with production deficits have authorized the use of the hormone should not mean that health regulations can be relaxed at international level. Freer trade need not mean lower standards.

4.4. Product Standards

4.4.1. The issues being discussed are those of transparency of product standards, mutual recognition and, going further, mutual certification. This would enable manufacturers to test just once, in each others' markets. An example of the problems to be overcome is that the US Food and Drugs Administration does not certify. There are many different certifying agencies which the US would need to clarify for exporters. EU environmental standards for example are not completely

coherent either. The American Chamber of Commerce advises its members to adhere to the German regulations as these are generally the tightest.

4.4.2. The first step to complete is the mutual recognition agreement which should be adopted within the two year deadline. US manufacturers would like it extended to cover telecommunications and pharmaceuticals. It is not always clear to third country manufacturers how to obtain marks like the CE mark. Standards cooperation on the environment would be useful both to reinforce environmental protection and to forge regulatory cooperation. There needs to be more cooperation on eco-labelling, packaging and recycling and to ensure that environmental standards generally are not biased to the domestic market.

4.5. **Agriculture**

4.5.1. Budgetary constraints mean that the US is likely to cut subsidies to its agriculture. For example, current proposals would eliminate the sugar and peanut price support programmes. The long term US aim for agricultural trade remains, in theory, the elimination of export subsidies. There could, therefore, be growing pressure from the US for the EU to do more to reduce export and other subsidies to agriculture. This could result if the US does reduce its national subsidy programmes. Under the Uruguay Round Agreement, there is a commitment to reduce agricultural support and protection further in the resumed multilateral trade negotiations due to begin in 1999. From a US point a view, Community production and exports which receive some form of government assistance are the major source of concern and are at the core of many of the bilateral trade disputes. This may be eased by further reform of the CAP in preparation for the accession of Central and Eastern Europe. Given the GATT commitments, the agricultural sectors from these countries could not be accommodated within an enlarged EU without first modifying the farm support arrangements.

4.5.2. There have been improvements in transatlantic relations over agriculture since the GATT Round was concluded. The possibility now exists, within the framework of WTO rules to prevent unfair competition, that both US and EU farming could become genuinely competitive. Pressure to move this way is likely to come from EU non-agricultural industries, which currently lose resources to agriculture and which want access to the CEE market, as well as from the more efficient farmers, allowed in some sectors since the MacSharry reforms of the CAP to compete more on price for the right to expand.

4.5.3. If the EU and US did manage to agree to more open markets in the agricultural and other sectors, - this would pave the way for freer trade across the board. Whilst the potential gains to the EU economy would be great, there would be concomitant disadvantages for certain sectors in the EU and the US.

4.6. **Aircraft**

The EU and US came to an agreement in 1993 on subsidies for aircraft manufacturers. This set limits on subsidies with which airbus could cope. However, the US is raising

the issue again as it is the subject of strong lobbying by the US aviation industry. For its part, the EU has reservations about indirect subsidies to the US industry.

4.7. Telecommunications and Information Policy

4.7.1. The EU and US have not yet reached agreement on the opening of the telecommunications procurement markets. There is also increasing US pressure on the EU to liberalize its network provision faster than the agreed timetable. Given the developments in the US with the construction of "information highways", there could be scope for trade conflicts over access to each others information markets. Bilateral consultations are taking place on the "information society" and there was a successful major conference at the end of February in Brussels to discuss the issue. This was agreed as the European contribution to a widening of G7 talks on future issues and follows the Detroit discussion on labour market regulation in March 1994.

4.7.2. In principle there is considerable scope for gain from increased competition in financial services and telecommunications. However, there are also risks that systems of prudential control and investor and policy holder protection will not be up to the task of protecting consumers. There are also risks that increased competition could jeopardize services to some groups of consumers such as those living in sparsely populated areas. Careful monitoring of the agreements will be needed.

5. Issues concerning the EU and US roles in the Multilateral System

5.1. Implementation of the Uruguay Round Results

5.1.1. Congress has now ratified the Uruguay Round and the Council of Ministers did so on 19/20 December 1994. But in both cases implementing legislation contained a number of measures that could create difficulties for US-EU relations and influence the results. For example, the US Congress has tended to use ambiguity in the text of the Uruguay Round agreement to defend US trade remedies. Although the establishment of a Commission on WTO Dispute Settlement was seen as having more political relevance than substance, if the US is successfully challenged on its implementation of the Uruguay Round agreements the Commission could be called into action. This could raise the question of US commitment to the WTO. In Europe, the European Commission has included a strengthening of the New Commercial Instrument (opening the way for industries to initiate investigations). This is modelled on the US Section 301 and could be seen as a worrying shift towards a more unilateral approach and away from multilateral dispute settlement.

5.2. The operation of the World Trade Organization

5.2.1. The WTO could also figure in the medium-term issues in EU-US relations. One of the major successes of the Uruguay Round was the decision to create a new body with legal status, the world trade organization, to oversee the conduct of trade relations between its members. It will administer all existing GATT agreements, including the results of the Uruguay Round, the integrated dispute settlement mechanism, and the trade policy review mechanism. The organization will also

provide a forum for further trade negotiations. All parties to the GATT are eligible to become members.

5.2.2. The multilateral trade organization will be administered by a general council of representatives of all members. The general council will also establish separate councils, to oversee the operations of specific agreements. There will be a ministerial conference at least once every two years.

5.2.3. If it is sufficiently resourced to oversee increased access to information, a broadening of GATT consultation procedures and wider analysis of the impact of trade measures to incorporate developmental, environmental and social issues, this would be a positive development. The WTO will not be accountable to the UN General Assembly.

5.2.4. The new order's bias towards commerce contrasts with the broader social and developmental perspective that was behind the concept of the International Trade Organization (ITO) proposed at the UN conference on Trade and Employment in 1947. A more powerful WTO could be advantageous to economically weaker participants, but their interests (and those of social, consumer and environmental interests) require special attention.

5.2.5. The Uruguay Round agreement has succeeded in strengthening the multilateral dispute settlement procedures of the WTO. For example, under the new procedures it is no longer possible for one Contracting Party to block a Panel Decision. Only unanimity of all Contracting Parties can block decisions of the WTO panels. If this more adjudicative approach to trade disputes works it will facilitate the evolution of a WTO "case law", thus enabling the WTO rules to evolve with the international economy and political preferences of the WTO Contracting Parties. Such a development would, however, mean a progressive increase in the "supranational" elements of the WTO.

5.2.6. The EU has traditionally opposed adjudication in the resolution of trade disputes, arguing that commercial policy issues affect national policy preferences and cannot therefore be left to an unaccountable, quasi-legal system of decision making. The US has traditionally favoured more adjudication in order to ensure that decisions were taken. Paradoxically the positions now appear to have reversed, with the EU supporting multilateral adjudication (as a means of controlling the unilateral interpretation of multilateral rules by the US) and the US (or at least parts of Congress) now getting nervous about the potential loss of sovereignty involved. Another important factor here is the awareness of environmental and other interest groups that decisions taken in Geneva will have important implications on national policy options. For the WTO to work effectively both the US and the EU must support the new procedures. It is not yet clear that there is a firm commitment to the more adjudicative approach.

5.2.7. If the WTO is not seen as being credible in the resolution of trade disputes there is a danger that the US, possibly followed by the EU, will revert to unilateral means of enforcing trade agreements. As this means, in effect, a unilateral interpretation of what is "fair", the multilateral system would be undermined and much of what was agreed during the Uruguay Round would be not

worth much more than the paper on which it was written. The Committee would therefore like to see EU-US cooperation on the development of the WTO to ensure its effective operation. The US is also calling for much more transparency within the WTO.

5.2.8. The EU has expressed concern about the focus on the bilateral and unilateral approach in US trade policy. One example is the attempt of the US, in the light of its serious trade deficit with Japan, to open up the Japanese market on the basis of quantitative targets. The US-Japan agreements were negotiated on the basis of most favoured national treatment, which should mean that the liberalization is of benefit to others. The question is whether the agenda will properly encompass other interests and how the EU could contribute to discussions.

5.2.9. Another problem is the panoply of unilateral trade measures still provided for under Section 301, Special 301 and Super 301. This underlines the importance of the new dispute settlement procedures agreed in the Uruguay Round and the need to challenge implementation of 301 measures. Both parties need to renew their commitment to multilateralism.

Services

5.2.10. The general agreement on trade in services seeks to apply general GATT rules and disciplines, such as non-discrimination, transparency and dispute settlement to all services with the exception of services supplied as part of governmental functions. The agreement contains annexes which take into account the different nature of various sectors. Specific commitments to liberalize individual sectors such as transport, financial services (for which some safeguards to protect consumers apply) and telecommunications are to be undertaken through bilateral negotiation which leaves scope for US-EU cooperation. The US has concluded a financial services agreement with Japan and is committed to work for the next 18 months for its incorporation under the WTO. Serious negotiations under GATT are only just beginning. Offers are required by the end of June. The EU, which has a fairly open policy on services has put in its bid. The US offer is still awaited.

5.2.11. As is the case with trade in goods, general exemptions will be available for specific purposes such as protecting the health and safety of plants, animals and humans, and preventing deception and fraud. However, the agreement also allows signatories to request exemptions from the principle of non-discrimination for particular measures. These exemptions are then subject to review after five years and a normal limit of ten years. Service industries which are not exempted by their governments may be the subject of retaliation if foreign service companies are discriminated against. If services are eventually incorporated into GATT in a super trade regime, then the violating country could face cross retaliation actions. This means that the country offended can retaliate not only in the area of services but in goods as well.

6. New Issues in Commercial Policy

The Uruguay Round dealt with the issues of the 1980s. Issues being discussed in the 1990s include trade and investment, trade and environment, trade and competition and trade and

social issues. There is a risk that the US and EU will adopt divergent approaches, or alternatively, will fail to take full account of the impact on developing countries.

6.1. Trade and Investment

6.1.1. Efforts to develop a new international investment instrument will be of central importance in the coming months and years. The US appears at present to favour a plurilateral approach to investment, such as through a binding Multilateral agreement on an Investment Instrument in the OECD. The EU is in the process of determining its policy in this area. The issue includes whether a plurilateral approach in the OECD should be pursued initially, or whether a genuine multilateral agreement should be sought from the outset. As it is the developing economies which would be potentially most affected by a new investment regime, the tactics of how to negotiate are important. To produce an agreement in the OECD and try to impose it on the developing economies may not be most politic approach. On the other hand, developing economies are keen to attract investment and the case is made, primarily in the United States, that once an OECD instrument is available countries will have no option but to sign up to it.

6.1.2. The Commission proposal on investment, not yet fully endorsed by the Council, requests the OECD to pursue its work aimed at elaborating a multilateral investment agreement and urges an early start of discussions in the WTO in order to prepare formal negotiations which should begin as soon as possible.

6.2. Trade and the Environment

6.2.1. Important negotiations on trade and the environment are taking place, in the WTO and OECD, with concerns being expressed about the impact of increasing trade on the environment. Here US and EU positions will again be important for the shape of any future agreements. To date the US has appeared more willing to adopt unilateral trade measures in pursuit of its own environmental policy objectives than the EU. For example, the US imposed standards regarding the drowning of dolphins while catching tuna on tuna imports, which were based on the quantity drowned in US catches. The US negotiated an environmental clause to the NAFTA agreement, with which the environmental organizations were dissatisfied as lacking muscle. Even so, its future is in doubt with the new Congress.

6.2.2. The threat of green protectionism (often envisaged for use against the poorer countries) would be greatly reduced if the EU and US took a lead in international environmental agreements and in reducing their own contribution to pollution. Whilst the Committee shares the concerns of environmental organizations about the extent of current environmental destruction, there are risks in shifting the global environmental debate too firmly into the trade arena where developing countries are so vulnerable to protectionism. Many of the solutions to trade-related environmental destruction lie outside the competence of the WTO. Protectionism is not the way to enforce environmental (or social) improvements on to other countries - especially developing countries. The use of import taxes to penalise "environmental dumping", for example, relies on each nation acting

as judge and jury. Further, different environmental standards are sometimes acceptable in different countries and environmental import duties, for example, are likely to be counter-productive. The result may well be to relocate the polluting industry into the country imposing environmental protection and to leave the poorer exporting nation to try to undercut the protection or to sell elsewhere by lowering its prices and standards.

6.2.3. Nonetheless environmental damage is of immense concern. The EU and US should encourage stringent international agreements and their consumers to modify their lifestyles. (This is an area where EU-US ngos should cooperate.) There are ways in which GATT should be made more supportive of environmental objectives.

This is an area of work where the Committee might usefully contribute an opinion.

6.3. Competition Policy

6.3.1. Despite legal problems with the status of the 1991 bilateral anti-trust agreement, cooperation and regulatory coordination in this field between the competition authorities of the US and the EU has begun. Information is exchanged between the competition authorities, which can help address the effects of anti-competitive behaviour outside the jurisdiction of either party. Issues to discuss include rules against price advertising as, for example, by professional associations, consolidation of producers and distributors and government procurement.

6.3.2. The US and EU agreed to involve developing countries more in the discussions. The freer trade environment adds to world wealth but also reduces the influence of governments. The combined turnover of the two largest food companies in the world, for example, is larger than the gross national income of more than 170 of the world's nations. Spending on their products last year was equal to the gross national product of Austria, or represents 500 Belgian francs per person on earth. The UN and OECD codes and the recent drafting by the Clinton Administration of Model Business Principles for US multinationals reflect concern to introduce standards of behaviour for such powerful actors on the world stage. Tncs generate very useful income and their investment is welcomed by most countries but their economic power means that when abuses do take place, the consequences can be serious. Competing tncs may form strategic alliances and export cartels, for example.

6.3.3. Governments increasingly lack the knowledge and power to control the activities of transnational corporations. The development of international competition policy is one important way to tackle abuses. The EU has developed a useful system via Articles 85 and 86 of the Treaty. The US applies its competition rules extra-territorially and the Justice Department has just published new guidelines which suggest a further toughening of the US approach and a greater use of extra-territorial powers. Transfer pricing and corruption issues are not tackled by the EU-US agreement but could be the next areas for control. The US takes legal action against its citizens who bribe foreign nationals, for example.

6.4. Trade and Social Issues

6.4.1. Competition policy offers one route towards bringing social values into trade policy; negotiations on social standards another and complementary one. The International Labour Organization (ILO) lays down minimum standards in its conventions to be applied worldwide; respect for basic human rights, prohibition of child and forced labour, basic rules on safety at work and health protection, freedom of workers to organize themselves and conclude collective wage agreements. The minimum standards recognize that wage levels vary depending on what levels of development permit.

6.4.2. The EU and the US share a strong commitment to human rights. Yet important parts of the ILO Conventions have not been ratified by either the US or by particular Member States. Discussions in the OECD, even before negotiations in the WTO, could be helpful here. The Ministerial Meeting of the OECD has in May 1995 mandated the organization to maintain its studies in this issue. The EU and US should give high priority to this work, which will lead to an extensive report in 1996. The US would like to see a WTO committee on labour standards and trade, to mirror that on Environment and Trade. The Deputy Under-Secretary of Labour has argued that trade sanctions should be available as a last resort if core standards on child and slave labour were violated.

6.4.3. The Committee has previously expressed its opinion that the working programme of the World Trade Organization should include a "social clause". This should be based on Conventions adopted by the ILO - to which virtually all the world's countries belong - and particularly to those concerning:

- abolition of forced labour (Conventions 29 and 105);
- the right to organize and collective bargaining (Conventions 87 and 98);
- minimum age for work and the abolition of child labour (Convention 138);
- ban on discrimination in the workplace and equal pay as between men and women for equal work (Conventions 100 and 111).

The question still to be debated is whether the ILO or the WTO should take the lead on this issue. The US believes that the issue can be pursued in both arenas.

6.4.4. The US and EU have hesitated to make trade conditional upon social standards but increasingly in the 1990s basic human rights requirements are being tied to overseas aid. For example, the US government expressed disapproval of alleged human rights abuses in Kashmir by cutting \$24 million from a \$1.4 billion aid package to India. Penalizing, for example, non-democratic governments has had mixed results and France, Canada and the US have all decided to downscale punitive action. Rewarding "good" governments with extra aid has been more successful, though not problem-free. The German government has recently increased aid to countries that have complied with "good government" criteria and cut funding for others. Other donors have taken a more pragmatic approach. GSP preferences are also geared to sometimes vague definitions of fundamental workers rights. Donors need to coordinate their actions and seek to develop clearer and more consistent policy.

6.4.5. Developing countries need to be reassured that the EU and US are not seeking minimum wage levels or trying to protect jobs at home. Even if some of the poorer Asian countries, for example, raised wage levels ten times, the EU and US workforces would still be far more expensive. The declared US aim is to set a floor to competition between developing countries so that those with low standards cannot undercut the others.

6.5. Consumer Protection

6.5.1. The demand side of the economy is just beginning to be recognized in trade negotiations. Under the NAFTA, the Committee on Standards related measures is looking at a possible tripartite working group to examine "methods by which consumer protection, including matters relating to consumer redress, can be facilitated". The EU is working intensively on cross-border redress within the Union, recognizing that consumer concern over redress when cross-border purchases go wrong undermines the Single Market. The US is comfortable with the notion of cross-border redress and might well be interested to pursue it in discussions with the EU, since foreign customers are already entitled to the same redress under US law as US citizens - enforceable by the Federal Trade Commission. Consumer applications for redress are dealt with on the basis of the location of the seller.

7. Some conclusions

7.1. An expanded dialogue

7.1.1. In the changed environment post Cold War, the EU and US need to develop mechanisms for an extended dialogue on commercial, environmental and social issues. This should include both governmental and non-governmental contacts. For economic and social interests, and in the light of support received for the idea in the US, the Committee might consider a two yearly exchange of views on trade and development, commercial, social, environmental and consumer issues.

7.1.2. On the agenda could be:

- comparative experience of job creation, social issues and trade, vocational training, health, including antidrugs programmes, unemployment and other social care systems;
- progress on regulatory policy competition policy and model business principles;
- international issues such as relations with Japan and other countries with a significant role in world trade, promoting sustainable development and aid/food aid to the developing countries, the position of Africa, commitment to multilateralism, the contribution of economic policies to conflict prevention, international environmental agreements;
- problems of economic and monetary policy;

- differences in agricultural policies, mutual reductions in export subsidies, agriculture's contribution to the protection of the environment;
- environmental policy in the various sectors, lifestyle changes, information to consumers;
- innovative initiatives among NGOs, including civic, charity and voluntary organizations;
- cooperation in consumer issues such as cross-border redress, high health and hygiene standards, prudential control and maintenance of services in rural areas.

7.1.3. Officials could expand discussion on these issues too and on:

- a) Overseas Aid: The US and EU should work together with Japan on a major new initiative to increase sustainable development aid to the poorer developing countries.
- b) Environment: The EU and US should deepen both their efforts to control pollution at home and their commitment to international environmental agreements. The WTO's trade policy review mechanism should include an environmental overview of trade policies. Mechanisms for controlling the export of banned and dangerous goods could be discussed.
- c) Competition policy: Common action on competition should prevent restrictive practices, transfer pricing and abuse of dominant position.

7.2. Towards a policy of pro-active multilateralism

7.2.1. The EU must maintain its policy of support for a genuine multilateral system, but do so in a more proactive manner. A strong EU is needed if the transatlantic partnership is to expand, this means that the EU must also have a coherent common commercial policy. This policy should seek to:

- * ensure the effective implementation, by all Contracting Parties, of the WTO agreements and procedures;
- * be pro-active in proposing the agenda for multilateral negotiations in the decade ahead.

7.2.2. In order to help promote this approach the Economic and Social Committee recommends that the Commission report on the "multilateral agenda for the 21st Century". This report would then be adopted by the Council and discussed with all the EU's trading partners, including developing countries. It would require leadership and thus a need to promote the wider

interests of the EU and the multilateral system rather than defend the interests of individual groups within the EU.

The impact of new regional initiatives

7.2.3. There is also a need to discuss the impact of regional agreements on the multilateral system. The growth of regional agreements, including a significant shift on the part of the United States towards regional approaches to commercial relations, necessitates such an evaluation. Studies have been undertaken by the GATT and OECD on the impact of regional initiatives on trade and investment but these have not considered the wider effects of the US and other parties pursuing active regional approaches². The Committee therefore recommends further consideration of the impact of the growth of regional trade and integration agreements on the multilateral trading system.

8. Transatlantic Free Trade Agreement

8.1. The idea of a transatlantic free trade arrangement has recently been raised. The Canadian Prime Minister, Jean Chrétien, recently suggested considering a general trade liberalization agreement between the NAFTA and the EU. A recent speech by Mr Jeffrey Garten, US Under Secretary of Commerce for International Trade, also suggested this option. The US-EU link is one of the few which is not considering the establishment of a formal regional agreement. This suggestion requires careful consideration, since failure to conclude an agreement would undermine rather than consolidate the Atlantic Partnership and highlight differences rather than commonalities. A small but growing number have supported Mr Garten's idea, including Lane Kirkland, President of the US labour unions, and Clayton Yeutter, former US Trade Representative and Agriculture Secretary. In June, Secretary of State Warren Christopher stated that the US will make a serious analysis of the issue.

8.2. The advantages of a transatlantic free trade area would be that it would provide an important political symbol of the continued commitment of both Atlantic partners. At a time when both the US and EU are seeking to redefine or define their roles in the world, such an agreement would help consolidate existing strengths.

8.3. The extensive economic interdependence that exists would also be underpinned by a formal agreement. Full market access could be facilitated in areas such as investment and negotiations are to take place in the OECD as described in point 6.4.2. Problems on the industrial trade front are not too great, since tariff peaks are already declining in importance. Differences over regulatory policy could be resolved with a will and appropriate reciprocity.

8.4. The "substantially all trade" conditions in Article XXIV of the GATT might prove an obstacle although the European Economic Area Agreement excluded most agricultural products.

² See also Committee's Opinion on Regional Structure of International Trade, (Rapporteur: Mrs CASSINA) Official Journal C 393 of 31 December 1994.

The current share of agriculture in EU/US trade (between 2.5% and 4%) does not raise major problems but in a free market its share would rapidly increase. Further, the US would be unlikely to want to negotiate an agreement that excluded agriculture. There remain questions about such a strategy.

8.5. Could a free trade agreement be concluded which excluded agriculture? There are precedents for this, such as the European Economic Area Agreement. Although there are issues here concerning compatibility with WTO provisions on free trade agreements. Is there a willingness in the EU and US to negotiate what might amount to a "Super Blair House" agreement? Could such a bilateral agreement include free trade in audio-visual products, given the fundamental differences that exist between the US and EU in that sector? Could a bilateral agreement include provisions for investment or services which would add to what was negotiated in the GATS or is currently being negotiated in the OECD on investment? And one might argue that a bilateral negotiation on agriculture would have less chance of success than a broader multilateral negotiation, which included a wider spectrum of interests.

Regulatory cooperation as a first step

8.6. Given the risks involved in entering into a bilateral negotiation on a treaty with the US, the Committee therefore recommends a more pragmatic approach at first which would help to focus on common interests. This approach would concentrate on regulatory cooperation. It is in the area of regulatory policy, broadly defined, in which most commercial disputes are likely to occur. This is illustrated by the cases of financial services at the end of the 1980s and the audio-visual case today. Future differences are also possible in the areas of environmental policy and social provision. In order to address these future bilateral commercial policy disputes, it is therefore necessary to identify the regulatory policy differences and find ways of accommodating or eliminating them. In this context, the launch of a transatlantic business dialogue is a step in the right direction. The hope would be that by the time this process had been concluded, the CAP will have been further reformed to accommodate accession of the Eastern European countries. Such a bilateral approach would also help to ensure that the respective regional approaches developed by the EU and US can be accommodated within a wider multilateral system of rules.

8.7. The Committee therefore considers that studies could usefully be undertaken of the major regulatory differences that exist in the EU and US, in order to identify potential difficulties and learn from each other's experience. These studies could form the first stage of a process of regulatory cooperation between the US and EU, based in the first instance, on cases in which there has already been some cooperation (technical regulations/mutual recognition, environment, competition policy, information technology, labour market etc.).

8.8. Such regulatory cooperation should be inclusive, in other words it must consult the interests affected by regulatory policies. Consultation should involve not only commercial interests but also consumers, trade unions and NGOs. This would have the added benefit of contributing to the deepening of the transatlantic dialogue, which should also be developed on overseas aid, the

environment, social problems and consumer issues. The Transatlantic Declaration arranges for annual meetings between the European Parliament and Congress. The Committee could contribute to EU-US relations by meeting the economic and social interests of the US on a regular basis also, building on the Transatlantic Business Dialogue. A future Committee Opinion on EU-US relations should consider how this might be set up.

8.9. Foreign policy and security analysts no longer dominate the debate between the EU and US; the experience of the recent years is that the bilateral relationship is now affected by a wider number of constituencies. Unless these are engaged in the dialogue, disputes over regulatory policy differences, such as BST, the audio-visual sector, telecommunications, green house gases etc. will continue to undermine efforts to develop the genuine transatlantic partnership needed if the US and EU are to play an effective role in the world economy and international security.

Brussels, 6 July 1995.

The President
of the Section for
External Relations, Trade
and Development Policy

The Rapporteur
of the Section for
External Relations, Trade
and Development Policy

Roger BRIESCH

Ann DAVISON

The Secretary General
of the Economic and Social Committee

Simon-Pierre NOTHOMB

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* *

N.B. Appendix overleaf

Table 1
BASIC STATISTICS OF THE UNITED STATES

THE LAND

Area (1,000 sq. km)	9,373	Population of major cities, including their metropolitan areas, 1991:	
(EU 15)	3,234)	New York	19,384,000
		Los Angeles-Anaheim-Riverside	14,818,000
		Chicago-Gary-Lake Country	8,339,000

THE PEOPLE

Population, 1993 (millions)	258	Civilian labour force, 1993	128,035,000
(EU 15)	369.4)	<i>of which:</i>	
Number of inhabitants per sq. km	27.6	Employed in agriculture	3,074,000
Population, annual net natural increase (average 1986-91)	1,854,600	Unemployed	8,726,667
Annual net increase, per cent (1986-91)	1.00	Net immigration (annual average 1986-91)	730,400

PRODUCTION

Gross domestic product in 1993 (billions of US \$)	6,343.3	Origin of national income in 1993 (per cent of national income):	
(EU 15)	6,667.4)	Agriculture, forestry and fishing	1.8
GDP per head in 1993	24,559	Manufacturing	17.7
Gross fixed capital formation:		Construction and mining	5.0
Per cent of GDP in 1993	13.7	Government and government enterprises	14.8
Per head in 1993 (US\$)	3,355.3	Other	60.7

THE GOVERNMENT

Government purchases of goods and services 1993 (per cent of GDP)	18.1	Composition of the 104th Congress 1994:	
Revenue of federal, state and local governments, 1993 (per cent of GDP)	31.1	House of Representatives	Senate
Federal government debt held by the public (per cent of GDP), FY 1993	51.6	Democrats	204
		Republicans	230
		Independents	1
		Vacancies	—
		Total	435
			100

KEY FIGURES IN THE INTERNATIONAL RELATIONS FIELD

Administration: Warren Christopher, Secretary of State
Richard Holbrooke, Assistant Secretary of State for European and Canadian Affairs
Mickey Kantor, United States Trade Representative
Peter F. Allgeier, Assistant US Trade Representative for Europe and the Mediterranean

Congress
Senator Jesse Helms (R-NC), Chairman of the Senate Committee on Foreign Relations
Rep. Ben Gilman (R-NY), Chairman of the House Committee on International Relations

Table 2

UNEMPLOYMENT

(percentage of civilian labour force)

	1990	1991	1992	1993	1994
United States	5.5	6.6	7.4	6.7	6.0
EU - 12	8.3	8.8	10.1	10.5	11.4

Sources: OECD: Main economic indicators.

Table 3

CONSUMER PRICES

(percentage change from previous years)

	1990	1991	1992	1993	1994
United States	6.1	3.1	2.9	2.6	2.7
EU - 12	5.7	4.8	3.7	3.3	3.1

Sources: OECD, Main Economic Indicators - Eurostat

Table 4

THE IMPORTANCE OF TRANSATLANTIC TRADE IN THE GLOBAL CONTEXT

Bio ecu	Imports		Exports		Balance	
	1992	1993	1992	1993	1992	1993
EU trade with US	86.8	86.3	73.8	84.1	-13.0	-2.2
EU trade with Japan	51.5	47.6	20.5	22.6	-31.0	-25.0
EU total	487.7	486.0	435.7	482.6	-52.0	-3.4
US trade with Japan**	75.2	92.0	36.2	40.1	-39.0	-51.8
US total**	413.9	505.1	340.3	391.2	-73.7	-113.9
Japan total	179.5	205.5	261.6	308.2	82.1	102.7
World total	2178.7	n/a	2107.4	n/a		

Source: Eurostat (statistics prepared by Eurostat for the Progress Report on EU-US Relations of December 1994, European Commission)

** Source: Survey of current business

Table 5

THE EU's AND US' PRINCIPAL TRADING PARTNERS

	US	EU	Japan	Mexico Canada	EFTA	China	others
share of EU exports	17	-	5	3	22	2	51
share of US exports	-	21	10	30	3	2	34
share of EU imports	18	-	10	2	23	4	43
share of US imports	-	17	18	26	3	5	31

Source: Eurostat (statistics prepared by Eurostat for the Progress Report on EU-US Relations of December 1994, European Commission)

Table 6

**EU TRADE WITH THE US
BY Member States
1993**

EU imports from the US	
United Kingdom	24 %
Germany	21 %
France	19 %
Netherlands	11 %
Italy	8 %
BLEU	6 %
Spain	5 %
Others	6 %
EU exports to the US	
Germany	28 %
United Kingdom	24 %
France	14 %
Italy	13 %
BLEU	6 %
Netherlands	6 %
Spain	3 %
Others	6 %

Source: Eurostat (statistics prepared by Eurostat for the Progress Report on EU-US Relations of December 1994, European Commission)

Table 7

**TRADE WITH THE US
TOP TEN PRODUCTS IMPORTS/EXPORTS
1993**

		level	annual variation	share in		
PRODUCTS	Bio ecu	%	Extra-EU trade by products**	Trade with the United States		
				%	% cumulated	
EU's top 10 imports from the US						
1	Office machinery and computers	9.85	5.2	36.8	11.4	11.4
2	Miscellaneous manuf. goods	7.89	57.7	29.6	9.2	20.6
3	Electrical machinery	6.69	20.7	24.1	7.8	28.4
4	Other transport equipment	6.39	-25.1	43.0	7.4	35.8
5	Power generating systems	5.96	4.1	43.9	6.9	42.7
6	Precision instruments	4.94	2.1	48.4	5.7	48.4
7	General ind. machinery	3.69	1.0	27.6	4.3	52.7
8	Organic chemicals	2.43	-7.6	28.7	2.8	55.5
9	Machinery for special ind.	2.37	5.9	25.1	2.8	58.3
10	Road vehicles	2.30	2.2	9.9	2.7	61.0
EU's top 10 exports to the US						
1	Road vehicles	7.97	54.8	18.9	9.5	9.5
2	Power generating machinery	5.67	-9.5	33.1	6.8	16.2
3	Machinery for special ind.	5.36	23.6	17.3	6.4	22.6
4	Electrical machinery	4.76	27.1	15.9	5.7	28.3
5	Other transport equip.	4.69	-3.7	20.6	5.6	33.8
6	Miscellaneous manuf. goods	4.67	10.9	21.1	5.6	39.4
7	General ind. machinery	4.23	16.5	14.0	5.0	44.4
8	Office machinery and computers	3.73	13.0	29.5	4.4	48.9
9	Petroleum, petroleum products	3.55	27.1	25.5	4.2	53.1
10	Non metallic min. manuf.	3.42	18.7	20.2	4.1	57.2

Source: Eurostat (statistics prepared by Eurostat for the Progress Report on EU-US Relations of December 1994, European Commission)

Table 8

**COMPARISONS OF STRUCTURE OF
TRADE EU AND US
1993**

List of Products	IMPORTS						EXPORTS					
	EU		United States		EU		United States		EU		United States	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
0 - Food	33,182,212	6.8	21,350,836	4.1	27,073,626	5.6	28,868,461	7.3				
1 - Beverages and tobacco	3,386,869	0.7	4,999,630	1.0	9,360,530	1.9	5,633,440	1.4				
2 - Crude materials	29,901,832	6.2	14,282,202	2.8	9,034,901	1.9	21,038,480	5.3				
3 - Energy	63,555,941	13.1	50,590,029	9.8	15,553,050	3.2	8,382,103	2.1				
4 - Oils	1,759,758	0.4	916,397	0.2	1,357,431	0.3	1,297,994	0.3				
5 - Chemicals	34,086,341	7.0	26,046,838	5.1	63,518,188	13.0	39,126,210	9.9				
6 - Manufactured goods	70,408,647	14.5	59,372,163	11.5	80,017,668	16.4	33,442,312	8.4				
7 - Transport equipment	150,281,367	31.0	226,824,462	44.0	207,580,432	42.6	192,039,172	48.4				
8 - Misc. manuf. articles	81,205,781	16.8	93,436,847	18.1	64,197,476	13.2	46,435,523	11.7				
9 - Others	17,020,161	3.5	17,255,712	3.4	9,156,257	1.9	20,625,077	5.2				
TOTAL	484,788,909	100.0	515,075,116	100.0	486,849,559	100.0	396,888,775	100.0				

Table 9

Table: FOREIGN DIRECT INVESTMENT IN THE US
Stock, valued at historical cost (book value) basis

Year	Total (\$bn)	EU (\$bn)	EU as % of Total
1987	263.4	165.4	61
1988	314.8	193.9	59
1989	368.9	212.4	58
1990	394.9	220.9	56
1991	418.8	224.1	54
1992	425.6	220.6	52
1993	445.3	238.0	53

Source: Survey of Current Business, August 1994

Table 10

Table: US FOREIGN DIRECT INVESTMENT ABROAD
Stock, valued at historical cost (book value) basis

Year	Total (\$bn)	EU (\$bn)	EU as % of Total
1987	314.3	124.0	40
1988	335.9	131.1	39
1989	381.8	161.0	42
1990	430.5	180.5	42
1991	467.8	199.4	43
1992	499.0	207.2	42
1993	548.6	224.6	41

Source: Survey of Current Business, August 1994

Table 11

FOREIGN DIRECT INVESTMENT POSITION IN THE US
at Year-end 1993, in millions of dollars

	All Industries	Petroleum	Manu- facturing	Wholesale trade	Banking	Finance + Insurance	Real Estate	Other industrie s
World	445,268	32,647	166,698	69,720	31,026	65,696	28,609	50,872
EU-12	237,647	24,226	104,252	25,932	12,619	32,002	10,433	28,495
Belgium	4,589	d	1,879	983	d	-153	61	9
Denmark	833	5	513	d	241	d	0	d
France	28,470	60	16,937	1,880	2,004	2,153	47	5,389
Germany	34,667	d	17,852	7,304	1,972	4,542	1,074	d
Ireland	2,593	d	407	d	d	443	128	d
Italy	1,229	127	439	507	542	-477	d	-116
Luxembourg	990	d	823	d	-5	113	107	-250
Netherlands	68,477	12,424	22,856	7,713	3,537	9,707	4,487	7,752
Spain	623	d	4	162	1,181	191	d	20
United Kingdom	95,415	9,367	42,543	6,934	2,123	16,919	4,422	13,106
EFTA	32,807	753	18,338	2,061	2,105	6,540	417	2,594
Japan	96,213	254	17,746	34,754	9,803	11,837	9,460	12,359
Canada	39,408	1,991	16,600	1,839	2,289	7,684	4,691	4,314

Source: Department of Commerce, Survey of Current Business, June 1994

Note: *less than \$500,000; d= suppressed to avoid disclosure of data on individual companies

Table 12

US DIRECT INVESTMENT POSITION ABROAD

at Year-end 1993, in millions of dollars

	All Industries	Petroleum	Manu- facturing	Wholesale trade	Banking	Finance + Insurance	Services	Other industries
World	548,644	62,409	199,457	57,645	26,720	155,597	18,104	28,713
EU-12	224,587	19,827	91,034	21,362	8,719	66,517	10,803	6,326
Belgium	11,552	249	5,557	2,056	97	2,794	708	91
Denmark	1,797	d	206	572	d	363	113	20
France	23,565	973	13,257	4,733	364	2,374	996	868
Germany	37,524	2,468	22,283	2,945	2,229	5,107	862	1,630
Greece	424	d	125	60	d	34	d	0
Ireland	9,575	d	5,122	159	d	3,389	684	52
Italy	13,920	352	8,745	2,086	182	1,816	513	227
Luxembourg	2,314	30	1,289	1	187	753	d	d
Netherlands	19,887	1,055	7,775	3,090	131	5,199	1,845	791
Portugal	1,162	d	340	266	195	127	145	d
Spain	6,437	140	3,481	984	1,090	160	405	176
United Kingdom	96,430	13,802	22,855	4,408	4,122	44,401	4,447	2,396
EFTA	44,569	4,376	5,718	10,832	2,653	18,594	1,348	1,047
Japan	31,393	5,429	13,610	5,859	309	4,780	740	666
Canada	70,395	8,840	34,062	6,653	823	12,242	2,425	5,349

Source: Department of Commerce, Survey of Current Business, June 1994

Note: d = suppressed to avoid disclosure of data on individual companies

