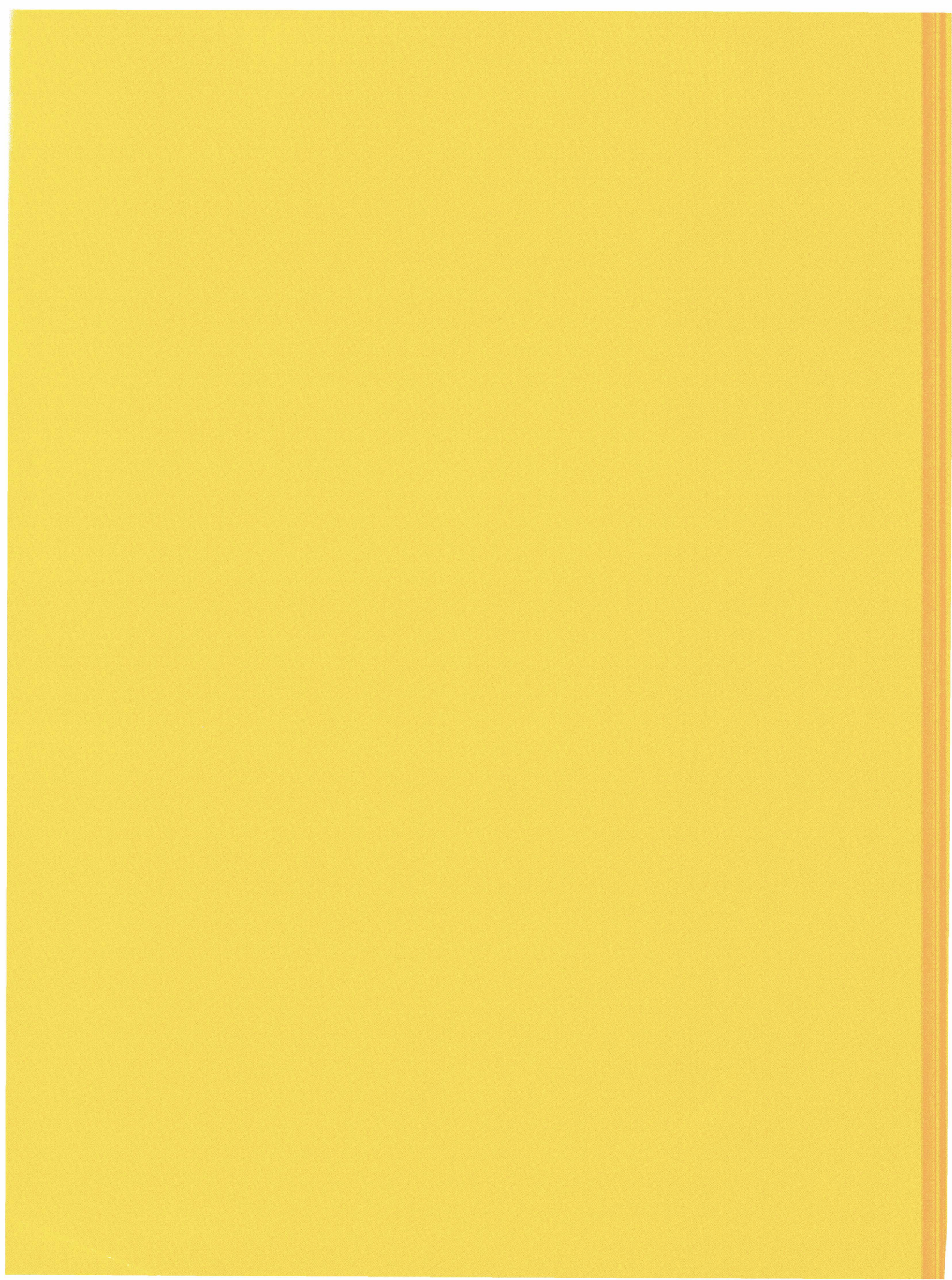


PARTNERSHIP

THE EUROPEAN UNION AND THE UNITED STATES IN THE 1990s





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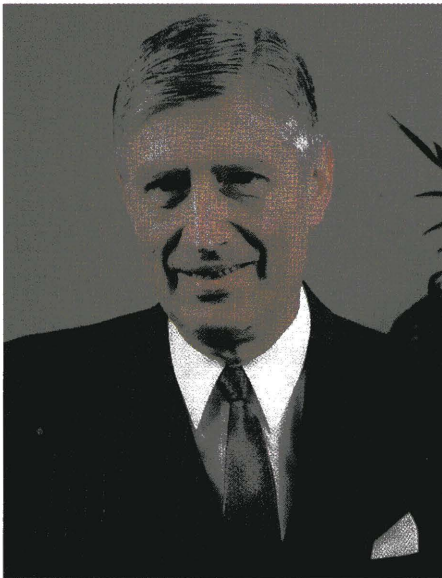
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D E A R F R I E N D S,

As we embark on a new era of integration in the European Union (EU), it is my pleasure to present to you this overview of the transatlantic relationship.



On November 1, 1993, the Treaty on European Union took effect, ending a period of great uncertainty about the future of European integration. In broad-brush terms, the "Maastricht" Treaty paves the way for a single currency to underpin our newly accomplished single market, and for the gradual development of a common foreign policy in the newly created European Union.

Through all its transitions - from a Community of Six to a Community of 12, and now to a European Union—the United States has been a loyal supporter of European integration, which at first was mainly in the economic sphere. Since the early days, transatlantic trade has grown tremendously, so that today we are each other's largest single trading partner. This interdependence, coupled with healthy trade surpluses for the US in the range of \$8-\$17 billion, quickly dissipated initial American fears that the 1992 single market would curtail US exports to Europe.

It has not been all plain sailing, however: the completion of our single market in December 1992 coincided with one of the worst global economic recessions since the Second World War. We in the European Union share with the United States the desire to put the world economy back on track and our unemployed back to work. To that end, we are committed to ensuring the proper implementation of the new world trade agreement which will generate new growth and economic expansion.

We look forward, also, to extending to more political matters the formal dialogue we established with the November

1990 Transatlantic Declaration, and we count on the same American support as we move towards political unity which is so necessary to our role in the new and wider Europe.

So much needs to be done, and neither of us can go it alone. Our new Treaty will help us to become a more effective partner for the United States in meeting the new challenges—finding a new formula for economic growth and jobs, restoring peace in the former Yugoslavia, maintaining the momentum for democracy in Eastern Europe and the former Soviet Union, helping developing countries progress without incurring the environmental costs of the industrialized world, in saving our planet... the list goes on.

As in any good friendship, a problem shared is a problem halved. So, too, it is with our relationship and its contribution to world stability. The more open we are to trade and political dialogue with all our partners, the more quickly we can resolve at least some of the challenges of the post Cold War world.

Andreas van Agt
EU Ambassador to the US
 July 1994

D E A R F R I E N D S,

I have taken up my post in Europe at a time of profound change. Soon after my arrival in Brussels, the Maastricht Treaty took effect following a tortuous path to ratification. But the mood was not celebratory



among European leaders, distracted by recession, unemployment and Bosnia.

True, this has been a difficult year, but a look at American history and a review of what has been accomplished by the European Community since 1957 give reason for confidence. Institution-building is always a complex process—America was governed by the Articles of

Confederation before the current Constitution went into effect. Even after the Constitution established a strong federal government, the states retained substantial power through the 10th Amendment. Americans still have important disagreements over the appropriate balance between federal and state power, as the debate over health care shows. It was not until the middle of the 19th century that the United States had a stable currency, and not until 1913 that we had a central bank capable of controlling the money supply.

The European Community—now the European Union—is one of the greatest experiments ever undertaken by democratic governments, unlike anything in world history. There are no precedents for what is being attempted in the Community—and achieved. It is a supranational organization in which nations—some of which have a millennium of experience—have pooled sovereignty while retaining it in others. Viewed from this perspective, the Community has been an enormous and rapid success. Europeans' criticism of it are only testimony to the importance of its institutions, which are increasingly active.

Creation of the single market, reform of its agricultural policy, generous assistance to the democracies of Eastern Europe and the ex-Soviet Union, plus support for the Middle East peace process, underscore this success. The tasks in transforming Maastricht into realities are daunting. But in light of what has been achieved, and with the perspective of how long it took the United States to find its institutional balance, this is a time for Europe to be proud and optimistic. The United States looks forward to a growing partnership with the European Union.



Stuart E. Eizenstat

Stuart E. Eizenstat

US Ambassador to the European Union

July 1994

The Transatlantic Declaration

The United States of America on one side and, on the other, the European Community and its member states,

- ★ mindful of their common heritage and of their close historical, political, economic and cultural ties,

- ★ guided by their faith in the values of human dignity, intellectual freedom and civil liberties, and in the democratic institutions which have evolved on both sides of the Atlantic over the centuries,

- ★ recognizing that the transatlantic solidarity has been essential for the preservation of peace and freedom and for the recent developments which have restored unity in Europe,

- ★ determined to help consolidate the new Europe, undivided and democratic,

- ★ resolved to strengthen security, economic cooperation and human rights in Europe in the framework of the CSCE, and in other fora,

- ★ noting the firm commitment of the United States and the EC member states concerned to the North Atlantic Alliance and to its principles and purposes,

- ★ acting on the basis of a pattern of cooperation proven over many decades, and convinced that by strengthening and expanding this partnership on an equal footing they will greatly contribute to continued stability, as well as to political and economic progress in Europe and in the world,

- ★ aware of their shared responsibility, not only to further common interests but also to face transnational challenges affecting the well-being of all mankind,

- ★ bearing in mind the accelerating process by which the European Community is acquiring its own identity in economic and monetary matters, in foreign policy and in the domain of security,

- ★ determined to further strengthen transatlantic solidarity through the variety of their international relations, have decided to endow their relationship with long-term perspectives.

COMMON GOALS

The United States of America and the European Community and its member states solemnly reaffirm their determination further to strengthen their partnership in order to:

- ★ support democracy, the rule of law and respect for human rights and individual liberty, and promote prosperity and social progress worldwide

- ★ safeguard peace and promote international security, by cooperating with other nations against aggression and coercion, by contributing to the settlement of conflicts in the world and by reinforcing the role of the United Nations and other international organizations

- ★ pursue policies aimed at achieving a sound world economy marked by sustained economic growth with low inflation, a high level of employment and equitable social conditions, in a framework of international stability

- ★ promote market principles, reject protectionism and expand, strengthen and further open the multilateral trading system

- ★ carry out their resolve to help developing countries by all appropriate means in their efforts towards political and economic reforms

- ★ provide adequate support, in cooperation with other states and organizations, to the nations of Eastern and Central Europe undertaking economic and political reforms and encourage their participation in the multilateral institutions of international trade and finance.

PRINCIPLES OF CULTURAL COOPERATION

To achieve their common goals, the European Community and its member states and the United States of America will inform and consult each other on important matters of common interest, both political and economic, with a view to bringing their positions as close as possible without prejudice to their respective independence.

In appropriate international bodies, in particular, they will seek close cooperation.

The EC-US partnership will, moreover, greatly benefit from the mutual knowledge and understanding acquired through regular consultations as described in this Declaration.

ECONOMIC COOPERATION

Both sides recognize the importance of strengthening the multilateral trading system. They will support further steps towards liberalization, transparency, and the implementation of GATT and OECD principles concerning both trade in goods and services and investment.

They will further develop their dialogue, which is already underway, on other matters such as technical and non-tariff barriers to industrial and agricultural trade, services, competition policy, transportation policy, standards, telecommunications, high technology and other relevant areas.

EDUCATION, SCIENTIFIC AND CULTURAL COOPERATION

The partnership between the European Community and its member states on the one hand, and the United States on the other, will be based on continuous efforts to strengthen mutual cooperation in various other fields which directly affect the present and future well-being of their citizens, such as exchanges

and joint projects in science and technology, including, inter alia, research in medicine, environment protection, pollution prevention, energy, space, high energy physics, and the safety of nuclear and other installations, as well as in education and culture, including academic and youth exchanges.

TRANSNATIONAL CHALLENGES

The United States of America and the European Community and its member states will fulfill their responsibility to address transnational challenges, in the interest of their own peoples and of the rest of the world. In particular, they will join their efforts in the following fields:

- ★ combatting and preventing terrorism
- ★ putting an end to the illegal production, trafficking and consumption of narcotics and related criminal activities such as the laundering of money
- ★ cooperating in the fight against international crime
- ★ protecting the environment, both internationally and domestically, by integrating environmental and economic goals
- ★ preventing the proliferation of nuclear armaments, chemical and biological weapons, and missile technology.

INSTITUTIONAL FRAMEWORK FOR CONSULTATION

Both sides agree that a framework is required for regular and intensive consultation. They will make full use of and further strengthen existing procedures, including those established by the President of the European Council and the President of the United States on 27th February 1990, namely:

- ★ bi-annual consultations to be arranged in the United States and in Europe between, on the one side, the President of the Commission, and on the other side, the President of the United States
- ★ consultations between the European Community Foreign Ministers, with the Commission, and the U.S. Secretary of State, alternately on either side of the Atlantic
- ★ ad hoc consultations between the Presidency Foreign Minister or the Troika and the U.S. Secretary of State
- ★ bi-annual consultations between the Commission and the U.S. Government at Cabinet level
- ★ briefings, as currently exist, by the Presidency to U.S. Representatives on European Political Cooperation (EPC) meetings at the Ministerial level.

Both sides are resolved to develop and deepen these procedures for consultation so as to reflect the evolution of the European Community and of its relationship with the United States.

They welcome the actions taken by the European Parliament and the Congress of the United States in order to improve their dialogue and thereby bring closer together the peoples on both sides of the Atlantic.

The "Declaration on EC-U.S. Relations" was adopted on November 20, 1990, in Paris, by the European Community and the United States.

Editor's Note:

The European Union was created in November 1993 with the implementation of the Maastricht Treaty. The term "EU" is used in this brochure, except in the historic context of formal agreements and official statements.



The European Union

PURPOSE

The European Union (EU) is a new stage in the construction of a United Europe.

It continues and expands the work of the European Community (EC) which since the 1950s has provided a unique institutional framework for forging unity and cooperation among the nations and peoples of Europe.

The foundation for European integration was laid in 1952 when the leaders of six war-weary European nations signed the Treaty of Paris and created the European Coal and Steel Community (ECSC). The ECSC Treaty, which aimed at speeding up the reconstruction of Europe while preventing future war among its signatories, brought together France and Germany (age-old adversaries whose reconciliation was crucial), the Netherlands, Luxembourg, Italy and Belgium in the unprecedented common management of their most precious industrial resources.

Over the decades, this initial purpose has been greatly developed. Encouraged by the success of the ECSC in terms of trade and cooperation, European leaders decided to further their economic integration and on

March 25, 1957, signed the Rome Treaties establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). Earlier plans to pursue integration in the political and military field failed in 1954, but remained a long-term objective (see chapter 4).

Gradually, the EEC became the dominant Community, dedicated to the creation of a common market among its member states. By 1986, they had doubled in number to include Denmark, Ireland and the United Kingdom (joined 1973), Greece (1981) and Spain and Portugal (1986). The single market was finally achieved in December 1992. Even before the deadline was reached, the Community had earned recognition as a major economic power and the world's largest consumer market (345 million).

The opening of Eastern Europe in 1989 transformed the Community into a source of political as well as economic stability in the wider Europe. European leaders agreed the time was right to move towards greater economic, monetary and political union and signed the Treaty on European Union in Maastricht, the Netherlands, on February 7, 1992.

The "Maastricht" Treaty took effect on November 1, 1993 after ratification by all 12 member states. The biggest overhaul to date, it created a European Union committed to full economic and monetary union (EMU) involving the introduction of a common currency by the end of the decade, and the gradual development of a Common Foreign and Security Policy (CFSP). Its functioning will be reviewed in 1996.

The European Union is evolutionary. As Sir Leon Brittan, a two-term member of the European Commission said in a May 1993 address: "The way ahead is not fully clear, but that is hardly surprising. It is the nature of the enterprise that there will never be a final destination."

INSTITUTIONS

The task of achieving the aims of the treaties rests with four main institutions. These are the European Commission, the Council of Ministers of the European Union, the European Parliament and the European Court of Justice. A fifth institution, the Court of Auditors, monitors budget spending.

This unique structure, with its ability to enact and implement



Enlargement

Union membership, which is open to any European democracy, has doubled from six to twelve since the first ECSC treaty was signed in 1952.

The Union is currently facing a fourth enlargement and

has concluded membership negotiations with Austria, Finland, Norway and Sweden, all of which belong to EFTA (European Free Trade Association). Pending the outcome of referenda in these four countries, a union of sixteen

countries is possible as early as 1995. These countries will join the European Union as defined by the Maastricht Treaty.

Turkey (1989), Cyprus (1990), Malta (1990), and Switzerland (1992), and

Poland and Hungary (1994) have also applied for EU membership. However, their accession is more remote. Other new democracies in Central and Eastern Europe have also expressed the hope of becoming EU members.

laws binding throughout EU territory (the 12 member states), differentiates the Union from any other international organization. Legislation is usually in the form of *regulations* (binding in their entirety) or *directives* (binding in terms of the objective to be achieved).

The European Commission

The founding treaties assign the Commission a wide range of tasks as the executive and policy engine. It proposes legislation, is responsible for administration, manages the budget, and ensures that the provisions of the treaties and the decisions of the institutions are properly implemented. On a mandate from the member states acting in the Council (see below), it represents the Union in international trade negotiations. The Commission also has investigative powers and can take legal action against persons, companies or member states that violate commonly agreed rules.

With the Maastricht Treaty, the Commission has gained a shared right of initiative in foreign policy, and involvement in the drafting and implementation of CFSP decisions.

In the present Commission (1993-94), there are currently 17 Commissioners, including

the President. All are appointed by agreement among the member states following approval by the European Parliament. The most heavily populated member states (France, Germany, Italy, Spain and the United Kingdom) appoint two Commissioners. Future EU members will each appoint one Commissioner.

From 1995, Commission terms will be five (instead of four) years, matching those of the Parliament.

Commissioners act purely in the interest of the Union and cannot take instruction from any member state. They are assigned responsibilities for one or more policy areas and are assisted by a small “cabinet” of aides.

The Commission meets in closed session every Wednesday. It acts collegially and takes decisions by majority vote. All its proposals are based on two principles: subsidiarity (which limits EU involvement to areas where it is more effective than national action) and solidarity (which aims at the harmonious economic and social development of the Union and its regions).

The Commission is backed by a civil service organized into 24 departments or Directorate Generals (DGs). The biggest DGs are responsible for external relations, agriculture and

development. DGI is responsible for External Economic Relations, and the newly-created DGI-A for External Political Relations, in accordance with the provisions of the Maastricht Treaty.

The Commission is also assisted by a Secretariat General, a Legal Service, a Statistical Office and a Spokesman’s Service.

With entry into force of the Maastricht Treaty, the Commission adopted the name “European Commission” for common usage, but it remains the Commission of the European Communities in legal and formal contexts.

The Council of Ministers

The Council is the main decision-making institution and can adopt legislation based on a Commission proposal. Made up of ministers from each member state, it is here that a balance is struck between national and Union interests. Most decisions are taken by majority vote, but unanimity is still required in areas like taxation, the admission of a new member state, the launching of a new common policy, and on decisions regarding the new Common Foreign and Security Policy (CFSP). The Council can alter a



The unity of the institutions is symbolized by the EU flag, a circle of 12 gold stars on a blue background.

Commission proposal only by unanimous agreement. The Council together with the European Parliament has control over the EU budget.

Different ministers participate in the Council depending on the subject under discussion: agriculture ministers meet in the Agriculture Council, environment ministers meet in the Environment Council, and so on. The General Affairs Council convenes foreign affairs ministers. In addition to foreign policy discussion, they coordinate other Councils and prepare the twice-yearly European Council (see below).

In the European Union created by the Maastricht Treaty, foreign affairs ministers will take the decisions necessary for defining and implementing the CFSP in the areas designated for joint action by the European Council. Prior to Maastricht, foreign policy matters were discussed in the framework of European Political Cooperation (EPC).

The Council meets in Brussels and occasionally in Luxembourg about 90 times a year. Councils usually last one or two days, but there have been marathon sessions lasting several days on particularly sensitive issues. The Council is assisted in its

work by the Committee of Permanent Representatives (COREPER), made up of national officials holding ambassadorial rank, and by a general secretariat in Brussels, with a staff of about 2,000.

Each government acts as President of the Council for six months in rotation. The current Council President is Germany (July-December 1994), followed by France (January-June 1995) and Spain (July-December 1995). Since 1989, each Presidency has submitted a detailed work program before its term of office. This forms the basis for the organization of its work and often identifies a specific policy for advancement.

Each Presidency ends with a *European Council*, a summit which convenes the heads of state or government of the 12 member states. Taking place at the highest political level, the European Council sets the Union's priorities and guidelines, designates areas for joint action under CFSP, and wields the political influence to break deadlock at lower bureaucratic levels.

Meetings of the European Council are normally held in a city of the country holding the Presidency. Special European Councils can also be held to

discuss particular issues, e.g. the unemployment crisis.

The European Parliament

The European Parliament is the only directly-elected EU institution. The last EU-wide election was held in June 1994 and increased the number of full time members of MEPs from 518 to 567 to reflect the enlargement of the Federal Republic of Germany following German Unification. MEPs sit for a five-year term in political groupings rather than national delegations. Its President is elected by the Parliament every two-and-a-half years. In the present Parliament, there are 10 groups of which the Socialist Group is the largest.

Because of its direct link to citizens, the Parliament exercises democratic control on the Commission and the Council. It can dismiss the Commission as a body by a two-thirds majority of its members (a power it has never used) and as a result of Maastricht will have the last say in the appointment of future Commissions. It can also question the Council and the Commission on the management of EU policies. The Parliament shares budgetary control with the Council and can amend or reject the EU budget.

The latter power has been exercised three times.

Unlike national parliaments, the European Parliament's legislative role was quite limited until 1987 when the Single European Act introduced *the cooperation procedure*. It allows Parliament to amend a Commission proposal before the second-reading and final adoption in the Council. The Maastricht Treaty strengthens Parliament's legislative role further: in certain policy areas Parliament has gained *co-decision powers* with the Council, *shared right of initiative with the Commission* for policies and legislation and power to veto a Council agreement if an absolute majority of MEPs is against it. Its assent is required for international cooperation and association agreements and all subsequent enlargements of the Union.

The Parliament holds its plenary sessions in Strasbourg (France). Its 19 committees have their offices in Brussels where they hold most of their meetings. The Parliament's General Secretariat is in Luxembourg.

The Court of Justice

The Court of Justice is the Union's "Supreme Court". It checks the laws enacted by the institutions for compatibility

with the Treaties and may be called on by national courts to clarify EU provisions.

Located in Luxembourg, it is comprised of 13 judges, one from each member state plus a President of the Court and six advocates-general. Both groups are appointed to six-year renewable terms by common agreement among the member states represented in the Council. Its judgments and interpretations are gradually helping to create a body of European law applicable in all the member states of the Union. In European law, its rulings take precedence over those of national courts.

In 1987, a Court of First Instance was set up to deal with administrative disputes within the institutions and disputes between the Commission and businesses over competition rules.

The Court of Auditors

The Court of Auditors, also in Luxembourg, supervises EU expenditures. Its twelve members are appointed by the Council, after consulting the Parliament, for renewable six-year terms. The Court began operating in 1977. It has extensive powers to examine the management of the EU budget. The Court was given institution status by the Maastricht Treaty.

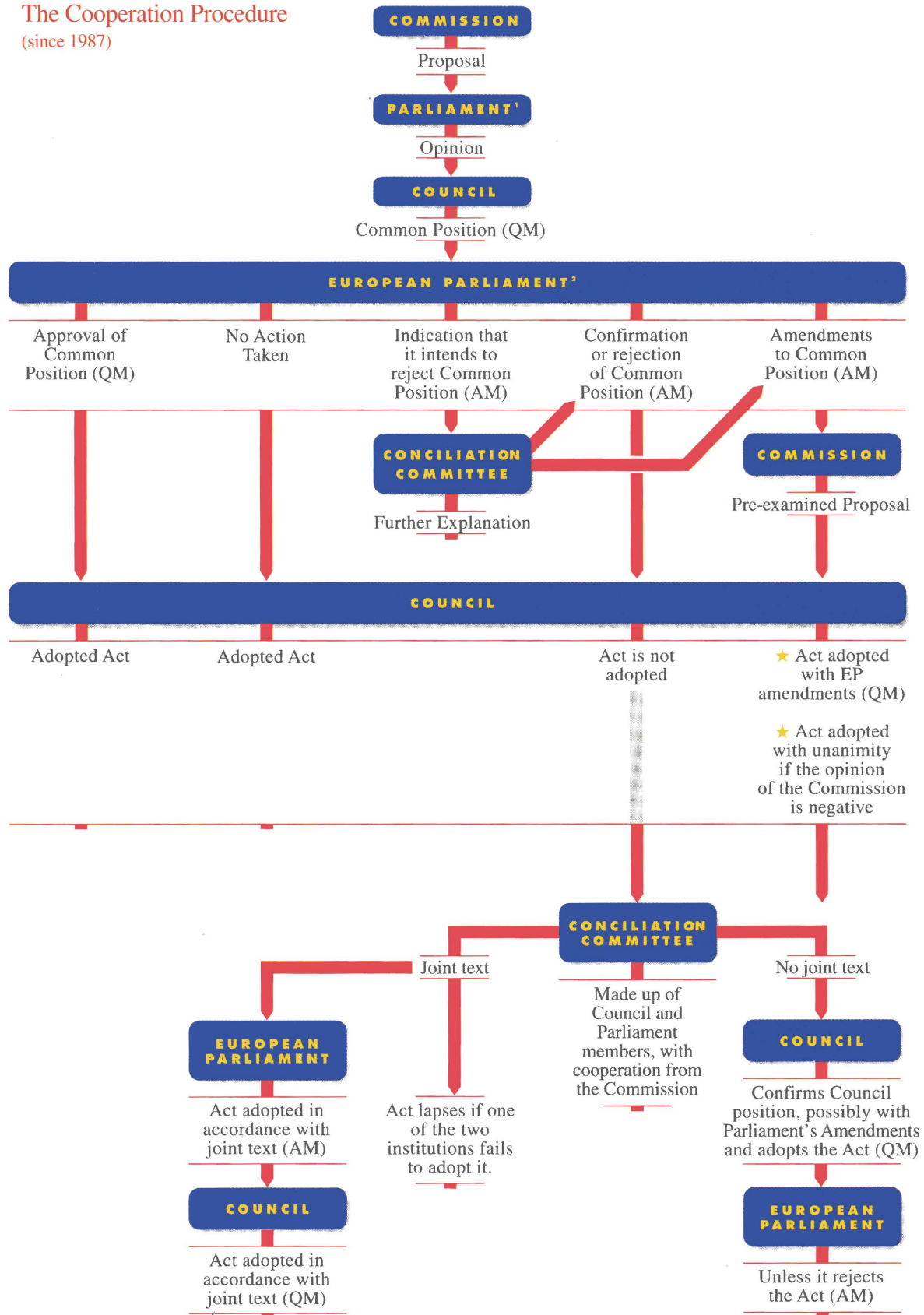
COMPETENCES

The EEC Treaty gave the original Community competence in a number of areas including foreign trade, agriculture, competition, and transport. Over the years, in response to economic developments, formal competence was extended to new areas such as research and technology, energy, the environment, education and training. Common policies are paid for by the EU budget which in 1993 represented about 1.2 percent of the member states' combined gross domestic product (GDP).

Trade: upon joining, all member states agree to share sovereignty with the Union in matters of external trade. Since 1968, the EU has had only a common external tariff like any customs union. Represented by the Commission on a mandate from the Council, the EU negotiates on behalf of its member states in the General Agreement on Tariffs and Trade (GATT). Over 140 countries have established diplomatic relations with the EU and many have representatives to the Union in Brussels.

Agriculture: the Common Agricultural Policy (CAP) was launched in 1962 and for many years was the cornerstone of

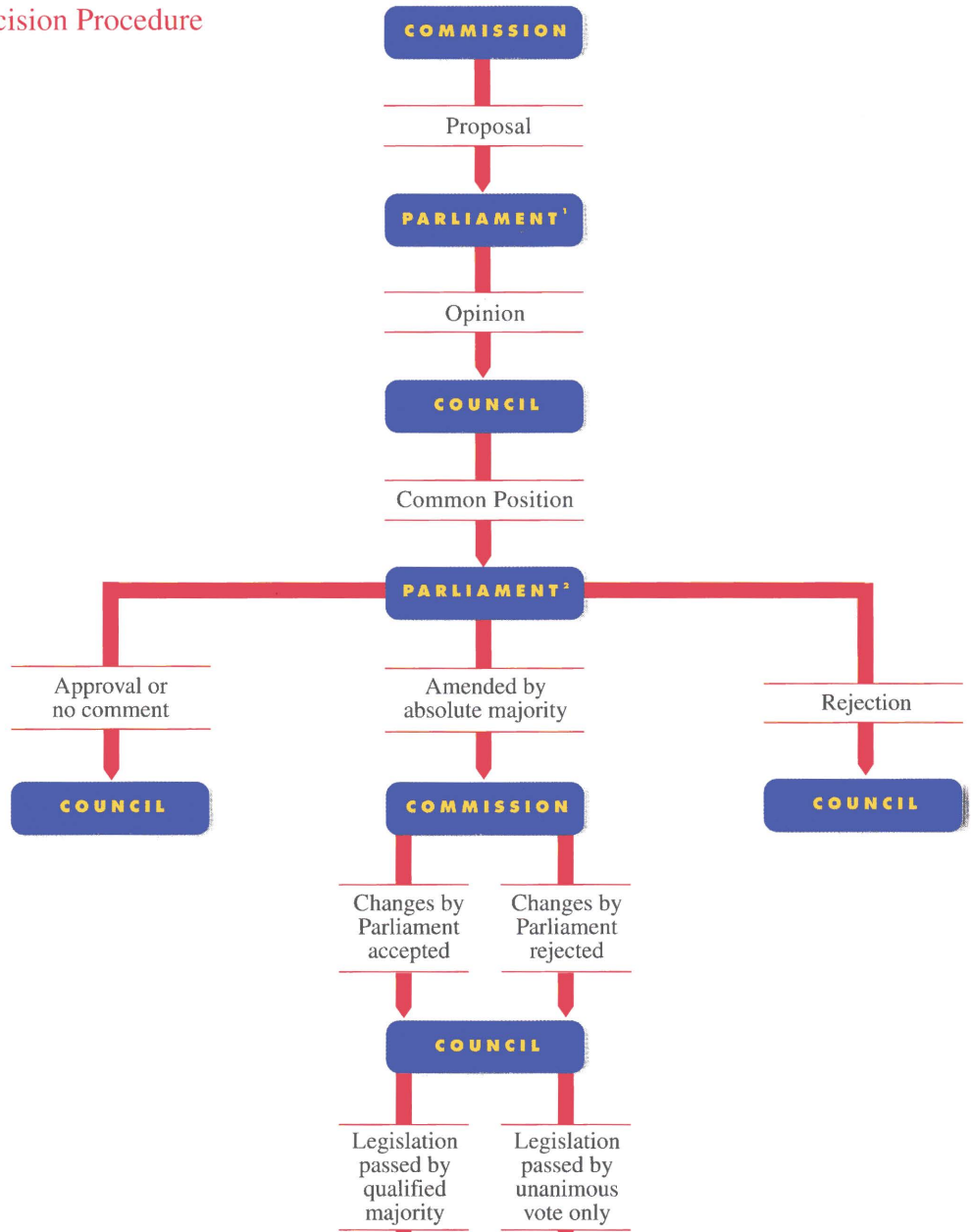
The Cooperation Procedure
(since 1987)



QM: Qualified Majority
AM: Absolute Majority



The Co-Decision Procedure
(since 1993)



¹ First Reading
² Second Reading

economic integration. Its objectives reflect the concerns of post-war Europe: to provide Europe with secure food supplies at stable prices, to improve farm productivity through technical progress, and to ensure a fair standard of living for farmers. Financed by the European Agriculture Guidance & Guarantee Fund (EAGGF), the CAP instituted common market organizations and uniform prices for most farm products. Its success in the first decade led to serious market and income imbalances in the 1970s. Soaring stocks put an increasing burden on the EU budget in the 1980s so that at times the EAGGF absorbed more than 60 percent of it. In 1993, following a drastic overhaul of the policy in 1992, agriculture accounted for 48.8 percent of the budget.

The aim of the CAP in the 1990s is to restore the balance between supply and demand by decoupling aid and production, and to keep farmers on the land in return for their protection of the environment and their role in rural society.

Development: the European Union, many of whose member states are former colonial powers, has been involved from the start in development cooperation.

Under an appendix to the Treaty of Rome, the first European Development Fund was established in 1958 and the first cooperation agreement was signed in Yaounde in 1963 with 18 African countries following their independence. Today, the EU has cooperation agreements with most developing countries and is still a major donor of emergency and humanitarian aid.

The Maastricht Treaty formally describes the Union's development policy for the first time as fostering sustainable economic and social development in developing countries; promoting their smooth and gradual integration into the world economy; fighting poverty; and helping to consolidate democracy, the rule of law and respect for human rights.

Competition: specific EEC Treaty provisions outlaw agreements among companies to fix prices, market share, production or investment, and prohibit the abuse of dominant positions. They also put national subsidies (state aids) to individual firms or industrial sectors under EU supervision to prevent any distortion of the market. In September 1990, EU member states gave the Commission jurisdiction over larger-scale

mergers and takeovers affecting more than one member state and exceeding certain thresholds.

Transport: the EEC Treaty provides for a common transport policy, but until the late 1980s, individual types of transport—road haulage, railways, inland waterways and aviation—continued to rely on old national structures. Because of the importance of transport to the free movement of goods, the 1992 single-market program has introduced market-opening legislation, applicable Union-wide for all modes of transport. Creating integrated and interoperable Trans-European Networks for transport, energy and telecommunications is also an objective of the Maastricht Treaty. The EU also supports major projects like the Channel Tunnel linking England to mainland Europe, and the modernization of Europe's air traffic control.

Three further areas of activity were added by the 1987 reform of the Treaties contained in the Single European Act (SEA). These are:

Research and Development (R&D): R&D has become vital to global competitiveness.

T H E M A A S T R I C H T T R E A T Y

The European Union is now the umbrella term referring to a three “pillar” construction encompassing the European

Community (EC) and the two new pillars—Common Foreign and Security Policy (including defense) and Justice and Home

Affairs (notably cooperation between police and other authorities on crime, terrorism, and immigration issues).

PILLAR ONE of the Maastricht Treaty amends the Treaties of Rome and Paris concerning the original European Community. It provides a timetable for completion of Economic and Monetary Union (EMU), renames the EEC the European Community (EC), and supplements the statutory powers of the Community in certain areas such as environment, research and technology, and education and training.

Two new outer pillars embrace in treaty form, outside the EC, areas of existing informal cooperation between governments.

PILLAR TWO covers the common foreign and security policy. In the Union which results from Maastricht, foreign ministers will decide by unanimity which situations merit joint action and what the Union position should be. If any decision has defense implications, the Western European Union (WEU)—to which all member states except Ireland, Greece and Denmark belong—will be called upon to implement them. The WEU will be strengthened so that it becomes the European pillar of the Atlantic Alliance, without prejudice to that alliance. This new arrangement has the support of the US administration and will enable the EU and the US to pursue a more intense political dialogue.

PILLAR THREE covers justice and home affairs. Decisions will be made by the member states at intergovernmental level on matters such as immigration, fraud, drugs and terrorism. In December 1993, the European Council meeting in Brussels agreed on the immediate start-up of the Europol Drugs Unit.

The Treaty will be subject to review in 1996.

The Maastricht Treaty, which entered into force on November 1, 1993, establishes a European

Union consisting of three parts, or “pillars”.

In 1987, the SEA gave the European Union specific legal powers in this field. EU Framework Programs, which now run for four years at a time, contribute up to 50 percent of the cost of transnational research projects undertaken by firms, universities and research centers. In addition to breaking down national barriers, the framework programs help reduce the duplication of research in the scientific communities of the member states. The EU also promotes European research at its five Joint Research Centers.

Environment: the EU's environment policy was officially launched in 1972. Since then, a substantial body of environmental law has been developed which includes protection against water, air and noise pollution, as well as the risks related to chemicals, biotechnology and nuclear energy. The Single Act put environment high on the EU agenda by stipulating that all new EU laws with a bearing on the environment—including those for completion of the 1992 single market—contain environmental safeguards. A new European Environment Agency in Copenhagen has

been set up to provide reliable scientific data and evaluations. The Agency is open to participation from other countries. The environment is also a priority in EU assistance programs for Central and Eastern Europe.

Economic and Social Cohesion: balancing out the social and economic disparities among the regions of the Union has always been an EU objective. This has been done mainly through so-called Structural Funds which cofinance national projects in backward areas, or areas affected by industrial decline. Set up in the 1970s, these are the European Social Fund (ESF), the European Regional Development Fund (ERDF) and the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF). The SEA greatly strengthened the funds and virtually doubled their resources.

The Maastricht Treaty established a new European Cohesion Fund to provide additional finance for environment and transport infrastructure projects in the EU's least prosperous member states. The Treaty also included a Protocol on social policy, authorizing member states to proceed along the lines of the 1989 "Social Charter"

which establishes the fundamental rights of workers. By its own volition, the United Kingdom will not implement the Charter and is excluded from Council deliberations and decisions.



Transatlantic Relations

FOUR DECADES OF FRIENDSHIP

It often seems to be the case that there is a great deal of focus, understandably, on some of the trade disputes that divide us, rather than the bonds which unite us. It's useful to recall that our common ground is far, far wider than the areas of disagreement.

The United States has long been a strong proponent of European unity and the importance of our transatlantic ties. Thirty-one years ago, President Kennedy made a statement that I believe holds as true today as it did then.

He said we see in Europe a partner with whom we could deal on the basis of full equality

in all the great and burdensome tasks of building and defending a community of free nations. That same vision guides this administration.

The European Community is our largest single trade and investment partner. Our relationships with Europe are directly responsible for an inordinate number of American jobs, and if we cultivate that relationship properly and grow our trade and investment, it will mean more economic opportunities for the American people.

Even more important, perhaps, is our shared commitment to our democratic values, to the protection of basic human rights, and to our collective

responsibility to assess others who aspire to those values in their own society.

We fully support Europe's efforts toward further integration and we will work with the European Community to achieve our common goals.

We believe a strong and united European Community is a key partner in the pressing problems around the world is very much in the interest of the United States.

I want our partnership to be effective in finding solutions to the problems we face together and to those few problems that continue to divide us."

President Clinton, May 7, 1993

HISTORY

The European Union and the United States are linked by a common historical heritage and a shared commitment to democracy. Since World War II, the United States has never ceased to support the concept of a strong, politically united Europe, founded on democratic values.

The United States provided the stimulus for the earliest form of organized cooperation among European nations when

Secretary of State George Marshall launched the European Recovery Program in 1947. The "Marshall Plan" made \$13 billion in US financial aid available for the reconstruction of Europe, on condition that the beneficiary countries agreed to administer it jointly. The Organization for European Economic Cooperation was set up in 1947 for this purpose, later evolving into the Organization for Economic Cooperation and Development.

In the 1950s, the Eisenhower Administration gave strong support to the newly formed European Communities. The United States was the first country together with the United Kingdom to accredit a diplomatic representation to the ECSC, the first Community. On that occasion, Secretary of State Dean Acheson declared that in matters of coal and steel, the US would deal directly with the ECSC rather than with the individual governments of France,



Sandra Auman

*The first transatlantic summit
of the Clinton Presidency:
European Commission
President Jacques Delors and
U.S. President Bill Clinton at
the White House, May 7, 1993.*

Visits between US Cabinet members and the European Commission, consultation between EU and US officials, and close contact through the Commission's Delegation in Washington and the US Mission to the EU in Brussels has always taken place. Political dialogue was stepped up in 1981 when it was agreed that ministerial-level delegations, headed by the US Secretary of State and by the Commission President, should meet in Brussels each year alongside the end-of-year ministerial meeting of the North Atlantic

Treaty Organization (NATO).

In November 1990, the EC and the US signed the Transatlantic Declaration. It sets out their common goals and principles, and their commitment to work together on matters of common interest, including GATT (General Agreement on Tariffs and Trade) negotiations, strengthening of scientific, educational and cultural cooperation, protection of the environment, action against terrorism and drug trafficking, and the prevention of proliferation of chemical and biological weapons technology.

The transatlantic dialogue is now structured around the following regular meetings which take place alternately in the United States and Europe:

- ★ bi-annual consultations between the Presidents of the United States, the European Council and the Commission
- ★ bi-annual consultations on foreign policy issues between the US Secretary of State and the twelve EU foreign ministers and the Commission
- ★ bi-annual ministerial-level meetings between the US government and the Commission

Other briefings and ad hoc consultations take place especially with regard to foreign policy matters.

The European Parliament maintains a Standing Delegation for Relations with the United States. Members of this Delegation meet twice yearly with members of the US Congress to discuss the whole range of US-EU relations.

Finally, the US Administration keeps in close contact with the Washington diplomatic missions of the 12 EU member states which cooperate closely among themselves.

THE EU DELEGATION IN WASHINGTON

The European Commission is represented in the United States by a Delegation in Washington. It was accorded full embassy status in 1990.

The Delegation represents the Commission in its dealings with the US Government for all matters within its authority, reports on US developments to the EU headquarters and acts as liaison with other international institutions in Washington, DC. It functions like an embassy, and includes the following sections: Agriculture and Fisheries; Political Affairs and

Congressional Liaison; Commerce and Trade; Development; Economic and Financial Affairs; Energy, Environment and Transport; Press and Public Affairs; Science, Technology and Education; and Personnel and Administration.

Officials from these sections represent the Commission at government, international organizations, academic, press and other meetings throughout the United States.

THE US MISSION TO THE EUROPEAN UNION (USEU)

The United States has maintained diplomatic relations with the European Union and its forerunners since 1953. In 1956, it formally opened a US Mission to the European Coal and Steel Community headed by Walton Butterworth. Institutional changes brought about by the 1957 Rome Treaties led to the establishment in 1961 of the US Mission to the European Communities, or USEC. Walton Butterworth was its first Chief of Mission.

Ambassador Stuart Eizenstat, who took the position in September 1993, became the

twelfth US Representative and Chief of Mission.

USEU functions much like an embassy, representing the United States government in its interactions with the EU and reporting on EU developments. The Mission's staff includes representatives from the Department of State, the Department of Agriculture, the Office of the US Trade Representative, the Department of Commerce, the US Information Agency, the US Customs Service and the Department of the Treasury.

Germany, Italy, Belgium, the Netherlands and Luxembourg. The US was again among the first to accredit a diplomat, Ambassador W. Walton Butterworth, to the EEC and Euratom in 1958.

President John F. Kennedy was a passionate and eloquent supporter of European integration. On July 4, 1962, in an historic address in Philadelphia, he said: "We do not regard a strong and united Europe as a rival, but a partner... capable of playing a greater role in the common defense, of responding more generously to the need of poorer nations, of joining with the United States and others in lowering trade barriers, resolving problems of commerce and commodities and currency, and developing coordinated policies in all economic and diplomatic areas."

Kennedy's enthusiasm for a uniting Europe was expressed in several key speeches in 1962 and 1963. After his death, however, American attention to Europe's integration waned as the political costs of the US's protracted involvement in Asia, and later the Watergate crisis, riveted policy-makers' concerns closer to home. During this time, the US increasingly came to view the Community as a customs union.

The transatlantic relationship has been tested by a number of

disputes which started with the "chicken war" of the 1960s (over the effects on US poultry exports of the introduction of variable EU import levies). In the 1980s, disputes broke out over steel (US limitations on EU steel exports), agriculture (European restrictions on imports of meat containing hormones, and US corn exports to Spain and Portugal following their accession to the EU in 1986), and about subsidies paid by both to their aircraft industries.

In the mid 1980s, the EU's drive to complete its single market by the end of 1992 caused some fear in the US that a "Fortress Europe", designed to protect European industries, was in the making. By the end of the decade, however, new US trade surpluses with the EU and surging US investment in Europe's growing economy did much to dispel the "Fortress" myth.

The opening of the Berlin Wall in 1989 marked a turning point in the transatlantic relationship. Recognizing the pivotal political and economic role the European Union would play in post Cold War Europe, US Secretary of State James Baker proposed "that the United States and the European Community work together to achieve, whether in a Treaty or some other form,



T H E E U R O P E A N C O M M I S S I O N

A new, enlarged Commission will take office in January 1995 for five years. Below is a list of its members together with the main elements of their portfolios. The European Parliament must approve the Commission as a body before it can take office.

President Jacques Santer

Secretariat General, Legal Service and other services within the Commission, coordination of the Common Foreign and Security Policy (CFSP), Monetary Matters, Institutional Affairs and the 1996 Intergovernmental Conference

Manuel Marin

External Relations-Southern Mediterranean, Near Middle East, Latin America and parts of Asia

Martin Bangemann

Industrial Affairs and Information Technologies

Leon Brittan

External Relations-North America, Australia, New Zealand, Japan, China, other parts of Asia, Common Trade Policy, Relations with the World Trade Organization (WTO) and the OECD.

Karel van Miert

Competition

Hans van den Broek

External Relations-Central and Eastern Europe, countries of Former Soviet Union, Turkey, Cyprus and Malta. Common Foreign and Security Policy (CFSP).

Joao de Deus Pinheiro

External Relations - ACP (African, Caribbean and Pacific) countries, South Africa, Lome Convention

Padraig Flynn

Employment and Social Affairs

Marcelino Oreja

Relations with the European Parliament and the Member States, Culture and Audio-visuals, Publications, preparations for the Intergovernmental Conference in 1996

Edith Cresson

Science, Research and Development, Joint Research Centers, Human Resources, Education, Training and Youth

Ritt Bjerregaard

Environment and Nuclear Safety

Monika Wulf-Mathies

Regional Policies

Neil Kinnock

Transport (including Trans-European Networks)

Mario Monti

Internal Market, Financial Services, Customs, Taxation

Emma Bonino

Consumer Policy, Humanitarian Aid

Yves-Thibault de Silguy

Economic and Financial Affairs, Monetary Matters, Credit and Investments, Statistical Office

Christos Papoutsis

Energy and Euratom Supply Agency, SME's, Tourism

Thorvald Stoltenberg*

Fisheries

Anita Gradin

Immigration, Justice and Home Affairs, Financial Control, Anti-Fraud

Franz Fischler

Agriculture and Rural Development

Erkki Liikanen

Budget, Personnel and Administration, Translation and Informatics

** If Norway votes to join the Union, the number of Commissioners in 1995 will rise to 21, including the President. Austria, Finland, and Sweden have already voted to join, increasing the number of Commissioners by three (from 17 to 20).*

a significantly strengthened set of institutional and consultative links.”

AREAS OF EU-US COOPERATION

Since the signing of the Transatlantic Declaration, the EU and the US have boosted their cooperation in a number of new areas including:

Antitrust/Competition

The ever-increasing degree of economic interdependence between the EU and the United States brought competition policy under the umbrella of transatlantic cooperation in 1991. A bilateral Antitrust Agreement aimed at enhanced cooperation and effective enforcement of their respective competition laws was signed in Washington on September 23, 1991. The agreement is a genuine effort on the part of the United States and the European Union to reduce the number of potential legal and regulatory problems and to promote greater regulatory convergence in the area.

Science and Technology

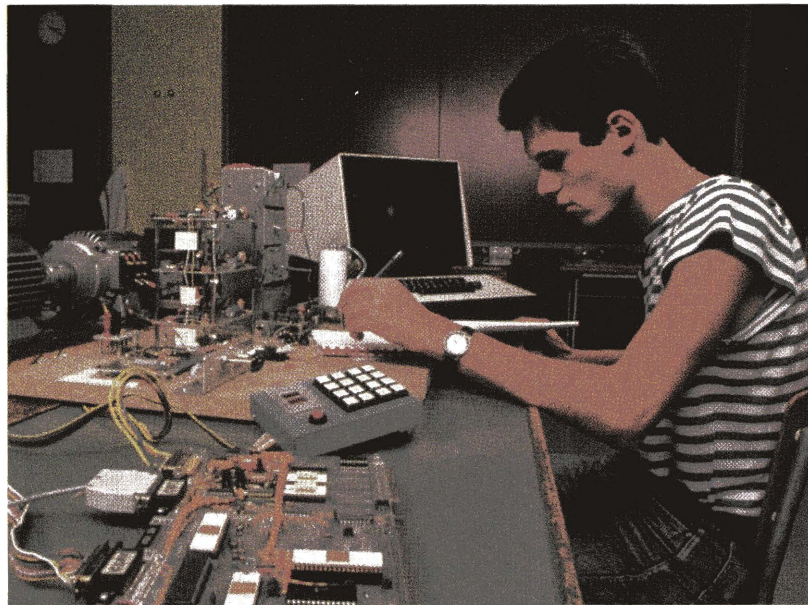
Scientific cooperation between the EU and the US goes back to the 1950s, and is mainly in the energy research field. The most substantial current cooperation project is ITER (International Thermonuclear Experimental Reactor) which also includes Japan and Russia in research on controlled nuclear fusion as an energy source. In September 1990, an EU-US Task Force on Biotechnology Research was established. The Task Force, which meets once a year, serves as a mechanism for exchange of information and coordination concerning each other's activities

in the field. In November 1990, a Joint Consultative Group was set up to promote cooperation in the field of science and technology. Negotiations for new cooperation agreements have come almost to a stop because of the need to clarify intellectual property rights.

Education

A working group was set up in November 1990 to examine the possibility of an EU-US academic exchange scheme covering both students and faculty. In October 1993, a pilot exchange program for academic year 1993/94 got underway involving

23 competitively selected partnerships linking at least one US and two EU universities (from different member states). The aim of the program (which could be made permanent pending a decision in the EU Council of Ministers) is to add a European dimension to existing exchanges between the US and individual EU member states. A European dimension has already been achieved within the EU through programs that promote cross-border mobility of students and professors.



Young European scientists take part in the International Science and Engineering fair held annually in the US. In return, top US entries are displayed at the annual European Contest for young scientists.



US-EU Economic Relations

The enormous scale of transatlantic trade and investment is of paramount importance for the prosperity and wellbeing of Europe and North America and for the increasingly interdependent global economy. By and large, this relationship is conducted cordially and fruitfully at a multiplicity of levels.

THE CURRENT SITUATION

The global picture for the industrial world is currently rather mixed. In 1993, the US economy recovered 3 percent, while the EU posted negative growth for the same period (-0.5 percent). EU forecasts for 1994 predict a slight upswing (1.6 percent), but growth of 3 percent (forecast for 1996) will be needed to help reduce Europe's high unemployment (11 percent of the labor force).

This situation has prompted similar policy responses on both sides of the Atlantic. Faced with 17 million unemployed, the European Commission has called for massive new investment in Europe's road, rail and telecommunications infrastructures to provide 15 million new jobs by the end of the century. The proposal, contained in the White Paper on Growth, Competitiveness and

Employment, won the support of EU leaders in December 1993 and was presented at the International Jobs Conference hosted by President Clinton in Detroit in March 1994. The US is also seeking to improve its long-term growth prospects and like the EU is emphasizing investment in infrastructure, competitiveness, and conversion of the defense sector.

Trade and Investment

The EU and the US are each other's largest trading partners and together account for 30 percent of world trade. They also represent 60 percent of the world's Gross Domestic Product (GDP).

In 1993, trade flows between the EU and the US have been running at some \$195 billion. Exports from the EU to the US reached a new record of \$94.4 billion, up from \$87.2 billion in 1992.

Although the EU has traditionally run a modest trade deficit with the US (except for the period 1984-1988), US trade surpluses with the EU (between \$7-17 billion between 1989 and 1992) have been declining due to global economic conditions. The US still has a sizeable surplus with the EU in the area of services (from \$6 billion in 1989 to \$16 billion in 1992).

EU exports to the United

States consist mainly of machinery, motor vehicles, precision equipment, iron, steel and other manufactured products. US exports to the EU also include machinery and transportation equipment, as well as agricultural products, organic chemicals and mineral fuels.

The EU and the US still have a high level of direct investment by their companies in one another's economies. Cumulative direct investment by European firms in the US stood at \$215 billion in 1992 (more than half the total foreign direct investment in the US), while American firms had investment worth \$201 billion in the EU (about 42 percent of the total).

Transatlantic Trade and Employment

This deepening interdependence can also be seen in terms of jobs. According to US Bureau of Labor statistics, affiliates of foreign companies employ 4.7 million Americans. Almost 3 million of these work for US subsidiaries of European companies, making them by far the biggest employer of all foreign companies operating in the US.

Jobs in exporting firms or in foreign-owned companies also tend to carry higher salaries — up to 22 percent higher than the average for US businesses.

Each \$1 billion in US exports



*EU External Relations
Commissioner, Sir Leon
Brittan and United States
Trade Representative
Mickey Kantor played a
crucial role in getting the
new world trade agreement.*

accounts for about 20,000 American jobs, so that US exports to the EU for 1992 accounted for about 2.3 million of the total 7.2 export-related jobs in the US.

Bilateral Cooperation

The Commission services and the US government are involved in permanent contacts at various levels. Every year, hundreds of officials cross the Atlantic in both directions for meetings with their counterparts.

Regulatory questions concerning food, pharmaceuticals, and environmental standards are discussed in informal groups.

Informal exchanges of information take place also for topics ranging from industrial product standards and certification to customs matters.

The concept of EU-US regulatory cooperation (proposed by the Commission) was first discussed at sub-cabinet level in July 1993. Its objective is not to achieve identical regulations, but to minimize costs to businesses that may result from disparities between the regulatory systems. EU and US officials are developing pilot projects to implement the concept of regulatory cooperation.

The dialogue on standards was initiated in May 1989. It

has been particularly fruitful in helping to increase the transparency of EU and US systems, and has stimulated contacts with international standards bodies which ultimately should benefit transatlantic trade. The EU and the US have recently opened exploratory talks aimed at negotiating an agreement on mutual recognition of conformity assessment for certain industrial products in government regulated areas.

The Multilateral Framework

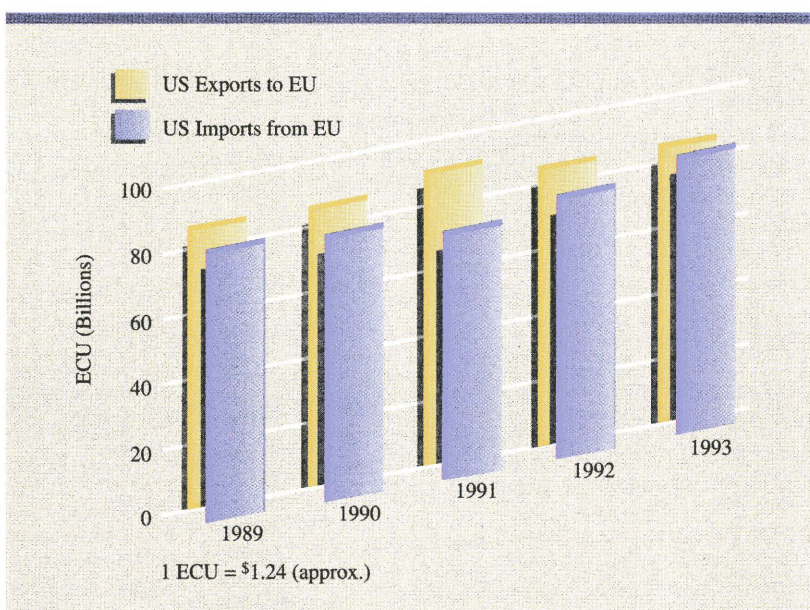
The EU participates in a number of international fora where its cooperation with the US has

assumed a major role:

General Agreement on Tariffs and Trade (GATT): from the earliest days, the EU has embodied the principle of free trade. Its very foundation provided a major impetus for the far-reaching tariff cuts of the Dillon (1960-61) and Kennedy (1964-67) GATT Rounds. The EU contributed actively to the Tokyo Round (1973-79) and in 1986, together with the US, helped launch the most ambitious round of multilateral trade negotiations in Punta del Este, Uruguay. The Uruguay Round was concluded in 1994.

As the world's largest traders, the EU and the US are the main players in GATT and in the new World Trade Organization (WTO), which should be in operation in January 1995. EU-US cooperation helped resolve deep-seated disagreements over agricultural support and public procurement in the Uruguay Round and contributed to a better final result for all GATT partners.

The Group of Seven (G-7): represented by the Presidents of the Council and the Commission, the EU has taken part since 1977 in the annual Western Economic "G-7" summits along with the United States, Canada, Japan and four of its own member



EU-US Trade in Goods: 1989-1993

states (France, Germany, Italy and the United Kingdom). The EU and the US are cooperating closely in the G-7 to coordinate growth strategies and reduce unemployment. It was the Paris G-7 summit in 1989 which, at the request of President Bush, assigned the Commission the task of coordinating all Western assistance to the reforming countries of Eastern Europe. On the eve of the 1993 Tokyo G-7 summit, the EU, the US, Japan and Canada outlined the tariff-cutting deal which made conclusion of the Uruguay Round possible by the December 15, 1993 deadline. The EU, US, Japan and Canada hold these so-called "Quadrilaterals" on an annual basis.

The EU-US partnership is significant in the work of the *Organization for Economic Cooperation and Development (OECD)* and of the *United Nations* (the EU has observer status in the UN) in promoting economic growth in industrialized and developing countries and in the protection of human rights throughout the world. A special European agency (CELAD) cooperates with US agencies in the fight against drugs.

The EU and the US participate fully in *international efforts to protect the environment*. They

are both signatories to the Conventions on Global Climate Change and Conservation of Biological Diversity agreed at the June 1992 UN Conference on Environment and Development in Rio, and to the Montreal Protocol on Substances that Deplete the Ozone Layer, which aims to eliminate the use of chlorofluorocarbons (CFCs) by the year 2000.

Transatlantic Tensions: Root Causes

Growing economic interdependence, while resulting in the extremely positive trade and economic impacts outlined above, has revealed different

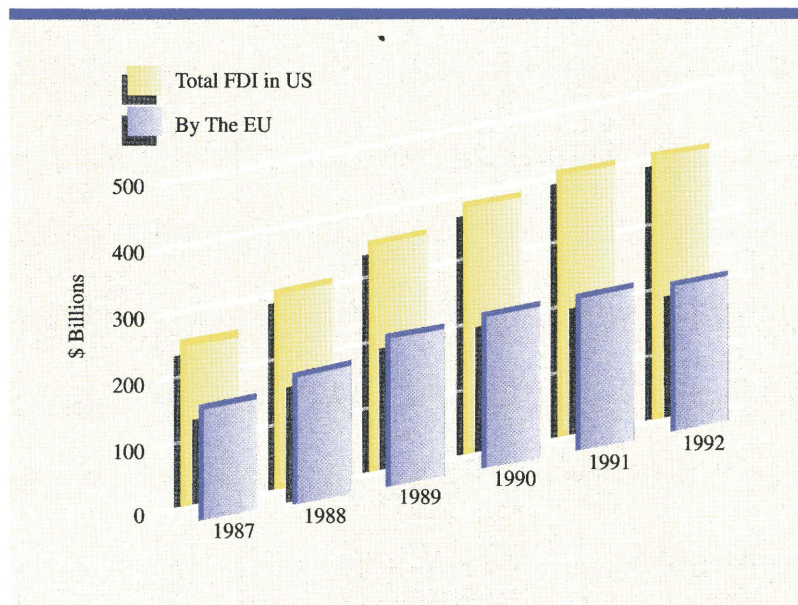
approaches in some areas and led to trade disputes in others.

EU Concerns

Unilateralism: a recurring problem for the EU is the element of unilateralism in US trade legislation. The outstanding example is Section 301 of the 1979 US Trade Act which allows the US to impose unilateral punitive sanctions or retaliatory measures on goods from another country without prior consultation of GATT rules or contracting partners. No other major trading partner of the EU has similar trade legislation. Despite the comprehensive dispute settlement

mechanism which has been agreed upon in the Uruguay Round, the US has recently moved to renew its Super 301 legislation by Presidential Executive Order. The EU views this development as inconsistent with the multilateral system, which has been the backbone of post-war economic growth.

Extraterritoriality: closely linked to unilateralism is the extraterritorial reach of some US legislation. These measures can adversely affect trade and investment by clashing with the sovereignty of America's trading partners, leading to legal conflicts which cause



EU Foreign Direct Investment: 1989-1992

uncertainty and deter investment. Examples include the Cuban Democracy Act (1992), which prohibits US-based firms in the EU from trading with Cuba, re-export controls, and the 1972 Marine Mammal Protection Act which allows the US to sanction tuna exporters from other countries whose fishing methods do not comply with US dolphin protection requirements.

US Concerns

Subsidies: EU production and exports which receive some form of support are a major concern to the US and have led



The EU and the US are looking at ways to combat global warming by curbing carbon dioxide emissions, possibly through imposition of energy taxes, and support the preparation of new treaties on forestation and desertification.

to several full-fledged trade disputes concerning agriculture and the CAP, civil aviation (Airbus), and steel.

The EU approach to subsidies incorporates the different philosophies of the member states, as well as the overall need to eliminate subsidies as a distorting factor in trade. It distinguishes between export subsidies (which can affect trade flows) and domestic subsidies (to balance the benefits of economic activity between sectors within a country) which are unlikely to affect international trade.

EU-US tension over *farm policy* has lessened considerably since the conclusion of the Uruguay Round and prior to that, the EU's internal reform of the Common Agricultural Policy. Since the 1992 reform, which was the most radical in EU history, the link between active production and aid has been cut, reducing the amount of farm surplus the EU exports onto the world market. The EU remains the world's largest food importer.

The prolonged EU-US dispute over *subsidies to large civil aircraft* was resolved in July 1992. Under a bilateral agreement signed at that time, both sides are committed to ceilings of 33

percent on direct government support for development costs (mainly for Airbus) and 3-4 percent of total turnover in indirect government support for manufacturers (mainly for the US industry). The EU is fully respecting the agreement. No new aeronautics program has been launched with a subsidy since 1992. Talks are underway to multilateralize the EU-US civil aircraft agreement.

The *steel dispute*, which resurfaced in 1992 when steel exporters from seven EU member states were targeted by US preliminary anti-dumping and countervailing (AD/CVD) duties, can be seen in the context of the industry's worldwide overcapacity, its efforts to restructure and its history of government involvement. The EU has applied strict subsidies disciplines on the industry since 1986. EU exports to the US were regulated under Voluntary Restraint Agreements (VRAs) between 1982 and 1992 and since 1989 had not reached quota. In May 1993, the EU requested a GATT panel after finding the US did not respect reasonable AD/CVD procedures and methodology in the cases concerned.

AFTER THE URUGUAY ROUND

The signing of the Uruguay Round Final Act in Marrakesh in April 1994 has removed a number of trade irritants between the US and the EU. Those remaining, while important, must be seen in the context of a broadly balanced and improving relationship.

In its 1994 Report on US Trade Barriers to Trade and Investment, the European Commission identified some ongoing areas of concern:

Public Procurement and Buy America Legislation: there has been extensive discrimination, even total exclusion, of non-US controlled companies for certain public contracts tendered at federal and state level. Because of high price preferences (6-25 percent) favoring US bidders, US public contracts for urban transport and electricity have been effectively closed to European bidders. The EU's Utilities Directive sets the price preference for European bidders at 3 percent and replaces much more restrictive national practices.

The recent EU-US bilateral deal on procurement (excluding telecommunications) which was signed in Marrakesh

considerably strengthens the GATT's new Government Procurement Agreement which replaces the 1981 GATT Code. This should help to balance opportunities for US and EU bidders in each other's markets.

Conditional National

Treatment: companies with non-US parents are often treated differently from those with US parents, particularly regarding antitrust implications of joint ventures, or participation in federally-funded R & D. This could affect European investment in the United States.



The EU is pleased that the Uruguay Round has brought agriculture into the multilateral system after decades of excessive subsidization by all farm-trading

countries. This will ensure that farm trade will be subject to rigid multilateral rules concerning internal support, export subsidies and market access.



Political Relations

The strength and vitality of the European-American partnership has been perhaps the most important bulwark of global peace and prosperity since World War II, and is likely to be even more crucial in the construction of the post-Cold War order.

The European Union created under the Maastricht Treaty has new responsibilities in political and security matters. This implies that the EU's political relations with the United States, which historically developed more slowly than its economic ones, will become increasingly important in the future.

EU-US political relations have acquired new momentum over the last two years as the Union has become more active in foreign affairs. Contacts between the State Department and the Troika of EU foreign ministers, which groups past, present and future Presidents of the Council have been intensified leading to a wide measure of agreement between the EU and the US on the situations in the Middle East, Central and Eastern Europe and the New Independent States (NIS), as well as to close contact on the deteriorating situation in the former Yugoslavia.

SHARING THE BURDEN OF GLOBAL LEADERSHIP

In the Cold War era, burden sharing referred mainly to the military cost and manpower committed to Europe's security. Traditionally, the US carried a larger share of the North Atlantic Treaty Organization (NATO) defense burden than its European allies. Since the disappearance of the Soviet threat, however, Europeans are gradually assuming a greater responsibility for their own defense and security as the US reduces its military presence on the continent.

In the post-Cold War world, burden sharing has taken on new meaning as both the EU and the US contribute vast amounts of economic and technical assistance to help rebuild the economies and societies of former Communist countries. As a concept with economic facets, the actual burden sharing balance is close to equality.

Deeper transatlantic cooperation is now needed to help redefine and improve security mechanisms like the North Atlantic Treaty Organization (NATO) and the Western European Union (WEU), which were set up for the West's security in the Cold War era. As new immigration and clandestine nuclear

arms production proliferate, new cooperative security frameworks will be needed where both Europe and the US will have their full role to play.

The EU has played a major role in assisting:

THE NEW INDEPENDENT STATES (NIS)

One of the Union's main external policy objectives is to expand its relations with the New Independent States (NIS). It is currently negotiating new partnership and cooperation agreements with five former Soviet republics to support the process of economic and political reform. Eventually it hopes to conclude such agreements with all twelve.

The *EU and its member states together* provide the lion's share (73 percent between 1990 and 1992) of all international assistance to the former Soviet Union. Most of this takes the form of loans and loan guarantees for special projects (through European Investment Bank (EIB), and the European Bank for Reconstruction and Development (EBRD) in which the EU is the majority shareholder), medical and food aid, technical assistance (through TACIS, the largest ever program of its kind), and other forms of humanitarian aid. EU member states are also



Hans van den Broek is the first EU Commissioner for the Common Foreign and Security Policy.

THE COMMON FOREIGN & SECURITY POLICY (CFSP)

At a special meeting of the European Council in Brussels, in October 1993, EU Heads of State designated the following areas for joint action:

- ★ Promotion of stability and peace in Europe
 - ★ Support for peace in the Middle East
 - ★ Cooperation with a democratic South Africa
 - ★ A negotiated and durable settlement to the conflict in the former Yugoslavia
 - ★ Support for the democratic process in Russia
-

providing strategic assistance (for the withdrawal of Soviet troops).

In 1990, EU leaders floated the idea of a European Energy Charter to trigger economic recovery in the former Soviet Union and Eastern Europe by developing the region's vast energy resources, modernizing its industries and expanding its trade with industrialized countries. The Charter was adopted in the Hague in December 1991 and has been signed by 47 countries, including the US. The EU is also a signatory. A final implementing charter is being negotiated.

Central and Eastern Europe

Since the fall of 1989, 60 percent of all aid to the countries of Central and Eastern Europe has come from the EU. The EU has also been to the fore in opening up its markets to the East: EU imports from Central and Eastern Europe increased 83 percent since 1989, while they have decreased (9 percent) vis-a-vis the US and Canada.

To speed up the process of reform, the EU has negotiated Europe Agreements with Poland, Hungary, Bulgaria, Romania and the Czech and Slovak Republics. The agreements, which aim at nothing

less than full EU membership, are preferential and valid for an indefinite period, cover political dialogue, free trade, and economic, cultural and financial cooperation. Our bilateral contacts at the highest political level will help build confidence in the region's stability and promote much needed investment.

Since July 1989, at the request of the G-7 with the support of the OECD, the EU Commission has also been coordinating the program of economic aid planned originally for Poland and Hungary (Phare program) and later expanded to include Albania,

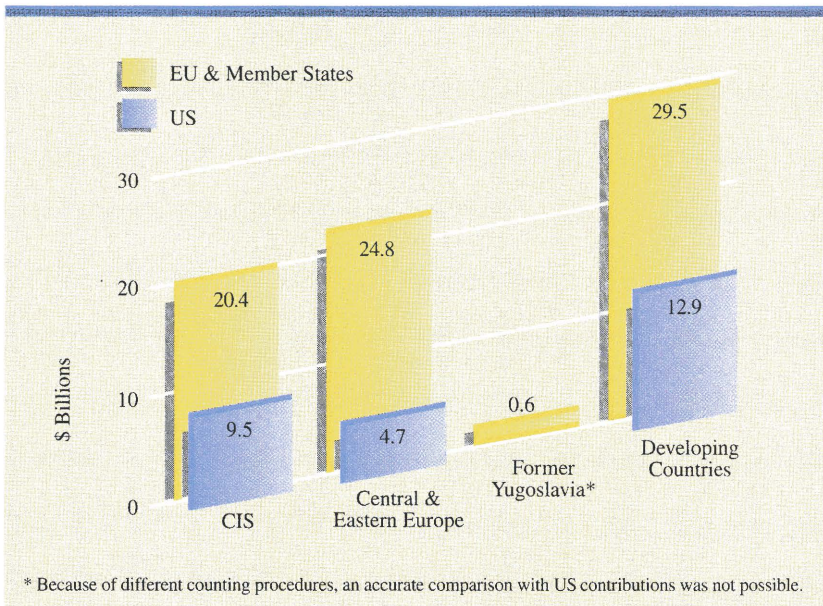
Bulgaria, Czechoslovakia, Estonia, Latvia, Lithuania, and Romania. The EC budget for Phare in 1992 was \$1 billion.

Yugoslavia

Since the outbreak of hostilities in Yugoslavia in 1991, the EU has taken a leading role in trying to restore peace to the region and has contributed more than \$900 million to relief efforts there. Together with the US it has sent envoys, first Lord Carrington and now Lord Owen, to mediate in the negotiation among the warring parties. A special EU team was the first to establish the

extent of war crimes against women in Bosnia.

The EU welcomes the recent more active involvement of the US concerning Bosnia-Herzegovina. European Commissioner Hans van den Broek and the Troika of EU Foreign Ministers represented the EU at the signing in Washington March 18, 1994 of a draft constitution of a Muslim-Croat federation in Bosnia-Herzegovina. NATO's firm stand on the removal of heavy artillery from around Sarajevo has boosted the prospects for a political solution. The EU and US will continue to consult closely.



1990-1992 EU-US Aid Burdensharing

The EU was the first to move towards sanctions against the former Yugoslavia when it suspended its 1980 trade and cooperation agreement with that country after hostilities broke out, violating human rights.

South Africa:

After some 40 years of Apartheid rule, the first democratic, multi-racial elections in South Africa's history took place in April 1994. In response to these political reforms, the EU has begun normalizing its relations with that country by removing economic and diplomatic sanctions. Since 1990, the EU has committed \$400 million to South Africa under its "Special Program" for projects promoting education, health, good governance and democratization.

Third World

Development Assistance:

The EU is connected to 70 African, Caribbean and Pacific (ACP) countries by a unique pact, the Lome Convention, that many consider a model approach to North-South Cooperation. The Lome Convention, launched in 1975 and renewed for ten years in 1989, frees ACP countries from all customs duties on 99.5 percent of their exports to the EU. The Union's financial

aid to the group amounts to \$15 billion for the period 1990-1995.

Cooperation between the EU and the developing countries of Asia and Latin America has been developed more recently. They benefit from the Generalized System of Preferences which gives their exports preferential treatment. The poorer nations among them receive additional financial assistance. The EU has concluded framework cooperation agreements with Argentina, Brazil, Uruguay, Mexico and the Andean Pact countries (Bolivia, Peru, Colombia, Ecuador and Venezuela) with the aim of supporting regional economic integration. Similar agreements were concluded with the Gulf Cooperation Council in 1988 and with ASEAN (the Association of South East Asian States) in 1990.

The Twelve, individually and collectively are the developing countries' most important partners. The EU accounts for 21.5 percent of their exports, and for 36 percent of the official aid they receive.

The EU is an active and major donor in the field of food aid and emergency assistance.

H I G H L I G H T S I N E U - U S R E L A T I O N S

1947
US Secretary of State George Marshall launched the European Recovery Program. Vast amounts of US aid (\$13 billion) were made available for the reconstruction of wartorn European nations on condition they administered the aid jointly through the OEEC.

1952
The United States was the first along with the United Kingdom to accredit a diplomatic representation to the ECSC High Authority. In matters of coal and steel, the US would no longer deal on a bilateral basis with the member states of the ECSC.

1958
The United States appointed Ambassador W. Walton Butterworth to represent the US to the newly founded EEC and Euratom

1962
In an Independence Day speech in Philadelphia, President Kennedy reaffirmed American support for European integration and for the Community's evolution as a political and economic partner

1985
Ronald Reagan became the first US President to address the European Parliament. In his speech, he noted that the United States "sees the New World and the Old as twin pillars of a larger democratic community. We Americans still see European unity as a vital force in that historic process."

1989
European Commission President Jacques Delors floated the idea of a formal framework for transatlantic relations in a February 1989 interview with the Wall Street Journal.

At the summit of Western Industrialized Nations in Paris in July 1989, US President George Bush asked the Commission to coordinate all Western assistance to the reforming nations of Central and Eastern Europe. Events in Eastern Europe brought US Secretary of State James Baker to Berlin, where in November 1989 he called for a broader transatlantic dialogue.

1990
On May 9, 1990, President Bush saluted Robert Schuman, a founding father of the original Community, on the 40th anniversary of the Schuman plan. President Bush said: "Today, we continue to support European unity. The vision of cooperation that took form 40 years ago has become a reality. It has led to a Europe that is economically strong and committed to democratic principles and an outward looking international trading system, and we celebrate these successes with our European allies."

On November 20, 1990, the EC and US adopted the Transatlantic Declaration in Paris. This set out common goals and principles, cemented a commitment to work together on matters of mutual interest and provided for regular consultations between the parties at presidential, ministerial and official levels.

1993
President Bill Clinton, on the occasion of Germany's ratification of Maastricht on October 18, said, "On behalf of the American people, I offer congratulations to the Community on this occasion and reiterate our commitment to a strong and vibrant transatlantic partnership. The Maastricht Treaty marks a milestone in the progress of the European Community toward political and economic union, a goal which the United States strongly supports and encourages."

1994
In January, President Clinton made his first official trip to Europe for the Nato summit. He attended the D-Day celebrations in Normandy, France, in June and in July visited Naples for the G-7 Summit. On all three visits, he stressed the importance of the transatlantic partnership.

On July 15, EU member states agreed on Luxembourg Prime Minister Jacques Santer to succeed Jacques Delors as President of the European Commission in January 1995.



EUROPEAN COMMISSION DELEGATION

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