

# CRS Report for Congress

441.2 (103)

## European Union-U.S. Economic and Trade Initiatives

Glennon J. Harrison  
Specialist in International Trade and Finance  
Economics Division

March 19, 1996



---

The Congressional Research Service works exclusively for the Congress, conducting research, analyzing legislation, and providing information at the request of committees, Members, and their staffs.

The Service makes such research available, without partisan bias, in many forms including studies, reports, compilations, digests, and background briefings. Upon request, CRS assists committees in analyzing legislative proposals and issues, and in assessing the possible effects of these proposals and their alternatives. The Service's field specialists and subject analysts are also available for personal consultations in their respective fields of expertise.

# EUROPEAN UNION-U.S. ECONOMIC AND TRADE INITIATIVES

## SUMMARY

The United States and the European Union are now engaged in a new initiative aimed at strengthening transatlantic economic and political cooperation. The initiative has a government component (New Transatlantic Agenda -- NTA) and a private sector component (the Transatlantic Business Dialogue -- TABD). Should this transatlantic initiative lead to new trade agreements, the Administration will have to seek congressional approval for such agreements. The scope of agreements under the New Transatlantic Agenda could transcend traditional trade issues, extending to cover such "new" trade (or beyond-the-border) issues as environment and labor, regulatory systems, and competition policy.

In 1995, two important meetings between the United States and the European Union served as fora for high level discussions of transatlantic trade and economic ties. The TABD, held in Seville, Spain on November 11-12, 1995, and the U.S.-EU summit, which met in Madrid on December 3, 1995, capped a year of discussions about the future of U.S.-EU relations. The TABD meeting led to a series of recommendations covering four main issue areas: (1) standards, certification and regulatory policy; (2) trade liberalization; (3) investment; and (4) third-country issues. Many of the recommendations were incorporated into the *New Transatlantic Agenda* that was adopted at the Madrid summit. The NTA consists of a declaration and a joint action plan.

Trade and investment are central to the relationship between the United States and the European Union. In spite of the rapid rise in U.S. trade with other regions (Asia and the Americas, especially Canada and Mexico), the European Union, as a bloc, continues to be considered by many the most important economic partner of the United States and is expected to remain so for the foreseeable future. The relationship between the United States and the EU is characterized by strong bilateral economic ties, similar bilateral and multilateral economic agendas, and a high level of economic interdependency. While the relationship between the United States and the EU is quite strong, the new initiative's principal aims are to prevent drift and to solve some of the problems that create friction.

## CONTENTS

BACKGROUND .....	2
DEEPENING BILATERAL ECONOMIC TIES .....	3
THE MADRID SUMMIT: TRADE PERSPECTIVE ON THE "NEW TRANSATLANTIC AGENDA" .....	7
TRANSATLANTIC BUSINESS DIALOGUE: CORNERSTONE OF THE NEW TRANSATLANTIC AGENDA? .....	7
STANDARDS ISSUES AND REGULATORY POLICY (GROUP 1) ..	9
TRADE LIBERALIZATION (GROUP 2) .....	9
INVESTMENT (GROUP 3) .....	10
THIRD-COUNTRY ISSUES (GROUP 4) .....	10
TABD: WHAT NEXT? .....	10
CONCLUSION .....	11

## **European Union-U.S. Economic and Trade Initiatives**

The United States and the European Union are now engaged in a new initiative aimed at strengthening transatlantic economic and political cooperation.<sup>1</sup> The initiative has a government component (New Transatlantic Agenda) and a private sector component (the Transatlantic Business Dialogue). The New Transatlantic Agenda (NTA) is laid out in a declaration and an action plan, both of which were signed at the December, 1995 Madrid summit.

The NTA has a framework of four goals: (1) promoting peace and stability; (2) responding to global challenges (international crime, drug-trafficking, and terrorism); addressing the needs of refugees and displaced persons; environmental protection; and combatting disease; (3) contributing to the expansion of world trade and closer economic relations; and (4) building bridges across the Atlantic (by deepening commercial, social, cultural, scientific and educational ties).

The Joint U.S.-EU Action Plan outlines numerous actions that both sides agree will help to achieve the four NTA goals. Goal 3, which calls for expanded world trade and closer economic relations, has, as its centerpiece, the creation of a "New Transatlantic Marketplace." Summit leaders held out the promise of a New Transatlantic Marketplace in which the barriers to goods, services, and capital are reduced or eliminated. Goal 4 (building bridges across the Atlantic) offers explicit support for the Transatlantic Business Dialogue (TABD).

The TABD covers four broad issue areas: (1) standards, certification, and regulatory policy; (2) trade liberalization; (3) investment; and (4) third country issues. The TABD is a government-sponsored initiative that brings the private sector on both sides of the Atlantic together to work for trade liberalization. The TABD is central to the success of the New Transatlantic Marketplace. Many of the TABD recommendations found their way into the Joint U.S.-EU Action Plan.

The NTA and the TABD are interrelated initiatives designed to strengthen ties between the United States and the EU, and lessen the chances that either partner will seek to build competitive regional blocs at the expense of a close

---

<sup>1</sup> This report considers only the economic side of the relationship. For additional analysis, see U.S. Library of Congress. Congressional Research Service. *The European Union and the United States: Political Aspects of the New Transatlantic Agenda of December 1995*. CRS Report 96-87 F, by Karen Donfried. January 24, 1996. 6 p.; *A New Transatlantic Initiative? U.S.-EU Economic Relations in the Mid-1990s*. CRS Report 95-983 E, by Glennon J. Harrison. September 15, 1995. 22 p.; *European Proposals for a New Atlantic Community*. CRS Report 95-374 S, by Stanley R. Sloan. March 10, 1995. 6 p.

relationship.<sup>2</sup> Should the new transatlantic initiative lead to new trade agreements, the Administration will have to seek congressional approval for such agreements. The scope of agreements under the New Transatlantic Agenda could transcend traditional trade issues, extending to cover such "new" trade (or beyond-the-border) issues as environment and labor, regulatory systems, and competition policy. Business interests on both sides of the Atlantic would be the main beneficiaries of any trade and investment liberalization.

## BACKGROUND

In 1995, two important meetings between the United States and the European Union served as fora for high level discussions of transatlantic trade and economic ties. The TABD, held in Seville, Spain on November 11-12, 1995, and the U.S.-EU summit, which met in Madrid on December 3, 1995, capped a year of discussions about the future of U.S.-EU relations. The TABD meeting led to a series of recommendations covering four main issue areas: (1) standards, certification and regulatory policy; (2) trade liberalization; (3) investment; and (4) third-country issues. Many of the recommendations were incorporated into the *New Transatlantic Agenda* that was adopted at the Madrid summit. The NTA consists of a declaration and a joint action plan. The NTA and TABD establish a framework for closer transatlantic cooperation at both the bilateral and multilateral levels. Such cooperation, however, is not tantamount to the creation of a free trade area (FTA).

The much discussed Transatlantic Free Trade Agreement (TAFTA) was quietly jettisoned by leaders on both sides of the Atlantic. Although many business and labor groups on both sides strongly support such an agreement, a perception exists that a transatlantic free trade agreement would, at this time, face insurmountable barriers in the United States and in some EU countries. Nevertheless, closer cooperation between the United States and the European Union may well contribute to a strengthening of ties and, at some future date, to renewed calls for free trade negotiations. In the meantime, a "building block" approach<sup>3</sup> to closer economic integration appears to be the most likely form of economic cooperation.

The building block approach emphasizes the elimination of existing obstacles to trade and the enhancement of transatlantic economic activity through a series of bilateral agreements. The European Commission has identified a number of areas of current or potential cooperation, including

---

<sup>2</sup> The European Institute. *A Transatlantic Blueprint: The U.S. and the EU 1996 Intergovernmental Conference*. Washington. October 1995. pp. 34-49.

<sup>3</sup> Commission of the European Communities. *Europe and the U.S.: The Way Forward*. Communication from the Commission to the Council. COM (95) 411 final. Brussels, July 26, 1995. pp. 10-11.

customs cooperation, science and technology, the information society,<sup>4</sup> intellectual property rights, aviation and maritime transport, steel, public procurement, biotechnology, competition policy, and mutual recognition of standards and certification.

This approach has the advantage of encouraging the conclusion of agreements in areas of common interest. It could lead to closer cooperation and deeper economic integration. The disadvantage of such an approach is that it would do little or nothing to resolve the most serious impediments (e.g., trade disputes over agriculture and audiovisual services) to better trade relations. Proponents believe that the economic part of the initiative is a realistic approach to improving relations. Some critics argue that such a strategy is not ambitious enough to sustain the relationship in the future, given the bilateral and multilateral demands that the United States and the EU face.<sup>5</sup>

### DEEPENING BILATERAL ECONOMIC TIES

What is the impetus for the United States to attempt to deepen its economic ties with the European Union? The most basic answer is that trade and investment are central to the relationship between the United States and the European Union. In spite of the rapid rise in U.S. trade with other regions (Asia and the Americas, especially Canada and Mexico), the European Union, which is a political and economic entity but is nevertheless not a government, continues to be considered by many the most important economic partner of the United States and is expected to remain so for the foreseeable future.<sup>6</sup> The Asian APEC economies are more important markets for U.S. exports and more

---

<sup>4</sup> The so-called "information society" refers to a U.S.-EU dialogue on the future of information and telecommunications technologies and their economic and social effects. The New Transatlantic Agenda expands the bilateral dialogue to include institutional, regulatory and technical issues. The NTA also expresses support for the Group of Seven (G-7) global projects initiative.

<sup>5</sup> The U.S.-EU approach recognizes that a more ambitious agenda is impossible at this time. A recent report prepared by the Brookings Institution and the Stiftung Wissenschaft und Politik (SWP) for the European Commission describes a number of strategy options available to the United States and EU for developing the transatlantic relationship. Among the options identified, the least ambitious of several strategies for building closer ties is "fine tuning." Other strategies include fostering deeper economic integration and increasing global economic coordination. The Brookings/SWP study suggests that these strategies would reduce the chances of a crisis in the U.S.-EU relationship in the future. But while these latter two strategies are vaguely recognizable in the NTA and TABD initiatives, the overall approach more closely resembles the fine tuning strategy identified by the Brookings/SWP study. See the Brookings Institution and Stiftung Wissenschaft und Politik. *Perspectives on Transatlantic Relations. A Study Report Initiated by the Forward Studies Unit of the European Commission.* Washington, DC and Ebenhausen [Germany]: 1995. pp. 38-50.

<sup>6</sup> Congressional Research Service. *The European Union: The World's Largest Trading Bloc.* CRS Report 95-43 E, by Glennon J. Harrison and Vivian Jones. December 22, 1994. 15 p.

important sources for imports than is the EU.<sup>7</sup> But the Asian APEC members form a highly diverse group of economies that are far from achieving the level of economic integration of the EU.

TABLE 1. U.S. Merchandise Trade with Major Partners, 1995

	U.S. Exports	U.S. Imports	Trade Balance
European Union <sup>a</sup>	123	132	-8
Asian APEC <sup>b</sup>	172	295	-123
Japan	64	124	-59
China	12	46	-34
Canada	126	145	-19
Mexico	45	62	-16
Other	116	110	6
World	582	744	-162

<sup>a</sup> EU: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

<sup>b</sup> Asian APEC: Brunei, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Taiwan, and Thailand.

Source: U.S. Department of Commerce. Tradenet database. Merchandise trade data are reported by the U.S. Bureau of the Census (Census basis).

In 1994, the United States exported \$157 billion in goods and services to the European Union, or 22% of total exports of goods and services. Merchandise exports amounted to \$100 billion, while exports of services totalled \$57 billion. The United States imported \$162 billion in goods and services from the EU in 1994, or 14% of total U.S. imports of goods and services. Merchandise imports amounted to \$112 billion and services imports totalled \$50 billion. The balance on trade in goods and services with the EU was -\$4.5 billion.<sup>8</sup>

The balance in merchandise and services trade is mirrored in the transatlantic investment relationship. Bilateral investment is balanced, and the European Union is, by far, the largest partner of the United States in terms of investment. This reflects a history of open, two-way investment. In 1994, U.S. direct investment in the then 12-member EU amounted to \$251 billion, or 41% of total U.S. foreign direct investment. The value of U.S. investment abroad is

<sup>7</sup> Congressional Research Service. *APEC and Free Trade in the Asia Pacific*. CRS Report 96-1 E, by Dick K. Nanto. December 18, 1995. 12 p.

<sup>8</sup> 1994 data in this paragraph are on a balance-of-payments basis, while 1995 data in the table above are reported on a census basis.



substantially understated because investments are recorded when made and do not reflect the current value of such investments. U.S. investment in Europe tends to have been made earlier than investments in other areas, so the amount of understatement is probably greater.

U.S. foreign direct investment in the Asian APEC area amounted to \$84 billion, or 14% of U.S. foreign direct investment abroad. EU foreign direct investment in the United States amounted to \$274 billion, or 54% of all foreign direct investment in the United States. Foreign direct investment in the United States by Asian APEC firms amounted to \$110 billion, or 22% of total foreign direct investment in the United States. In 1993, sales by majority-owned foreign affiliates of U.S. companies in Europe amounted to \$716 billion, or 3.7 times the level of sales by majority-owned foreign affiliates in the Asian APEC region (\$192 billion). Majority-owned foreign affiliates of U.S. firms employed 2.5 million workers in the European Union, while U.S. employment by affiliates of European firms totalled 2.9 million.<sup>9</sup>

The "borderless" European market is approximately the same size economically as the U.S. market and is adjacent to a number of former planned economies that are attempting rapid integration into the global economy.<sup>10</sup> Poland, the Czech Republic, Slovakia, Hungary, and Slovenia have expressed interest in joining the European Union as quickly as possible. Additionally, these countries have preferential trade agreements with the EU. Thus, there is, potentially, a direct benefit (market access) to companies that establish subsidiaries in either the EU or in eastern European partner countries.

U.S. trade with the EU is strongly influenced by macroeconomic conditions. During the latter half of the 1980s, U.S. exports to the European Union expanded rapidly: between 1985 and 1991, U.S. merchandise exports rose from \$49 billion to \$103 billion. U.S. exports to the EU grew three times as fast as imports from the EU during a period of rapid EU growth.

In the early 1990s, the EU economy went into recession just as the U.S. economy started to expand again. The rate of increase of EU GDP slowed substantially in 1991 and 1992, became negative in 1993 (-0.4%), and grew by 2.6% in 1994. U.S. exports to the EU fell from \$103 billion in 1991 to \$97 billion in 1993, essentially mirroring changes in EU domestic demand. U.S. GDP growth during 1993, 1994 and 1995 (2.2%, 3.5%, and 2.1%, respectively) caused import demand to grow by 9.9 percent in 1993, 12.0% in 1994, and 7.9% in 1995. The combination of U.S. growth and EU recession eliminated the U.S. merchandise trade surplus with the EU -- at least temporarily.

---

<sup>9</sup> For more on foreign investment trends, see Congressional Research Service. *U.S. Direct Investment Abroad: On the Rise*. CRS Report 96-91 E, by James K. Jackson. January 29, 1996. 6 p. and *Foreign Direct Investment in the United States: Gaining New Ground*. CRS Report 96-92 E, by James K. Jackson. January 29, 1996. 6 p.

<sup>10</sup> U.S. House of Representatives. Committee on Foreign Affairs. *Europe and the United States: Competition and Cooperation in the 1990s*. Committee Print. 102d Congress, 2d Session. Washington, DC: U.S. Gov't. Print. Off., June 1992.

The EU recovery has been fueled largely by strong exports to the rest of the world. Exports to non-EU destinations grew by 7.5% in 1993 and by 10% in 1994. This was followed by a recovery in investment growth and by higher levels of private consumption. However, by the end of 1995, economic recovery in Europe appeared to be faltering. The rate of increase of EU GDP for 1995 and 1996, respectively, is estimated to be 2.6% and 2.0%, which may not be high enough to sustain a stronger demand for U.S. exports to the EU. Sluggish economic growth in Europe will dampen European demand for U.S. exports.

### **THE MADRID SUMMIT: TRADE PERSPECTIVE ON THE "NEW TRANSATLANTIC AGENDA"**

On December 3, 1995, President Clinton met with the leaders of the European Union (Jacques Santer, President of the European Commission, and Prime Minister Felipe Gonzalez of Spain, the then Council president) to sign the so-called New Transatlantic Agenda, a blueprint for transatlantic relations. That document contains a declaration and a joint action plan for expanding and deepening U.S.-EU ties. The Action Plan, among other things, reaffirms longstanding economic commitments to building a stronger bilateral economic relationship and supporting a stronger multilateral trading system. The goal for bilateral economic and trade relations is "to take practical steps that can result in more open markets and bring closer the realization of a **New Transatlantic Marketplace**."<sup>11</sup> The Action Plan also establishes direct linkages with the Transatlantic Business Dialogue, a separate initiative (see discussion below) that will provide business input to upcoming U.S.-EU summits.

The Action Plan contains a number of recommendations, many of which were identified in the report of the Transatlantic Business Dialogue conference. The report calls for a "joint study" between the United States and the EU on ways of facilitating trade in goods and services and further reducing or eliminating tariff and non-tariff barriers. This study appears to be related to earlier proposals for a joint study on the possibility of a Transatlantic Free Trade Agreement. Such a far-reaching agreement now appears unlikely. The Joint Study is to be prepared for the June 1996 summit. Under a February 1996 agreement, the study will cover basic data on transatlantic trade and investment; identification of barriers; identification of options for improving trade; and recommendations for action.<sup>12</sup>

The Action Plan also calls for the United States and the EU jointly to pursue several new issues at the World Trade Organization (WTO), including environment and labor standards, and to establish a joint U.S.-EU working group on employment and labor-related issues.

---

<sup>11</sup> Department of State. *New Transatlantic Agenda*. Factsheet. November 30, 1995.

<sup>12</sup> Marcich, Marino. *Update on EU-U.S. Relations*. National Association of Manufacturers. Memorandum. February 23, 1996.

## TRANSATLANTIC BUSINESS DIALOGUE: CORNERSTONE OF THE NEW TRANSATLANTIC AGENDA?

In Madrid, summit leaders issued a statement in support of the Transatlantic Business Dialogue, noting that it is "an integral part of our wider efforts to strengthen our bilateral relationship."<sup>13</sup> The Madrid Action Plan incorporated a number of the joint recommendations made in Seville, and many of the other suggestions arising from that meeting will be the subject of followup discussions.

The Transatlantic Business Dialogue conference was held in Seville, Spain on November 10 and 11, 1995. The TABD is an ongoing government-sponsored initiative designed to bring the business communities on both sides of the Atlantic together to foster greater transatlantic trade and investment, including ways for the U.S. government and the EU to facilitate the process. Forty chief executive officers (CEOs) of U.S. companies and 60 European Union CEOs attended the conference. About half of the U.S. CEOs represented small- and medium-sized companies.

By almost all accounts, the Seville conference was a success. The U.S. business response, despite some initial doubts, has been enthusiastic in its support of the conference recommendations.<sup>14</sup> The Seville conference produced a detailed set of conclusions with recommendations for strengthening the framework for economic cooperation between the United States and the EU.<sup>15</sup> In its conclusions, the TABD conference called on the U.S. government and the EU "to study these documents with great care and incorporate their message into the statement from the EU-US summit meeting in Madrid..."<sup>16</sup> The TABD

---

<sup>13</sup> *Joint U.S.-EU Action Plan*, p. 25.

<sup>14</sup> For a discussion of the business response to the proposal for a TABD conference, see Congressional Research Service. *The Transatlantic Business Dialogue*. CRS Report 95-982 E, by Glennon J. Harrison. September 19, 1995. 6 p.

<sup>15</sup> Transatlantic Business Dialogue. *Transatlantic Business Dialogue Overall Conclusions*. 11 November 1995. Recommendations were set out in advance of the conference in two sets of position papers prepared by four working groups on each side. The U.S. Chamber of Commerce has prepared several publications laying out the views of its members on many of the issues that were taken up by the TABD. U.S. Chamber of Commerce. *The Future of Transatlantic Trade Relations: A U.S. Business Perspective*. Background Papers and Recommendations for the Transatlantic Business Dialogue Conference. Washington, DC: 1995; *U.S. Chamber Assessments: Transatlantic Business Dialogue Conclusions*. Washington: November, 1995 and *Did Madrid Measure Up? Transatlantic Business Dialogue Recommendations and the U.S.-EU Action Plan*. Washington: December 1995.

<sup>16</sup> *Ibid.*, p. 3.

conference conclusions were partially incorporated into the joint statements issued by the U.S. government and the EU at the Madrid Summit.<sup>17</sup>

Eight working groups (four in the United States and four in Europe) were convened to prepare reports to be presented at the Seville conference on one of four issues: (1) standards, certification and regulatory policy; (2) trade liberalization; (3) investment; and (4) third-country issues. Each working group issued a set of recommendations agreeable to both sides. The business leaders in Seville recognized that the TABD initiative is "only one element in a larger dialogue, and that the Trans-Atlantic marketplace can only flourish against the background of a vigorous and whole-hearted political cooperation based on mutual respect and trust."<sup>18</sup> A summary of the recommendations of each of the four groups follows.<sup>19</sup>

### **STANDARDS ISSUES AND REGULATORY POLICY (GROUP 1)**

Group 1 recommended that full and complete mutual recognition agreements be concluded between the United States and the EU for medical devices, telecommunications terminal equipment, information technology products, electrical equipment, and new drugs by January 1, 1997. To reduce the regulatory burden on industry, the group recommended the ultimate aim of common and open standards. The goal should be '*tested once, approved everywhere.*' The standards-setting process should be guided by the principles of transparency, participation, timeliness and nondiscrimination. Common, internationally accepted standards should be adopted and environmental regulations should not operate as a form of disguised "local preference vehicle." It suggested that a transatlantic advisory committee be created to identify and eliminate different functional requirements and to monitor progress in achieving reform. U.S. and European political leaders should make a long-term commitment to make concrete reforms in the standards area at the Madrid Summit.

### **TRADE LIBERALIZATION (GROUP 2)**

Group 2 affirmed that the EU and the United States should maintain a joint commitment to the multilateral process and to establish the WTO on a

---

<sup>17</sup> *The New Transatlantic Agenda and Joint U.S.-EU Action Plan*. The TABD Conclusions were substantially more comprehensive than the summit declarations, but that appears to have been intentional rather than a deliberate attempt to ignore detailed recommendations by the authors of the TABD report. In January 1996, the European Commission published the TABD conclusions with cross-references to the New Transatlantic Agenda.

<sup>18</sup> Transatlantic Business Dialogue. *Overall Conclusions*. Seville, Spain. November 10-11, 1995. p. 1.

<sup>19</sup> The summary is based on the TABD Overall Conclusions document, as well as Ambassador Stuart Eizenstat's summary of those conclusions that he presented to the U.S. Chamber of Commerce. Ambassador Eizenstat's remarks are summarized in: Heier, Stephanie. *Summary of November 13 [Europe] Task Force Meeting*. Memorandum of November 15, 1995.

solid basis. The group also endorsed sectoral negotiations to accelerate the application of Uruguay Round tariff cuts and to consider additional cuts or elimination of duties in certain sectors. The proposed Information Technology Agreement should be concluded by December 1996. (The Joint U.S.-EU Action Plan calls for implementing this agreement by the year 2000 but does not set a date for reaching an agreement). This agreement would reduce to zero all tariffs on information technology (coverage, however, will be subject to negotiation) by January 1, 2000 or sooner.<sup>20</sup> The group also made a series of recommendations on competition policy, customs administration, product liability, transatlantic transportation services, government procurement, intellectual property rights, and access and eligibility for participation in research and development programs. The group also proposed a new annual joint U.S.-EU report identifying priorities for trade liberalization.

### **INVESTMENT (GROUP 3)**

Group 3 recommended that the United States and EU (or its member states) conclude a Multilateral Agreement on Investment (MAI) that embodies the highest standards for liberalization and investment protection. The agreement should be extended multilaterally as quickly as possible to the widest number of countries. The group also recommended that a statement be issued at the Madrid summit expressing a shared commitment to open investment regimes. The group also made a number of recommendations on investment-related issues that are not directly related to the multilateral agreement on investment, including taxation, monetary stability, access to government-funded civilian research and development, public procurement, movement of people, national security exceptions, and monetary stability. The United States also achieved an important breakthrough with an agreement by working group participants that the 1994 OECD Recommendations on Bribery in International Transactions should be fully implemented.<sup>21</sup>

### **THIRD-COUNTRY ISSUES (GROUP 4)**

Group 4 made a series of recommendations about a U.S. and EU agenda for trade liberalization vis-a-vis third countries. Recommendations were agreed to on a series of issues ranging from government procurement, international customs standards, intellectual property rights, corruption and bribery, export controls, competition policy, human rights and labor protection, and trade and the environment. With respect to the accession of new members (China and Russia) to the WTO, the group recommended that membership should be on

---

<sup>20</sup> European Commission. *Preliminary Comments by Commission Services on the Overall Conclusions of the Transatlantic Business Dialogue*. Brussels. January 18, 1996.

<sup>21</sup> In May 1994, the OECD adopted the Recommendation on Bribery in International Business Transactions. This recommendation supports the elimination of bribery not only for moral reasons but also for more equal competitive conditions in world trade and investment. See U.S. International Trade Commission. *The Year in Trade, 1994*. 46th Report. USITC Publication 2894. July 1995. p. 63.

commercially viable terms and should respect the rules and principles of the WTO on all matters.

### **TABD: WHAT NEXT?**

The Transatlantic Business Dialogue will continue through 1996. Steering committees met in February 1996 to establish a joint process for managing the follow-up to the Seville recommendations. The recommendations have been organized into fifteen issue groups: standards, certification and regulatory policy; WTO implementation and expansion; trade liberalization; Information Technology Agreement; government procurement; intellectual property; tax issues; export controls; customs issues; transportation; international business practices (corruption and bribery); small and medium-sized enterprises; investment and R&D; product liability; and competition policy. Another steering committee meeting is planned for May 1996. That meeting, which is described as a "stock-taking meeting," will prepare input for the June U.S.-EU summit. A second TABD conference will be held in November 1996 in Boston.<sup>22</sup>

### **CONCLUSION**

The relationship between the United States and the European Union is of importance to the Congress for economic as well as for political and security reasons. The relationship is characterized by strong bilateral economic ties, similar bilateral and multilateral economic agendas, and a high level of economic interdependency. While the relationship between the United States and the EU is quite strong, the principal aims of the New Transatlantic Agenda are to prevent drift and to solve some of the problems that create friction. The NTA also places U.S.-EU relations within a broader regional context that roughly parallels U.S. relationships with APEC and NAFTA countries.

Regionalism is usually viewed as a way of improving U.S. trade performance and of increasing U.S. access to foreign markets. In recent years, APEC and NAFTA have received much more attention than the EU. The United States is working toward the creation of free trade areas with the countries of the Western Hemisphere and the Asian Pacific. Europeans, who have already built the largest and most highly integrated economic bloc, have promoted the idea of closer economic integration with the United States as a way of preventing the formation of antagonistic trade or economic blocs.

Perhaps because the European Union and, to a great extent, the U.S. are so open to trade and investment, the idea of forming a free trade area between the United States and the EU has met with considerable resistance. The EU's unwillingness to negotiate over its Common Agricultural Policy (CAP) and audiovisual policy (and closely related cultural protectionism) are major

---

<sup>22</sup> Marcich, pp. 4-5; Heier, Stephanie. *Final List of Task Force Priorities and TABD Update*. U.S. Chamber of Commerce. Memorandum. February 29, 1996.

impediments to an FTA. And some economists have worried that a free trade agreement that does not substantially cover all sectors could impede efforts to strengthen multilateral trade disciplines under the WTO.<sup>23</sup> At present, the idea of forming a free trade area between the United States and the European Union appears to be dead.

The New Transatlantic Agenda is an evolutionary outgrowth of the 1990 Transatlantic Declaration. If successful, the United States and the EU will strengthen their relationship and find new means for cooperation. The Joint Action Plan identifies a number of concrete steps that, if taken, could potentially benefit both sides. The NTA also endorsed the Transatlantic Business Dialogue, a process that now appears to have substantial business support. Governments on both sides of the Atlantic have encouraged business to work together to find answers on trade and investment issues (particularly the reduction of tariff and non-tariff barriers). Finally, the NTA and the TABD will promote common approaches to multilateral trade issues (including investment, competition, labor, and environmental policies). The NTA and TABD are both incremental and this may, in fact, be the best prospect at this time for building a closer relationship.

---

<sup>23</sup> Schott, Jeffrey J. "Reflections on TAFTA." Unpublished paper. September 19, 1995. In the long term, sharp differences in approaches to regulation may make coordination, or even a free trade agreement, much more difficult. For an analysis of this issue, see Congressional Research Service. *A New Transatlantic Initiative? U.S.-EU Economic Relations in the Mid-1990s*. CRS Report 95-983 E, by Glennon J. Harrison. September 15, 1995. 22 p.