
Is the Transatlantic Economic Dialogue beside the Point?

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Abstract

Transatlantic trade and investments are intense and the two economies narrowly interlinked. Yet the Transatlantic Economic Dialogue built since the end of the Cold War, through regular summit meetings of the US President and the EU Presidencies, seems to be running out of steam and fails to mobilize public opinions and their elected representatives.

The 1990 Transatlantic Declaration and the 1995 « New Transatlantic Agenda » created a complex institutional architecture for dialogue, associating civil societies representatives. The aim of this architecture was to seal, through the economy, the strategic alliance between the EU and the US, to strengthen the community of values, and deepen economic exchanges between the two sides, to cooperate for the better prosperity of an open world economy, ruled within the multilateral trading system.

Trade policy has rapidly borne a central responsibility within this global partnership. However, the dream of a “Transatlantic Community” rooted in free trade and regulatory convergence, has, so far, proved a dead-end. Cancun may indeed have shed light on the intrinsic flaws of Transatlantic cooperation and their impact on the multilateral system. The Economic Partnership could not oppose the continental drift. During the last decade, the divergence of economic growth models contributed to staggering the cooperation and intensifying trade disputes which de facto have monopolized the Transatlantic Agenda.

These disputes are still overshadowing the agenda as illustrated by the fact that the UE is still contemplating trade sanctions against the United States. The Bush Administration has shown itself as a “selective multilateralist” and it does not hesitate to use protectionist instruments. The euro/dollar parity is also under threat. These factors could lead the Transatlantic Relations to enter into significant turbulence that would affect both the partners and the world economy.

Against this background, various proposals have been tabled in favor of restoring the Economic Partnership, including by relaunching the project of a Free-Trade Agreement between the two shores.

Restoring the Partnership is certainly very necessary. Nonetheless, the major obstacles impeding a bilateral free-trade agreement look intact for the day. Updating the Transatlantic Economic Dialogue may require to step back to its original inspiration of the 1995 agenda, focused on joint responsibility in the world economy, instead of searching the “grand soir” of transatlantic free trade or the regulatory “big-bang” that would harmonize the two systems. Such an endeavor should focus on the ways and means of fostering a pragmatic dialogue on key global economic topics that today are subjects of shared concerns but rival strategies: the participation of central banks to a monetary dialogue, after the successful launch of the Euro; integrating developing countries into the world economy; adverse impacts of globalization on domestic employment and labor standards are the controversial, yet indispensable, subjects of a partnership living up to its ambition by coming back to the point.

The economic relation is good but the Transatlantic Dialogue feels rather bad

Considering the fundamental economics evolution of the last ten years, the state of the economic relations between the United States and the European Union is good.

Beyond the trade conflicts, inevitable in any intense bilateral relation, some rough estimates help to objectively catch the global picture. The Transatlantic relation is ranking first in the world for trade and investment. Overall bilateral trade exceed 600 billions of Euros. Bilateral exports of goods represent 20% to 25% of each partner's annual exports, and bilateral trade in services trade more than 40%.

Crossed direct investments dramatically increased during the 1990's, fed by large mergers operations. In 1999, 52% of EU extra-European investment stocks were located in the US and 45% of American cumulated FDI were in the EU. In 2001, European FDI in the US accounted for 871 billions of Euros and American FDI in Europe neared 630 billions. This investment relation even supercedes the trade relation: in a recently released study, the British Treasury¹ observes that the sales of EU subsidiaries in the US and US subsidiaries in Europe represent three to four times the total of bilateral imports. Theses subsidiaries also generate 20% to 30% of bilateral trade flows.

Yet the state of the Transatlantic trade and economic dialogue today looks worse than ever. Three months before Cancun, the trade deliverables of the last EU/ US Summit were limited to the announcement of a negotiation on air transportation services, signing of a Mutual Recognition Agreement on maritime safety equipment, and the resumption of Spanish clementines exports to the US. Three months after Cancun, the lifting of the US protectionist safeguard on steel, which had been condemned in 2003 at the WTO, avoided important EU trade sanctions. Nevertheless, other sanctions threats are looming up for Spring 2004.

Cancun may have shed light on the breakdown of the Economic Partnership elaborated since the end of the Cold War. The dream of a "Transatlantic Economic

¹ « Enhancing Economic Cooperation between the EU and the Americas », Center for Economic Policy Research, May 2003, <www.hm-treasury.gov.uk>.

Community” has probably long-lived. The relation may enter into turbulence that would affect both its partners and the world economy.

Has the Transatlantic Economic Dialogue become beside the point? Several voices recently tabled this very question. The British Chancellor of the Exchequer and his American counterpart, Treasury Secretary John Snow, sized the opportunity of President Bush’s visit to London to revive the idea of a free trade project between the two shores². Closely on their heels, Grant Aldonas³, US Under-Secretary for Commerce, laid a case for relaunching the Transatlantic Partnership. Dr. C. Fred Bergsten, a US economist⁴, and the German Secretary of State for Finances, Caio Koch-Weser, recently released a stimulating joint proposal for the creation of a “G2” transatlantic economic caucus⁵. As a running candidate in the Democrat presidential primary, General W. Clark declared that, if elected President, his first international priority would be to initiate a “New Transatlantic Charter”. He added that beyond its central security themes, the charter should include a “second chapter”, establishing a “new contract » between Europe and the United States, for cooperation and sharing of global responsibilities in the international community⁶.

Are these credible options? What are the alternatives? At least these recent proposals indicate that the Transatlantic Economic Partnership deserves new thinking, in the light of its historical foundations and global responsibilities, to promote shared prosperity within an open world economic system.

1. The dream of a Transatlantic Community: Sealing the Alliance with Trade

During the 1990s, trade policy has been in charge of a central responsibility in anchoring together the EU and the US, in the post Cold War era. The 1990 Transatlantic Declaration reasserted the community of values and the foundations of the partnership created since World War II. It created a complex architecture of institutional dialogue. This new dynamic was deepened by the “New Transatlantic

² AFP, « Britain, US pledge to reduce transatlantic trade barriers », 24 November 2003.

³ Address to the Transatlantic Center of the German Marshall Fund, Brussels, November 2003.

⁴ Director of the Institute for International Economics, Washington DC

⁵ « Restoring the Transatlantic Alliance », *Financial Times*, 6 October 2003

⁶ Wesley K. Clark, « Remarks on Restoring America's Alliances », Council on Foreign Relations, New York, NY, 20 November 2003, <<http://clark04.com/speeches/012/>>.

Agenda” of 1995 and the “Transatlantic Economic Partnership” of 1998, which gave the economic dialogue the key responsibility of achieving the concrete alliance between the two continents. Four main reasons help explain such a rise of the economic and commercial pillar, within the relationship.

- *The post Cold War context*

On the positive side, the end of the Cold War and the disappearance of the common enemy led to a weakening of the security stakes in the transatlantic relation and opened prospects for cashing the “peace dividends”, budgetary and then economical, through trade and investment. On the negative side, the weakening of the security link brought the fear of a continental drift, in particular to the European and American politicians belonging to the generation that knew World War II. For them, the transatlantic anchor was the main guaranty of global peace and stability. In this context, the Transatlantic Declaration of 1990 basically reasserted the fundamental ties uniting the two shores, and their shared commitment toward the open world economic system built since the GATT and Bretton Woods agreements.

- *The trade policy bias in the EU institutional architecture*

Trade policy lies at the historical heart of the European building – creation of a common market – and at the center of the diplomatic action of the Community. In this field, a full competence of the Community, the European Commission is exclusively competent to negotiate and represent the EU externally, currently within the rule-making framework of the Nice treaty’s article 133. Thus, any EU virtual leadership in international affairs is biased in favor of trade policy, compared to other policies which are ruled by an exclusive or shared competence of the member states. In trade matters the European “telephone number” that Henry Kissinger so famously searched once, does actually exist: today it’s Pascal Lamy’s.

Hence, the Commission has consistently tried to make double use of its external competence in driving the effort of the European economic integration. First, by using external constraint to influence the unification and reform of the EU internal market, in an iterative manner: “The Common Agriculture Policy (CAP) is the chicken, the WTO is the egg”, as Pascal Lamy would put it. Second, the Commission tried to conquer,

beyond strictly commercial matters, a space for external political representation of the Union, through elaborating global strategies of regional and bilateral dialogues, linking political consultations, economic negotiations, and the promotion of social and cultural exchanges. The institutional bias of the European architecture, favoring trade policy, naturally helped to make it the heart of the new Transatlantic Dialogue.

- *The British vision*

Promotion of trade policy as a tool for cementing the Transatlantic Alliance and guarantying the EU economic openness, was actively supported by the UK. The strongest push was developed under the influence of Commissioner Brittan, who proposed twice, in 1995 and 1998, the negotiation of a global Transatlantic Economic Agreement (“New Transatlantic Marketplace Agreement”). The NTMA aimed at three objectives: liberalizing bilateral trade, ensuring convergence of the regulatory models and promoting the multilateral system. In this vision, the Transatlantic Partnership was also seen as an instrument for balancing, within the EU itself, the traditional “continental” approach of EU building (European integration based on developing common policies) and the British and Northern countries approach (Europe as a mere free-trade area). The development of some sort of “Transatlantic Acquis” would balance the “Acquis Communautaire”.

- *Strategic back-thoughts*

For symmetrical reasons, each of the Transatlantic Partners had to fear the trade power of the other. Both were thus motivated in trying to channel it into a bilateral dialogue, while controlling it through the multilateral rules system.

Since the origin, the US had supported the two endeavors of creating a multilateral economic system, under the auspices of the GATT, and of unifying the European economy, through the OECD, the European Coal and Steel Community (ECSC) and the Treaty of Rome. Meanwhile, the United States always acted to maintain an equilibrium and complementarity between these two major enterprises in the construction of the world economic order. America’s aim was to support European integration through the Transatlantic Alliance, while making sure that the EU economy potential “fortress” was kept open. From there stems the usefulness of

multilateral trade rounds combined with each key step of the European construction: the Kennedy Round came along the conclusion of the Treaty of Rome, the Uruguay Round with the “Acte Unique”, the project of a “millennium round” (eventually turned into to the Doha Development Agenda) responded to the creation of the Euro and the prospect of EU’s eastward enlargement. This fear of a “fortress EU” also partly motivated the US undertaking of new free-trade regional projects: Asia and the Pacific grouping within APEC’s under the Bogor declaration objectives (1994)⁷, Northern America uniting in NAFTA (1994), and the American continent undertaking its own integration in an hemispheric free trade agreement (Summit of Miami, 1994).

The EU, structurally weaker than the US Federation in the bilateral dialogue because of its incomplete external competence and the subtle complexity of its rule making, has been equally willing to strengthen the multilateral system, to control for the risks of American unilateralism by framing it in a set of stringent multilateral rules. Another motivation of the EU was the backfiring fear of being economically marginalized in the regions where the Americans were promoting free trade projects.

Those strategic underpinnings combined to give birth to the new architecture of the Transatlantic Dialogue, created since 1990, which mainly asserted itself in the economic field after 1995, in pursuing two goals: cooperation – sometimes even called “co-leadership” – for promoting multilateral liberalization within the WTO, and reduction of bilateral trade barriers between the two major world economies.

- *Trade policy at the center of the Transatlantic Dialogue*

A complex institutional architecture was developed over the decade. The Transatlantic Declaration of 1990 set up political consultations : two annual summits⁸, bi-annual ministerial meetings and ad hoc consultations. The 1995 New Transatlantic Agenda (NTA) and EU-US “joint action plan” precised the objectives, created a

⁷ Created at the Canberra Summit of 1989, the Asia Pacific Economic Cooperation (APEC) includes today the US, Canada, Australia, New-Zealand, China and Taiwan, Japan, Korea, Mexico, Chile, Peru, Viet-Nam, Russia and ASEAN founding members. It represents 40% of World Trade. The organization adopted in the Bogor Summit of 1994 a goal of free trade in 2010 for its developed members and 2020 for developing members. The process for liberalizing has been declared voluntary, on a Most Favored Nation basis, which in practice does not really anticipate on WTO commitments.

⁸ Gathering the US President, the Presidents of the EU Commission and Council, Foreign Ministers, EU Commissioners for Trade and External Relations.

“Senior Level Group” gathering undersecretaries⁹ and a “task force” responsible for implementing the action plan. The “Transatlantic Economic Partnership” (TEP) of 1998 set up 10 working groups and a senior level administration steering committee. Subsequently were added civil society “dialogues”: a Transatlantic Business Dialogue (TABD), a Transatlantic Consumers Dialogue (TACD), a Transatlantic Environment Dialogue (TAED), a Transatlantic Labor Dialogue (TALD), a Transatlantic Legislators’ Dialogue (TALD) and a set of specific structures of cooperation managing sectorial agreements (customs, competition...).

The NTA’s ambition was to consolidate the community of values by organizing a global dialogue. However, trade and economic issues had the essential part, reflected both in their importance amongst the concrete objectives assigned to the institutional architecture, and the dominant role granted to the business people of the TABD that was, initially, the first and single civil society dialogue making recommendations to the governments. Hence, the TABD has been the only really dynamic dialogue, benefiting of the means of its wealthy members, before losing motivation in view of a poor governmental record in implementing its recommendations.

Time going on, the institutional structure actually proved heavy, under productive and increasingly unattractive for political authorities, as shown by the very short effective presence of the US President during the Summit meetings, and the reduction to only one annual meeting (instead of the two initially planned to match the 6 month rotation of EU Presidencies).

2. The Continental Drift: The Transatlantic Economic Dialogue Is Being Tested

The Transatlantic Economic Dialogue had been assigned two great missions: seal the bilateral alliance and promote the openness of the world economy. Its actual achievements are weak. The diverging evolutions of the two partners contributed to breaking the momentum

⁹ Trade, External Relations.

- *Challenge #1: the dead-ends of bilateral liberalization*

The strategy for anchoring together the two economies relied upon four goals: consolidating the community of values, reducing trade barriers, encouraging regulatory convergence, keeping disputes under control.

Diverging economic models

The 1990 decade acknowledged new divergences between EU's and US's strategies and growth models, giving birth to new causes for tensions in the community of values. While Europe was confronting the cost of German reunification and coping with the effort of economic convergence required for the creation of its single currency, it found itself competing with the rebirth of "Corporate America". The Clinton era marked the return of America's self-confidence in the virtues of its economic model, which had temporarily been lost during the confrontation with the Japanese industrial model over the 80's. The Transatlantic Dialogue thus faced the uncoupling of the two economies' performances.

First on the growth front: from 1990 to 2002, the average annual growth rate of the Euro-zone (1.9%) reached only two thirds of the US rate (2.8%). The difference seems essentially linked to the growth of the population, as is shown by equal performances in the growth of GDP per capita over the period (1.6% in both cases), partly resulting from a divergence of attitude toward immigration. The uncoupling is much clearer on investment indicators: between 1990 and 2001, the investment rate of the Euro-zone decreased from 22.7% to 20.9% of GDP, while the US rate progressed from 17.4% up to 20.2%. Looking at innovation, R&D spending accounted for 2.6% of American GDP, against 1.9% for the Euro-zone, between 1996 and 2000. The number of personal computers per residents in the US represented more than twice the EU figure by the end of 2002, in spite of a European catching up trend by the end of the previous decade.

Growth and investment differential between the US and the EU came with a dramatic rise of the US trade deficit, which triggered a current account deficit soaring from 1% to 5% of GDP between 1990 and 2003. The US trade deficit altogether increased vis a vis Europe.

Looking at those facts, many US officials and executives progressively adopted a critical vision of Europe : encrusted in its social-democrat comfort and its rigid labor-market, incapable of growing, and eventually unable to share with the United States the burden of global economic responsibilities, in particular through absorbing more exports from emerging countries. Resenting the gap of performances, a lot of Europeans then looked at this America preparing for the 21st century, with the critical gaze that Matthew Arnolds laid upon his own 19th century's England. Matthew Arnold regretted the domination of the "Philistines", the liberal and industrial middle-class promoting a society without "Culture"¹⁰. These crossed visions remarkably crystallized at the G7 Summit in Denver (1997): the European heads of states and governments did not very much appreciate the atmosphere of triumphant US economic lectures¹¹, and history does not tell about their use of the cow-boy boots that Bill Clinton offered to them.

Bearing first responsibility in the Transatlantic Dialogue, trade policy proved incapable of countering these causes of continental drift. Its two main projects, the creation of a free-trade area and the convergence between regulatory models, basically failed to deliver. Hence, the residual mission left to the Dialogue was managing the disputes arising from the new diverging trends of both economies.

The impossible free-trade zone

Cementing the alliance through achieving an overall elimination of trade and investment barriers, was the heart of the Transatlantic Economic Project. The idea of a " New Transatlantic Marketplace Agreement" (NTMA) has been twice proposed by the European Commission¹², under the leadership of Sir Brittan, then Vice-President and Commissioner for Trade. It was also twice rejected, principally by France.

¹⁰ Matthew Arnold wrote « The people who believe most that our greatness and welfare are proved by our being very rich, and who most give their life and thoughts to becoming rich, are just the very people whom we call the Philistines. Culture says: "consider these people, then their way of life, their habits, their manners, the very tones of their voice; look at them attentively; observe the literature they read, the things which give them pleasure, the words which come forth out of their mouths, the thoughts which make the furniture of their minds; would any amount of wealth be worth having with the condition that one was to become just like these people by having it?" in "Culture and Anarchy", edited by Samuel Lipman – Yale University Press- 1994

¹¹ Impressions of the Denver Summit by Sir Nicholas Bayne,
<http://www.library.utoronto.ca/g7/evaluations/1997denver/impression/partic.htm>

¹² See Communication from the Commission on the « New Transatlantic Market Place » (NTMA) - Sir Leon Brittan, Mr. Bangemann and Mr. Monti - 11 March 1998- <http://www.eurunion.org/partner/ntm/contents.htm>

The reasons for this failure were not rooted in a principled political opposition. They resulted from the impossibility of agreeing upon a negotiating agenda that would offer real prospects for mutually beneficial progress on topics of vital interest for each partner.

Negotiating on agriculture was the key expectation of the US Congress, but Europe could not meet it since the interests of American and European exporters remained far too asymmetrical and structural differences opposed their respective agricultural subsidies regimes. Conversely, because of Congress, the United States could not seriously negotiate on industrial market access for the elimination of tariff peaks (textile – clothing – shoes), or for disciplines on the trade defense instruments (antidumping, countervailing duties). Yet, the average tariffs being already very low on both sides (3% USA and 4% UE), tackling those two issues determined the room for substantive progress on market access.

The services sectors offered more opportunities but were basically conditioned by the adoption of major domestic reforms : EU's domestic liberalization of energy and telecom markets, adoption of an EU wide mandate for air transport negotiations, US's reform of financial services (in particular the compartmentalization of Bank and Insurance activities¹³, the lack of Federal Insurance Regulation, the monopoly in maritime transports). Services negotiation also raised a major political obstacle due to the continuous opposition of France to any inclusion of the audiovisual sector. Investment was also a very substantial negotiating chapter, but the failure of the Multilateral Agreement on Investment (M.A.I) negotiations in the OECD (1998) showed major political difficulties on both sides of the Atlantic¹⁴.

Eventually, very little room for maneuver existed on intellectual property regimes, be it on patents¹⁵, copyrights, or the thorny issue of Geographical Indications, all very sensitive issues on both sides of the ocean.

¹³ See the « Executive Life » case

¹⁴ Leon Brittan's project was broadly aligned with the OECD project of Multilateral Agreement on Investment (MAI), itself inspired from the Investment Chapter of the NAFTA. Yet the MAI stirred profound oppositions between the US and the UE: on a regional integration clause, on expropriation definition, on an "investor-to-state" dispute settlement mechanism, on the "cultural exception". Within the US, the MAI project raised political opposition from some States and the US had technically released hundreds of pages in their initial offer of a "negative list" bearing exceptions to the proposed investment liberalization regime.

¹⁵ Opposition on the conditions for entering into force of the protection and proof of anteriority: « first to file » under the European regime and « first to invent » in the US

The hardship of regulatory convergence

Loosing sights of a free-trade agreement, the Transatlantic Economic Dialogue could still concentrate on trade facilitation subjects (customs procedures, electronic tendering...) and regulatory cooperation. These matters imply convergence between regulations and conformity procedures for product standardization, to minimize duplication of transaction costs imposed on businesses.

Regulatory convergence thus was a full block of Leon Brittan's New Transatlantic Marketplace Agreement proposal and even one of its most ambitious components : it foresaw systematic bilateral consultation, at every stage of rules drafting, and a bilateral dispute settlement mechanism. Still today, regulatory convergence remains a key issue in the thinking of the British Government on transatlantic trade¹⁶. Actually, it is the only topic that survived the watering-down of the original NTMA proposal in the Transatlantic Economic Partnership adopted in 1998.

The objective of a unified regulatory regime, imposing only "one standard, one test, one certification" in the transatlantic trade, was dearest to the business community of the TABD. It remains the most relevant field to effectively promote the economic relation. Actually, the only concrete results achieved by the Transatlantic Dialogue have been recorded on this ground. A framework for mutual recognition agreements (MRA) was adopted in 1998, and in 2002 the "Positive Economic Agenda" (PEA) listed sectorial topics of cooperation between regulatory authorities.

However the regulatory convergence effort is slow and thankless since as it is bumping into major obstacles.

The first one results from institutional asymmetries. On one side, the EU Commission can legitimately claim the two hats of negotiator and regulator – in spite of practical coordination problems between its various Directorates –, but it is not the case for the US trade negotiator: he must drag the independent regulatory agencies into the negotiating process, such as the Food and Drug Administration or the Federal Communication commission. Yet, these agencies statutorily respond to the US Congress and not to the President, and neither their public service mandates, nor

¹⁶ « The political economy of the transatlantic partnership » by the European University Institute, May 2003
http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2003/press_64_03.cfm#enhance

their budgets, usually provide enough for international cooperation. It is hard to mobilize these agencies into negotiating with Europe on regulatory cooperation.

The second obstacle is rooted in the very nature of regulatory cooperation: the stakes covered by public standards and norms often lie at the very heart of political responsibility and sovereignty¹⁷: consumer's safety and privacy protection, business governance, investor's protection, prevention of technological risks, environment management. The difficulty of dealing with such sensitive issues tends to drive the negotiations toward less sensitive or controversial topics, usually very technical and unattractive as certificates of conformity may be. From there stems the inability of regulatory cooperation to raise interest in the public opinions and to mobilize the political capital necessary to achieve concrete results, by overcoming bureaucratic and institutional antagonisms.

The painful job of keeping disputes under control

No free trade negotiations and no hopes of quick progress in regulatory convergence. The Transatlantic Economic Dialogue is residually trying to manage daily tensions that can degenerate into trade war. However the drifting apart of Europeans and Americans during the 90's, has translated into new disputes, overloading the trade policy agenda. Managing the disputes has monopolized most of the political capital and has become a full-time job for negotiators.

First, the trade policy faced the challenges of the new US diplomatic and security agenda. After the Cold War this agenda increasingly translated political options into economic sanctions adopted by the Congress. The two Atlantic shores primarily diverged on their arbitrage between containment and engagement strategies vis a vis the so-called "rogue states", in the new lexicon of the State Department. Emblematic cases of these politically motivated trade sanctions have been the Iran Liberation and Security Act (ILSA) prohibiting investments in the Iranian oil sector, the Helms-Burton Law sanctioning foreigners investing in properties despoiled by the Cuban regime, and the public procurement exclusions decided by several state (Massachusetts first)

¹⁷ The will to preserve an intact regulatory autonomy of the Commission, confronted with the perspective of granting an indirect US influence in the EU council's deliberation has represented a major motive for rejection by France of the 1998 NTMA proposal. Same rationale underlies the case that France brought in 2002 to the

against companies operating in Burma. Most of the energy of the transatlantic dialogue has been absorbed by the design of solutions to avoid gearing into trade wars. Indeed, diplomatic talent has been there: the main agreement effectively protecting today the European companies against the Helms-Burton Law, never actually entered into force due its non ratification by the US Congress.

Second, some major market regulation issues turned confrontational, especially in the two sectors where the US had gained a leading advance: information technology and biotechnology. Fundamental oppositions between the values and the regulatory systems of the two sides were shown by the public opinions' respective reactions to these innovations. The European approach, which favored the precautionary principle and preventive regulations for data privacy protection on the internet or the marketing of Genetically Modified Organisms (GMO), confronted the American faith in the preventive efficiency of corporate civil liability and market self-regulation. The trade dialogue was asked to solve the arising conflicts.

Another threat of trade war resulted from the Boeing-Mc Donnell Douglas merger. It stressed divergences in the competition policies rationales: when authorizing the merger, the US authorities primarily weighted the final consumer's interest, while the EU attached greater importance to a diversified supply structure and imposed conditions¹⁸.

At the end of the day, there are reasons for pessimism and optimism in the appraising of the bilateral trade dialogue. Pessimism if one considers that the dialogue failed to deliver any agreements living up to its original ambitions. Optimism may be found in considering that the bilateral trade disputes have been, at large, correctly managed : the heat over great disputes (bananas, hormones, steel, Foreign Sales Corporations) have not significantly altered the business's perception of the security and of the predictable nature of the relation, nor slowed down trade and investment flows.

Still, one may wonder if Europe has not continuously borne the bulk of the concessions needed for cooling down the dialogue and moderating the US partner. The EU management of trade sanction threats has been politically moderated and

European Court of Justice against the « regulatory cooperation guidelines» concluded by the Commission and the USTR in the framework of the “Positive Economic Agenda”.

¹⁸ In particular cancellation of exclusive supply agreements concluded by Boeing with many airlines companies.

strictly legalistic. This attitude was somehow contrasting with the enthusiasm of the US administration for adopting “carousel” sanctions against Europe, without waiting for final clearance of the WTO dispute settlement body, in the banana and hormone cases. Yet it is true that the US perceived themselves as having been extremely patients waiting for Europe moves in these two cases.

- *Challenge # 2: the ambiguities of the multilateral strategy*

Cooperation for promoting the multilateral trade system is the second great mission assigned to the Transatlantic Economic Dialogue. Yet, beyond their strategic back-thoughts (*cf.* 1), the partners’ shared vision of the WTO trade agenda bears substantial ambiguities: until Cancun, these ambiguities probably masked an evolution of America’s commitment to the multilateral trade system.

The US did not initially favor the idea of a new round, even less a global round as was launched in Doha. In their vision, the WTO succeeded to the GATT by putting an end to the era of the “rounds” that characterized the former system. WTO was to be a permanent negotiating forum: superposition of sectorial negotiations¹⁹, each one driven at its own pace, was to be the new negotiating methodology. The New Transatlantic Agenda (NTA) echoed this approach in a list of sectorial WTO priorities²⁰. The restarting of agriculture and services negotiations in 2000²¹, previously planned at the conclusion of the Uruguay Round, naturally squeezed into the scheme.

Conversely, the EU rapidly realized that sector negotiations in the WTO would put it at a disadvantage. The EU feared negotiating in the agricultural sector alone, since its defensive posture impaired hopes for balanced reciprocal concessions. From there stems the European idea of promoting a WTO “millennium round” based on a broad and ambitious agenda that would facilitate the making of an overall compromise, through crossed concessions between multiple sectors and negotiating topics. Under mounting pressure from agricultural lobbies, which reciprocally feared the EU blocking agriculture negotiations, the US government progressively rallied the

¹⁹ Or « rolling rounds » according to J. Schott, Institute for International Economics

²⁰ Unfinished business of the Uruguay Round, financial services liberalization, public procurements, starting of new negotiations on intellectual property rights, promotion of the « new issues » - including labor standards and the environment, etc....

idea of a broad-based round, in particular through adding industrial tariffs to the Marrakech “built-in agenda”.

Once the case for the round was agreed, then loomed a second transatlantic ambiguity. The EU vision – projecting its own experience of economic integration – considered the WTO as a possible embryo of some form of global economic government. The EU thus promoted the inclusion in the WTO agenda of negotiations of new economic rules – in particular the “Singapore issues²²”. It also wanted to balance regulation and liberalization efforts in the WTO, by including the issues of labor and environmental standards. For their part, the US favored a narrower agenda, limited to market access negotiations. But they were also supportive of including labor and environment standards, whose promotion was part of the objectives of the 1995 NTA. Indeed, environmental and labor standards had become major issues in the American trade policy domestic debate, due to increasing criticism from the NGOs and trade unions against the NAFTA (North American Free Trade Agreement).

After Seattle’s failure, partially provoked by President Clinton’s mention of possible trade sanctions in case of core labor standards violation, transatlantic ambiguities reappeared in Doha. Beside market access and development dimensions, the Doha work program acknowledged a transatlantic non-aggression pact on “rules issues” (i.e. : Singapore issues and the environment). Yet the US were not convinced by the European eagerness to promote the “Singapore issues” in the WTO. The transatlantic business communities never paid much more than lip-service to endorse them and most of the world trade negotiators saw them merely as a EU tactical stance²³.

By launching the Doha Round, the Transatlantic Dialogue had apparently overcome ambiguities and delivered a major result in the WTO. However, the early momentum masked two major evolutions in the US attitude toward the multilateral system.

The first evolution has to do with the skepticism shown by the Bush Administration about the intrinsic usefulness of the multilateral trading system. The fact that the US

²¹ « Built-in agenda » of the Marrakech agreements

²² New topic introduced in the WTO agenda at the Ministerial Conference of Singapore in 1996: trade facilitation, transparency in government procurement, investment, and competition.

generated 60% of the world economic growth between 1995 and 2002²⁴, the exceptional role of “innovating America” as an engine for world growth, and its unique responsibility as the “last resort economy”, have become self sufficient arguments to legitimize unilateralism for the protection of US interests. In trade, as in diplomacy, the “Jacksonians” seem to have taken over the “Wilsonians”²⁵ and the Bush administration prefers figuring the Americans as sons of Mars while letting the Europeans play the sons of Venus²⁶.

The Americans doubts about the usefulness of the multilateral trading system have steadily grown during the 1990's, following the endless congressional debate over the President's trade negotiating authority, the regular assessments of the WTO dispute settlement mechanism and the development of trade agreements enforcement units within the commercial administrations (USTR, Department of Commerce). Under the Bush Administration and Robert Zoellick influence, America's reluctance to comply with WTO ruling has become more manifest²⁷. The clarity of US leadership in the WTO faded, and bilateral alternatives to the WTO have been favored, as confirmed by the immediate declarations of the US negotiator after the failure of Cancun²⁸.

The second trend comes from the unashamed assertion of the US defensive commercial interests by the Republican Administration. Although it is not new that “the American Federation never hesitates toward protectionism when globalization threatens its own interests²⁹”, the Bush Administration has particularly distinguished itself, in the steel sector in 2002, the cotton sector in 2003 and, recently against garments imported from China. Over the three years 2000-2003, the number of US effective antidumping measures soared 50% over the three previous years, against a

²³ Some observers would even want to detect a “machiavellian scheme” built by Leon Brittan to rally support from France to the round – See Guy de Jonquières – « Cancun's failure threatens end to Machiavellian games » - Financial Times, 19 September 2003.

²⁴ “Flying on one engine” A survey of the world economy - The Economist, 20 September 2003

²⁵ « La nouvelle puissance américaine » - Henry Kissinger – French Edition, Fayard 2003

²⁶ « Power and weakness », Robert Kagan, Policy Review, N°113; June 2002

²⁷ Us courts still implement the 1916 antidumping law that has been condemned at the WTO; the « Havana Club » dispute for the control of the Cuban rum trademark is not solved despite condemnation of the US legislation at the WTO; the “Byrd Amendment” providing for payment to producers of collected antidumping rights has been condemned at the WTO but the US congress does not yet project repealing.

²⁸ Author of the doctrine of “competitive liberalization” combining the search of bilateral, regional and multilateral trade agreements, Mr. Zoellick clearly indicated after Cancun that he would chose negotiating partners between « can do » and « won't do ».

²⁹ Alex Kouvéje « En attendant le cycle : que faire après Seattle » - Politique Etrangère, IFRI, summer 2000

20% rise in the EU. In both cases, the majority of these measures affects chemicals and steel products.

Even more important was the Farm Bill of May 2002 (Farm Security and Rural Investment Act). It programmed a 60% increase in commodities support for the period 2002-2007 (61,3 Billion USD to 98,9 Billion USD), and a 30% increase in trade programs credits³⁰. From then on, the US have become defensive in agriculture.

Meanwhile, the EU reformed its Common Agricultural Policy (CAP) in June 2003 in a more market friendly direction. This brought the two agricultural policies closer. A joint transatlantic approach could then be concluded in the eve of Cancun : this partly defensive alliance played a very important role in the failure of the WTO conference³¹. Shortly after Cancun, the new agricultural posture of the United States was confirmed in the 8th Americas conference of trade ministers in Miami (November 16-21, 2001), which was expected to provide the impetus for conclusion of the hemispheric free-trade negotiations in 2005. Confrontation between Brazil and the US over agriculture could only be overcome through a very general and procedural declaration, lacking substantive instructions to the negotiators. At least the Miami declaration could be adopted, a result which the Cancun conference did not reach.

Thus, the Transatlantic Dialogue met an important setback at Cancun in its effort at promoting the multilateral trading system. After Cancun, the double failure of the Partnership on bilateral trade liberalization and multilateral negotiations will necessarily raise questions in the two parties, on the meaning and objectives of their dialogue. The recent proposals tabled by Gordon Brown and others for restoring the dialogue, must be understood in this context.

3. Old Couples Dilemmas: Divorce, Start it All Over Again, Reinvent the Future?

³⁰Source : CRS report for Congress, « The 2002 Farm Law at a Glance », G.S Becker, June 7,2002 - Order Code RS21233

³¹ See « Pour une relance du cycle du développement : refonder le consensus multilatéral après Cancun », Jean-Marie Paugam, IFRI, Policy Paper N°1, October 2003

Three main scenarios can be foreseen for the future of the Transatlantic Economic Partnership: do nothing, relaunch the free trade agreement project and the Doha Round, open new spaces for economic dialogue.

- *Do nothing, an option for divorce*

After ten years of efforts, the Transatlantic Dialogue seems to be running out of steam. Its only big achievement is probably that it helped controlling the trade disputes and thus secured the political environment of direct investments. This result is undoubtedly important for the economies and their people but provides a weak consolation to the negotiators: the development of economic exchanges can not be positively linked with their agreements, but stands as a by-product of the mere existence of their dialogue. The Transatlantic Dialogue has only reached a second-best optimum.

The Partnership is lacking spirit and flesh, beyond the few regulatory subjects listed in the "Positive Economic Agenda" of 2002. Feeling satisfied by the state of play would be risky.

Turbulence may first arise from a sequence of reciprocal trade sanctions sparking from the WTO disputes. The US today holds nearly 150 Millions USD of trade sanctions against the EU, since the condemnation of the latter at the WTO in the hormones beef case: although the EU recently declared it was complying with the WTO ruling, the US refused to lift the sanctions.

In November 2003, the WTO confirmed the condemnation of the US safeguard measure on steel: thanks to a last minute recall by President Bush in December 2003, 2,2 MUSD of EU trade retaliations could be avoided. The projected EU retaliations had been carefully chiseled to target the most politically sensitive states for Pdt Bush's reelection. Japan might also have joined. Should the US fail to comply with another WTO ruling against its FSC/ETI fiscal law, another set of EU retaliations could be implemented gradually, starting March 2004, up to 4,4 Billion USD of trade flow. The total of virtual sanctions in the two cases would have represented 3,3% of EU's goods imports from the US in 2002.

The superposition of several cases of US non-compliance with WTO rulings has affected the credibility of the multilateral system and reduced the European Commission political room for maneuver for proposing to the EU member-states a flexible implementation or postponing of sanctions³². In addition, several others cases won by the EU remain unsettled³³. Lastly, the US government launched a WTO panel against the European regulation for authorizing Genetically Modified Organisms (GMOs) which – whatever the results – could seriously damage transatlantic relationship.

Against a US electoral mood affected by a « creeping protectionism », recently denounced by Alan Greenspan, Chairman of the Federal Reserve³⁴, a vicious circle of crossed retaliations could severely damage the transatlantic trade, which is a channel of growth between the two zones³⁵. Yet the US Congress looks tempted by protectionism : a proposal has for instance been tabled a few month ago to exclude all foreign suppliers from the Department of Defense's domestic public procurements.

A second reason for turbulence could result from the potential trade impact of some anti-terrorist measures adopted by the US in the wake of 9-11, 2001 to control entry of goods and persons on the American territory. The "*Container Security Initiative*" requires control of procedures applied in the ports of origin of the containers, by the US Customs³⁶. The "*Passenger Name Record*" initiative imposes, under sanctions, an access to airlines' passengers registers with conditions which currently are incompatible with the EU data privacy protection regime. The "*Air Cargo Security*" plan creates new security procedures and inspection for air fret. The "*Bioterrorism Act*" imposes a heavy regime of control and certification by the Food and Drug Administration (FDA) for imported food products and production sites abroad. While these measures are obviously legitimate in principle and not negotiable by the

³² Pascal Lamy had clearly warned in Washington D.C that the "steel" sanctions would be activated. "Trade Crisis?" Washington, 4 November 2003. www.europa.eu.int/comm/commissioners/lamy/speeches

³³ cf. note 28

³⁴ « Greenspan Warns Vs. Rising Trade Barriers » AFP, 20 November 2003

³⁵ The importance of the trade channel in growth transmission is under theoretical controversy. See for instance point : « Qu'attendre d'une reprise aux Etats-Unis sur l'économie de la zone euro ? Flash N°307, CDC IXIS, 27 November 2003. Nevertheless a protectionist chain of reaction is clearly feared in transatlantic business communities as shown for instance by the statement of the American Chamber of Commerce to the EU asking for a "transatlantic peace clause" - « US and EU should talk through trade disputes before legal or WTO intervention is needed », Financial Times 26 November 2003.

³⁶ The US customs having concluded separate agreements with some member states, including France, the European Commission undertook negotiating a global framework agreement to eliminate risks of trade and

Americans after September 11, they were barely concerted with trading partners in their modalities. Hence, they might end up adding important obstacles and transaction costs for traders and thus might contribute to some closing of the US market.

The Euro-Dollar exchange rate could be the third cause feeding transatlantic frustrations. While the US trade deficit deepens, the German growth seems almost entirely pulled by exports directed for a good share out of the Euro-zone. Should it be sustained, not to say worsened, the current parity could impair German prospects for growth³⁷. In a lesser degree the same is true for France, which currently relies on a more vivid internal demand, yet has suffered a slow down of its exports since 2001.

The three factors might increase transatlantic economic tensions. Such a situation would prove dangerous in the political context created by the Iraqi war, which revealed highly flammables transatlantic opinions. French exporters and investors know it well, since they have been particularly targeted by spontaneous economic boycott movements, without any US Political authority taking too much pain to rationalize the overzealous calls of the Murdoch press and others “freedom fries” zealots³⁸. Doing nothing today for the Transatlantic Economic Partnership would be admitting the risk of a future divorce.

- *Starting all over again: from Mister Gordon to Sir Leon*

Long time standing as a transatlantic free trader, the British Chancellor Gordon Brown sized the opportunity of President Bush’s visit to London to announce, “alongside our efforts to revive the Doha trade talks”, that the US and the UK would “proceed with a major transatlantic review » of prospects for liberalizing transatlantic tariffs and non tariffs barriers. According to his estimate, the potential gains could near 100 Billion USD and a million jobs³⁹.

competition distortion between EU ports for access to the US market. After one year of negotiations an agreement has been initialed in November 2003.

³⁷ Financial Times « German GDP Data raise recovery fear », 21 November 2003 ; “L’Euro s’envole au-dessus du seuil de 1,2 dollars”, les Echos, 1^{er} décembre 2003.

³⁸ On the occasion of the Iraqi War traditionally called « French Fries » have been renamed in many American restaurants as « Freedom Fries », to scorn alleged «French cowardice”....

³⁹ Cf. note 1

While modestly introduced as a study, the proposal directly recalls the initiative of former Commissioner Brittan for a “new transatlantic marketplace”, which aborted for the second time in 1998. From Sir Leon to Mr. Gordon the idea remains very appealing to a UK willing to act as a mediator between Europe and the United States. It has also been attractive for a long time for the German economic circles. It might find new supports in Mr. Aznar’s Spain and Mr. Berlusconi’s Italy. It could prove seductive to part of the “New Europe”, should public opinions in the countries of the enlargement really assimilate “European Citizenship” with “American Way of Life”. The British-American study could timely report its conclusions, after these new EU countries have acquired full-member voting rights, on Spring 2004. Part of the EU Commission staff is favorable to Transatlantic Free-Trade and could eventually eagerly support the project, especially if the Doha negotiation continues to hibernate during the US electoral campaign. The renewal of the Commission by the end of 2004, could open a window of opportunity for relaunching the great Transatlantic Free Trade Agreement project with the next US Administration in 2005.

In fact the study of transatlantic free trade benefits has already been mostly carried out and published by the UK Treasury⁴⁰. Like its predecessors, this study logically concludes that abolishing trade barriers would lead to more trade and wealth. Therefore the problem is whether the economic situation of transatlantic partners has sufficiently evolved since 1998, to envision new prospects for free trade.

Excepting some service sectors where internal reforms have been achieved on both sides, it seems that the main “sacred cows” opposing bilateral liberalization are still there: US tariff peaks in textile and clothing, steel subsidies, agricultural tariffs and subsidies, EU cultural exception, investment restriction, national or local preferences in public procurement (“Buy American Act” type), antidumping procedures, intellectual property and geographical indications regimes... A free-trade initiative more narrowly focused on industrial market access could seem more manageable but would fail to meet GATT’s⁴¹ requirement for free-trade zones – which impose coverage of “substantially all trade”- if it excluded agricultural goods. Eventually, the project could focus on strengthening regulatory disputes prevention or settlement, building on current transatlantic cooperation mechanisms (such as the so-called

⁴⁰ See notes 2 et 16 et www.hm-treasury.gov.uk

⁴¹ Article XXIV

“early warnings” system and the “EU-US guidelines for regulatory cooperation”). Still its political credibility could be jeopardized by sovereign autonomy feelings in the EU and expected reluctance on Capitol Hill.

A political clue of these obstacles was recently provided: in the course of his State visit to London, M. Bush did not grant to his best ally, Tony Blair, the political benefit of the announcement of his decision to comply with the WTO ruling condemning his safeguard measure on steel. A technical insight confirms the permanence of the obstacles : the failure, by the end of 2003, of the long-standing transatlantic negotiation for a bilateral agreement on wines and spirits, which would trade-off a protection of EU Geographical Indications currently usurped⁴² in the US, against approval of American wine-making practices unauthorized under present EU regulation.

Hence a new transatlantic free-trade project could eventually prove more seductive than realistic. Furthermore, after the Cancun failure it could send a very negative signal from the Transatlantic Partners that would be seen as distancing themselves from the multilateral system initiative and the objectives of restarting the Doha Round.

- *Back to the future: exploring new avenues for transatlantic cooperation*

Without a new ambitious economic initiative the Transatlantic Partnership will follow its current path, built upon ambiguous cooperation in the WTO, hardships of dispute management and long-terms efforts toward regulatory cooperation: extension of the Mutual Recognition Agreement would probably remain the major bilateral undertaking. This is certainly very necessary but likely to prove insufficient to restore the political consistency of the Dialogue and convince public opinions of its usefulness.

The Transatlantic Trade Policy continues to bear a major responsibility but remains stuck into a relatively narrow vision of its own stakes, by concentrating on bilateral trade facilitation. Businesses and opinions compare its obsession for deliverables announcements to the weaknesses of its actual achievements.

⁴² For instance appellations like « Burgundy », « Chablis », « Porto »...

The Transatlantic Economic Dialogue would benefit from rising up to its original ambitions of the 1990 Declaration and the 1995 New Transatlantic Agenda. It would deserve to cope in a broader manner with the key topics where the Transatlantic Partners are expected to bear global responsibilities. The cooperation initiated in 2003 on hydrogen fuel-cells research and development to fight global warming, is a good example in this regard.

While a supporter of Transatlantic Free Trade, Henry Kissinger underlines the stakes in relaunching a global partnership: “One should not accept the risk that future generations may ask themselves why the Atlantic States have wasted their energy in abstruse identity debates *against* cooperation, when all around them fundamentals problems threatened the structure of their own societies, and that the option for cooperation remained opened⁴³”.

From this point of view the current transatlantic economic agenda is certainly more noteworthy for its silences than for its substance. Without changing the dialogue’s current structure and mandate, three important would be themes of dialogue and cooperation seem relevant today for the world economic system. Hence they should be covered in the study proposed by Gordon Brown. One can bet that they would help to revive interest in Transatlantic Summits.

- *A Transatlantic Monetary Dialogue after the creation of the Euro.*

After the advent of the Euro, it is striking that the institutions responsible for managing the two greatest currencies do not find a channel for dialogue in the Transatlantic Partnership.

Yet there are a lot of subjects for dialogue. The unbalance in the US current deficit carries a risk of sudden weakening of the Dollar against the Euro⁴⁴, and the current parity already exceeds a level that was considered an optimum (between 1 et 1,15 euro for a dollar) a few months ago. The value of the Chinese Yuan has become a major concern for the US authorities, translating into a protectionist temptation, whatever its economic relevance⁴⁵. As stressed by C. Fred Bergsten⁴⁶ a cooperative

⁴³ cf. note 27 - quote translated from French version.

⁴⁴ See « Le dollar sauvé par la neutralité ricardienne ? Flash N°310, CDC-IXIS, 1^{er} December 2003

⁴⁵ On this debate, see : « Le Yuan doit-il être réévalué ? », Lettre du CEPII N°227, October 2003 et Martin Wolf « The third world must learn to live with a wide-awake China », Financial Times 11 November 2003.

approach within the G7 is urgently needed to tackle these unbalances. In spite of current limits for such an approach within the G7, monetary matters would be worth becoming a permanent topic of the Transatlantic economic agenda. The current architecture would need no change. The 1995 NTA mandate explicitly provided for a macro-economic dialogue directed at “fostering of non-inflationary growth, the reduction of imbalances and international financial stability”⁴⁷.

Therefore, the main innovation would be to organize a direct participation of the Central Banks to the Transatlantic Dialogue, especially during Summits. Without prejudice of the ECB mandate, which does not set external parity objectives, there are two reasons for updating the Transatlantic Dialogue after the advent of the Euro. First, the international role of the Euro is increasingly established: the Euro accounted for 19% of currency transactions in 2001 – after elimination of internal transactions between former Eurozone currencies – and 30% of non residents’ debts instruments⁴⁸. Its part in Central Banks’ reserves around the world increased in 2002 from 16,4 4% to 18,7% against the Dollar (67,5% to 64,5%)⁴⁹. Second, the creation of the Euro has strengthened the interdependency of the two money markets: a recent research concludes that the launch of the European single currency has significantly increased the transmission effects of trends affecting the two markets and macro-economic datas announced in the two areas⁵⁰. Opening a direct dialogue between Central Banks and associating trade negotiators, would lay the groundwork to developing cooperative approaches within the G7. It would also enlighten the driving of trade policies toward big emerging partners, China ranking first.

- *Development Aid after Monterey and Doha*

The EU and the US are both the largest donors of public aid in volume. The EU’s aid rate (26 Billion USD, 0.33% of GDP in 2001) overshoots by far the US effort (11.4 Billion USD, 0.11% of GDP in 2001). Political foundations and operational

⁴⁶ “Should G7 policy coordination be revived?” International Economy – Fall 2003

⁴⁷ Joint EU-US Action Plan – « III. Contributing to the expansion of world trade and closer economic relations ». www.europa.eu.int/comm/external_relations/us/action_plan/3_trade_economy.htm

⁴⁸ « The Euro - a stable international currency », Pr. O. Issing, Member of the executive board of the ECB Budapest Academy of sciences, 27 February 2003. <http://www.ecb.int/key/03/sp030227.htm>

⁴⁹ IMF statistics quoted in « les réserves en euro progressent », Les échos – 28 November 2003.

⁵⁰ « Interdependance between the euro area and the US: what role for EMU? » Michael Ehrmann and Marcel Fratzscher, European Central Bank, July 2003. <http://www.ecb.int/events/conf/intforum/intforum2.htm>

approaches of Aid are very different on the two sides. Yet, the Transatlantic Partners have significant convergences. First, on the necessity of increasing aid volumes: in Monterrey (March 2002) the two big players announced an increase in their Aid effort : the EU committed to reach 0.39% of its GDP in 2006, and the US to increase their aid volume by 50%. Second, on some priorities: the EU and the US declared themselves willing to augment their trade related technical assistance to support the Doha trade negotiations. In the wake of the Evian G8 summit (June 2003), new financial means for fighting AIDS have been announced following George W. Bush's commitment to triple the US effort to 15 Billion USD over the five coming years.

The 1995 Transatlantic Agenda planned cooperation efforts in the field of Aid, yet no real concrete progress has been recorded, partly due to the absence of operational guidelines. The failure of Cancun suggests that more Transatlantic cooperation would be useful to developing Aid strategies designed to support trade liberalizing effort in developing countries. The ways and means of such a strengthened cooperation could be studied, starting with three practical issues related to the WTO agenda:

– *Fighting against AIDS*: The global epidemic continues its devastating progression⁵¹ despite the G8 mobilization and increased financial commitments from the Transatlantic Partners. More Transatlantic cooperation would be welcome to improve the efficiency of these efforts. After the deal reached in the WTO on access to generic medicines – *i.e.* “TRIPS and Health”- the Transatlantic Dialogue should develop joint approaches concerning, the supply of low-price generic drugs, the fight against fake and counterfeited treatments developing on Asian and African Markets, the cooperation between public authorities and multinational companies. The Transatlantic Business Dialogue (TABD), which gathers many multinational companies employing a workforce in the affected countries, could contribute to that⁵².

– *Trade related technical assistance*: It is considered a key issue for developing countries in the Development Round: starting a Transatlantic work program aiming at promotion – in and out of the WTO – of an efficient methodology and a sufficient volume of trade related technical assistance, would advantageously substitute to the

⁵¹ UNAIDS, November 2003

⁵² « Big Business find treatment make sense », Geoffrey Dyer, Special report business and aid, Financial Times 28 November 2003

current rivalry of « seductive efforts » engaged by the EU and the US vis a vis developing countries.

– *Differentiated trade strategies toward developing countries*: One of the main cause for the deadlock of the Doha round is the absence of WTO criteria to differentiate amongst developing countries, according to their lever of development. Excepting the least developed countries, which are being acknowledged as a specific category, the WTO law only has a “one size fit all” standard to define developing countries, thus gathering in the same category as different countries as Brazil, China, India, Cameroon and Ivory Coast. Neither the EU nor the US are willing to grant the same trade concessions to the poorest countries and to the big emerging ones, from whom they expect more reciprocal commitments. For their part, developing countries radically reject any hint of differentiation between them.

Africa and the Middle East are the two zones accumulating the maximum amount of frustrations linked to their marginalization in the world economy. Still the EU and the US are promoting competing strategies (preferential regimes, support to Africa’s NEPAD, free-trade zones, south-south integration, governance) toward them. France and the EU submitted to the G8 Evian summit an initiative for promoting Sub-Saharan Africa trade, which was mostly rejected by the US, despite formal consensus language. More convergence should be searched on such a key issue. Differentiated trade strategies amongst categories of developing countries should be discussed in the Transatlantic Partnership.

- *Jobs and labor standards in globalization*

It is traditional to oppose European and American social models and justifiably so. Yet, this opposition does not preclude some deep community of concerns amongst transatlantic public opinions, confronted with the risks of adverse impact of globalization on jobs. From the “huge sucking sound” heard by Ross Perot by the time of NAFTA ratification to the current European debate over de-industrialization, the same fears are present on the two shores. As noted by Commerce Undersecretary Aldonas⁵³, “Americans and Europeans are worried about the same economic facts and they look to the same places for solutions”. International polls

⁵³ cf. note 3

from the Pew Foundation⁵⁴ confirm that employment and jobs conditions are key concerns on both sides. Domestic employment is also central in the US Congress debate on reforming the international corporate tax policy after the condemnation of the FSC/ ETI regime in the WTO. Since the NAFTA, cooperation on labor standards has become a systematic condition to rally the Democrats' support to the ratification of bilateral trade agreements concluded by the US.

These debates suggest that this theme should be revived in the agenda of the Transatlantic Economic Dialogue. What could it do with it? Gordon Brown's and John Snow's proposed study should cover this dimension. Still, three topics can be already envisioned:

- *Relaunching the Transatlantic Labor Dialogue (TALD)*: The TALD was created in 1998 to gather trade unions representatives but has not been very dynamic. It could be asked to work on the topic of de-industrialization and to report its conclusions to the Transatlantic Summit. The issues of ethical trade and Corporate Social Responsibility could also be tackled through joint projects of TALD and TABD (Transatlantic Business Dialogue).
- *Taking stock of the cooperation efforts carried by the two partners for international labor standards*: The 1995 joint action plan provided for such a cooperation, in a trade policy context, but, since Seattle, the EU and the US have separately developed their strategies⁵⁵.
- *Comparing respective domestic policy regimes to help workers losing their jobs because of market opening*: The United States adopted a specific regime in 1992, the « Trade Adjustment Act ». The EU Commission has recently taken a step in the same direction with its proposal to use part of the EU structural funds to help reconverting regions impacted by job losses resulting from the textile industry restructuring. The Trade Adjustment Act therefore is a good example of what Europe and the US could learn from each other's experience.

⁵⁴ The Pew Global Attitudes Project, 44-nation major survey 2002-2003.

⁵⁵ The EU relies on an incentive strategy, using in particular the GSP scheme: the EU Council has reasserted this strategy on July 21, 2003. The US mainly rely on creating bilateral or regional cooperation mechanisms based on the model developed in the labor agreement of NAFTA

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Idealism, unrealism? At first glance, restoring the Transatlantic Partnership through updating its agenda with the themes of monetary policy, aid and the social dimension of globalization will look beyond reach. In Europe especially, it would stir many competence problems and bureaucratic oppositions. The lack of political consensus on the very meaning of the Alliance is felt in the context created by the Iraqi war.

However, building political consensus is precisely the mission of the Transatlantic Dialogue. These debates deserve to be addressed in the Dialogue. An unrealistic approach would be to continue letting Trade Policy bear alone an almost exclusive responsibility in the Partnership. Idealism would believe that a new free-trade project could, by itself, restore the community of values and rally public opinions concerned with globalization.

Gordon Brown and John Snow's Transatlantic proposal for a study is a concrete step aiming at relaunching the Partnership. It would deserve EU support should it not be limited to a mere new review of trade barriers, but be given the ambition of coping with others great strategic issues in the Partnership, starting with the conditions for a monetary dialogue, cooperation on social issues in globalization and Aid. .

Such an update of the partnership would be even timelier since the US Presidential election in 2004 might be a defining moment in the American debate concerning the Transatlantic Relation. Since the transatlantic relations have been globally questioned by the Iraqi war, candidate Bush will probably need to discuss it during his electoral campaign.