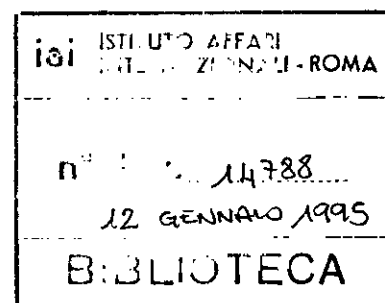


**STRENGTHENING THE U.S.-E.C. DIALOGUE:
INSTITUTIONAL ASPECTS AND PERSPECTIVES**

Trans European Policy Studies Association
Harvard Center for European Studies
Talloires, 7-9/IX/1989

1. Programme
2. List of participants
1. "American-European relations: perspectives and policies"/ Frans A.M. Alting von Geusau
2. "Some reflections on the US-EC economic cooperation : the respective role of markets, rules and institutions"/ Christian de Boissieu
3. "How EPC can contribute to a more balanced Transatlantic dialogue"/ Gianni Bonvicini
4. "Modernizing Transatlantic relations: West European security cooperation and the reaction in the United States"/ Reinhardt Rummel
5. "US-EC trade relations, 1989"/ Jacques Steenbergen
6. "Some remarks about the institutional aspects"/ Jacques Vandamme
7. "How to strengthen the dialogue: institutional prospects"/ Robert E. Hunter
8. "EC/US cooperation and dialogue: achievements and perspectives"/ EC Commission
9. Background paper



TRANS EUROPEAN POLICY STUDIES ASSOCIATION

HARVARD CENTER FOR EUROPEAN STUDIES

STRENGTHENING THE U.S. - E.C. DIALOGUE : INSTITUTIONAL ASPECTS

AND PERSPECTIVES

Talioires 7 th., 8th & 9th. September, 1989

Thursday and Friday : Maison des Congrès

Saturday : Tufts-Priory

PROGRAMME OF THE SEMINAR

Thursday September 7th

12.30 Lunch at Hôtel du Lac

2 p.m. - Opening of the Seminar by Prof. Jacques VANDAMME, Chairman of T.E.P.S.A.

- General introduction by Mr. Willy DE CLERCQ, Former Member of the
Commission of the European Communities, Member of the European Parliament

First session : ANALYSIS OF THE NEW PROBLEMS AND CONFLICTUAL ISSUES IN U.S. -
E.C. RELATIONS

Introductions by

Prof. S. HOFFMANN, Director of the Harvard Center for European Studies

Prof. F.A.M. ALTING von GEUSAU, University of Leyden and Tilburg

4 p.m. Coffee-Break

4.15 Comments about cases studies in conflictual issues

Speakers :

Mr. Hugo PAEMEN, Deputy Director General External Relations at the
E.C. Commission (about Trade & GATT)

Ambassador Monteagle STEARNS, Simmons College

Mr. David HOWELL, Member of the House of Commons (U.K.) (about Monetary
Issues)

Prof. Robert PAARLBERG, Wellesley University (about Agriculture)

Mr. Georges BERTHOIN, European Chairman of the Trilateral Commission (F)

Prof. Christian de BOISSIEU, University of Paris-I (Sorbonne)

6 to 7 p.m. General discussion

8 p.m. Dinner at the Hotel le Lac

Friday September 8th

Morning 9 a.m. until 12.30

Second session : EVALUATION OF THE POLITICAL AND MILITARY CHANNELS IN THE
COOPERATION PROCESS

Chairman : Prof. Pierre-Henri LAURENT, Tufts University

- U.S. - E.C. Relations in the framework of political cooperation

E.C. Speaker : Dr. Gianni BONVICINI, Director of the Istituto Affari Internazionali (IAI), Rome

U.S. Speaker : Prof. Tony SMITH, Tufts University

- The European "pillar" in NATO

E.C. Speaker : Dr. Reinhardt RUMMEL, Stiftung Wissenschaft und Politik, Ebenhausen (F.R.G.)

U.S. Speaker : Mr. Adrian A. BASORA, Director European Economic Affairs, National Security Council, Washington

10.30 Coffee break

10.45 Comments

by Ambassador H. WEGENER, Assistant Secretary General NATO (about NATO)

by The Hon. James ELLES, Member of the E.P. for the U.K. (about the relations between E.C. Parliament and U.S. Congress)

11.15 to 12.15 General discussion

12.45 Lunch at the Hotel Le Lac

Afternoon 2.30 p.m. until 6 p.m

Third session : EVALUATION OF THE ECONOMIC CHANNELS.
PROPOSALS FOR STRONGER COOPERATION

Chairman : Prof. Theo PEETERS, University of Leuven (B)

- Summits of industrialised countries

Speaker : Prof. Cesare MERLINI, Chairman of the Istituto Affari Internazionali (IAI), Rome

- O.E.C.D. and the idea of a free trade and investment area

Speaker : Prof. Gary C. HUFBAUER, Wallenberg Professor at Georgetown University, Washington D.C.

- Comments by Amb. T. NILES, U.S. Representative to the European Communities, Brussels

- G.A.T.T.

Speaker : Prof. Jacques STEENBERGEN, University of Leuven (B)

4 p.m. Coffee break

4.15 Comments by :

Mr. P. LUYTEN, Former Deputy Director General, External Relations,
E.C. Commission

Prof. Benjamin J. COHEN, Tufts University

Prof. Michel VANDEN ABEELE, Head of Cabinet of Mr. K. VAN MIERT,
E.C. Commission

Mr. Jacques MALLET, former Member of the European Parliament for France

5 to 6 p.m. General discussion

6.30 Departure from the Hotel to Annecy

7 p.m. Reception offered by Mr. Bernard BOSSON, former Minister for European
Affairs (1986-1988), Mayor of Annecy, at the City Hall of Annecy

Saturday September 9th

Morning 9 a.m. until 1 p.m.

Fourth session : HOW TO STRENGTHEN THE DIALOGUE : INSTITUTIONAL ASPECTS

Chairman : Prof. Stanley HOFFMANN, Director of the Harvard Center for European
Studies

Speakers :

Dr. Robert HUNTER, Center for Strategic and International Studies at Georgetown
University, Washington, D.C.

Prof. Jacques VANDAMME, Chairman of T.E.P.S.A.

Comments by :

Mr. Ralph JOHNSON, Deputy Assistant Secretary, Department of State, Washington, D.C.

Mr. Dominique MOISI, Institut Français des Relations Internationales (F)

Mr. Gregory TREVERTON, Council on Foreign Relations, New York

Dr. William WALLACE, Deputy Director of the Royal Institute for International
Affairs (Chatham House), London

Mr. Nigel FORMAN, Member of the House of Commons (U.K.)

Prof. John ZYSMAN, Berkeley University

11 a.m. Coffee break
11.15 General discussion
12.45 End of the session
1 p.m. Reception offered by Dr. FAVROT, Mayor of Talloires, at the Hotel de
l'Abbaye
Lunch at the Hotel de l'Abbaye
End of Seminar

CONFERENCE ON "STRENGTHENING THE U.S.-E.C. DIALOGUE :
INSTITUTIONAL ASPECTS AND PERSPECTIVES"

Talloires, France, 7 to 9 September, 1989

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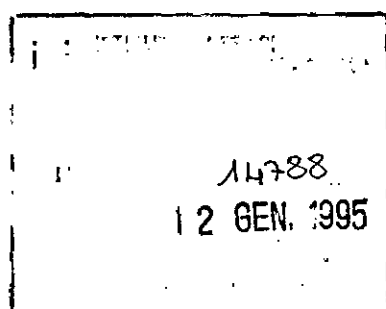
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Seminar on the theme :

STRENGTHENING THE U.S.-E.C. DIALOGUE : INSTITUTIONAL ASPECTS AND PERSPECTIVES

Talloires (France), September 7th. -9th., 1989

AMERICAN-EUROPEAN RELATIONS : PERSPECTIVES AND POLICIES.

Prof. Frans A.M. Alting von Geusau.

Preparatory Paper for presentation during the Opening Session on Thursday September 7, 1989 of the T.E.P.S.A. seminar on "Strengthening the U.S. - E.C. Dialogue : Institutional Aspects and Perspectives."

(Adapted from a lecture given at the American European Summer Academy in Schloss Hofen near Bregenz, Austria on Friday July 21, 1989.)

I. POST WAR AMERICAN EUROPEAN RELATIONS.

1. Foundations, characteristics, issues.

Post-war relations between the United States and Europe originated in the American involvement in the Second World War and in the conflict between the Soviet Union and the United States over the future of Europe thereafter.

The relationship was built on the following four FOUNDATIONS :

- The emergence of the United States as the leading world power ; in European and world affairs; and in terms of economic, political and military strength and cultural influence.
- The division of Europe and Germany, Soviet predominance in Eastern and Central Europe, including Soviet ability and willingness to uphold its predominance by military force, resulting in the impossibility to settle the outcome of the War in a mutually acceptable peace treaty between the allied powers and the defeated states.
- The weakness of Western Europe, its once major powers in particular, requiring American economic assistance towards its recovery and American military protection in its external security.
- The emergence of a new strategic situation as a result of the invention of nuclear weapons, requiring an American nuclear guarantee for a credible defence of western Europe.

Upon these foundations, the United States, Canada and the states of Western Europe constructed a cooperative relationship, marked by the following seven CHARACTERISTICS

:

- the cornerstone of the relationship was a defensive alliance (the North Atlantic Treaty, to become NATO). NATO distinguishes itself from previous alliances in two respects : (1) set up to cope with a comprehensive potential Soviet threat, its aims go well beyond those of a defensive military alliance; and (2) set up in the nuclear age, its emphasis is on preventing war by a strategy of nuclear deterrence.

- in geopolitical terms, the alliance is an unnatural relationship in which the principal partner is separated from the most exposed partners by the Atlantic Ocean.

- The relationship also is an asymmetrical partnership (or at least has become so) : as an alliance it is an unequal partnership, linking one world power to a group of weak states unable to unite defence policies among themselves; in economic relations the relationship is evolving towards one dominated by the U.S. and the E.C. and consultation among the principal economic powers.

- The relationship has, from its inception, been multilateral and highly institutionalised in character. The network of multilateral organisations still is the most unique feature of post-war Western cooperation.

- The relationship was the outcome of circumstance (the necessity to associate the U.S. to the recovery and defence of Western Europe) and vision (Marshall aid and intra-

European reconciliation), rather than the product of an imposed policy or masterplan.

- The relationship is a partnership of pluralist democracies. This characteristic has determined the nature of mutual relations, its success in terms of freedom and prosperity and its attraction to other societies.

- The relationship is based on a high degree of mutual trust between governments and societies in North America and Western Europe.

The longevity of the cooperative relationship is due primarily to the democratic and open nature of the states concerned, and the need to maintain a transatlantic security community.

The principal ISSUES, America and Western Europe have had to deal with in common can be distinguished in three broad groups :

- How to cope with the Soviet Union and the states of central and eastern Europe ?
- How to look at and deal with the rest of the world, the "third world" (from decolonisation, through development assistance to solving "regional issues) ?
- How to build up Western cooperation and manage European-American relations in particular ?

2. The Policies of the Principal States.

Post war United States policies towards Europe have been guided by the strategy of Containment. The strategy of

containment involved : (1) to assist the states of Western Europe, exposed to the threat of further Soviet expansion, in helping themselves to cope with this threat; (2) to seek or promote the evolution of the states of Eastern and central Europe towards independence from Moscow; and (3) to promote within the Soviet Union evolution towards a regime which will give up the global ambitions of international communism and which will promote the aspirations of the Soviet peoples.

Post-war West German policies were guided by the threefold concept of : (1) restoring Germany to an equal partner (through European unification); (2) gaining recognition for Germany as a reliable ally in Atlantic defence; and (3) anchoring West Germany to the West (especially in the conduct of East-West relations).

Post-war French policies sought primarily for political formulae to restore France to great power status and to assure lasting control over the evolution of German policies. The political formulae advanced by France for these purposes have varied considerably over time : the ECSC formula for French-German reconciliation, the Atlantic community formula for Western defence, the Gaullist formula for French leadership in Europe and reconciliation with Germany, the Mitterrand formula for a West-European defence identity within NATO and for stronger bilateral cooperation with Germany.

Post-war British policies can best be labelled as

incremental adaptations to a (reluctantly accepted) diminishing world role. On the one side, Britain sought and seeks to maintain a special relationship with the United States. On the other side, Britain maintains close but ambivalent relations with "Europe": it took time before it could decide to join EEC (and more time to be admitted), and Britain remains a reluctant partner in the unification process.

Post-war Soviet policies (the first issue for the U.S. and Western Europe) aimed primarily at : (1) consolidating and strengthening its political expansion achieved as a consequence of the Second World War (full political control over East and Central Europe and political, cultural and economic isolation of these countries from the rest of Europe); (2) gaining a preponderant voice in the political future of Germany and the rest of Europe (efforts to weaken the states of Western Europe, to prevent unification, and to exclude the United States from the affairs of Europe).

II. ON THE THRESHOLD OF A NEW ERA.

The Foundations upon which the post-war European "order" and cooperation between Western Europe and the United States were built, appear to be shaking.

1. The division of Europe and Soviet predominance in Eastern Europe.

The principal changes now taking place no doubt are those in the Soviet Union and Eastern and Central Europe. The underlying reality is the failure of communism, as an ideology, as a justification for totalitarian rule, as an economic system and as a new culture. Its manifestations are a growing revolt of civil society against political repression, a (belated) effort to save socialism by openness and reform in the Soviet Union, an accelerated differentiation of developments in the states of Eastern and Central Europe: from open efforts to fundamentally change the political system in Poland and Hungary, through efforts to resist change in the GDR and Czechoslovakia, to returning to the worst forms of totalitarian repression in Romania and Bulgaria. The outcome of the changes is highly unpredictable and uncertain.

2. The European Community.

Important changes are also taking place in the area of the European Communities. Two of them are to retain our attention in particular :

- "Europe 1992", or the effort - following enlargement and stagnation in the period from 1973-1985 - to make progress towards the internal market, monetary union, political union and a West European Defence identity. Europe 1992 has caught the imagination of policy makers and public opinion, it is bound to have a significant impact, but at least two uncertainties are to be emphasised : the extent to which the targets will be reached; and the consequences of the method

chosen (to which I refer, as I shall explain, as upside down unification).

- The changing role of West-Germany as a consequence of its new "Gesamtkonzept" underlying Ostpolitik. Unlike Adenauer, who saw West Germany primarily as a state belonging to the West, Ostpolitik sees West Germany primarily as one of two states belonging to the same German nation. This new concept in the context of the changes taking place in the East, is bound to affect Germany's position and policies towards the East, in the European Communities and in the Atlantic Alliance.

3. The United States of America.

According to some commentators, America is experiencing a period of declining power, due largely to its weaker economic power. Compared to the position the United States occupied after the end of the World War, its economic position has declined in relative terms. Unlike other major powers, however, the sources of American power in the world, are many. Decline in economic power, as a consequence, does not mean diminishing political influence.

4. The Changing Strategic situation.

Compared to the post-war situation, the principal change appears to be the widespread delegitimation of the use of force in international relations in Europe. In Western Europe this perception originated from the two world wars and the growing realisation (especially since the nuclear

debates from 1977-1985) that another war in Europe would be so devastating that no cause would justify its conduct. In the United States this perception originated from the Cold War and U.S. involvement in the Vietnam war. In the Soviet Union, this perception appears to spread since Gorbachev came to power and following the war in Afghanistan. The delegitimation of the use of force for the national interest leads to a more fundamental challenge of the coercive power of the state as such. Its two immediate consequences are : rising civilian resistance against the power of the state; and growing importance of economic strength and cultural influence as instruments of a state's foreign policies.

III. POLICIES FOR A NEW ERA.

The changes now taking place are bound to have important consequences for East-West relations in Europe and for American-European cooperation.

Cooperation between the United States and Western Europe must move beyond containment to a new strategy aimed at overcoming Yalta by a process of peaceful change in the Soviet Union and East and Central Europe.

1. A New Definition of Objectives.

Europe appears to be entering a new era in its post-war history, in which the foundations for American- West European cooperation must be replaced by new foundations for

a European order of peace and prosperity. Neither the division of Europe, nor the weakness of Western Europe can serve any longer as foundations for the cooperative relationship between the United States and Western Europe. Neither of them have as yet been sufficiently overcome to be discarded. The form and shape of a new structure for peace and prosperity are still to ^{be)} drawn and their foundations are still to be found.

Recent changes in the strategic situation require a negotiated reduction in the level of East-West military confrontation; but it is as yet premature to abandon NATO's strategy of deterrence.

American power may have declined in relative terms, but American participation in a policy to overcome Yalta, remains crucial.

A strategy aimed at overcoming Yalta, therefore, would require a concerted effort as between the United States and Western Europe to give a new definition of objectives. These objectives could be defined as follows :

- Providing assistance to the societies in East and Central Europe with a view to promote and sustain a peaceful transformation from one-party rule to a multi-party democratic structure of government; from political arbitrariness to the rule of law; from a centrally planned economy to the diffusion of economic power; and from the totalitarian culture of isolation and repression to a more democratic culture of diversity, dialogue and openness.
- Developing closer ties with the Soviet Union and with the various civil societies in the Soviet Union with a view to

enable similar evolutions as in East and Central Europe; and to give up its policy of coercive intervention in the internal developments in Eastern and central Europe.

- Promoting the gradual association of the states of Eastern and Central Europe to the multilateral institutions for cooperation, created in the West.

- developing more adequate mechanisms for dealing with crises in the East and for preventing such crises from escalating into serious international or East-West confrontations.

The pursuance of such objectives would require more emphasis on the economic and cultural instruments of policies towards the East, and a de-emphasis of the military instruments of policy.

2. Changing characteristics.

In order to pursue these objectives, the United States and Western Europe should replace the present cornerstone of their relationship - the defensive alliance - by its characteristic of a partnership of pluralist democracies. While NATO remains necessary for the foreseeable future, the emphasis should shift towards strengthening the CSCE process, the European Disarmament Conference, OECD, the Council of Europe and the European Communities; the latter three as organisations to which Eastern and Central Europe could be associated.

The high degree of mutual trust in the U.S. - West European relationship is the outcome of a diverse and multi-

level network of relationship between governments, parliaments, political parties, economic forces, non-governmental organisations, private persons and their societies at large. It is of major importance to gradually extend this network of cooperative relationships to the rest of Europe.

3. Adapting policies.

Policies to overcome Yalta while at the same time preserving the "acquis occidentale", including the "acquis communautaire" requires close consultation within the framework of Western and West European institutions, and between the principal Western states. The United States should intensify consultation in elaborating a new strategy "beyond containment". The German Federal Republic should adapt its "Gesamtkonzept" along two lines : first, it must accept its position as a partner in Western cooperation and West European integration; its Ostpolitik must be re-integrated in the joint policies of the E.C. and the seven principal economic powers. Second, it must accept that a future structure for peace and prosperity in Europe is unlikely to accomodate a political solution for German reunification. France's efforts to find political formulae to restore France to the rank of a great power and to assure lasting control over the evolution of German policies are bypassed by the changes now taking place. Instead of seeking formulae for a West European Defence identity or for nuclear consultation arrangements with Germany, it should assist in seeking nuclear arms-control arrangements with the Soviet

Union and in strengthening the powers of the multilateral institutions for cooperation. Britain's special relationship - useful in itself - can only become more interesting if Britain also changes its policies towards the E.C. from a reluctant partner to a leading proponent of a stronger community.

4. Strengthening the U.S. - E.C. Dialogue.

Strengthening the U.S. - E.C. dialogue in the present and coming era would require a better use of the network of relations, a greater willingness to meaningfully consult each other on policies, rather than a reform of institutions.

For the sake of our discussion, I would submit the following suggestions :

(1) As it has evolved over the last forty years, the American-West European relationship has moved from a multilateral and highly institutionalised relationship between governments to an intricate network of relationship between governments and civil societies. Bilateral governmental relationships and accross the border non-governmental relationships have become more important. While extending this network to the rest of Europe, we should look in particular to the need to improve communication between the different participants in the network.

(2) In economic policies, improving the dialogue between the

U.S. and the E.C. would appear to be a matter primarily of reorientation in Washington and Brussels. The U.S. Congress should approach the E.C. as a partner for a common task in an emerging new era, rather than as an adversary in mutual relations.

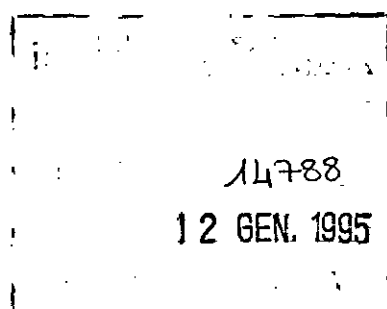
The E.C. should give more emphasis to unifying broad and external policies than to harmonising legislation on detailed and minor issues.

(3) Contact between civil societies (the domain of cultural policies) will rise on the agenda of international relations. At present the emphasis in cultural policies is on bilateral relations and the economic aspects of cultural cooperation inside E.C.

Bilateral cultural diplomacy should become a subject for comparison, concertation and examination in a multilateral framework.

Cultural relations, especially in European states, should be "deregulated" or denationalised, in order to promote private european-wide activities and closer cooperation between American and European foundations.

A multilateral framework for promoting educational exchanges should be envisaged for European-American and for East-West relations.



Some reflections on the US-EC economic cooperation
The respective role of markets, rules and institutions

by Christian de BOISSIEU*

(outline)

I. The persistent obstacles to economic and monetary coordination

- A] A pending debate : the market vs. the political process
- B] Different "models"
- C] Asymmetries and rigidities
- D] Sharing the benefits and the burden of economic coordination

II. How to strengthen the US-EC economic dialogue ? A functional approach
complementary to the institutional perspective

- A] Two approaches to economic coordination : the extensive development vs. the intensive development. The trade-off between widening and deepening.
- B] The limits of the extensive development (the Western Summits)
- C] Deepening economic and monetary cooperation

1°) From the ex-post to the ex-ante coordination

2°) The reform of the international monetary system (the target zone regime, or how to handle the conflict between rules and flexibility-

* Professor at the University of Paris-I (Panthéon-Sorbonne)

lessons from the Plaza and the Louvre Agreements)

3°) the debt issue

4°) Multilateral surveillance (G7, EC) and "objective indicators".

5°) The effectiveness of official and unofficial coordination :
the G2, G3, G5, G7 (What lessons to draw from the recent
institutionalisation of France-Germany cooperation ?)

a) the size of the group

b) the level of representation

c) considerations concerning the staffing of the coordination
process.

III. European integration and the US-EC dialogue

A] The articulation between regional integration and worldwide
globalisation

B] How to enforce erga omnes and reciprocity principles. The role of
markets, rules and institutions.

C] The perspectives opened by the implementation of the Delors report

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Seminar on the theme :

STRENGTHENING THE U.S.-E.C. DIALOGUE : INSTITUTIONAL ASPECTS AND PERSPECTIVES

Talloires (France), September 7th.-9th., 1989

How EPC Can Contribute to a More Balanced Transatlantic Dialogue

Gianni Bonvicini

The growing Europe-Usa confrontation

The EPC was created in 1970, before the period that Dahrendorf has called "the americanization of America", which dates from August 1971 and the so-called Nixon Shock, that is, the sudden unilateral decision to separate the value of the dollar from the price of gold, and the end of Bretton Woods. This means that the problem of the EPC-Usa confrontation arises from objective needs, or, more precisely, from the profound changes in the Europe-Usa relationship, beginning with changes in monetary policies and followed by other events which, though perhaps not directly related to the bilateral EEC-Usa confrontation, would have profound influence on it.

We need only to recall the increasing disagreements on the redefinition of responsibilities in the Atlantic Alliance of 1973, a year that Kissinger somewhat ironically baptized "the year of Europe". This was followed by controversy over the stance to take on the conflict in the Middle East and the role to attribute to the newly formed International Energy Agency, which the Americans wanted to see assume a definite anti-Arab orientation. The attempts to find mechanisms for preparatory consultations between the Europeans and Americans seemed to have reached a satisfactory solution with the Gymnich formula in 1974. This, however, was later upset by the crisis in detente during the Carter presidency and the concurrent extension of European interests in the various world theatres, from Central America to South Africa, where sources of friction could only increase.

With respect to the past, we can certainly say that the difficult Euro-american relations have now extended beyond the traditional sphere of trade to include all sectors of cooperation, and no longer only involve France, "l'enfant terrible", but affect all the European partners, collectively, or individually at different times. As opposed to the period of the initial years of the process of integration, the Community no longer enjoys a positive relationship with the Usa, but is now one of the principle targets of American criticism.

The difficulties in transatlantic relations can be accounted for, in our opinion, by three inter-related explanations:

The first is the weakening of the international regulatory institutions. These institutions did not adapt to their new roles or to the increased number of actors in the international system in time. In monetary agreements, for example, nothing replaced fixed exchange rates and the dollar as the basis of the system. In trade relations, the geographic area that should be covered by GATT now extends beyond the area over which it has authority. In the field of macroeconomic policies, the common acceptance of the Keynesian paradigm as a basis for cooperation has been lost and even economic doctrines are now in conflict. Finally, as for strategic issues, Nato has lost a lot of its influence because of the increase in the number and danger of regional conflicts in the out-of-area, international terrorism and the shift of

east-west confrontation to outlying areas as opposed to the traditional central front. The obvious consequence of the decreasing effectiveness of the international institutions was the rise of a disorganized multilateralism ad hoc (the Five, Seven, Trilateral Commission, etc.).

The second explanation is that domestic policy considerations today are increasingly taking precedence over any attempts at international coordination: national sovereignty is formally indisputable and undisputed. In fact, it has become even more important as a result of an increase in both official interest in and public opinion of contemporary problems including the management of the economy, politics, and even of strategic issues. The need for internal consensus is becoming increasingly felt as governments have less decision-making power; electoral considerations are crucial. Thus, attempts at international coordination and consensus among partner governments have become secondary.

Finally, countering this emerging nationalism, there is a growing interdependence of political and economic systems. This interdependence is so strong that any domestic policy decision has immediate international consequences and, similarly, any international decision affects national policies. There is also a growing interdependence among sectors trade, monetary, industrial, and a decision taken in any one sector has immediate repercussions in the others. If protectionist measures are taken in such an interdependent system, there will be a chain reaction in other countries and in the various economic and political sectors within a given country. In fact, the reasons for taking protectionist measures and the effects they produce are contradictory: while they are a useful means of gaining internal consensus in defence of interests supposedly endangered by foreign competition, they also create uncertainties abroad, making foreign investment programs and the freedom of movement on an international scale impossible.

Regulation of the Euro-American Confrontation through the EPC: The Gymnich Formula and its Effects

To return to the specific question of EPC-USA relations, the only real attempt to regulate the foreign policy positions of the US and Europe has been the Gymnich Formula, proposed to the Americans by the Europeans on June 11, 1974. This formula was advanced as a result of the pressures of events including the Yom Kippur War in the fall of 1973; the declaration of the Nine on the Middle East on November 6, 1973 (which recognized Palestinian rights); the Document on the European Identity of December 14, 1973; the presence of Arab ministers at the summit of the heads of state of the EEC on the following day; the beginning of Euro-Arab dialogue announced to the Americans in March, 1974; the dispute over the creation of the International Energy Agency excluding France.

The Gymnich Formula, with its procedure for preparatory consultations between the Europeans and the Americans to avoid further controversy over their respective positions in foreign policy, was a last-minute solution for a situation that was visibly deteriorating daily. Of course, because of the fears, primarily (but not exclusively) on the part of the French, that the Formula would be too restrictive, it became a famous masterpiece of ambiguity and compromise. The text is worth quoting:

The ministers were agreed that in elaborating common positions on foreign policy there arises the question of consultations with allied or friendly countries. Such consultations are a matter of course in any modern foreign policy. We decided on a pragmatic approach in each individual case, which means that the country holding the Presidency will be authorized by the other eight partners to hold consultations on behalf of the Nine.

In practice, therefore, if any member of the EC raises within the framework of EPC the question of informing and consulting an ally or a friendly State, the Nine will discuss the matter and, upon reaching agreement, authorize the Presidency to proceed on that basis.

The ministers trust that this gentleman's agreement will also lead to smooth and pragmatic consultations with the United States which will take into account the interests of both sides.

Though vague, the Formula clearly addressed the question of consultation with Third Countries. The importance of not isolating European foreign policy from the system of alliances and favoured relationships that were created in the postwar period is recognized. The subsequent London report in October, 1981 and the Stuttgart declaration of 1983 reiterated the importance of a network of consultation with Third Countries. The objective was threefold: to reassure the usual partners; to form large coalitions on major international issues; to increase the number and quality of friendships in the world.

But it is evident that, apart from these general objectives (which had already been formulated in the Document on the European Identity in December, 1973), the Gymnich Formula was primarily directed at the United States. The importance of this relationship was such that it was not considered appropriate, as in the case of all other countries and geographic areas, to delegate it to the so-called "working groups", that is small groups of diplomats responsible for examining single issues regarding EPC and relations with Third Countries. The far-reaching nature of the Europe-USA question did, in fact, call for special treatment at the highest level and for more frequent attention than those issues normally delegated to working groups.

This is not to suggest that the Gymnich Formula was intended to "institutionalize" EPC-USA relations, but rather that it was a political signal of the European willingness to engage in transatlantic dialogue and establish a "gentleman's agreement" on preparatory (and follow-up) consultations.

EPC-USA Consultation: experience and practice

To date, the Gymnich Formula has, in fact, worked relatively well as a result of a totally pragmatic approach and gradual improvement of the consultative procedures adopted according to the needs of each case.

The central role in these procedures is played, as would be expected, by the Presidency-in-Office of the EPC and, on the American side, by the embassy in the country holding the Presidency. These contacts are made frequently and

at various levels between the director of political affairs and the American ambassador or vice-ambassador; between the correspondent and the American political advisor, and so on. There is, however, no set rule for the number and frequency of these meetings: everything depends on the importance and urgency of the problem at hand; the personal relationships between the European and American officials; and the size of the country holding the Presidency. The American delegation at the EEC often plays the role of coordinator for the various embassies and the State Department.

With the institution of the Troika System in the EPC, the embassies have a greater and more diverse role, given that the other four countries interested in the management of the Presidency of the EPC (the countries that held the two preceding Presidencies, and the countries to host the two subsequent Presidencies) now also come into play.

The contacts between the Europeans and Americans are not limited to the European continent; there is significant information exchange in Washington (State Department) and in New York (United Nations). As for the EPC, the role of spokesman still lies with the Presidency (or the Troika); furthermore, as of 1982, the level of meetings has been raised to include a visit by the President-in-Office of the EPC to the American Secretary of State at the beginning of the semester.

These widespread activities have two principle objectives: first, to have the US agree to European initiatives; and, subsequently, to clarify the content of the agreement reached by the Europeans and avoid misunderstandings with the Americans. These activities, however, do not operate in only one direction, that is from the EPC toward the USA; often they work in the other direction, that is, when the USA wants to ensure that the Europeans follow a clearly delineated "policy" as was the case on the eve of the famous 1980 Venice declaration on the Middle East, an occasion which saw an unusual flow of American information on the contents of the Camp David Accord aimed at convincing the Europeans not to deviate from it.

On rare occasions, contacts between the Americans and Europeans may also be held in Third Countries if it is in their mutual interest or if on-site coordination is required.

There are preparatory and follow-up consultations on all subjects addressed by the EPC that are clearly important for transatlantic relations: these now include information on the fight against international terrorism, exchanged through ad hoc groups since it was decided to discuss this issue in foreign ministries (and the State Department).

Limits of the EPC as a coordinating body for the Europeans and Americans

Though the experience of the last few years has shown that the Gymnich Formula has been implemented more successfully than expected (that is, the rigid dogmatism originally feared was not manifested), the problem of the relationship between the EPC and the USA in the field of foreign policy is far from being solved for several reasons:

First, the distinction between the respective activities and responsibilities of the EPC and the EEC is not clear to Third Countries. Though this may seem trivial, it is, nevertheless, a real problem. In fact, even the Usa, which has become quite familiar with the EPC, has difficulty deciding which institution is responsible for a given procedure. With their preference for dealing with concrete issues, the Americans tend to give more weight to the EEC, where specific matters can be handled (agriculture, trade, etc.), than to the elusive nature of the activities of EPC, where it is difficult to move from the declaratory phase to the operational phase.

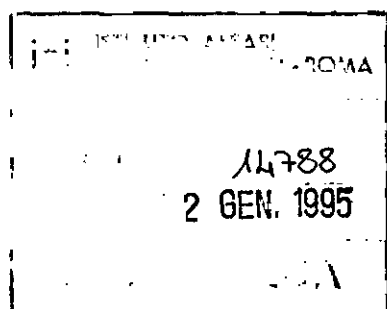
The Americans are also uncomfortable with the slow maturation of decisions of common interest and by the fact that they usually reflect the "lowest common denominator". This brings us back to the well-known problem of the credibility and effectiveness of the declaration of the Twelve in EPC. So as to avoid the trap of overrating the importance of the activities of the EPC, the Us, often prefers the more effective and familiar tool of bilateral diplomacy with individual member states of the EEC. This occurs when, for example, the Presidency in Office is held by a small country. The Europeans also prefer to deal directly with the Us when particular national requirements so warrant or when there is disagreement among the European partners.

The second element that is weakening the importance of EPC in Euro-american relations is the institution of the Summits of the Seven and, in particular, the gradual transformation of these economic summits into meetings on foreign policy. In fact, the task of coordinating west-west relations on the major issues of international politics is increasingly being attributed to this forum in which the Community is represented by the President of the Council and that of the Commission. From this point of view, the reduction of the number of European councils from three to two by the recent Single Act in Luxemburg has decreased the Community's capacity for advance preparation of a common position towards the Americans, as was normally the case in the European Spring Council.

The third consideration involves the difficulty of keeping certain aspects of the Euro-american confrontation within the EPC when changes result in their being placed under the jurisdiction of other institutions. This occurs in cases related to security, as is often the case in east-west matters. For example, in the case of sanctions against Poland, the matter went from the EPC to Nato when the crisis became acute and the American pressure to adopt common sanctions became more intense.

These considerations lead to the more general problem of the relationships among different institutions in cases which fall under the jurisdiction of several institutions. In these cases, the EPC plays a secondary role since it is without American representation, while other institutions with American representation, like the Summit of the Seven, or Nato have greater influence and the possibility for prompt intervention. The lack of "institutionalization" in the Gymnich procedures is a weakness from this point of view since it allows the Americans to opt for the short-cut of direct bilateral relations with individual governments or for the transfer of a problem to another forum. Furthermore, the pragmatic and flexible nature of the EPC, unlike the "rigid" one of the EEC, in which responsibilities and roles are more clearly defined, does not help the Europeans establish a bilateral forum with the US administration since the structures are not comparable with respect to powers or roles.

Therefore, the idea of redefining international relations according to united poles is regaining credibility. The Us already constitutes one such pole; the European Community, on the other hand, still has to improve its mechanisms for decision-making, especially in the field of foreign policy. Among other things, this now inevitable trend could constitute one of the most convincing pressures on the Europeans to unite and act as a single Entity. The international institutions can be rebuilt through this renewed European effort to establish its international identity and negotiating power. In the long run, this will also benefit the Us.



Seminar on the theme :
STRENGTHENING THE U.S.-E.C. DIALOGUE : INSTITUTIONAL ASPECTS AND PERSPECTIVES
Talloires (France), September 7th.-9th., 1989.

Modernizing Transatlantic Relations: West European Security
Cooperation and the Reaction in the United States

Reinhardt Rummel

BY THE END OF the summer of 1989 virtually the entire postwar agenda of East - West relations will be on the table. U.S. President George Bush opened this agenda during the celebration of NATO's fortieth anniversary when he declared that the West should go beyond containment and try to bring the Soviet Union into the international group of nations, and when he offered unprecedented proposals for a lower level conventional balance in Europe. Soviet President Mikhail Gorbachev added more items during his visits to the Federal Republic of Germany in June and to France in July, while George Bush on his visits to Poland and Hungary in the same month rounded up the list. If the structure of East West relations is in transition, what about the Atlantic alliance?

NATO, although a success story, is old enough to be checked

for major repair and modernization. Observers in the United States as well as in Western Europe have argued that key elements of the Western security setup need to be updated. West European leaders have commenced security cooperation of their own, mainly outside the NATO framework. The Community of Twelve has embarked on a new economic frontier with its 1992 Single Market project, while at the same time starting intra - European cooperation with the Soviet Union and East European countries. Is this the type of modernization the Western security system needs in order to adapt to the political dynamics in Europe, East and West?

Security cooperation within Europe has traditionally been one piece in a larger puzzle--the general improvement of cooperation and integration. Forward movement sometimes results from unprecedented and unexpected demands from outside Europe. Significantly, it has been the United States rather than the Soviet Union or the Warsaw Pact that has posed the major immediate challenges to the West Europeans. The Nixon administration's Year of Europe (1973) and its initiative to redefine an Atlantic Charter compelled the members of the European Community to formulate their Declaration of Identity. The presidency of Ronald Reagan posed still stronger challenges to the West Europeans, such as the Strategic Defense Initiative and the summit at Reykjavik in 1986, where he informed but did not consult the allies concerning major concessions.

Despite these incentives, West European security cooperation has not advanced very far. In fact, no viable alternative or

supplement to NATO has emerged. West European defense interests have been well cared for by the Atlantic alliance, hindering the development of a particularly West European security setting. A further hindrance has been the scope of heterogeneity among West European countries, rendering cooperation difficult without an active United States.

Given these impediments and incentives for West European security cooperation, what is the constellation likely to be in the years ahead? Enhanced cooperation appears likely. A number of trends in East - West relations, in West European integration, and at the national level, particularly in Germany, suggest that this is so. The United States must adapt itself to new circumstances if cooperation is to proceed fruitfully.

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Challenges in East - West Relations

East-West relations are currently undergoing major changes because of the reform process in the Soviet Union and Eastern Europe.¹ Most elements of the former structure of East-West relations are in a process of evolution, a process likely to last a very long time. The perception of the Soviet Union as a less significant military threat is key to this process. It is manifest in public opinion in most of Western Europe as well as in the United States.²

One might reasonably conclude that some of the defense and security problems of the Atlantic alliance have been alleviated

by reform in the Communist world and that the incentives for West European security cooperation are reduced. This conclusion is unwarranted. The United States continues to exert heavy pressure on Western Europe to contribute more to the sharing of common risks, burdens, and responsibilities. The Europeans cannot afford to neglect these demands altogether. On the other hand, defense cooperation for the West Europeans is not just a question of military cooperation, arms production, and weapons procurement; it is also strategy and policy coordination, the redefinition of doctrines, concept-building for disarmament, and the verification of arms control measures. New demands for further security cooperation derive less from the priority of armament cooperation than from the necessities arising from the management of disarmament in forums like the Vienna talks on Conventional Forces in Europe (CFE) and Confidence and Security-Building Measures (CSBMs). The future push for European security cooperation may well be oriented more to the demands of a cooperative relationship with the East than to those of an antagonistic one.

The challenge facing Western Europe is at least twofold: to adapt to changes in Eastern Europe and to restructure Western defense along the lines of deep cuts and further denuclearization. To meet this challenge, a second Harmel Report must be worked out and implemented by NATO and West European organizations such as the Western European Union (WEU), the European Community (EC), and European Political Cooperation

(EPC).

Western Europe is relatively well prepared for this task, a fact that may be more impediment than asset. West Europeans have had a fairly good record of cooperation and achievement during the 1970s and 1980s in the Conference on Security and Cooperation in Europe (CSCE). Initiated by the European Council meeting in Rhodes in December^b 1988, the approach they are currently preparing to Eastern Europe combines the EC and EPC and a separate dialogue with Moscow. Experts on both sides of the Atlantic have suggested the development of a West European Ostpolitik and have attributed to Europe a prominent function for economic and political relations with the East as part of a transatlantic division of labor.³

Unfortunately, these propositions reinforce Western Europe's assertiveness in an asymmetrical way by suggesting that it extend its role in the cooperative area of East - West relations while leaving the antagonistic part of it to NATO or the United States, meaning that West Europeans will feel even less responsible than before for keeping up the military balance.

The results expected of the Vienna CFE negotiations are likely to have their own detrimental effects on West European security cooperation. The West will have to reduce its forces in a way that is not acceptable to some members of NATO. France and Britain do not want to include airplanes in the negotiations. Greece wants to preserve the existing ratio of forces with Turkey. The United States, especially the Congress, may want to

reduce relatively more of its forces than do the West Europeans, suggesting the possibility that U.S. troop levels in Europe may fall below a militarily and politically unacceptable minimum.⁴ Thus, a new type of burden-sharing problem might emerge: who in the alliance is allowed to scrap or to keep which types of his forces. West European security cooperation may become extremely complicated in this environment.

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Trends in West European Integration

The West European integration process recently has taken on dynamics of its own, quite independent of changes in Eastern Europe. The present integration process itself is a major incentive for further defense and security cooperation in Western Europe. The cumbersome phase of integration in the 1980s has shifted radically to a progressive almost Euro-phoric phase, contributing to the implementation of some joint security measures, both inside and outside the Community.

The Single European Act of July 1987 has three provisions with implications for security cooperation among the Twelve.⁵ The preamble contains a pledge to act with consistency and solidarity in order to protect their common interests more effectively and to make a contribution of their own to preserve international peace and security. Article II enlarges the basis for Community-wide arms procurement programs within the framework of a common industrial policy. Article III promises closer

coordination on the political and economic aspects of security and a commitment to the maintenance of the technological and industrial conditions necessary for the security of Western Europe. These three provisions represent a potential for the future development of the EC and the EPC into important fields of West European defense and security cooperation.

Moreover, the potential for wider West European security cooperation is not limited to the Community. Other defense-related institutions like the Western European Union and the Independent European Program Group (IEPG) have made substantial progress in dealing with some of the timely security questions on the West European agenda, such as weapons standardization, a market for defense equipment, the redefinition of doctrine, and the development of a West European concept for the CFE negotiations. Even organizations that are not explicitly defense-related such as the European Space Agency and the European Research Coordination Agency (Eureka) contribute to the field in terms of dual-use technology. Many different forms of cooperation and networking have developed and have begun to make an impact on the traditional handling of West European-related matters in the NATO framework.

It is important to note that none of the initiatives for West European defense cooperation (with the sole exception so far of those in the Eurogroup) has originated with NATO. They all have emerged from integrationist circles. This reflects a major obstacle to the emergence of a meaningful European pillar: the

integrationists of the EC and the strategists of NATO rarely meet to debate issues of West European security. Although both groups of experts exist in each of the member countries, their values differ, and their Brussels-based bureaucracies do not interact. In the years to come, however, as the East - West policy agenda shifts from military to nonmilitary subjects, these experts will make decisions in overlapping foreign and security policy areas. Consistency will become a more important priority.

Relations between the United States and Western Europe will be affected by these factors. For example, deep cuts in Western militaries will put pressure on U.S. defense, already suffering from the integration of the West European internal market and the need to share business with other industrial countries (as illustrated by the FSX fighter aircraft deal with Japan). Once the economic influence of Western Europe is on the rise, it will also demand more of an influence on the type and number of weapon systems for NATO, and this shift from burden- to decision-sharing will cause more friction in the Atlantic alliance and might well slow down West European security cooperation.

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National Trends and the Case of Germany

The interest of the West Europeans in advancing security cooperation among themselves has grown steadily during the 1980s. Once steps to revitalize the Western European Union (WEU) were taken and the organization started to speak out on such subjects

as strategic defense and Intermediate Nuclear Forces (INF), nonmembers felt discriminated against and began to apply for membership or demand to be fully informed of the multilateral consultations. The same dynamic also applied to Franco-German defense cooperation. Once the common brigade was proposed, other countries either wanted to participate or wanted to set up bilateral joint units with France or Germany.

The United Kingdom (UK) has a tradition of joining integration efforts on the Continent at a late stage and has been particularly reluctant to establish any institutionalized security structure outside NATO. France to the contrary has tried to use security cooperation in Western Europe to strengthen its independence from the United States and from the military structure of NATO and to gain influence on strategic thinking in Germany. While it is true that the possession of nuclear weapons divides France and the UK from the rest of Western Europe rather than unites them, arms negotiations and the reshaping of East - West relations on a larger scale may cause new pressure for reversing traditional national stands among Western Europe's big powers.

Germany may be case in point in this regard. Given its exposed geostrategic position and its dependence on the United States for its primary defense needs, the Federal Republic of Germany (FRG) used to be one of the countries most reluctant about West European security cooperation. The Germans were concerned that such a move could undermine NATO or, at the least,

affect German - American relations in a serious way. Since the beginning of the 1980s, this deep-rooted German attitude has started to change.

Like many other European capitals, including Paris and London, Bonn has the impression that Washington is an ambivalent leader and guarantor of the Atlantic alliance. Germans feel that the debate about the deployment and dismantling of intermediate-range nuclear forces as well as the stronger burden-sharing demands of the U.S. Congress reflect a mounting American mood conducive to partial strategic decoupling from Western Europe or even total disengagement. In early 1989 the West Germans also decided that the Bush administration was not sufficiently receptive to the new opportunities for change in East - West relations.

A second factor stimulating greater German interest in West European security cooperation is the growing conviction that France has become more interested in rejoining the Western military network, albeit in a limited way. As suggested by Franco - German military cooperation, as well as cooperation inside the Western European Union, IEPG, and other military forums, the FRG has been quite successful in drawing France closer to the concepts and structures of Western defense.

Additional incentives for Bonn to push for West European security cooperation are likely to derive from the developments in the Soviet Union and Eastern Europe. If the reform process in these countries continues, the FRG will be a key player in the

new East-West cooperation game on subjects ranging from conventional and tactical nuclear disarmament to the expansion of confidence-building measures, technology transfer, the transfer of managerial skills, governmental and nongovernmental political dialogue, and human rights issues.

West Germany will want to play this increasingly prominent role not by going it alone but in a multilateral framework. For historic and psychological reasons, Bonn hates to be in a singular position and, therefore, tries to work via a collective actor such as NATO or the European Community. Thus, Bonn urges its European allies to collaborate in order to establish a West European Ostpolitik or, at least, a Franco - German Ostpolitik.

While some observers in the West regard as natural a prominent role for their German allies in European East-West relations, many others are suspicious.⁶ The FRG could be strongly inclined, they fear, to help the Soviet Union too much, especially when tempted by new chances for German reunification. Not many of West Germany's friends in the West would like to see the FRG embark on such a course. If NATO alone cannot convincingly engage Germany in a European order in flux, it can only be done by closer West European security cooperation. Following this rationale, other West European countries will want to come join Bonn in its efforts to intensify security cooperation.

These are but a few of the new incentives and impediments for defense cooperation in Western Europe. Despite the

perception of a waning threat from Moscow, West Europeans could make incremental progress toward further independence in defense, security, and East - West relations. The progress will be made more in policy coordination than in military cooperation.

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The United States' Response to West European Security Cooperation

Will the United States welcome or criticize such further European assertiveness?⁷ The United States has a long history of support for West European integration--Americans often claim that they have encouraged actively European unification and that the West European countries would run a dangerous risk were the United States ready to serve as a "pacifier" of European division. Europeans tend to see this U.S. support as more rhetorical than real, given the propensity of the United States to withdraw its support and seek to pressure and punish European integration each time it has challenging consequences for the United States.

Transatlantic trade relations have suffered through chicken wars, corn wars, and hormone beef wars, but so far NATO has smoothed and balanced such disruptions. The very existence of the transatlantic military alliance has excluded any substantial inclusion of defense matters in the process of West European integration. Whenever Europeans have achieved some embryonic stage of security cooperation, Washington has reacted with benign neglect.

The revitalization of the WEU, for example, did not seem to

provoke much reaction among U.S. political leaders, the media, defense consultants, or even teachers of regional integration. Perhaps incremental changes in Western Europe have no audience in the United States. Perhaps West European defense cooperation is not on the U.S. policy agenda. Just as European activists tend to discuss the question of enhanced security cooperation in an entirely European context without reference to NATO, Americans have a tradition of immediately putting on their NATO glasses whenever the words security and Western Europe come up.

U.S. interest in West European security cooperation is cyclical and tends to rise or fall with interest in broader questions of U.S. global policy like overcommitment and the state of NATO. For analytical purposes, it might be helpful to differentiate--and to a certain extent overstate for the purposes of argument--some of the patterns or schools of U.S. thinking in this regard.

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The Isolationist and Unilateralist Approach. Representatives of this group⁸ concentrate so much on the primary national interests of the United States and define those interests in such a narrow way that any U.S. commitment overseas appears to be extremely doubtful. Given the burden assumed by the United States with its allies in the last 40 years and the perceived reluctance of these allies to contribute their fair share, these observers would like to cut off completely U.S. commitments in Western Europe. They calculate that a United States in decline

will profit from such disengagement financially and diplomatically (in terms of political freedom of maneuver).

Isolationists and unilateralists are not particularly interested in the fate of the West as a whole or of Western Europe in particular. They see a more or less mechanical interdependence between U.S. military strength and the Soviet threat on the one hand and West European defense efforts on the other hand: the greater the perceived threat and the lesser the perceived level of U.S. support, the greater the West European defense effort. Protagonists of these views therefore claim that Europeans will cooperate more effectively if the United States no longer honors its defense commitment.

One can assume that these observers would welcome any unilateral strengthening of West European defense. However, they don't need such supportive argumentation for their primary demand to decouple the United States from the European defense theater. If the United States withdraws from Europe, NATO would be dissolved, and the European order would take on its own new shape without any major U.S. contribution. Isolationists and unilateralists are almost by definition uninterested in the future of transatlantic relations.

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Multipolarists. Another group of observers in the United States is more interested in the restructuring of European - American relations. They, too, are basically concerned with finding ways of cutting down U.S. commitments in Europe and

taking the United States out of NATO, but they intend to rebuild transatlantic relations on the basis of an independent United States as well as an independent West European defense capacity.⁹ Their analysis of present transatlantic relations rests on the assumption that the political-military system of the postwar era is giving way to a multipolar system of 4 - 5 powers, one of them being Western Europe. They argue further that the increasing global economic competitiveness of its allies makes it hard for Washington to pretend that the U.S. worldwide strategic commitment remains forever unaffected.

These observers feel that Washington should profit from the process leading to the integrated internal European market in order to devolve to Western Europe full responsibility for its own defense,

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The time has come for Western Europe to play an independent strategic role commensurate with its political and economic aspirations. This will not happen, however, as long as Western Europe believes the United States will continue to be primarily responsible for the Continent's defense. Western Europe's drive toward political and military integration will stall unless jump-started by the US.¹⁰

This group of analysts also welcomes the development of West European security cooperation. Their assessment of the West European defense potential is very optimistic.¹¹ It is hard to

tell whether they really mean it or whether it simply feeds their plea for U.S. disengagement.

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Traditionalists. While the multipolarists and the unilateralists want to get rid of NATO commitments in order to be able to better meet domestic U.S. needs, other groups are trying to keep NATO alive as much as they can. One group among them is the political-strategic community, including most of the military profession. They, too, diagnose a major crisis in NATO, but think it is no more disruptive than any of the many crises NATO has undergone before. They reject any thought of disengagement--on the contrary, U.S. troops are needed especially now that there is a possibility of ending the division of Europe.

Those protagonists of strengthening the traditional philosophy and structure of the alliance believe that virtually any distinct West European identity is dangerous and detrimental to NATO because it challenges the cohesion of the West. A devolution of traditional functions and responsibilities to the West Europeans is not only threatening to NATO's legacy of 40 years of nonwar in Europe but could also become an impediment to future East - West relation. An inevitably stronger Germany in such an enhanced West European role would add to the problem. Therefore, so the argument goes, no major changes should be envisaged before the potential of the military threat in the East is diminished in a significant way and before Western Europe has proven to be strong enough to hold the line. Only if both

conditions are met could the United States start to contemplate force withdrawals from Europe to a level which still credibly accomplished their major coupling.¹²

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Devolutionists. Yet another group of analysts tries to be bold and pleads for major changes in the structure of NATO in order to save the alliance. They have come to the conclusion that NATO's 16 nations cannot continue their alliance as if nothing has changed since its inception in 1949. The relative decline of U.S. power, the high economic burden of defense, and the military risks flowing from Soviet nuclear parity compel a reshaping of NATO. Moreover, some of the asymmetries within NATO have been obvious from its very start and should be repaired now as the problems have eased.

Thus, by ending U.S. hegemony through devolution, the alliance is supposed to become viable for the future. All initiatives to strengthen Western European security cooperation are heartily supported because they will ease the devolution process. Besides, the West Europeans are believed by devolutionists to be able to make up for a loss of U.S. leadership or a credibility gap in terms of extended deterrence. After all, the West Europeans have shown considerable ability to organize authority among themselves in trade, monetary, and foreign-policy fields--why shouldn't they be able to do the same with respect to defense?¹³

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How to Modernize Transatlantic Relations

While the debate on the modernization of Lance missiles has been conducted as if the whole postwar structure of the alliance were at stake, the real task may be the modernization of the fundamental transatlantic relationship.

Most Europeans have chosen the path of Europeanization to adapt the traditional security setup to new realities. The security cooperation in Western Europe, so far, has remained largely inbred--it did not stimulate a significant echo in the United States, nor was it designed to do so. This may well be a mistake. For the Europeans, security cooperation in Western Europe and their own East-West diplomacy are important elements of their assertiveness in a new all-European order to come. Yet, they have not been able to explain this to their major ally. How can they expect support or understanding?¹⁴

The United States is not reacting to the European security cooperation dynamic; rather, it is following its own course. For most Americans the incremental changes in Western Europe are much too differentiated and complicated to follow. They have not, therefore, recognized the necessity to modernize European-American relations. Washington has been too comfortable with the status quo to venture out and reconstruct the old relationship. Those outside the administration have been either too bold or too decent in their propositions. They have managed to define the problem and to point out new orientations, but they have not been

strong enough to get to the stage of policy implementation. To modernize an old relationship protagonists on both sides of the Atlantic should get together.

One of their tasks should be to recognize, reflect, and introduce West European security cooperation as a dynamic element in the transatlantic security setup. The West European contribution will be modest in hardcore military - operational terms, especially concerning nuclear deterrence. The central strategic balance will continue to be a function of superpower relations. In addition to this bilateral structure, however, an increasingly substantial multilateral structure of wider East - West relations is likely to be built up. This is the field where West European security cooperation can be brought to bear as a contribution to alliance policy toward the East.

Three areas stand out where intensified West European security cooperation might help to modernize the Western alliance.

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1. Strategic Stability. If the ongoing East - West talks on reducing conventional and nuclear arsenals lead to positive results, the alliance will have to organize a new deterrence structure on a lower level. It is relatively easy to agree within the West on the overall bulk of reductions; it is less easy to divide the portions among NATO member countries. West European security cooperation should be stepped up to be influential in this respect and help to find acceptable solutions

among the Europeans as well as between them and the United States.

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2. Political Change. To support political change in the East, the Western alliance must initiate and coordinate a broader range of nonmilitary East - West relations, ranging from managerial help for economic reform to nongovernmental political relations. If NATO can be instrumental in developing this type of a Western Ostpolitik, the group of West European states should be an integral part of it. If NATO is deemed not to be well suited to take on the missions of economic and political interaction with the East, then it should be complemented with a specific transatlantic dialogue on East - West relations, with West European security cooperation as the counterpart to Washington.

\$h2

3. Internal Structure. The preponderance of the United States in the transatlantic security setup will continue but has to be balanced with West European security cooperation. To the extent that such cooperation exists and is backed up by the larger context of the West European integration process, it should be represented in NATO and in other security-related transatlantic forums.

Given the changes in progress in Western and in Eastern Europe, NATO must tackle the subject of its own structural change. While the West Europeans have begun this process,

Washington has not yet begun to shift roles. The United States must admit that the business of running NATO is becoming more complicated. The United States cannot deal any longer with the "simple" alliance of 16 nations--it must deal with the policies of at least an additional ten West European institutions working on aspects of the defense and security puzzle. Moreover, Washington may also have to connect this network with a specific transatlantic dialogue on Western Ostpolitik. The more assertive Western Europe gets, the less automatic will be U.S. predominance. The United States will seek West European partners more frequently--but if Washington desires to make use of collective West European sovereignty, a more efficient type of cooperative leadership in the alliance should emerge.

\$h9

Acknowledgment: This article is a revised version of a paper presented at the inaugural conference of the European Community Studies Association on May 25, 1989, at George Mason University, Fairfax, Virginia.

\$h7

Notes

1. @Lincoln Gordon, et al., Eroding Empire: Western Relations with Eastern Europe (Washington, D.C.: The Brookings Institution, 1987).

2. @See the New York Times, May 16, 1989, pp. A1, A10.

3. @See the recent report of the Trilateral Commission.

4. @See reaction to the Bush proposal at the NATO summit, May 30 - 31, 1989.

5. @Jean De Ruyt, L'Acte Unique European, (Brussels: Editions de L'Universit; aae de Bruzelles, 1987).

6. @F. Stephen Larrabee, ed., The Two German States and European Security (New York: St. Martin's Press, 1989).

7. @Reinhardt Rummel, ed., The Struggle for West European Assertiveness (Boulder, Colo.: Westview Press, 1989).

8. @See the writings of Earl Ravenal and Melvyn Krauss.

9. @Christopher Layne, "Atlanticism Without NATO," Foreign Policy, 67 (Summer 1987), pp. 22 - 45.

10. @Ibid.

11. @ "A truly equal European pillar would neither need US military assistance nor want the political constraints that go with it. By the same token, Washington would not want to expend scarce resources defending an equal European pillar and America, too,

should prefer the freedom to conduct its foreign policy unconstrained by alliance considerations." (Layne)

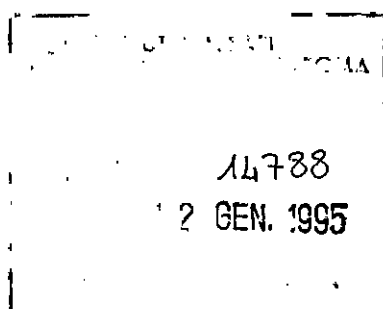
12.@Robert E. Hunter, ed., Restructuring Alliance Commitments, (Washington, D.C.: Center for Strategic and International Studies, 1988), vol. 10, no. 10 in the Significant Issues Series.

13.@David Calleo, Beyond American Hegemony (New York: Basic Books, 1987).

14.@Guy de Bassompierre, Changing the Guard in Brussels (New York: Praeger/Center for Strategic and International Studies, 1988).

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Seminar on the theme :

STRENGTHENING THE U.S.-E.C. DIALOGUE : INSTITUTIONAL ASPECTS AND PERSPECTIVES
Talloires (France), September 7th.-9th., 1989

US-EC TRADE RELATIONS, 1989.

by Jacques STEENBERGEN

US-European relations have always been concerned with virtually all aspects of international life: defence, political cooperation concerning developments in various parts of the world, the management of the international macro-economic environment, and trade. Even when we look more specifically at the economic relations, it is a striking characteristic of US-EC relations that they are virtually always at least as much concerned with the relative position of the US and the EEC on third country markets as with direct trade between partners. Any broad dialogue on US-EC relations must take into account these fundamental characteristics.

When examining US-EC trade relations in 1989 we therefore suggest to look both at the way broader international developments are likely to affect the general environment in which the US and the EEC trade with each other and the world will develop, and at some aspects which directly concern either US-EC bilateral trade or the participation of the US and the EC in the management of the international trade system.

1. Developments of the international environment.

The single most dramatic development of the international environment in recent years has been the change in the political climate in the Soviet Union. But although the changes in the Soviet Union are certainly the most dramatic and most likely to affect directly the attitudes of the US and Europe in various fields in which they have cooperated closely ever since the second world war, the changes in the Soviet Union are not an isolated development. They follow equally significant changes in China and in a number of smaller state trading economies such as Hungary.

At the same time we must recognize that trade with state trading countries has not satisfactorily been reexamined during the Tokyo Round and that there are as yet no indications that the Uruguay Round will succeed in a systematic review of the international management of trade with state trading countries.

It seems therefore most necessary to have transatlantic brainstorming sessions on:

1) general foreign policy and political consequences of changes in the Soviet Union and their likely impact on US and European attitudes. It should more specifically be examined whether we expect these changes to ease the tensions worldwide and to reduce the risk of trade conflicts of the nature we saw in the Syberian gaz pipeline crisis, or whether on the contrary these changes are likely to erode US-EC solidarity insofar as based on defence interests.

2) the position in the world trade and economic system of countries that become significant exporters without having yet a convertible currency or a market economy that allows for the application of trade policy instruments such as anti-dumping and anti-subsidy rules as applied between market economy countries.

2. US-EC relations and the management of the international economic system.

Several years after the New York Plaza Agreements, time has come to review cooperation between the major economic powers on the management of the international economic and monetary systems.

3. International trade and the Uruguay Round.

It would certainly be interesting to organise among independant experts a parallel to the ministerial mid-term review as organised in the framework of the GATT Uruguay Round. It might, however, be more efficient to concentrate on a few items that have proven, both in the past and in the present negotiations, to be a major cause of tensions between the US and the EEC.

Even the most succinct analysis of US-EC trade conflicts indicates that, apart from a small number of extremely serious conflicts that find their origine in general foreign policy (mainly the Syberian gaz pipeline crisis), trade conflicts are generally caused by subsidising policies and mostly related with agriculture issues. Even the, in the US, often expressed dissatisfaction with GATT settlement of dispute mechanisms,

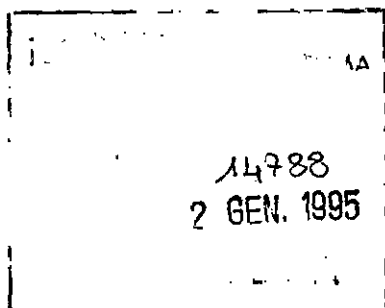
3.-

can largely be traced back to a lack of consensus concerning the applicable rules and standards in respect of agricultural policies and industrial or trade subsidies.

We would therefore suggest to concentrate the discussion on issues figuring on the Uruguay Round agenda on the brainstorming of agricultural policies and GATT.

It is of course always useful to add, if possible, a discussion on the new issues that are of great significance, both to the EEC and the US and with regard to which GATT has as yet little experience such as the international trade aspects of intellectual property protection, the international trade in services and the trade aspects of international investments (especially this last topic is seldom discussed in Uruguay Round studies even though it figures as prominently on the agenda as do the trade aspects of intellectual property protection).

JS/amt
28/12/1988



Seminar on the theme "STRENGTHENING THE U.S.-E.C. DIALOGUE : INSTITUTIONAL ASPECTS AND PERSPECTIVES"
Talloires, 7, 8 & 9 September, 1989.

SOME REMARKS ABOUT THE INSTITUTIONAL ASPECTS

BY JACQUES VANDAMME

A PERMANENT DIALOGUE EXISTS BETWEEN THE U.S. AND THE E.C. ON MANY ISSUES AND AT DIFFERENT LEVELS, BUT IT REMAINS A FRAGMENTED DIALOGUE.

IN ORDER TO REALLY STRENGTHEN THE U.S.-E.C. DIALOGUE A MORE CO-ORDINATED APPROACH IS NECESSARY - ACROSS THE BOARD - TOWARDS ALL POLITICAL, ECONOMIC AND SECURITY ISSUES. THIS WAS ALREADY UNDERLINED BY LAWRENCE EAGLEBURGER IN 1984 (1).

THUS, NOW MAY WELL BE THE APPROPRIATE MOMENT FOR ALL OF US --EUROPEANS AND AMERICANS-- TO TAKE A NEW LOOK AT WHERE WE SHOULD BE GOING TOGETHER AND HOW WE SHOULD GET THERE. PERHAPS, AS WAS RECENTLY INDICATED IN THE WALL STREET JOURNAL, WE MIGHT FOREGO THE TRADITIONAL CHOICES BETWEEN LESS AND MORE INVOLVEMENT, AND DIRECT OURSELVES INSTEAD TO A "SMARTER" INVOLVEMENT. THE TWO PILLARS OF A "SMARTER" RELATIONSHIP, IN MY OPINION, ARE :

- INCREASING RESPECT FOR THE DIFFERENCES IN OUR ALLIANCE, AND
- A MORE COORDINATED APPROACH-- ACROSS THE BOARD -- TO ALL POLITICAL, ECONOMIC AND SECURITY ISSUES WITH OUR EUROPEAN ALLIES.

ON MANY OCCASIONS MINISTER L. TINDEMANS EXPRESSED THE SAME IDEA : "I AM - AND HAVE BEEN FOR A LONG TIME - PREOCCUPIED BY THE ABSENCE OF A PROPER FORUM WHERE THE UNITED STATES AND THE EEC, OR A FUTURE EUROPEAN UNION, CAN CONSIDER THE WHOLE RANGE OF THEIR RELATIONS.

PARADOXICALLY ENOUGH, WE CAN DO THIS WITH THE ASEAN COUNTRIES WITH WHOM WE MEET VERY REGULARLY TO CONSIDER THE WHOLE RANGE OF OUR RELATIONS, POLITICAL AS WELL AS ECONOMIC, AND WITH WHOM WE EXCHANGE VIEWS ON ISSUES OF MUTUAL CONCERN SUCH AS KAMPUCHEA. THIS DOES NOT EXIST WITH THE UNITED STATES." (2)

(1) SPEECH OF LAWRENCE EAGLEBURGER, UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS, BEFORE THE NATIONAL NEWSPAPER ASSOCIATION, WASHINGTON, D.C., MARCH 7, 1984.

(2) SPEECH OF Mr. L. TINDEMANS PRONOUNCED ON JULY 1st, 1986.

MORE RECENTLY, PRESIDENT G. BUSH WAS TALKING ABOUT NEW FORMS OF COOPERATION IN A SPEECH IN MAY AT BOSTON UNIVERSITY : "THE U.S. WELCOMES THE EMERGENCE OF EUROPE AS A PARTNER IN WORLD LEADERSHIP. WE ARE READY TO DEVELOP - WITH THE EUROPEAN COMMUNITY AND ITS MEMBER STATES - NEW MECHANISMS OF CONSULTATION AND COOPERATION ON POLITICAL AND GLOBAL ISSUES, FROM STRENGTHENING THE FORCES THE FORCES OF DEMOCRACY IN THE THIRD WORLD, TO MANAGING REGIONAL TENSIONS, TO PUTTING AN END TO THE DIVISION OF EUROPE. A RESURGENT WESTERN EUROPE IS AN ECONOMIC MAGNET, DRAWING EASTERN EUROPE CLOSER, TOWARD THE COMMONWEALTH OF FREE NATIONS". (1) FROM ALL THESE DECLARATIONS WE MIGHT CONCLUDE :

- 1) THAT THE NEW MECHANISMS OF COOPERATION SHOULD INCLUDE ALL THE ISSUES (SECURITY, ECONOMY, POLITICS)
- 2) THAT THE EXISTING MECHANISMS (ANNUAL MEETING BETWEEN THE COMMISSION, THE SECRETARY OF STATE AND OTHER U.S. CABINET MEMBERS, POLITICAL COOPERATION, ETC.) SHOULD NOT BE NEGLECTED.

BOTH THESE CONDITIONS WILL PROBABLY LEAD TO FORMAL STEPS.

BUT SHOULD THIS LEAD TO THE CREATION OF NEW INSTITUTIONS ? NOT NECESSARILY, BETTER, THE ESTABLISHMENT OF A LEGAL FRAMEWORK.

WHICH KIND OF FRAMEWORK ?

A COOPERATION TREATY E.G. ON THE MODEL OF THE CANADIAN-E.C. TREATY (ENCLOSURE 1). SUCH A "COOPERATION TREATY", AS I WOULD CALL IT, WOULD LAY THE FOUNDATIONS OF A RENEWED DIALOGUE. IT WOULD DEFINE THE NATURE AND ORIENTATION OF U.S.-E.C. RELATIONS. PROVISIONS WOULD BE LAID DOWN FOR THE APPROPRIATE MECHANISMS (REGULAR MEETINGS AT BOTH POLITICAL AND ADMINISTRATIVE LEVEL) TO SUSTAIN THE DIALOGUE.

E.G. SUCH A TREATY COULD PROVIDE FOR

- 1) THE CREATION OF A HIGH LEVEL BODY IN CHARGE WITH THE GLOBAL COORDINATION OF THE U.S. AND E.C. POLICY IN MATTERS OF COMMON CONCERN.

(1) SPEECH OF PRESIDENT G. BUSH AT BOSTON UNIVERSITY, MAY 21ST, 1989.

THIS BODY TO BE COMPOSED WITH FIVE MEMBERS OF U.S. CABINETS AND FIVE E.C. REPRESENTATIVES : TWO COMMISSIONERS AND THE TROIKA;

- 2) A PERMANENT DIALOGUE BETWEEN U.S. ADMINISTRATION, E.C. COMMISSION AND POLITICAL COOPERATION IN ORDER TO FIX THE AGENDA AND SUPERVISE THE EXECUTION OUT OF HIGH LEVEL BODIES' DECISIONS;
- 3) A JOINT CONSULTATIVE COMMITTEE WITH REPRESENTATIVES OF THE EUROPEAN PARLIAMENT AND THE CONGRESS.

(Acts whose publication is obligatory)

COUNCIL REGULATION (EEC) No 2300/76

of 20 September 1976

concluding the Framework Agreement for commercial and economic cooperation between the European Communities and Canada

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 113 and 235 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament⁽¹⁾,

Whereas the conclusion by the European Economic Community of the Framework Agreement for commercial and economic cooperation between the European Communities and Canada, signed in Ottawa on 6 July 1976, appears necessary for the attainment of the ends of the Community in the sphere of external economic relations; whereas certain forms of economic cooperation provided for by the Agreement exceed the powers of action specified in the sphere of the common commercial policy,

HAS ADOPTED THIS REGULATION:

Article 1

The Framework Agreement for commercial and economic cooperation between the European Communities and Canada is hereby concluded on behalf of the European Economic Community.

The text of the Agreement is annexed to this Regulation.

Article 2

Pursuant to Article VIII of the Agreement, the President of the Council shall give notification that the procedures necessary for the entry into force of the Agreement have been completed on the part of the European Economic Community⁽²⁾.

Article 3

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 20 September 1976.

For the Council

The President

M. van der Stoep

⁽¹⁾ Opinion delivered on 14 September 1976 (not yet published in the Official Journal).

⁽²⁾ The date of entry into force of the Agreement will be published in the *Official Journal of the European Communities*.

FRAMEWORK AGREEMENT

**for commercial and economic cooperation between the European Communities
and Canada**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

on behalf of the European Economic Community, and

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

on behalf of the European Atomic Energy Community,

of the one part, and

THE GOVERNMENT OF CANADA,

of the other part,

INSPIRED by the common heritage, special affinity and shared aspirations which unite the countries of the European Communities and Canada;

RECOGNIZING that the European Communities and Canada desire to establish a direct link with each other which will support, complement and extend cooperation between the Member States of the European Communities and Canada;

RESOLVED to consolidate, deepen and diversify their commercial and economic relations to the full extent of their growing capacity to meet each other's requirements on the basis of mutual benefit;

CONSCIOUS of the already substantial flow of trade between the European Communities and Canada;

MINDFUL that the more dynamic trade relationship which both the European Communities and Canada desire calls for close cooperation across the whole range of commercial and economic endeavour;

PERSUADED that such cooperation should be realised in evolutionary and pragmatic fashion, as their policies develop;

DESIRING furthermore, to strengthen their relations and to contribute together to international economic cooperation;

HAVE DECIDED to conclude a Framework Agreement for commercial and economic cooperation between the European Economic Community and the European Atomic Energy Community, of the one part, and Canada, of the other part; and to this end have designated as their Plenipotentiaries:

THE COUNCIL AND THE COMMISSION OF THE EUROPEAN COMMUNITIES:

Max van der STOEL,

President of the Council,

Minister for Foreign Affairs of the Kingdom of the Netherlands;

Sir Christopher SOAMES,

Vice-President of the Commission of the European Communities;

THE GOVERNMENT OF CANADA:

The Hon. Allan J. MAC EACHAN,

Secretary of State for External Affairs,

WHO, having exchanged their Full Powers, found in good and due form,

HAVE AGREED AS FOLLOWS:

*Article I***Most-favoured-nation treatment**

In accordance with the rights and obligations under the General Agreement on tariffs and trade, the Contracting Parties undertake to accord each other, on an equal and reciprocal basis, most-favoured-nation treatment.

*Article II***Commercial cooperation**

1. The Contracting Parties undertake to promote the development and diversification of their reciprocal commercial exchanges to the highest possible level.

To this end, they shall, in accordance with their respective policies and objectives;

- (a) cooperate at the international level and bilaterally in the solution of commercial problems of common interest;
- (b) use their best endeavours to grant each other the widest facilities for commercial transactions in which one or the other has an interest;
- (c) take fully into account their respective interests and needs regarding access to and further processing of resources.

2. The Contracting Parties shall use their best endeavours to discourage, in conformity with their legislation, restrictions of competition by enterprises of their respective industries, including pricing practices distorting competition.

3. The Contracting Parties agree, upon request, to consult and review these matters in the Joint Cooperation Committee referred to in Article IV.

*Article III***Economic cooperation**

1. The Contracting Parties, in the light of the complementarity of their economies and of their capabilities and long-term economic aspirations, shall foster mutual economic cooperation in all fields deemed suitable by the Contracting Parties. Among the objectives of such cooperation shall be:

- the development and prosperity of their respective industries,
- the encouragement of technological and scientific progress,
- the opening up of new sources of supply and new markets,

- the creation of new employment opportunities,
- the reduction of regional disparities,
- the protection and improvement of the environment,
- generally to contribute to the development of their respective economies and standards of living.

2. As means to such ends, the Contracting Parties shall as appropriate encourage and facilitate *inter alia*:

- broader inter-corporate links between their respective industries, especially in the form of joint ventures,
- greater participation by their respective firms in the industrial development of the Contracting Parties on mutually advantageous terms,
- increased and mutually beneficial investment,
- technological and scientific exchanges,
- joint operations by their respective firms and organizations in third countries.

3. The Contracting Parties will as appropriate encourage the regular exchange of industrial, agricultural and other information relevant to commercial and economic cooperation as well as the development of contacts and promotion activities between firms and organizations in these areas in the Communities and Canada.

4. Without prejudice to the relevant provisions of the Treaties establishing the Communities, the present Agreement and any action taken thereunder shall in no way affect the powers of the Member States of the Communities to undertake bilateral activities with Canada in the field of economic cooperation and to conclude, where appropriate, new economic cooperation agreements with Canada.

*Article IV***Joint Cooperation Committee**

A joint Cooperation Committee shall be set up to promote and keep under review the various commercial and economic cooperation activities envisaged between the Communities and Canada. Consultations shall be held in the Committee at an appropriate level in order to facilitate the implementation and to further the general aims of the present Agreement. The Committee will normally meet at least once a year. Special meetings of the Committee shall be held at the request of either Party. Subcommittees shall be constituted where appropriate in order to assist the Committee in the performance of its tasks.

*Article V***Other Agreements**

1. Nothing in this Agreement shall affect or impair the rights and obligations of the Contracting Parties under the General Agreement on tariffs and trade.
2. To the extent that the provisions of the present Agreement are incompatible with the provisions of the Agreement between the European Atomic Energy Community and Canada of 6 October 1959, the provisions of the present Agreement shall prevail.
3. Subject to the provisions concerning economic cooperation in Article III (4), the provisions of this Agreement shall be substituted for provisions of Agreements concluded between Member States of the Communities and Canada to the extent to which the latter provisions are either incompatible with or identical to the former.

*Article VI***European Coal and Steel Community**

A separate Protocol is agreed between the European Coal and Steel Community and its Member States, on the one hand, and Canada, on the other.

*Article VII***Territorial application**

This Agreement shall apply to the territory of Canada and to the territories to which the Treaties establishing the Communities apply, on the conditions laid down in those Treaties.

*Article VIII***Duration**

This Agreement shall enter into force on the first day of the month following that during which the Contracting Parties have notified each other of the completion of the procedures necessary for this purpose. It shall be of indefinite duration and may be terminated by either Contracting Party after five years from its entry into force, subject to one year's notice.

*Article IX***Authentic languages**

This Agreement is drawn up in two copies in the Danish, Dutch, English, French, German and Italian languages, each of these texts being equally authentic.

Til bekræftelse heraf har undertegnede befuldmægtigede underskrevet denne rammeaftale.

Zu Urkund dessen haben die unterzeichneten Bevollmächtigten ihre Unterschriften unter dieses Rahmenabkommen gesetzt.

In witness whereof, the undersigned Plenipotentiaries have affixed their signatures below this Framework Agreement.

En foi de quoi, les plénipotentiaires soussignés ont apposé leurs signatures au bas du présent accord-cadre.

In fede di che, i plenipotenziari sottoscritti hanno apposto le loro firme in calce al presente accordo quadro.

Ten blijke waarvan de ondergetekende gevolmachtigden hun handtekening onder deze Kaderovereenkomst hebben gesteld.

Udfærdiget i Ottawa, den sjette juli nitten hundrede og seksoghalvfjerds.

Geschehen zu Ottawa am sechsten Juli neunzehnhundertsechundsiebzig.

Done at Ottawa on the sixth day of July in the year one thousand nine hundred and seventy-six.

Fait à Ottawa, le six juillet mil neuf cent soixante-seize.

Fatto a Ottawa, addì sei luglio millenovecentosettantasei.

Gedaan te Ottawa, de zesde juli negentienhonderdzesenzeventig.

For Rådet og Kommissionen for De europæiske Fællesskaber

Für den Rat und die Kommission der Europäischen Gemeinschaften

For the Council and the Commission of the European Communities

Pour le Conseil et la Commission des Communautés européennes.

Per il Consiglio e la Commissione delle Comunità europee

Voor de Raad en de Commissie van de Europese Gemeenschappen

M. van der Stoep
Christoph van Samer

For regeringen for Canada

Für die Regierung von Kanada

For the Government of Canada

Pour le gouvernement du Canada

Per il governo del Canada

Voor de Regering van Canada

Allen J. MacEachen

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*How to Strengthen the Dialogue:
Institutional Prospects*

Background notes for a presentation by

Robert E. Hunter*

for the TEPSA Conference
Tailloires, September 7-9, 1989

To the surprise of virtually everyone, the Single European Act has transformed expectations about Europe. A few years ago -- Eurosclerosis; now -- Europhoria. Not so long ago -- half-hearted injunctions from America about a "European pillar" to the Western alliance; now -- an emerging pillar, though in *economics*, not the military realm, but with the prospect of transforming political relations across the Atlantic. The vibrancy of the European political condition may not continue as it appears, today -- elections are in the offing, new political movements are gathering steam, the agenda of Brussels and the agenda of Strasbourg may not prove compatible. But for now something is very much in the wind, and its impact upon America may be no less critical than its impact upon the Old World.

At another time, there would not be such room for hyperbole. Whatever else happened, economic relations within Europe would take a secondary place behind the preservation of security. The American connection would be seen as vital -- with European states accommodating, to a greater or lesser degree, on most other matters that arose in transatlantic relations, economic as well as military. For their part, the pattern of transatlantic relations was dominated by lines of influence passing either bilaterally between Washington and West European capitals or, in some regards, between the U.S. capital and NATO's organs in Evere (always with reference to Casteau).

To be sure, the erosion of the preeminent U.S. position in economics has for some time been lessening the impact of American influence on West European economic decisions, with their political overtones. Before the Single European Act, the *Bundesbank* had gained a degree of political independence of the United States that was the more marked because of the continued dominance of U.S. influence in the military realm even, when necessary, in the most vexing area of nuclear weapons.

But the era of transition to "1992" is also the era of "Gorbachev" -- the phenomenon of a Soviet leader who has, through word as much or more than deed, transmuted the very way in which European security is considered. Maintenance of robust defenses remains essential to the West, along with a credible nuclear deterrent; military modernization, along with the

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economies that are possible through rational use of resources, remain desirable. But the politics have changed. Ending the division of Europe is the goal. The means must be debated; old issues and new -- some buried for two generations, some invented in recent days -- must be dealt with; new risks and dangers, many deriving from the potential loss of structure and predictability before something new is created, must be contained and transformed into promise of basic political change. But there is no doubt that the driving energy is not the preservation of the past but the creation of the future.

This point was underscored by the two visits of President George Bush to Europe. During the first -- to NATO -- he regained the diplomatic initiative from the Soviets, shunted aside the latest nuclear "crisis" in the alliance, and ratified Western acceptance of Soviet arms control offers as solidly genuine. In the process -- by confirming the reality of future U.S. force cuts that had before only been a possibility (though implementation awaits results in the Vienna talks) -- Bush implicitly acknowledged that the coin of influence in Europe has been shifting away from military force; unspoken was the fact that the coin of political influence is shifting toward economic strength.

The U.S. president's second visit to Europe built upon the first. Notably, his presentations in Warsaw and Budapest showed a deft capacity to foster change without stimulating a Soviet reaction; but the dearth of U.S. economic commitment proclaimed America's incapacity -- or at least unwillingness -- to lead in providing resources for the reshaping of Europe. For good or ill (there is value in West European leadership), the relative balance of influence among the nations of the Western alliance is clearly shifting.

It should not be surprising, therefore, that the demands of discussion across the Atlantic have changed. For this purpose, one premise is worth asserting as valid -- that the projection of U.S. power, in some form, will remain critical to the future of European security for as far ahead as can be seen; neither Europe nor America can dispense with the other; the United States must remain a European power. But if this premise is accepted -- as it surely should -- then some outlines appear of the problems of consultations across the Atlantic.

As the transatlantic relationship develops over the next several years, NATO will continue to be important, as will consultations there and bilaterally between Washington and allied capitals. The United States will continue to have primacy for the West in East-West arms control negotiations, including the talks on Conventional Forces in Europe (CFE). It will also play a central role in any East-West negotiations over the political future of Europe -- but, in the slogan "no more Yaltas", it is already clear that U.S. primacy in talking arms with the Soviets will not carry over into talking politics.

In parallel will also be an expanding range of U.S. relationships with other security institutions. Western European Union -- potentially a means for European coalescence on security matters that can avoid the problem of any future neutrals as members of the European Community -- can take on new importance. It will gain from President Bush's attempts to lay to rest U.S. ambivalence about a "stronger Europe, a more united Europe." The Independent European Program Group can gain sufficient influence within the

Community to become a more important focus of transatlantic discussion. And the organs of the Community itself will perforce assume a greater role in the security debate. Not only does the first formal mandate for European Political Cooperation (EPC) permit forays into the realm of security -- with necessary reservations for NATO states -- but after 1992 the European Commission will administer all Community tariffs that, until now, have on a national basis permitted flexibility in the import of items under the Treaty of Rome's exemption for defense goods. The consolidation of European defense industries, the likely greater emphasis on buying defense goods at home, the pressures to bring the so-called two-way street to dead even -- these will increase the role of Brussels. And changes in East-West relations and the new, centralized role of the Community are likely both to involve the Commission in COCOM and to increase European pressures to reduce its mandate or to abolish it.

In direct relations between the United States and the institutions of the European Community, there has long been little of major substance for U.S. complaint in terms of economics and commerce. Fears of "fortress Europe" have already subsided; prudent U.S. companies have learned what "personality" they may need to have in the post-1992 Europe -- indeed, just as business led governments into the Single European Act, so U.S. business has led the U.S. government into an effective response; disagreements between the United States and the Community in particular areas have, to a greater or lesser degree, proved amenable to compromise; and -- in fact -- the United States has gained much of the benefit of a "seat at the table" without the misguided need to demand it.

Far less clear, however, is the capacity of existing patterns of consultation to deal effectively with two phenomena:

- o By the rules of EPC, direct and formal discussion with the United States is inhibited; the role of the so-called Troika (past, present, and future presidencies of the European Council) is cumbersome, inefficient, and lacking in the needed finesse; and many of the issues that are emerging do not easily lend themselves to consultation within formal and well demarcated channels, falling as they do into uncharted areas that blur distinctions among economics and politics and security.

- o This, in fact, points to the second phenomenon: that developments in Western Europe, in relations across the Atlantic, and in the slow reinvention of a "European" politics that embraces both East and West do not divide easily into categories that can be assigned to the EC and the one hand and to NATO on the other -- with ancillary institutions assuming their clear and appointed roles. There will be ambiguity enough within Western Europe, especially with the continued tension between the center and the periphery, between Brussels bureaucrats and national politicians, between the unifiers and the resisters -- whose day is far from over. Even more difficult will be the coalescing of "European" opinion about a range of issues that require a merging of economics, politics, and security, such that there can be effective and authoritative dialogue with the United States. Nor is this so much an issue of power -- the temptation, which appears likely to be resisted, for the United States to play one element of the equation off against the others -- as it is of the development of a means within Western Europe to deal effectively with these issues and to create a viable context for doing so.

On both sides of the Atlantic, there must be developed capacities and practices to integrate thinking and policy from its several components into approaches that are more holistic than ever before. There may be more difficulty in the pragmatic United States in developing these skills than is true on the Continent. But in Europe, especially within the politics that are represented by the Community, a new means must be learned for transcending the formal institutions' limits and for beginning to exercise a capacity for conceptualizing and for developing a broad vision of Europe's future and its overall role in the world.

By luck or design, this process has begun. At the recent 7-nation summit, Chancellor Kohl proposed that the European Commission "take the necessary initiatives" toward Eastern Europe in the economic realm (along with member states, the Seven, and "other interested states." This was an inspired suggestion. It reduces West Germany's political exposure, as the leader in economic involvements in the East. It provides a European, rather than an American, focus -- a point not lost on the Soviets. Perhaps most important for the long term, it requires the Commission -- and the institutions relating to it -- to develop a bureaucratic and political culture, practices, procedures, and ways of thinking and acting about issues that cut across virtually all traditional lines. In the process, the United States (along with Canada and Japan) are legitimately involved in activities of the Commission in an area directly germane to EPC and even broader efforts.

This development provides both an opportunity and a challenge for transatlantic relations. The opportunity lies in the development of a set of consultative arrangements between the United States and the EC, in areas heretofore guarded by inhibition, where the changing nature of issues, the projection of influence, and the whole European and Atlantic agenda permit an approach that assumes a maturation of European institutions and practices. The challenge lies in creating new links and methods -- tying Washington more closely to what happens in Brussels, but also broadening scope to take in other institutions and issues across the board. All the answers may not yet be known, and in many cases informal arrangements will prove to be best at the beginning -- preserving the integrity of individual perspectives, political processes, and institutions while getting the necessary work done in transatlantic relations. There is certainly great room for creativity, encompassing the full spectrum of political, economic, and social institutions on both sides of the Atlantic: the private sector perhaps as much as the public. But whatever the answers prove to be, the goals are now clear -- to be pursued for the benefit of nations and peoples on both sides of the Atlantic.

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**EC/US COOPERATION AND DIALOGUE:
ACHIEVEMENTS AND PERSPECTIVES**

Background and Reflection paper

**for the seminar "Strengthening the US/EC dialogue"
organised by TEPSA/HARVARD Center for European Studies**

Talloires, 7-9 September 1989

**This paper is intended only as a guideline for discussion during
the seminar and does not necessarily reflect opinions of the EC
Commission.**

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Cooperation and dialogue: achievements and perspectives

I. INTRODUCTION

The relationship between the USA and the EC is a rich and complex one; however, it tends either to be veiled by front-page news issues such as trade irritants or defence burdensharing or to be judged only from the institutional/legal perspective.

Beyond these issues, there is a network of functional and sectoral contacts, which have their own dynamism. These naturally flow from the fact that the EC countries and the USA share the same values and enjoy peaceful overall relations.

The EC/US relationship is complicated by the dual nature of the foreign policy of the EC Member States. Their EC membership represents one side of their foreign policy, their bilateral relations with foreign countries and with the USA another. This duality disappears where the Community, under the EC treaties, is responsible for a common policy, be it trade policy or internal markets policies. But where EC policies are still incomplete or unformulated, Member States continue to conduct their relationship with third countries.

The institutional competences of the Community led perforce to the development of EC/US dialogue, covering not only trade but many of the other fields for which common policies exist, from agriculture to nuclear energy. In many of these fields informal or formal cooperation programmes exist. There is now a multiplicity of contracts, and the heterogeneous nature of these contracts has reopened the debate about the nature of the dialogue as a whole.

In practice, dialogue is the basic component of cooperation, but cooperation means also cost-effective joint initiatives and where possible, agreed solutions to mutual problems.

For some political personalities and for various think-tanks, the dialogue should be intensified through some kind of an institutional body the nature of and competence of which is not clear (Tindemans) or through a dispute settlement mechanism of a FTA-type (Gibbons idea), while the Commission has a system of annual ministerial meetings, prepared at various levels.

Until the Single Act and the Single Market programme, the definition of a strategy with respect to the EC/US dialogue was bedevilled by arguments about institutional competences. Now, the circumstances are changing. The importance of the 1992 programme for our partners, especially, perhaps, the USA, are forcing a reexamination of the frameworks for the Community's external relationships.

In some sectors, EC/US cooperation has already been institutionalised through treaties, agreements, Memorandums of Understanding (MOUs), etc. In other sectors, informal cooperation could well be formalised. In many fields US and EC independently pursue identical objectives and work in the same fashion (example: ECVF and USIA VP). In judging how to take this further, it will be necessary to

- take stock of these various sectoral elements of cooperation, identifying new areas for cooperation and linking with the annual ministerial and sub-cabinet meetings;
- consider how to build bridges between the existing unilateral activities in a way which could benefit both parties.

It may be most useful first to review the history of the dialogue so far; then, to explore what has been achieved so far in the field of cooperation and what the prospects are for improving that cooperation; and finally to consider how the institutional dialogue can strengthen - and itself be strengthened by - improved transatlantic opportunities offered by cooperation.

II. THE EC/US DIALOGUE TO DATE

1. A very debated issue

The first debate on how to organise, structure and improve the dialogue with the USA took place in the early 1970s, when Europe was reassessing its relationship with America in the light of the Vietnam War and the dissolution of the Bretton Woods System. In 1973 Secretary of State Kissinger announced a diplomatic initiative known as the "Year of Europe", in which he proposed an "Atlantic Charter" to define future goals for cooperation and to create a new kind of relationship within the Atlantic Alliance. There was concern in Europe about the US's true objectives and in particular over Kissinger's comparison of the USA's "global role" with that of the Europeans' "regional interests". The 'Year of Europe' did not lead to a new institutionalised relationship - not least because of the difficulties of determining who should be the interlocutors on economic, political and defence matters. However, it did lead to a common European commitment to pursue the dialogue and develop cooperation with the US "on the basis of equality".

Ever since, the question as to who should speak for the Community has continued to be debated, specially since the Single European Act, Art. 30(6) of which calls for "coherence" between the external policies of the Communities and the policies formulated in the context of EPC. In April 1987, Mr Tindemans called for an overall structure for trade and political relations providing for "timely intervention and contacts at the political level" in order to nip problems in the bud. Similar calls had previously been made by political directors in a number of Member States. That same year, the USA proposed that US/EEC and US/Japan relations be discussed with the political directors of the Troika. Thus, the question of the appropriate framework for EC/US relations has been inextricably linked to the different roles of the respective EEC institutions.

2. The present state of affairs

There are basically three levels of dialogue between the EC institutions and the US:

- EC Commission/US contacts
- EPC/US contacts
- EP/Congress contacts.

2.1 EC/US administration contacts

Individual Commissioners have established an intensive dialogue with their US counterparts, in particular with the USTR, the Department of Commerce and the Department of Agriculture. These have tended to be ad hoc and to concentrate on issues related to the respective specific fields of responsibility. The Commission has therefore also sought to develop contacts at the whole Cabinet level on the US side, so that sectoral concerns can be placed in their proper context.

Since 1982 there has been an annual 'round table' between, on the American side, the Secretary of State, flanked by the Secretaries for Commerce, Agriculture, the Treasury and the US Trade Representative and, on the European side, the President of the Commission with those Commissioners involved in EC/US relations covering the international situation, economic and trade issues, both multilateral and bilateral. This high-level conference has followed the annual December NATO Ministerial meeting.

There have also been a number of visits to the USA by Presidents of the Commission (Presidents Jenkins and Thorn went three times and twice respectively, President Delors as yet twice: each time meetings with the US President took place). President Carter visited the Commission in 1978 and Vice-President Bush came twice (June 1985 and October 1987): Most recently, President Bush visited President Delors in May 1989, and President Delors returned this visit the following month.

To these bilateral contacts should be added, the annual Economic Summits at Head of State/Government level and the ministerial contacts in the context of multilateral meetings where the Commission participates, e.g. OECD meetings, and ad hoc meetings (cf. Rio type meetings of Trade Ministers) or "quadrilaterals" with USA, Canada and Japan. Most of these multilateral conferences are an occasion for bilateral meetings. During the Paris Summit in July 1989, the European Community was given the task to coordinate the western assistance to Poland and Hungary and this thus offers further opportunities in the EC/US dialogue.

In order to reinforce these links and to maintain a political overview of these multiple contacts, it was decided in 1988 to institute regular meetings at Sub-Cabinet level (between the US Under Secretary of State for Economic Relations and the Director General for External Relations at the Commission). A first experimental meeting took place during the last days of the Reagan Administration and it has been agreed to resume such contacts with the Bush Administration.

There are in addition constant informal and formal contacts at official level. Among the latter may be counted the consultations foreseen in the numerous EC/US agreements listed at Annex A, mostly concerning nuclear and other technical cooperation and the contacts maintained by the US Mission in Brussels and the Commission Delegation in Washington.

In the field of the trade implications of science and technology, there are bi-annual meetings of the EC/US "High Tech Group".

Continuous contacts are kept at official level through the GATT, UNCTAD and other UN bodies, as well as through OECD.

2.2 EPC/US contacts

In 1986 it was agreed to intensify political contacts at three levels, in the following way:

- a yearly meeting between the Foreign Ministers of the Twelve and the US Secretary of State on the occasion of the annual session of the UN General Assembly;
- a visit to Washington by the Foreign Minister of the Member State holding the Presidency at the beginning of each half year;
- a meeting of the Political Directors of the Troika with their respective US counterpart during each Presidency;
- regular contacts between the US Administration and Member States' Embassies in Washington.

In addition, the Member States' permanent representatives to the UN meet with their US counterpart at least once during each Session of the General Assembly.

A suggestion to introduce ministerial-level meetings between the Troika and the US Secretary of State was not taken up by the European side.

The US/Japan dialogue has developed in a somewhat similar way.

2.3 EP/Congress contacts

Delegations from the European Parliament and the US Congress meet every six months. To that effect, the Commission provides regular briefings to the EP Rex Committee and to the EP Interparliamentary delegation. The thirty-second meeting took place in January 1989. In addition other informal interparliamentary contacts take place, e.g. under the auspices of the America European Community Association.

III. EC/US CURRENT COOPERATION

1. Scientific Cooperation

Scientific cooperation is without doubt a tradition among scientists, who strive for universal achievements. On both sides of the Atlantic scientists are used to working in multinational teams.

The resources in science, research and development of the EC and the US are huge but not unlimited and can be optimised by cooperation.

EC/US scientific cooperation is taking place in the following sectors: science and technology, research and development and nuclear energy.

1.1 S&T, R&D

Cooperation in these sectors mainly means exchange of information, workshops, joint observation of respective programmes, joint reports, mutual visits (average: one visit in the EC or the US every second day).

Under the EEC treaty, the areas of cooperation so far cover:

- environmental research, where EC DG XI and USEPA have an MOU (renewed in 1989) dealing with the ozone layer, remote sensing and dust collectors technology;
- analysis of energy systems and policies, where regular bilateral consultations are needed to exchange information and improve EC/US positions in multilateral agreements, as well as to identify areas of cooperation such as the combined cycle power generation, the fluidised combustion bed and the underground gasification of coal;
- renewable sources of energy: an exchange of letters between DG I and DOE (entered in force on 17.12.1982, duration unlimited, legal base: Art 211 EEC) allows for exchange of information, mutual participation in scientific events, etc;
- medical research: since 1980, informal bilateral cooperation has been going on between the EC programme on medical health and various sections of the US National Health Institute;
- S&T forecasting and assessment FAST;
- reference materials, informal cooperation between the Bureau Communautaire de Référence and the US National Bureau of Standards;

- mining and minerals: an MOU between the EC Commission and the US Bureau of Mining allows information sharing, exchange of experts, seminars, mutual visits to laboratories, etc (entered in force on 16.1.1986, reconducted from January 1989 for five years, legal base: Art 211 EEC).

1.2 Nuclear Energy

Cooperation started in 1958, at the very outset of Euratom activities, with the US/Euratom framework agreement, completed by an additional agreement in 1960 covering the peaceful applications of nuclear energy.

This agreement contains provision for US assistance in the construction and operation of nuclear reactors, in the supply of enriched uranium and reactor materials and in the establishment of the Community safeguards and control system on nuclear materials.

Cooperation has been mutually satisfactory from the start. Periodical consultations take place with a view to keeping safeguards and control systems at the highest standard and in order to make sure that equipment and materials obtained through the agreement are solely utilised for peaceful purposes.

Nuclear EC/US cooperation was later supplemented by several sectoral agreements.

The agreement on R&D in safeguards (entered in force on 28.1.1982, duration five years, legal base: Art 101.3 EAEC) allows development, exchange and testing of assay methods and instrumentation, preparation and certification of reference materials, tests of mathematical methods for nuclear materials, accounting data evaluation and exchange of information, staff and equipment.

The agreement on nuclear waste management (entered in force on 6.10.1987, duration five years, legal base: Art 101.3 EAEC) allows for exchange of information on recycling techniques of nuclear waste, exchange of samples, materials, instruments and components of testing, mutual visits, seminars, etc.

The agreement on nuclear safety research (entered in force on 20.9.1984, duration five years, legal base: Art 101.3 EAEC) allows for exchange of technical information, temporary assignment of personnel to laboratories, execution of joint programmes and cooperative research projects, mutual visits, etc.

The agreement on health and environmental effects of radiation (entered in force on 7.7.1986, duration five years, legal base: Art 101.3 EAEC) allows for exchange of

information, of scientists, organisation of seminars, exchange of samples, materials and testing instruments and joint research projects.

The agreement on thermo-nuclear fusion (entered in force on 15.12.1986, duration ten years, legal base: Art 101.2 EAEC) allows for exchange of information and data, exchange of scientists, engineers and other specialists in order to participate in experiments, analysis and designs, execution of joint studies, construction and operation of experimental projects. The US participation is substantial in terms of financial involvement (several mioEcu) and qualified US staff and equipment working in EC laboratories, especially in JET and TORE-SUPRA, where the USA is transferring US technologies. This US/EC agreement is a vital element of the EC research programme on fusion (1985-1989) and has received strong backing from the European Parliament.

All the above-mentioned agreements have resulted not only in joint and cost effective research but also in new technologies used in the control of nuclear materials, safety and radiation. The process of cooperation took the form of exchange of information and of scientists and joint projects on the new generation of large-scale plants (magnetic fusion).

This EC/US cooperation has also contributed to the implementation of some of the multilateral agreements, in which both the USA and the EC participate, such as:

- the UN International Thermonuclear Experimental Reaction Agreement between the USA, the EC, Japan and USSR, signed in March 1988, which will involve R&D work on the design of an ITER by 1990, and
- the OECD-IEA agreements on stelerator concept, on toroidal physics and on large Tokamak. On the stelerator concept, the EAEC and the USDE have a special implementing agreement (entered in force on 31.7.1985, duration five years, legal base: Art 101.2 EAEC). On toroidal physics, the EAEC and USDE have a special implementing agreement (entered in force on 31.7.1985, duration five years, legal base: Art 101.2 EAEC) and on the Tokamak concept, the EAEC has a trilateral agreement with the Japan Atomic Energy Research Institute and the USDE (entered in force on 15.1.1986, duration five years, legal base: Art 101.2 EAEC).

Another positive element in EC/US relations in the nuclear field is the decision by Spain to join the Nuclear Proliferation Treaty which will facilitate the transfer of nuclear material of US origin between Spain and Eur-10.

2. High Technologies

Despite the asymmetry of governmental involvement in the USA and the EC as regards new and high technologies, a US/EC High Tech Group was informally set up to examine issues of mutual interest. Since December 1983, this group has met regularly and reports to the EC/US ministerial meeting.

Depending on the agenda, the US delegation can include agencies or Government departments, EPA, DOC, USDA, NSF, White House Science Advisor and is chaired and coordinated by USTR. The EC side may include DGs I, III, V, VI, XI, XII, XIII and is currently chaired by Heinrich von Moltke.

These meetings have encouraged a greater degree of informal dialogue in many fields:

- manufacturing technologies,
- mutual access to R&D,
- standardisation,
- environmental effects of new technologies,
- intellectual property, and
- biotechnology, where an agreement was concluded in 1985 to reinforce cooperation through training and exchange of staff, realisation of risk assessment studies, testing procedures and joint financial support to the ICSU data base network.

3. Environmental Protection

EC/US cooperation in this field was formalised in 1974, by an exchange of letters on environmental affairs between DG XI and the USEPA.

EC/US consultations take place annually. They have been useful in the process of exchange of information and the identification of areas for cooperation, in particular in the following sectors:

- hazardous waste management, where there is both an environmental and economic interest, since a substantial amount of trade of valuable hazardous waste is taking place (the EC imports of US waste are valued around 400 mioEcu per annum and represent 60% of total EC imports) and since both sides have developed recycling capacities; an EC/US agreement is under consideration in order to simplify monitoring procedures for the shipment of these products;
- air pollution, where joint or mutual measurement of atmospheric dust and development of the implied technologies is foreseen; the EPA is particularly interested in the technology developed in FRG and NL and in the use of EC data to revise the US air quality standards;

- climate change is the most important issue and EC and EPA have agreed to set up a working party to enhance cooperation with WMO and UNEP projects.

EC/US cooperation on environmental issues has tended to be hampered by the formalism and sometimes deliberate obstruction by State Department lawyers questioning the EC's external competences in multilateral conventions, such as:

- the Geneva Convention on long-range transboundary pollution and the Nox protocol,
- the CITES Convention,
- the protocol to the Ozone Layer Convention.

Success of EC/US cooperation in this area calls for the US finally to acknowledge the EC's external competence in environmental issues.

4. Consumer Protection

Informal exchange of information and staff between US and EC relevant administrations is taking place in the field of surveillance systems of consumer product-related injuries (EC=EHLASS system; US=NEISS system). Regular exchange of data on home accidents takes place in workshops and seminars. As a result of these contacts, the EC has now prepared a draft directive on product safety which would mirror the US Consumer Product Safety Act. But it would be less stringent than the US one as regards the recall of defective products and the notification by the industry to the authorities of defective products put on the market.

Cooperation in the sector of consumer protection may also develop in the field of services.

5. Trade Statistics

Under an exchange of letters signed on 1 August 1985, the EC, Eurostat and USDA agreed to a monthly exchange of tapes containing external trade data. On the Eurostat side, some technical difficulties were experienced in the software to extract and analyse US data (TSUSA/SITC). The introduction of the Harmonised System for Tariffs will resolve the processing problems and improve the reliability of analyses based on US and EC trade statistics.

Eurostat and USDOC-Bureau of Census have agreed to cross examine their EC exports/US imports figures and their EC imports/US exports figures in order to identify discrepancies and eliminate them by adjustment either of the nomenclature or of the statistical method or even of the underlying commercial or administrative formalities at the border.

6. Law Enforcement

The US and EC law enforcement administrations found natural grounds for cooperation when dealing with the prevention and repression of offences committed against the law of other countries. Cooperation occurs in various areas: customs, anti-trust, food and drugs.

Since an exchange of letters signed in December 1980, the EC and US DOC and Customs are providing reciprocal assistance in investigations on possible fraud on the true origin of goods imported with a certificate of origin issued by an approved agency of the USA or the EC. This mutual assistance fits into the EC general framework regulation to combat fraud in the customs sector (Regulation EEC/1468/81) and in particular also in the control of the origin of textile goods (Regulation EEC/616/78). On the US side, this cooperation is part of "Operation Tripwire" which includes commercial fraud headquarters in Washington DC and foreign posting of US investigators directed at import fraud involving a range of strategic items, including steel (operation Heavy Metal), electronic components or goods and textiles. The US/EC cooperation is working well and enables the customs services to work in parallel and detect, monitor and take appropriate action against organised fraud.

Since an exchange of letters signed in October 1977, the US and EC anti-trust administrations have exchanged information on their anti-trust laws and shared their enforcement experience. In their bilateral relations, US and EC administrations are also implementing the OECD recommendation (1986) concerning the mutual consultation and notification of proceedings against foreign companies.

Since an exchange of letters signed in July 1983, US and EC food and drug administrations cooperate to prevent fraudulent practices on food products and on wine labelling and donological practices.

This picture would not be complete without a mention of the consultations between EC and US Justice authorities, generally taking place prior to EC-TREVI meetings. Such consultations enhance the capability of both sides to detect, monitor and take appropriate actions against international crime and terrorism.

7. Relief Action and Development Aid

The USA and the EC are the major aid donors to developing countries and have come progressively to coordinate their efforts in certain particular areas and/or in certain emergency situations.

Ec/US coordination of emergency food aid, during the famine in Ethiopia and during the locust plague in West Africa, allowed maximisation of logistics (joint airlift) and an effective distribution of food supplies where they were most needed.

For many years DG VIII and USAID have met twice a year, in Brussels or Washington, to exchange information and to coordinate, where appropriate, their actions in order to achieve an impartial distribution of assistance in the areas where the people are located so as to prevent large scale exodus to overcrowded relief camps.

Such meetings have proven very useful in the exchange of information on the political and economical implications of the respective development policies (Lomé and the LDCs' debt problem).

IV. DIALOGUE AND COOPERATION

1. Is the existing situation satisfactory?

It is obvious that the existing cooperation is not sufficiently known and appreciated. It has been poorly "marketed".

At the same time, the political and economic dialogue is under strain, partly for the reasons referred to at the beginning of this paper: in particular the public perception of the EC/US relationship as being primarily a trading relationship, fraught with present and potential conflicts.

There are also longer term considerations in the minds of many policy-makers, some relating primarily to trade strategy, others primarily to political strategy:

- For example, in the USA, there are many who see the 1992 programme as not so much an opportunity, as a threat. Indeed, there is a tendency on the part of some quarters in the US Administration and Congress to look to the Pacific Rim rather than to Europe. Their objective would be to conclude agreements with East Asian countries which would ensure market access and technology-sharing for US producers. For Europeans, this creates the spectre of a cartellisation leaving Europe isolated in the race to develop the products of the future and deprived of investment as US investors turn to the Far East.
- Both in the Community and in the US some fear that the EC is moving in the direction of neutralism and cite the close relationship between the Community and the EFTA countries (four of which are neutral) and the development of relations with Eastern Europe.
- It is also noted that the EEC now has contractual relations with most of its major partners - European (including soon the USSR), Mediterranean and Arab Countries, ACP, ASEAN, China, India, the Central American countries, the Andean Pact and even Canada - but not with the USA, its principal ally and trading partner.

On the face of it, all these elements argue for a strengthened dialogue in order to

- reduce the harmful effect of trade disputes
- confirm Europe as the USA's no 1 world partner
- bring people to realise that the present relationship is not simply a conflictual one, but a cooperative one; and that the opportunities for improved cooperation should not be missed.

2. Options for improving the dialogue

A whole range of options have been debated, considered, canvassed, rejected, raised anew. They range from a full-blown cooperation agreement, possibly even covering areas outside the Community's traditional competences (as proposed by Mr Tindemans) to a framework agreement of good intent, as the Community has concluded

with many other partners, to a strengthening of the existing institutional links or to more frequent parliamentary, business, educational links.

The Community will need to reflect carefully which solutions are in its best interests:

- which will allow the EC to deal with the US as an equal partner;
- which will preserve the EC's relations with its other partners;
- which will be most effective in solving bilateral and multilateral problems;
- which will be most effective in improving the value and quality of the relationship.

For example:

Would the creation, at present, of an institutionalised bilateral relationship with the USA carry with it serious dangers for the multilaterally-agreed framework regulating international economic affairs and trade? Would it help to structure and widen the dialogue and promote the settlement of conflicts? The issue is not only the continual trade disputes which both sides see as irritants in the wider context of one of the world's most important trading relationships, but how to come to terms with the wider structural trends in economic (including monetary) and trade relations, involving the future of the GATT and the tendency on the part of both the EEC and the USA to formalise bilateral relations with their trading partners.

The debate goes on. But the institutional relationship is only part of the policy which is in the process of being made: for it can only reflect and react to the economic realities and the public and media perceptions of the day. Perhaps improved cooperation can help in both those areas: balancing tangible benefits to industry, to researchers, or the environment with an improved political climate - more mutual appreciation and regard, less misunderstandings, less distorted information.

How precisely that should be done will be discussed not only in this seminar but by the officials and ministerials preparing and participating in the Cabinet and sub-cabinet meetings in the last quarter of the year.

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TRANS EUROPEAN POLICY STUDIES ASSOCIATION (TEPSA)

CENTER FOR EUROPEAN STUDIES - HARVARD UNIVERSITY July, 1989.

Seminar on the theme :

STRENGTHENING THE U.S.-E.C. DIALOGUE : INSTITUTIONAL ASPECTS
AND PERSPECTIVES

Talloires (France), September 7th.-9th., 1989

Background paper

A. Mutual interdependence

The definition of the relationship between the U.S. and the E.C. is characterised by mutual interdependence. Previous publications have stressed the links between the various problems which the partners in the Atlantic Alliance are facing : trade problems, economic and monetary co-operation, defence and security issues (1).

The monetary situation influences trade patterns greatly and was the subject of common concern (Louvre and Plaza Agreements).

Security issues are influencing trade relations within the E.C. and between the E.C. and Eastern Europe.

The emergence of Japan as a major economic power has forced the U.S. and the E.C. to redefine their positions.

The new leadership in the Soviet Union has led to a different threat perception in public opinion, affecting policies and attitudes on both sides of the Atlantic.

The threat of terrorism can also only adequately be met by common attitudes and measures.

On the basis of these developments the question raised of the chances for revised views on cooperation at the political level (2).

B. New problems in the U.S.-E.C.relationship

The definition of the relationship raises a number of questions such as :

- the E.C.organisation has limited competence. The transfer of power to common institutions is incomplete (even within the E.C.'s sphere of power);
- consultation between E.C.member states and the U.S. has changed in nature since E.P.C. began but cannot easily be dealt with under the heading E.C.-U.S.relations;
- non E.C.members take part in American-European consultations and institutions; they cannot be simply forgotten;
- U.S.-E.C.relations suggest a bilateral relationship (the two pillar concept of relations between the U.S. and a Federal Europe may have been the model but it is far from reality). In fact, the relationship is far from bilateral. The original post-war structure of European-American cooperation and consultation was a multilateral one. That structure has not been replaced by another, but has slowly been eroded by the emergence of an incomplete but enlarging E.C., by E.P.C. as an intergovernmental arrangement, by Western summit conferences and by the practice of increasing bilateralism inside and outside the multilateral organisations (3).

C. Evaluation of functional institutions

The frictions in trade relations between the U.S. and the E.C. indicate that there is a danger of drifting apart.

How is this possible given the multitude of structures for consultation and co-operation ? The member states of the E.C. or the Community and the U.S. meet each other in innumerable negotiations and organisations. There are various functional organisations that in one way or another promote consultation and common action between the U.S. and the E.C., between North America and Western Europe at large, but these functional fora deal separately with issues that are basically intertwined.

The discussion would focus on the following mechanisms :

a) U.S.-E.C. consultation

- e.g. - sectorial cooperation and annual ministerial and subcabinet meetings E.C.- U.S.
- consultation E.P.C.- U.S. administration (4)
- delegations European Parliament - U.S. Congress
- U.S.- E.C. High Technology Export Control Group within O.E.C.D. (COCOM)

b) Multilateral organizations

- e.g. - O.E.C.D., I.E.A., N.A.T.O., G.A.T.T. (5)
- and beyond classical diplomatic practice
- the Atlantic Assembly
- Group of the Ten

Concerning a) & b)

In all these organisations: how did U.S.- E.C. consultation function within these organisations, and how did it affect the functioning of the organisation ? Are they specifically useful or only marginal for a better U.S. - E.C. cooperation ? Where do they overlap ?

c) Western Summits (6)

How do they function, and how do they affect consultation in a) and b) ?

d) Internal U.S. and E.C. decision-making mechanisms affecting U.S. - E.C. consultation.

In the U.S. : Administration-Congress

In the E.C. : relations between institutions and between Member states and institutions.

D. How can the structure of the dialogue be strengthened ?

The political, military and economic issues in U.S. - E.C. relations are linked (7) but the question can be raised if the methods and structures of the past are adequate to solve the problems of the present.

What are the shortcomings of the "decision-making" procedures of the Western summits ?

What is the real influence on policies in the industrialised world ?

Another question is dealing with the restoring/strengthening process of the multilateral framework.

Another question is dealing with the structure and implications of a bilateral U.S. - E.C. partnership (involves a much more unified E.C.).

Could such U.S.-European relationship be build on the leading role of the major States or through a network of bilateral relationships within a looser multilateral framework ?

Is there a need for a new overall political forum ?

Amongst recent suggestions, one can mention the idea of :

1. A permanent secretariat for the summit meetings of the major industrialised countries.
2. An Atlantic Directorate. What can be its impact on the role of the E.C. Is it acceptable for smaller States ?
3. Cooperation Treaty providing regular meetings of foreign ministers. The necessary preconditions for such a dialogue (representation of the E.C. with one voice). How to implement decisions ?
Preparatory meetings of high officials (the E.C. Political Committee on the European side could provide continuity).
4. Forum for consultation and information. (8)
5. Creation of a free trade and investment area. (9)
6. Dispute settlement mechanism. (10)
7. Reinforcement of the contacts among industrialists and business circles. (11)

8. Declaration of Intent between U.S. and E.C. which sets out the political will of both sides of the Atlantic to work together for a closer political relationship over the next decade. (12)
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7. Rozanne L. RIDGWAY, U.S. Assistant Secretary of State for European and Canadian Affairs, before the House Subcommittee on Europe and the Middle East, June 29th., 1987 : "The U.S. is a 'global power' and does not expect compensation from its allies for its efforts to guarantee freedom of navigation in the Persian Gulf".
 8. See the proposal by Mr. L. TINDEMANS, "Conflict and cohesion", U.S.-E.C. Conference, 9 April, 1984, Knokke (Belgium), on E.C.-U.S. relations.
 9. See proposals of Prof. G. C. HUFBAUER.
 10. Proposal of Mr. Sam GIBBONS, House of Representatives, U.S.A., 1988.
 11. "Are the main commercial partners in the world economy already used to the rules of interdependency ?". Speech of Mr. W. DE CLERCQ, Europe House, Brussels, February 25th., 1988.
 12. Speech given by Mr. James ELLES, Member of the European Parliament at the C.E.P.S. Meeting of April 12th., 1989.

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With protectionism on the rise, Georgetown University Professor Gary Hufbauer counterattacks. He says the time is near for a global free-trade deal.

World without borders



Georgetown University economist Gary Hufbauer
Will international mergers make antitrust rules obsolete?

By Edwin A. Flinn Jr.

GETTING FOREIGNERS to open their markets is only a small part of America's trade battle. In the event that all trade barriers in industrialized countries were removed, U.S. exports would increase by only \$30 billion, or less than a quarter of the U.S.' \$136 billion trade deficit.

So says Georgetown University economist Gary Hufbauer, an international tax expert. Hufbauer is emerging as one of the freshest thinkers on the international trade scene.

How does Hufbauer propose closing the rest of the trade gap? Cut the U.S. budget deficit, increase America's personal savings rate, reduce the value of the dollar by 20% during the next two years, and convince Europe and Japan to grow faster than they have been.

But the heart of his proposal is a free-trade zone that would unite the 24 industrialized nations of the Organization of Economic Cooperation & Development. That means binding Europe, North America and Japan with Scandinavia, Australia and New Zealand into a huge common market. Goods, services and investments would move among the member nations unhindered by tariffs, quotas or exchange controls. "The idea is to build on what's been happening with Europe's 1992 economic unification and the free-trade pacts between the U.S. and Canada and Australia and New Zealand," says Hufbauer, relaxing in his office overlooking the Georgetown campus.

Hufbauer says the gains from free trade that helped create unprecedented world prosperity after World War II have begun to slow in the face of rising trade barriers. Long on the defensive, protectionism is on the rise again, he says. His basic analytical technique is to measure world economic growth against world trade growth. In the 1960s global manufacturing export growth outpaced economic growth by 3%. In the 1970s the margin slipped to 2.5%. Between 1980 and 1987 the margin fell further, to 1.5%.

Much of this slowdown, Hufbauer says, is the result of nontariff barriers such as the voluntary restraint of Japanese auto and steel exports.

Hufbauer's critics complain that his 24-nation free-trade proposal excludes the world's developing countries. He counters that these countries by and large are not yet prepared to open their borders: Their long-protected domestic manufacturers would be run out of business by superior

products from industrialized countries. Also, few developing countries are democracies. So Hufbauer recommends that as developing countries advance economically and adopt democratic values, they be allowed to apply for membership in his proposed superbloc. Singapore and South Korea, for example, could be ripe for admission by the year 1995.

Such a club of like-minded nations would make possible important economic agreements that now have to be worked out in many separate forums. The agenda is formidable. Beyond eliminating tariffs and quotas, Hufbauer says, such an OECD-wide trade area could aim for harmonized product standards and uniform protection of intellectual property. It would also try to internationalize the bidding on government contracts to provide comparable tax and antitrust regulations. "With all these huge international mergers going on, judging antitrust on the national level hardly makes any sense," says Hufbauer. "Give it 10 or 20 years and it won't make any sense at all."

A free-trade area is needed, Hufbauer thinks, because the 96-nation General Agreement on Tariffs & Trade has grown too unwieldy to protect and defend free trade. "The GATT membership is now so large and diverse that it is difficult to reach agreement on a balanced package to liberalize trade," says Hufbauer. "Further progress through GATT will be like the search for the Holy Grail." He recommends the U.S. continue negotiations in GATT while at the same time embarking on his new free-trade area for its 24 most advanced members.

If Europe is too preoccupied with its own unification to consider joining the proposed global setup, the U.S. could start without Europe. It could discuss a free-trade area that would include North America and several Asian nations, as has been suggested by Senator Bill Bradley (D-N.J.), among others.

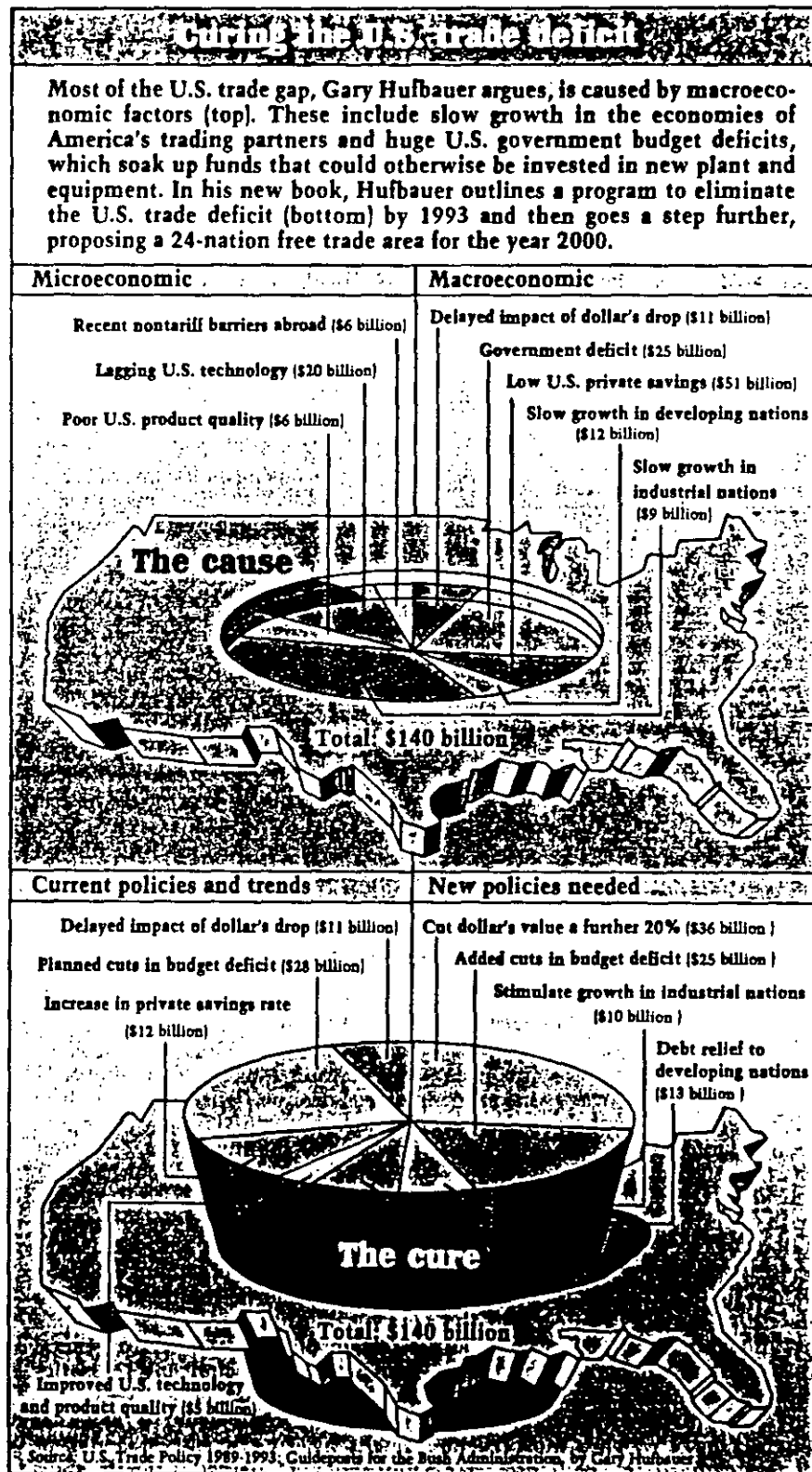
The biggest danger right now in international trade, Hufbauer contends, is the proliferation of industry-by-industry accords, such as the Multifiber Agreement, which restricts textile imports into the U.S. and other advanced countries. To protect American apparel manufacturers, the accord ultimately forces consumers to pay higher prices for clothing while limiting the success of developing countries in the textile trade. Likewise, agreements to restrict auto, steel and semiconductor imports have done little beyond making consumers pay more at the cash register. "These

agreements are the Prince of Darkness," says Hufbauer. "If they continue to proliferate, they could plunge us into worldwide recession."

Hufbauer argues his free-trade proposal in a lucidly written book, *U.S. Trade Policy 1989-1993: Guideposts for the Bush Administration*, to be published in the summer by the Twenti-

eth Century Fund. He thinks it is an idea whose time is soon to come. He says: "Over the past 40 years we have lived through the biggest period of industrial growth in recorded history, and free trade accounted for a major part of that. By moving toward an OECD-wide trade area, we can keep it going. That's what's at stake." ■

Stanford Kopp/Paragonics



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