

TOWARD TRANSATLANTIC PARTNERSHIP

A

EUROPEAN

STRATEGY

TPN

TRANSATLANTIC POLICY NETWORK

CHAIRMEN'S FOREWORD

Enrique Baron Crespo

Member (and former President) of European Parliament

Jean Gandois

Chairman and CEO, Pechiney

Leo Tindemans

Member of European Parliament (and former Prime Minister, Belgium)

This report is addressed principally to Europeans. It is the product of consultation and co-operation between businessmen, political officials and experts brought together through the Transatlantic Policy Network (TPN). Its strategy recommendations emerge from 18 months of discussions in Brussels, Rome, Bonn and Paris drawing in participants from most member states of the European Union.

Our starting point was a shared concern that European political leaders were failing to address the need to redefine and restructure our political relationship with the United States following the collapse of the Soviet threat. The closeness of the US-European relationship for 45 years after World War II rested upon the broad foundations of shared security and economic interests, and upon mutual understanding of the linkage between these interests. American support through the Marshall Plan and the European Recovery Programme was vital for rebuilding democratic government, civil society and market economies in Western Europe after the war.

At the same time, the American-led Atlantic alliance provided the security guarantee under which the European Community was established and grew to economic maturity. America's political and military presence in other parts of the world, together with American leadership in multilateral management of an open international economy through the IMF, the World Bank, the GATT and OECD, also provided the external stability necessary for the spread of European exports and investment around the world.

The core message of this report is that Europeans now need to redefine their approach to transatlantic partnership to reflect both the transformed character of our shared security concerns and the increasing intensity and complexity of our economic relationship. The bi-polar organisation of the postwar world had, in retrospect, a number of advantages for Western Europe. The United States shouldered the largest share of the burdens of both European and global security, enabling member states of the EC to avoid the sensitive issues of common foreign and defence policy, content by and large to follow American leadership as junior partners. We no longer have that option. If we wish to maintain the political framework of mutual trust within which economic cooperation and competition can successfully be managed, we have to create the basis within the European Union for a more balanced transatlantic partnership, capable of handling the new and inextricably linked economic, political and security challenges both partners face at the close of the XXth Century.

This report sets out a step-by-step European Strategy for building such a balanced transatlantic partnership. But we recognise full well that this strategy poses a more fundamental political question for Europeans; are we prepared to build the European structure needed to sustain a redefined transatlantic partnership in which strong and coherent European participation will be essential to maintain American commitment? That remains an awkward question for Western European politicians and publics, requiring as it does a pooling of political sovereignty comparable to the pooling of economic sovereignty (to our great common benefit) over the past 40 years.

In a world being rapidly reshaped by powerful economic and political forces, in which the US remains Europe's most important political and economic partner, but in which Americans are reluctant to bear a disproportionate share of the burden of regional and global leadership, it is nevertheless a question which Europeans must now address.

ENRIQUE BARON CRESPO

JEAN GANDOIS

LEO TINDEMANS

BRUSSELS, SUMMER 1994

ACKNOWLEDGEMENTS

Over 250 people from a broad constituency of business, politics, academia, journalism and government, as well as many institutions, participated or were actively involved in this project. It is impossible to recognise and acknowledge them individually for their valuable contributions.

This project has taken almost two years to develop. Its realisation would not have been possible without the continued support and committed involvement of TPN's political and corporate membership. By giving their valuable time as well as providing sponsorship, they have helped to ensure this successful result.

Special thanks go to the collective chairmanship of Mr Enrique Baron Crespo MEP, Mr Jean Gandois, Chairman and CEO, Pechiney and Mr Leo Tindemans MEP.

TPN also acknowledges and gratefully thanks the following organisations and institutions for their support, substantive input and co-operation:

Aspen Institute (Italy)

Centre for European Policy Studies (CEPS)

The European Round Table of Industrialists (ERT)

European Institute (Washington)

The European American Chamber of Commerce

Instituto Affari Internazionali (IAI)

Institut Français des Relations Internationales (IFRI)

Institut für Europäische Politik

St Antony's College, Oxford

Trans European Policy Studies Association (TEPSA)

UNICE

Finally, TPN would like to express warm thanks for their generous contributions, support and involvement to:

The German Marshall Fund of the United States

The European Commission



Summaries of each meeting, and lists of participants and supporting documentation are available from the TPN office in Brussels. These were organised as set out below.

February 1, 1994 Rome Hosted by IRI

Papers submitted by Aspen Institute (Italy) and Istituto Affari Internazionali (IAI)

March 17, 1994 Paris Hosted by Pechiney

Papers submitted by Institut Français des Relations Internationales (IFRI)

May 10, 1994 Bonn Hosted by Daimler Benz

Papers submitted by Institut für Europäische Politik

June 20, 1994 Brussels Hosted by European Parliament

For each of these meetings ongoing input was also provided by The European Round Table of Industrialists (ERT) and Trans European Policy Studies Association (TEPSA).

TABLE OF CONTENTS

CHAPTER I

Strategy Recommendations	8
--------------------------	---

CHAPTER II

Project Summary: The Process behind the Strategy	18
--	----

CHAPTER III

Transatlantic Policy Priorities	
Pillar I – Common Bilateral Economic Interests	24
Pillar II – Common Multilateral Economic Interests	25
Pillar III – Common Defence and Security Interests	29
Pillar IV – Common Multilateral Political Interests	31

CHAPTER I

STRATEGY RECOMMENDATIONS

Overall strategy recommendations presented in this chapter, reflecting the balance of views and experience of project participants, appear under seven main headings:

- "Linkage": The central strategic objective
- The 1990 Transatlantic Declaration: A point of departure
- Transatlantic policy priorities: Build on practical successes
- Next steps for Europe: Focus political debate on the 1996 Intergovernmental Conference
- Political and institutional framework: A "twin-track" strategy
- Communications: Broaden the debate
- Where are the limits to Transatlantic partnership?

"LINKAGE": THE CENTRAL STRATEGIC OBJECTIVE

The central objective of a European strategy for transatlantic partnership must be to create strong, mutually reinforcing *linkages* between the economic, political and security interests of the European Union and the United States.

During the cold war era, there was little practical connection – and therefore little political linkage – within Atlantic structures between the dominant defence and security interests of alliance members on the one hand, and their economic and political interests on the other. But since the collapse of the rigidly structured bi-polar world with its security fulcrum in Europe, fixed political boundaries between different spheres of European and American interest have virtually disappeared. Economic, political and security considerations are now routinely mixed in political calculations on both sides of the Atlantic.

These political linkages are increasingly dynamic and powerful. They must therefore now be harnessed to higher common purposes within a strong transatlantic partnership. Left to pull randomly in different directions, they are certain to become divisive and destructive.

Readers of these strategy recommendations are therefore invited to judge them primarily against this central objective of "linkage".

WHY EUROPEAN BUSINESS NEEDS "LINKAGE"

Companies in Europe increasingly see the benefit of strong linkages between economic, political and security policies within the European Union, and between the Union and the United States, because this will:

- Favour the economic, political and security stability necessary for doing business beyond the borders of the Union - and especially on the eastern and southern frontiers where European-based business has inherent competitive advantages
- Enhance European technological development through greater integration of national defence procurement in Europe - and across the Atlantic.
- Create economies of scale in European defence spending, thereby reducing public deficits and tax burdens on European business.

THE 1990 TRANSATLANTIC DECLARATION: A POINT OF DEPARTURE

The point of departure for this European strategy should be the "Transatlantic Declaration" concluded in November 1990 between the "United States of America on one side and, on the other, the European Community and its member states". This instrument (still largely unknown and under-appreciated) sets a clear course toward transatlantic partnership. The essential task for Europe is now to navigate that course.

The Declaration's importance lies in its explicit vision of a growing political partnership between the *European Union* and the United States (although it was concluded well before ratification and entry into force of the Maastricht Treaty). Thus, it is premised ultimately on the development on the European side of coherent Union-level policies across the full range of shared interests with the United States. (This premise stands in vivid contrast to the multilateral structure of NATO, within which the very idea of "partnership" is meaningless so long as there exists no coherent, composite European partner.)

Consistent with its vision and premise, the Transatlantic Declaration establishes a multi-level "institutional framework for consultation" between the American administration and the Union institutions, linked to biannual summits between the President of the United States and the European Presidencies (Council and Commission). The scope and importance of the transatlantic dialogue conducted within this framework has grown rapidly (albeit quietly) over the past few years. Project participants see four principal reasons for this success:

- On the European side, the framework is founded on the established institutions and processes of the European Union.
- On the American side, first the Bush administration and now the Clinton administration have seen the American interest in political partnership via the Union (rather than multiple bilateral relations) whenever and wherever the efficacy of Union structures makes this a viable option.
- The Declaration envisages a partnership of truly *global* dimension covering the full range of common economic, political and security interests, to be implemented through *bilateral* concentration on *multilateral* issues.
- This broadening of both the geographic and policy scope of transatlantic consultation under the Declaration has in practice already begun to create political "linkages" between different interests within the two administrations.

TRANSATLANTIC POLICY PRIORITIES: BUILD ON PRACTICAL SUCCESSES

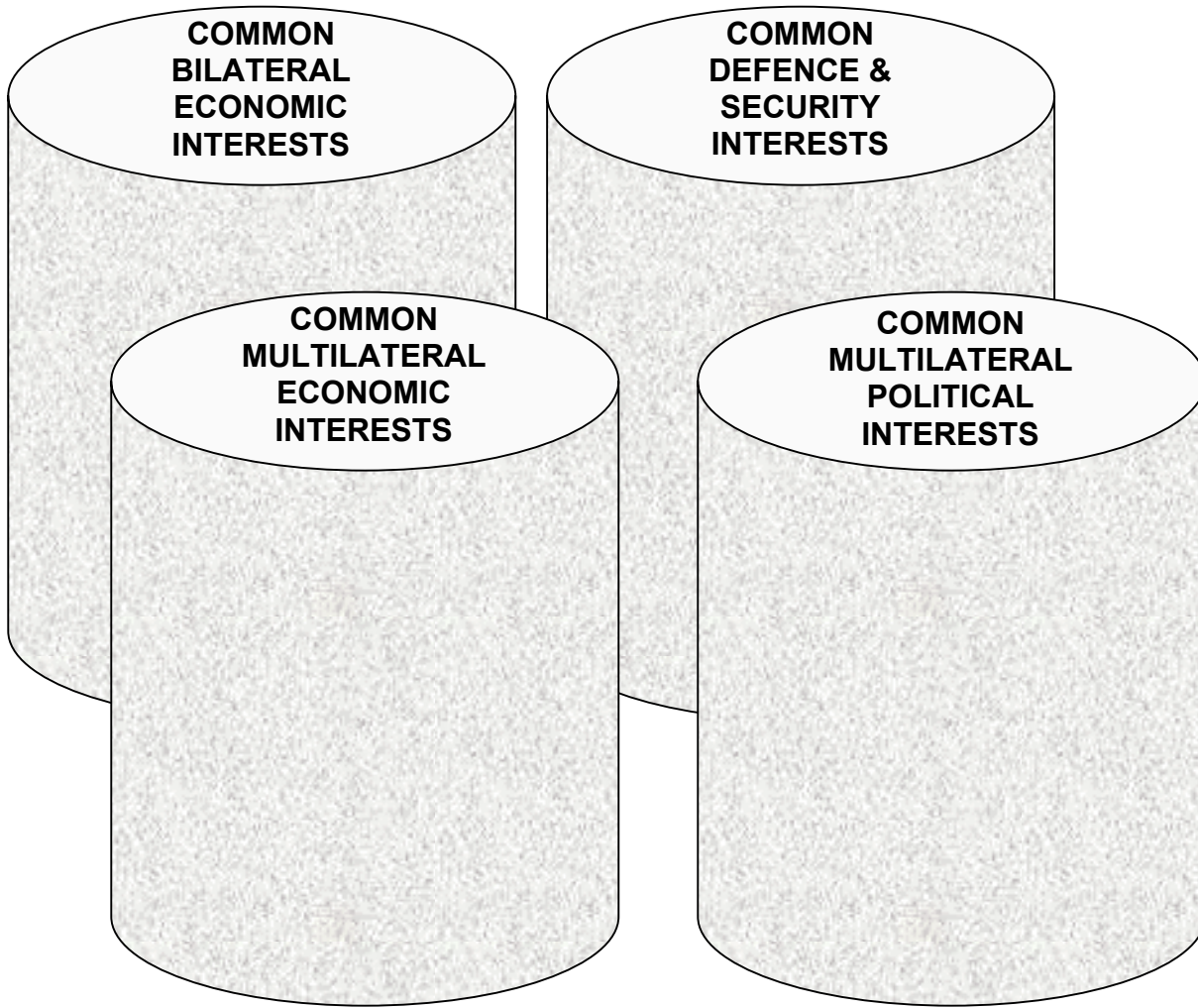
There is a strong consensus within the project group for a European strategy founded on progressive transatlantic problem-avoidance, problem-solving and successful joint policy development within specific areas of common interest, building on what already exists. Nothing succeeds like success. And in fact, considerable progress has already been made at the inter-governmental level within the mechanisms established by the Transatlantic Declaration (as was evident, for example, at the Berlin EU/US Summit in July 1994).

The priority should now therefore be to broaden the policy scope of transatlantic concertation already underway. Simultaneous action on a broad range of specific issues across the entire spectrum of common bilateral and multilateral interests, always rooted in the embryonic "partnership" mechanisms of the Declaration, will: expand the base of practical experience and success; develop early-warning systems to head off potential conflict; help build strong linkages between economic and non-economic interests from this point forward; allow institutional mechanisms to evolve in step with the substantive policy agenda.

As a result of this approach, identification and pursuit of common global economic, political and security interests through regular and effective bilateral concertation will become the new basis of the transatlantic partnership by the end of the century. This could, notably, incorporate a transatlantic "common market", as well as enhanced concertation mechanisms for joint action in established multilateral fora.

To provide a tool for in-depth analysis of specific policy priorities across this spectrum of mutual interest, participants adopted a conceptual framework based on four "pillars" of common interest as illustrated on the next page. Policy priorities within each of these four conceptual pillars are addressed in Chapter III. (The thinking behind this framework is presented in Chapter II.)

Transatlantic concertation on specific issue priorities arising within this framework should be initiated or accelerated (as the case may be) *immediately* within the processes already operating under the Transatlantic Declaration, but must now also radiate out much more purposefully through appropriate political, industrial and governmental networks on both sides of the Atlantic.



**FOUR POLITICAL PILLARS FOR A
FUTURE TRANSATLANTIC PARTNERSHIP**

NEXT STEPS FOR EUROPE: FOCUS POLITICAL DEBATE ON THE 1996 IGC

Discussions conducted in several EU member states during the course of this project have led project participants to a clear strategic conclusion:

- The successful development of a strong transatlantic partnership now depends far more upon the willingness of member state governments to develop common external Union policies than upon convincing the United States to accept a partnership of equals with the European Union.

Even more to the point, there is now a clear "window of opportunity" in Washington. Since the 1950's successive American administrations have given official support to European integration. But this typically appeared to have more to do with diplomatic form than with the geopolitical forces acting on America.

Since early 1993, however, the Clinton administration has increasingly insisted on the need to recast relations with Europe around a more coherent European Union, and on a broader base of common global political interests. Project participants believe this policy orientation is genuine, because it reflects the way the world undoubtedly looks from Washington today. That puts the ball squarely in the court of the EU member states.¹

Moreover, there can be no certainty that future American administrations will see the EU in the same way (particularly if this administration's offer goes unrequited). It would be a bitter irony indeed if Europeans warmed to this strategy just as Americans dismissed it as unworkable – or warmed to it too late in this transitional period in human history to exert decisive influence on the course of world events.

The preceding considerations all underscore the need for *urgency*. Participants were encouraged over the course of this project by evident movement in national assumptions about foreign policy and links with the US, in larger and smaller EU members states alike. But there has yet to develop any widespread conviction in these national debates that a more unified Union approach to Washington would actually serve national interests in the future better than the present jumble of bilateral relations.

¹ *These views emerge from 2 studies prepared for this project for the TPN by the European Institute, Washington: These are available on request.*

Project participants conclude that this impasse has far more to do with deeply ingrained political history, traditions and attitudes than with any objective analysis of present geopolitical and economic trends, or any inherent conflict between the political interests of individual EU member states. That conclusion in turn suggests that the next step must be to bring these separate national debates within the Union together through a dynamic *political* process, in order to lay the political basis for a more unified approach toward the United States.

The common foreign and security provisions of the Maastricht Treaty on European Union provide the constitutional basis for such a process. But the intricate network of committees and common institutions underlying them is not widely understood and is of doubtful value as a mechanism for undertaking the necessary political debate.

We therefore recommend that the question of the European Union's future relationship with the United States becomes a *focal* point within the political processes leading up to the 1996 EU Intergovernmental Conference (IGC).

Within these IGC processes, the objective must be to demonstrate that, as the Union's *internal* economic and political integration proceeds in step with the globalisation of the world economy, the external interests of any individual EU member state are actually becoming common external interests of all members states, and can be more effectively advanced by using the *collective political weight* of the Union – most obviously and urgently in Washington.

As the next section of this chapter makes clear, the principal task for the IGC to facilitate transatlantic partnership will be agreement on the future evolution of the links between the European Union and the Western European Union (WEU) on the one hand, and the WEU and NATO on the other – and to adopt any procedural and institutional measures necessary as a consequence. (The central significance of these links was clearly recognised in the parallel negotiations during 1991 leading up to the Maastricht Treaty and in the final text, but no agreement was reached on how they should evolve.)

POLITICAL AND INSTITUTIONAL FRAMEWORK: A "TWIN-TRACK" STRATEGY

Project participants see no need for the creation of new Atlantic institutions. Rather, we recommend building on what exists through an evolutionary "twin-track" strategy for eventual *linkage* of the economic, political and security dimensions of the transatlantic partnership within a balanced political and institutional framework:

Track 1: On the economic and political side, progressively adapt the Transatlantic Declaration in order to expand the political framework of EU/US relations in step with the expanding policy scope of the partnership, and also to provide for necessary institutional modifications or innovations. To this end:

- Negotiate adaptations to the Declaration during 1995 to take account of developments since 1990 (particularly the entry into force of the Maastricht Treaty, and the conclusion of the Uruguay Round).
- Agree on the EU side during the 1996 IGC – and negotiate with Washington at an appropriate stage thereafter – to transform the Transatlantic Declaration into a substantive treaty between the European Union and the United States.
- Within this evolutionary process, provide for the adaptation of institutional processes and mechanisms already operating under the Declaration as necessary to support the expanding depth and scope of the partnership, always building if possible on what exists.

Track 2: On the defence and security side, progressively restructure NATO around a core transatlantic partnership as a coherent European pillar emerges. Two phases of this evolutionary process will be necessary:

- Build the European defence pillar. As previously noted, decisions will be necessary during the 1996 IGC on the specific short-term political and functional links required between the EU and the WEU. Agreement should also be sought on longer-term rationalisation of the WEU and the EU's defence and security framework. (Some project participants see the WEU as a "bridge" to eventual full incorporation of the European defence pillar within the EU itself.)
- Adapt NATO structures progressively to accommodate the European pillar.

Ultimately then, this twin-track strategy would lead to a broadly-based transatlantic partnership functioning through two closely parallel and *mirror image* structures – one competent for

common defence and security interests, the other for the balance of common political and economic interests. Each would be treaty-based, and each would function primarily through the European Union on the European side.

These twin policy processes could then be linked to the same summit format, thereby ensuring linkage of economic, political and security interests at the highest political level of partnership. (And in fact, there is no reason why ministerial or even presidential level linkage could not begin informally well before adoption of formal undertakings.) Participants see the conclusion of this twin-track evolution by the turn of the century.

COMMUNICATIONS: BROADEN THE DEBATE

A debate between government officials behind closed doors will not be sufficient to underpin the political decisions necessary during the 1996 Intergovernmental Conference. The necessary political determination can only be built and maintained on the basis of wider public understanding and support. We recommend two broad initiatives from various groups or institutions as appropriate:

- Draw the European Parliament and member state Parliaments into the process (e.g. via government reports to these bodies on the issues and options).
- Communicate more broadly to European publics on the changing shape of the transatlantic partnership, the future economic, political and security interests Europeans share with Americans and the consequent need for greater European Union coherence to achieve a transatlantic partnership of equals.

WHERE ARE THE LIMITS TO TRANSATLANTIC PARTNERSHIP?

Project participants broadly endorse the transatlantic partnership scenario set out in the foregoing strategy. At the same time, we recognise that it poses a central longer-term strategic issue for both the European Union and the United States, namely: where are the political limits to transatlantic partnership in terms of membership in its "core" structures? This project has brought to light three key considerations:

- Neither the United States nor any other NATO member appears yet ready to extend its NATO mutual defence commitment to newly independent states of Central and Eastern Europe (or the Mediterranean) – especially those vulnerable to instabilities that might actually trigger that commitment.

- There is also reluctance to take on the difficult task of integrating into NATO new members who will be unable to uphold their end of the bargain for many years to come.
- And at the same time, there is a growing political sense within the European Union that the Union itself cannot enlarge without limit to the East and to the South if it wishes to retain its stability.

These considerations *converge* under a scenario for transatlantic partnership in which a European defence and security pillar is linked more closely to (or even ultimately subsumed into) the structures of the European Union. As membership in the European Union begins to bring with it closer involvement in the core structures of the transatlantic partnership, including NATO, questions of future membership in the Union will become unavoidably linked to the issue of NATO membership. And at the same time membership in one but not the other will look increasingly anomalous.

That perception leads to the further question of future mechanisms for linking non-core countries to core partnership structures in the economic, political and security spheres. At this stage, project participants simply point out that most of these mechanisms may already exist (CSCE, the Council of Europe, the European Economic Area, the North American Free Trade Area, the Partnership for Peace linked to NATO). The best approach will undoubtedly be adaptation of the interfaces between various of these mechanisms and the core partnership structures as they themselves evolve.

These questions on the limits to transatlantic partnership will inevitably become more central to European thinking in the run-up to the 1996 IGC, as a major focus of the IGC itself will be the growing pressure for EU enlargement eastward. Project participants stress the importance of developing this wider dimension of the political debate, because it underscores the magnitude of what is really at stake for Europeans as we consider our future relations with the United States.

* * *

CHAPTER II

PROJECT SUMMARY:

THE PROCESS BEHIND THE STRATEGY

This project was launched after TPN members reached the conclusion that Europeans and Americans were doing each other no favours by continuing to ignore questions about the strength and purpose of our political relations following the collapse of the Soviet threat.

In Europe we had become preoccupied by our internal Union affairs and our immediate periphery. America likewise seemed preoccupied, not only with her own pressing domestic agenda but also with her continental neighbours and growing Pacific interests. And at the same time, "transatlantic" thinking on both sides had shifted noticeably away from common defence and security interests toward the broader political consequences of Europe's long post-war rise to economic strength, rivalling that of America herself.

TPN members agreed that the transatlantic relationship founded primarily on the alliance was adrift, if not yet in any immediate peril. But it was also felt that simply to analyse the more or less self-evident reasons for the weakening of the old atlanticism would not in itself lay the foundations for a revitalised and restructured atlanticism, founded on the future common interests of Europeans and Americans.

TPN therefore began to look for a simple process to trigger wide reflection in Europe and America on the future purposes of the transatlantic relationship, and on the practical changes necessary to achieve them. After considering various approaches, TPN members in Europe concluded that no serious political effort to revitalise the transatlantic relationship could be undertaken – let alone succeed – until political and business leaders on each side first considered more carefully their own respective future interests in the relationship. Thus was born this three-phase project to identify the specifically European interests in a future transatlantic partnership, and to recommend a European strategy for creating it.

PHASE I

The objectives of Phase I were to create a strategic framework for taking the project forward, and to identify the important themes and issues for framing a European strategy toward the United States.

Phase I consisted of an intense round of discussion through the latter half of 1993 between TPN project participants in Europe and senior politicians, government officials and industry leaders with long experience in transatlantic affairs.

A Phase I report was tabled in early 1994, following several rounds of redrafting to reflect participants, observations and suggestions. Its key conclusions were as follows:

- Seen from Europe, revitalising the transatlantic relationship will require a shift from the well-developed concepts, policies and practices of the multilateral Atlantic alliance toward new concepts, policies and practices of *partnership* between political and economic "equals" – the European Union and the United States.
- Our bilateral economic relationship, characterised by essentially balanced flows of trade, investment and technology, is the most important existing building block for building a true transatlantic partnership.
- The Transatlantic Declaration agreed between the European Community and the United States in November 1990 can become the most important political instrument for partnership, if we are prepared to pursue the vision and apply the principles agreed in it.
- The degree to which "shared values" between Europeans and Americans have constituted and can continue to constitute a binding force in transatlantic relations is an important but subjective question upon which opinions differ widely. It was therefore agreed to set aside the question of shared values and concentrate instead on Europe's economic and political interests as the most practical way forward.
- Five broad points of agreement emerged concerning the future interests of atlantic partners:
 - ◆ The impact of each partner's *economic* interests on the political relationship is certain to grow.
 - ◆ Our respective defence and security interests (or non-economic) have entered an uncertain period, but will remain central to our political relationship.

- ◆ A distinction between our "bilateral" common interests and our "multilateral" common interests can usefully be drawn:
 - *Bilateral* common interests arise from our direct dealings with each other, and can be addressed bilaterally.
 - *Multilateral* common interests are those arising (in whole or in part) from partners' respective relationships with the rest of the world, but which can be most effectively addressed by working together.
- ◆ The "linkage" – or "overlap" – between partners' political, economic and security interests is certain to grow.
- ◆ Our common multilateral interests are also likely to grow rapidly through the coming years of dynamic global change, as is the "multilateralisation" of what have traditionally been bilateral issues and interests.

In view of the general agreement on these five points, it was decided to adopt them as a basic "tool of analysis" for the rest of the project. As illustrated on page 12 we therefore postulated four "pillars" of common (EU/US) interest to serve as the political foundations of a future Transatlantic partnership:

- PILLAR 1: COMMON BILATERAL ECONOMIC INTERESTS**
- PILLAR 2: COMMON MULTILATERAL ECONOMIC INTERESTS**
- PILLAR 3: COMMON DEFENCE AND SECURITY INTERESTS**
- PILLAR 4: COMMON MULTILATERAL POLITICAL INTERESTS**

This framework has proved to be a useful conceptual tool. It is also compatible with the Transatlantic Declaration and current thinking within the American administration. But we recognise – and stress – that distinctions among these various categories of common interest cannot be so neatly drawn in the real world.

In fact, it is precisely because the overlaps between them are dynamic and growing that a future transatlantic political relationship which fails to create strong linkages between them will ultimately fail. Even beyond the disappearance of an obvious common security threat the previously dominant pillar of common defence is no longer adequate by itself to ensure a functioning transatlantic partnership in the next century.

PHASE II

The Title V provisions of the Treaty on European Union now provide the constitutional basis for developing a common foreign and security policy. But project participants felt that was vital to understand whether there was actually any political support in national political thinking for a more unified EU approach toward the United States.

The objective of Phase II was therefore to obtain a much broader picture of current attitudes and perceptions in EU member states concerning relations with the United States, and in particular a better idea of any *differences* in these attitudes and perceptions in different member states of the European Union.

To do this, we organised high-level discussion meetings through the first half of 1994 in Rome, Paris, Bonn and Brussels, bringing together national political and business leaders. The Phase I report served as input for these meetings, together with a number of discussion papers prepared and presented by distinguished participants in these sessions. Key conclusions from Phase II were as follows:

- National *interests* in political relations with the United States continue to differ among member states of the European Union, but these differing interests rarely *conflict*. Rather, they are largely *complementary* – different pieces of the same puzzle which has yet to be assembled.
- National attitudes toward relations with the United States, on the other hand, *do* in many cases continue to conflict – with each other, as well as with the concept of a more unified European approach. The three most prevalent conflicting attitudes (often found together) are:
 - ◆ The continuing attraction of a "special relationship" with Washington, which ebbs and flows in a *surprising number* of member states capitals (depending, however, largely on the issue and on whether one's frame of reference is the past, the present or the future).
 - ◆ The continuing conviction that national interests involving the United States can be more successfully – or at least adequately – handled bilaterally.
 - ◆ The tendency to confuse historical relations and sentimental ties with America going back a half-century or more with assessments of current national interests.
- None of these attitudes actually stands the tests of future relevance or national self-interest (nor indeed in many cases of actual past experience):

- ◆ The idea of some natural, stable hierarchy of multiple bilateral transatlantic relationships flies in the face of all recent experience, and also casts as less than genuine the loud and increasingly insistent call *from Washington* for Union-level coherence.
 - ◆ No single member state of the European Union can itself any longer bring the scope of interest, of weight or external influence sufficient to forge a lasting transatlantic partnership, given the scope and weight of the global challenges confronting America.
 - ◆ The prosecution of most individual member state transatlantic interests will be more effective in the future if tied to the political interests of the Union – just as the prosecution of individual member state economic interests has unquestionably proven to be.
- Industry across Europe already takes the preceding three conclusions as largely self-evident, because companies have had no choice but to face the realities of global change. Many European politicians still have not.

PHASE III

The public launch of this report concludes the final phase of this project. But the project itself is just a first step. These ideas now need to be injected directly into the political arteries of the European Union over the next year. TPN members in Europe will turn their energies to that task.

And of course, our effort in Europe is only half the necessary exercise. American political and business leaderships must also arrive at a sharper perception of their interests in the future transatlantic relationship, because without both sides of this equation, we see no way to renew the transatlantic commitment and build a political partnership for the next century.

In that regard, readers will observe that we have made no attempt in this report to address the specifically American interest in revitalising the transatlantic relationship. While we certainly hope American readers of this report will find it motivating, we believe it is not for Europeans to lecture Americans on why future partnership with Europe will be important to the United States. To bear real political fruit, that exercise (like this one) must be essentially "domestic". In fact, much new thinking about relations with Europe has been forthcoming in America in recent months.

* * *

CHAPTER III

TRANSATLANTIC POLICY PRIORITIES

As noted in the overall strategy recommendations presented in Chapter I, project participants recommend concerted transatlantic effort on a range of agreed priorities *simultaneously* in *each* of the four conceptual "pillars" of common interest illustrated on page 12.

These efforts should be initiated or accelerated (as the case may be) *immediately*, first within the consultative processes already operating under the Transatlantic Declaration, but also now radiating out much more purposefully through appropriate political, industrial and governmental networks on both sides.

Simultaneous action rooted in the embryonic "partnership" structure of the Declaration on a range of specific issues across this *entire* spectrum of common interests will expand the base of practical experience and success, and at the same time help build strong political linkage between economic and non-economic issues from this point forward.

PILLAR 1: COMMON BILATERAL ECONOMIC INTERESTS

The European union and the United States have developed the world's most important and stable bilateral economic relationship, characterised by enormous and relatively balanced trade, investment and technology flows.

Much is often made of the fact that other parts of the world are growing in relative economic importance to both partners, as though this somehow negates the vital importance for both sides of the bilateral economic interest.

Project participants take it for granted that some dilution in the proportion of trade and foreign investment each Atlantic partner represents for the other is virtually inevitable as billions of people elsewhere in the world enter the global economy. But the diversification of each partners' economic interests in response to worldwide economic development is no argument against the strategic primacy for European industry of further developing the volume and quality of Atlantic trade and investment.

Crucially, America will remain Europe's most important highly developed market for many years to come. Our technology-based industries must have rapid and simultaneous access to both European and American markets for their newest products and services, as well as access to the most advanced American know-how and technology, in order to sustain the enormous investment risks required in conditions of global competition.

Moreover, we believe that given sufficient effort our bilateral economic relationship can become a significantly more robust political pillar of partnership than it is today – indeed it offers the most immediate way to compensate for current uncertainties in the defence and security pillar.

PILLAR 2: COMMON MULTILATERAL ECONOMIC INTERESTS

Project participants conclude that bilateral transatlantic concertation on multilateral economic policy objectives must become a much higher priority of the European Union's political relationship with the United States because:

- European industry's competitiveness, and in many cases even viability, has become vitally dependent on global sourcing of technology and raw materials, access to world markets, and direct foreign investment around the globe;
- The Union's external trade is highly diversified on both the supply and the demand side, and is therefore far better handled through the application of multilateral principles and mechanisms than through myriad bilateral deals;
- The Union's vital interest in the extension and strengthening of multilateral economic principles and mechanisms can be far better ensured through active partnership with United States (and cannot be guaranteed in the face of American hostility).

In view of these strategic interests, it is important for Europeans to recognise that support for economic multilateralism may prove in future a *higher* strategic priority for the European Union than for the United States, for the following reasons:

PILLAR 1: RECOMMENDATIONS

- 1) Develop a specific *European Union* bilateral policy agenda for further integrating markets and facilitating investment across the Atlantic, based on the concept of a "North Atlantic Free Trade Area" and on wide consultation of affected constituencies, particularly European industry.

Issues nominated by one of more TPN Phase I discussants for priority bilateral development in the transatlantic relationship include:

- "Competitiveness" policies (including R&D, subsidies and procurement)
 - Regulatory cooperation (especially for health & safety regulation)
 - Mutual recognition for product and process approvals
 - Standardisation and certification
 - Treatment of foreign direct investment, and investment-linked issues such as taxation
 - Policies and regulation relevant to information-based industries and services
 - Policies and regulation relevant to life-science ("biotechnology") based industries
 - Education and training
 - Employment programmes and policies
- 2) Concentrate on further developing principles and mechanisms for systematic bilateral economic dispute *prevention* (as distinct from dispute resolution), lest an accumulation of festering, inter-linked disputes demand constant fire-fighting, gradually undermining political support for greater economic integration (bringing more intense competition) across the Atlantic.
- 3) Invite and underwrite specific initiatives to demonstrate, articulate and communicate more consistently and forcefully the European interest in our bilateral economic relationship with America, in the face of evident tendencies either to take this interest for granted, to assert its diminishing importance, or to focus solely on points of economic dispute or conflict.

- European countries have never been able to disregard the international economic context when formulating domestic policies; it is therefore widely understood in Europe that our prosperity is dependent on a multilateral framework for world trade and investment;
- The European Union is itself a multilateral construct through which member states have over the years learned to manage many of their own domestic economic problems; the aptitudes, attitudes, skills and techniques of multilateral economic management are today second nature to Europeans (though some Americans may interpret this as no more than an incurable addiction to protectionism and managed trade);
- By contrast (and notwithstanding encouraging developments on NAFTA and GATT), there appears from Europe to be an instinctive suspicion in America of the real benefit of multilateral economic policy strategy and practice.

(Significant American political figures continue to voice deep suspicion of multilateral rules as ineffectual, as an unacceptable infringement of sovereignty, or both. Even official support appears based at times on grudging acceptance that America has no viable alternative, rather than acceptance of multilateralism as the preferred option. And in any event, multilateralism seems rarely incompatible in Washington with a vigorous bilateral or unilateral defence of American interests when push comes to shove.)

In the light of these considerations, project participants conclude that the European Union must anticipate the need to assume a greater burden of leadership for the development of multilateral economic management. In addition, success in this endeavour – upon which Europe's future prosperity depends – will in turn depend in large measure on the development over the next few years of a realistic consensus with the United States on the "next generation" of multilateral priorities, policies, mechanisms and institutions.

PILLAR 2: RECOMMENDATIONS

- 1) Develop as a first step a specific European Union multilateral economic policy agenda, based on wide consultation of affected European interests and constituencies, as the basis for bilateral discussion with political and industry leaders in the United States. Issues nominated by one or more project participants include:
 - Organisational and institutional strategies (e.g. future roles and inter-relationships of GATT/WTO, G-7/8, OECD, IMF, World Bank, European Bank for Reconstruction and Development; some participants stress the political future importance of the OECD as a focus for transatlantic economic policy concertation at the heart of the "developed" world.)
 - Macro-economic and monetary policy
 - "New generation" GATT/WTO issues (e.g. trade impacts of environment and social policy)
 - Other continuing GATT/WTO policy priorities (e.g. anti-dumping and safeguard rules, rules of origin)
 - Competition policy
 - Intellectual property policy
 - Cultural policy, trade and foreign investment
 - Overseas aid and development
 - Economic policies and programmes for Central and Eastern Europe, Russia and other CIS states
 - Policies vis à vis specific shared third country concerns or priorities (e.g. Japan, China)
- 2) Seek practical means to associate third countries in this process, so as to avoid not only the perception but also the risk of a "western" conspiracy operating without reference to or concern for the interests of the rest of the world.
- 3) Review the potential of all existing bilateral and multilateral venues and communications channels for coherent implementation of this strategy; eschew the creation of new institutional layers.

PILLAR 3: COMMON DEFENCE & SECURITY INTERESTS

Solidarity between Western Europe and the United States in the face of a common threat provided the strongest bond within the transatlantic relationship until the collapse of the Soviet Union. In the wake of that collapse, the character of future direct threats to European security remains unclear – though there are many potential sources of insecurity along Europe's eastern and southern frontiers.

Convergent responses from Washington and from European capitals to future threats in the European peripheries cannot be taken for granted. American interests in the Middle East and in relations with Russia and the Ukraine are strategic and global. European interests in south-eastern Europe, in the Baltic, the Mediterranean and the Black Sea are immediate and local. And even more fundamentally, European governments can no longer assume that the security of *Europe itself* will continue to occupy the central position in American security doctrine and policy which it held for fifty years following US entry into the second world war.

This said, Europeans and Americans clearly continue to share a broad security interest in meeting global threats and in the maintenance of global stability. And in the more volatile and diffuse post cold-war geopolitical environment, a transatlantic security partnership will remain the key to organising international responses to crises.

But joint action in response to the new global security threats we face – nuclear proliferation, the breakdown of internal order within sovereign states, new forms of fundamentalism, surges of migration, international organised crime, hunger and disease triggering violence and anarchy – will require a much broader and more active transatlantic political dialogue than was necessary in the past to arrive at common security policies and joint military or related actions limited to the NATO area. In these new conditions, Europe will have to assume much greater leadership responsibility.

Project participants conclude that the nations of Europe are not yet capable of collectively supporting a transatlantic security partnership of this new character and scope. During the first two phases of the project, we found no firm foundation for a coherent European security approach, either in the capabilities of European security institutions or in the current security assumptions underlying national political attitudes in different European states.

At the same time, the end of cold-war confrontation across central Europe, together with the longer-term shift in the balance of economic weight between the two sides of the Atlantic, has altered American perspectives on the transatlantic security partnership:

PILLAR 3: RECOMMENDATIONS

- 1) Recognise the explicit link which American political leaders are now making between the strengthening of the European Pillar and continued American commitment to NATO.
- 2) Give higher political priority to the impact of this NATO "partnership scenario" on the development of a wider transatlantic partnership.
- 3) Clarify options for sharing security tasks and responsibilities under the full partnership scenario, in the transformed international context; communicate these to national legislatures and publics on both sides of the Atlantic.
- 4) Take forward the integration of European defence capabilities and military procurement, as the only practical way to combine continued military effectiveness with reduced defence expenditure. (This must include moves towards acceptance of comparable responsibilities and contributions from all West European governments in the security sphere.)
- 5) Agree a European Union policy strategy for these inter-related processes of enlargement, since enlargement of the European Union, the Western European Union as its security arm, and NATO as the broader security partnership will be inextricably linked (see also page 16).
- 6) Prepare and agree a strategy and necessary actions during the 1996 Intergovernmental Conference for development of the European defence and security pillar (see also page 15).

- There is already increasing resistance within the United States to sustaining a disproportionate burden for global security.
- As the Clinton administration and Congressional leaders have repeatedly made clear in recent months, America's willingness to maintain a commitment to *European* security is therefore increasingly likely to depend on the American perception that European governments are prepared to combine effectively to meet threats to their own security.
- The imbalances between Europe's collective economic strength, the relatively smaller amounts which European governments spend (separately) on defence, and the limited military capabilities which they collectively display for contributions to global security, increase political resistance within the United States to continued spending on European security.

For forty years during the cold war, the strength and overriding priority of the transatlantic security relationship (focused on the security of Western Europe itself) helped to moderate economic disputes between Western Europe and the United States. But we now run the risk that the political linkages between our security and economic interests could start operating *in the other direction*, with differences in one area spilling over dynamically into the other.

Project participants therefore conclude that a strong defence and security pillar, refocused on the new common threats to both Europe and America, remains a vital condition for a strong transatlantic partnership. But, we repeat, the ball is now in the court of EU member state governments to act within this pillar.

PILLAR 4: COMMON MULTILATERAL POLITICAL INTERESTS

Phases I and II of this project have left participants with renewed appreciation for the profound interest Europeans now have in fostering a peaceful and cooperative world. We therefore believe that Europe must find effective political and practical responses to a variety of potentially destabilising problems confronting mankind at the close of the XXth century.

PILLAR 4: RECOMMENDATIONS

- 1) Focus development of common European foreign and security policies not just on concerns within and around the European region but also on global priorities for multilateral political cooperation with the United States (and others). This must be accompanied by ever-closer coordination of European positions within the United Nations Security Council and within the G7/G8.
- 2) Seek mechanisms to reduce the complexity, duplication and reduplication of European policy-making and involvement in international political issues.

(The European Union now has 120 separate missions outside the Union or at international organisations representing the EU itself, but often imperfectly coordinated with member state missions.

Moreover, Europe's responsiveness to global political challenges as well as our end of the transatlantic political dialogue are both immensely complicated by the dispersal of policy responsibilities on the European Union side among the three separate 'pillars' of the post-Maastricht Union – the Community itself, plus the two inter-governmental structures for managing foreign and security policy and for coordinating activities in "Justice and Home Affairs".)

- 3.) Give higher European priority within the transatlantic dialogue – starting immediately within the consultative mechanisms operating under the Transatlantic Declaration – to priority transnational concerns of European citizens; those nominated by project participants include:

- organised crime
- illegal drugs
- support for development of democratic political structures in post-communist states
- environmental degradation
- food and famine
- health
- human rights and ethnic minorities
- peace-making and peace-keeping
- the sanctity of frontiers

Project participants therefore conclude (and the Transatlantic Declaration clearly recognises) that progressively closer concertation between the European Union and the United States in dealing with global political problems which neither can effectively deal with alone must become a stronger pillar of the transatlantic partnership because:

- Successful multilateral action initiated through transatlantic concertation will be the *only* way to deal effectively with certain problems of global character (e.g. drugs, crime, immigration) which increasingly threaten Europe.
- Concerted transatlantic effort will likewise be needed to assure assimilation of Russia and China into the post-cold war global political system, and to convince East Asian and other rapidly growing states to share in the responsibility for global political stabilisation.
- Recurring collapses of political and social order in impoverished and newly-created states around the world pose moral, political and practical challenges for the entire world community; dealing with them more effectively will require far greater multilateral effort to help restore accepted structures of authority, and to rebuild shattered environments, societies and economies; again effective joint EU/US leadership for such initiatives will be essential for success.

But this global political dimension to future European interests begs precisely the same basic issue of European strategy as does the multilateral economic dimension, i.e.:

- Where Europeans believe multilateral approaches offer the only effective solutions to such problems, we will have to assume a far more assertive leadership role than we have in the past, when we (and the rest of the world) looked automatically to America for the necessary leadership.
- This may often require first convincing a sceptical United States to support the multilateral strategies and institutions necessary for success (all the more problematic given American attitudes toward the United Nations system, which deals with many of these issues today, and to the acceptance by US Courts and the US Congress of multilateral rules and methods which do not always correspond precisely to American law or political interests).
- This cannot be accomplished without far greater foreign policy coherence through the European Union on the European side.

* * *

TRANSATLANTIC POLICY NETWORK (TPN)

The Transatlantic Policy Network (TPN) brings together European and American business leaders as well as members of the European Parliament and the United States Congress and academics. It is a non-profit, politically independent organisation.

TPN enjoys high level support.

Peter Sutherland, Director General GATT serves as the Honorary President in Europe while Ambassador Robert Strauss is the Honorary President in the United States.

TPN operates with a broad constituency of business interest both in terms of geography and sector.

The Membership includes over 20 of the most prominent global companies.

Parallel to the business interest, there are some 40 members of the TPN in the European Parliament who are drawn from the major political groups and most of the EU member states.

In addition, the TPN Congressional Group has 18 Members of the United States Congress committed to the objectives of the network.

All TPN members support the overall objectives and activities of the TPN, in particular the importance of a strong and vibrant relationship between the EU and the US.

This means contributing actively to the creation and preservation of market economies and of an open, multilateral system of trade and investment.

As a network devoted to communication and concerted policy action across the Atlantic, TPN provides a continuing mechanism for dialogue on specific issues as well as policy convergence between the EU and the US.