

TRANSATLANTIC COOPERATION US-EU. FAILURE OR SUCCESS

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Abstract: International trade, business and investment, as well as the coordination of the political economy are topics of interest to policy makers of the US-EU relationship. Because the international society began to confront to the increasingly complex threats, the US and the EU have had to strengthen their relationships, to develop new action plans, this time shared, and to consider the development of strategic new agreements. After an overview of the most important events in the history of US-EU relations, we see that the political and economic changes on the international scene are the key element in shaping these relations. Consequently, the USA and the EU are in constant competition and cooperation which varies depending on the problem faced and deployment area. In this work I will try to answer some questions, namely, whether the US-EU relationship is a competition or a cooperative one?; who had benefited from the expansion of the US-EU relationship?; what issues and events led to the modeling / remodeling of the US-EU relationship in this century? And last question concerns the future of transatlantic cooperation, whether it will be a failure or success on the stage of international relations. In this context, I will bring into question the negotiation of the US-EU transatlantic partnership, believed to be the largest economic agreement and one of the reasons that show the possibility of success of transatlantic cooperation.¹

Keywords: economic agreement, transatlantic cooperation, US, EU, international relations.

Introduction

The nature of the US-EU relation was, in the first phase, one of a traditional diplomatic type, based on exchanges of ambassadors and negotiations of treaties. In the period between the end of World War II and the end of Cold War, the US-Europe cooperation has been manifested in the political and military areas. After the fall of the Berlin Wall in 1989 and the attempt of Eastern European countries to be transformed in market democracies, security has focused more on military invasion from Western Europe and NATO began a long and difficult process of redefining its mission. Because the US relation with European countries has helped shaping the US-EU relationship, our concern is the nature of the US-EU relationship, not the US-European countries relationship.

In order to discuss about the relation between the United States and the European Union, we should go back in the history to see when has started this kind of connection. The relationship US-EU is especially an economic one, based on common values and principles, such as promoting human rights, democracy and common security. International trade,

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business and investment, as well as the coordination of the political economy are topics of interest to policy makers of the US-EU relationship. This will change after the 1992, the period named “the post Maastricht” and the focus will be the on the political aspects of this relationship. Even if the political aspects are important, the economic analysis is the one which distinguishes the best the relationship between the US-EU.

The end of Cold War represented the beginning of the European Union expansion and after the elaboration of the Single European Act (SEA) in 1986 and the signing the Maastricht Treaty, the development of institutional role in Europe becomes important. The US-EU relationship has become closer and multidimensional as the European Union is widening and strengthening its own institutional point of view, and Member States were giving as many institutional responsibilities. Thus, while the US-EU relationship is increasingly shaping policy, the recent initiatives of the European Union to create a single currency, to strengthen a common foreign and security policy, to develop a common defense policy, are making a stronger link between the two political entities. So, the United States will continue to handle some aspects of foreign policy regarding agreements with the European Union. Regarding the US-EU relationship of cooperation or competition, we have some question on the nature and on the future of this kind of relation.

The most important questions to which we are trying to find some answers in this paper are whether the US-EU relationship is a competition or a cooperative one?; who had benefited from the expansion of the US-EU relationship?; what issues and events led to the modeling / remodeling of the US-EU relationship in this century? And last question concerns the future of transatlantic cooperation, whether it will be a failure or success on the stage of international relations.

Transatlantic cooperation between US and the EU

The formal cooperation between the United States and the European Union started in the 1990, with the Transatlantic Declaration and with the Transatlantic Agenda, which was adopted in 1995. This kind of cooperation was based on activities such as summits and formal meetings at multi levels, especially in the areas like economy, education, science and culture. The first step in the transatlantic cooperation was made through the establishment of the diplomatic relation, which was the core of the US-EU relations.

Cooperation in different areas is an important element of the transatlantic relations between US and the EU. The security and also the prosperity of the United States and Europe it depends on the development of science and technology, this idea being outlined in the US National Intelligence Council’s report *Global Trends 2030*² which is not seek to predict the future, but is trying to provide a framework for the future and its implications. The greater focus of this report is on the role of US in the international system and the big question raised is whether the US will be able to have new strategic partners in order to reinvent its position in the international system.

The economic and the political connection between the United States and the European Union could affect and also could transform the economic, political, and military

²Cathleen Fisher, “The Invisible Pillar of Transatlantic Cooperation: Activating Untapped Science & Technology Assets,” *Science & Diplomacy*, Vol. 2, No. 1, March 2013.
<http://www.sciencediplomacy.org/article/2013/invisible-pillar-transatlantic-cooperation>, accessed on October 6, 2014.

activities from all around the world³. The alliance of US with the EU is strategic and it was supported by the American leaders in the past. An example can be the one from June 1993, when speaking in Frankfurt, the President Kennedy said that the United States looked forward “to a Europe united and strong, speaking with a common voice, acting with a common will, a world power capable of meeting world problems as a full and equal partner”. Nowadays, the United States still wants a Europe united and this is the reason why the European Union is an important actor for the United States in the international system⁴. The world has changed since Kennedy’s time, but the idea of the “United States of Europe” resisted through lots of changes and conflicts. The transatlantic relations are still a priority in the US foreign policy, but there are some concerns about other economic powers which are growing in the international system, such as China. It remains clear the fact that Europe, especially the European Union, is the most appropriate partner to maintain the role of a great power on the world and an alliance would be the perfect cover for the US interests.

The transatlantic relation US-EU is based on an alliance with common values, the same purposes and mutual interests in the global world. The collaboration and cooperation across the Atlantic has a long history and its effects reflects the institutional connections and resemblance. The US-EU partnership is needed by both of them because they need economic and political stability in maintaining the role of a global actor. The focus of the US foreign policy and also of the EU’s foreign policy is to achieve the goal of signing a transatlantic partnership based on economic measures.

The US-EU cooperation - failure or success?

The EU is the most important partner in economic trade of the US and it can be considered the perfect region for Americans foreign investment⁵. The purpose of the European Union is an economic union and also a political one. The most important step toward an economic union is the single European currency. For this, it was created, by the European leaders, the Economic and Monetary Union (EMU)⁶. The consequences of the Economic and Monetary Union (EMU) are affecting the US and also the transatlantic relations. There are different perspectives on the effects of the EMU on the US-EU relations⁷: the first one, it belongs to the skeptics who sustain that the problem of Euro zone will increase economic conflicts and transatlantic political friction. The second one, the perspective of the monetary union supporters, sustains that the effects of EMU will have a positive impact in facilitating the cooperation across the Atlantic.

There are some potential negative consequences of EMU for the United States and transatlantic relation on which we should focus our attention. A large number of economists agree with the fact that the role of Euro is very important in the European world and it can become a future global currency⁸. In a world dominated by an economic transatlantic

³Global Trends 2030: *Alternative Worlds*, the National Intelligence Council, December 2012.

⁴Sir Collin Budd, “US-EU Relations after Lisbon: Reviving Transatlantic Cooperation”, in *The London School of Economics and Political Science*, SR003 Obama Nation? US Foreign Policy One Year On, Special Report, January 2010, p. 34.

⁵See *Prepared Statement of Ambassador Jeffrey M. Lang*, Federal News Service, July 23, 1997. Electronic Version.

⁶Jacques Delors, *Report on Economic and Monetary Union in the European Community*, Committee for the Study of Economic and Monetary Union, April, 17, 1989

⁷Robert D. Blackwill, “The Future of Transatlantic Relations”, *Council on Foreign Relations*, February 1, 1999, p. 11

⁸“Why non-Europeans should care about EMU”, *The Economist*, March 29, 1997, p. 86.

partnership US-EU, with a bipolar currency, C. Fred Bergsten comments that “the dollar-centered system will be replaced”⁹. From this idea we can conclude that the US needs the European market and the potential of the global trade because Euro has the power to become the rival of the dollar currency and the international trade will be affected by this rivalry¹⁰.

The US economy is strong, its markets are powerful, but the stability won't last forever and there is the need of an economic partner to balance the global trade¹¹. Depending on how many countries follow the EMU, the foreign currency for trade between those countries will be Euro. That means that the Europe's reserves will be much higher and almost equivalent with those of the US¹².

After the end of World War II, the US was not so vulnerable on economic fluctuations and less dependent on trade than any country of Europe. Here, we can bring into discussion the explanation given by Henning “When clashing with European governments over macroeconomic policies or the balance of payments, American officials often took advantage of this asymmetry. In several instances, the threat of a precipitous exchange-rate movement pressed European governments to deflate or dampen their economies in accordance with American preferences”¹³. According to Henning, the purpose of the monetary union is to reduce the cost of transatlantic monetary conflict for Europe and to decrease the US pressure on European policymakers¹⁴. The conclusion of Henning is “The United States would confront a larger, more cohesive, and more self-confident and powerful partner in the monetary union than it has faced in the past”¹⁵.

For the US-EU relation, EMU is very important because it will promote greater cooperation and also coordination between the European Union and the United States in economic, foreign policy and security area. The US was a promoter of the European unity and stability and the EMU is a big step toward this. Besides the political advantages of a stable European integration, the EMU promotes the economic growth and dynamic trade and the final result will be an increased transatlantic trade. The Transatlantic Trade and Investment Partnership between the United States and the European Union can be considered a success of the US-EU cooperation in economic matters.

It is known that a more united, a more integrated and a stable Europe will represent an efficient global partner for the United States. This is the reason why the American leaders support the EU in its process of strengthening its own stability and its focus on foreign policy and security. In order to promote the need of a transatlantic partnership, John Roper argues “Greater European coherence can only make a working partnership [with the United States] easier to achieve”.

The Transatlantic Trade and Investment Partnership is the trade agreement negotiated in present by the European Union with the United States and represents the most important economic treaty, criticized by commentators and policymakers from both sides of the

⁹ C. F. Bergsten, “The Dollar and the Euro”, *Foreign Affairs*, vol. 76, no. 4, July/August 1997, p. 83.

¹⁰ C. F. Bergsten, “The Euro Versus the Dollar: Will There be a Struggle for Dominance?”. Paper prepared for a roundtable at the annual meeting of the American Economic Association, Atlanta, GA, 4 January 2002

¹¹ Michael Elliott, “Hey, Can You Spare a ‘Euro?’”, *Newsweek*, February 17, 1997, p. 48.

¹² Henry Engler, “Euro Set to Rival Dollar on Global Stage”, *Reuters Financial Service*, April 23, 1997. Electronic Version.

¹³ C.R. Henning, “Europe's Monetary Union and the United States”, *Foreign Policy*, No. 102, p. 94.

¹⁴ C.R. Henning, “US-EU Relations After the Inception of the Monetary Union: Cooperation or Rivalry?”, in Henning C.R. and Padoan, P. C. (eds.), *Transatlantic Perspectives on the Euro*, Pittsburg: European Union Studies Association, 2000.

¹⁵ Henning, “Europe's Monetary Union and the United States”, p. 95.

Atlantic. This trade agreement is seen like a solution for the economic crisis of the European Union and it has measures that have been oversold. For the United States, this treaty is the perfect occasion to maintain the role of a global actor in the international system.

The transatlantic partnership will have economic benefits for both powers implicated, but it will have also some risks.¹⁶ The purpose of this economic trade is to eliminate the barriers and to promote the free trade between the United States and the European Union. The project of this partnership is very ambitious and the Study realized by the Centre for Economic Policy Research (CEPR) for the European Commission in March 2013 concluded that “by 2027, an ambitious TTIP would produce gains of approximately \$164 billion for the EU and \$131 billion for the U.S., while a less ambitious agreement that eliminates most tariffs but leaves many non-tariff barriers in place would create EU gains of \$94 billion and US gains of \$69 billion”¹⁷.

There are different perspectives on the potential of the transatlantic trade and an optimistic one is the view of David Cameron, The British Prime Minister, writing in the *Wall Street Journal* ahead of his visit to the United States in May 2013, who argues that “This deal could add as much as £10 billion to the British economy and £63 billion (\$97 billion) to U.S. gross domestic product (GDP). But the rest of the world would benefit too, with gains that could generate €100 billion (\$132 billion) world-wide”¹⁸. A realistic perspective on the transatlantic partnership shows that the estimated gains are too idealistic and the elimination of trade barriers could lead no to a liberalization of the international trade, but to a complex world trade with more regulations. There is only an estimation of the possible gains, not a certainty of the economic growth for both the United States and the European Union.

Conclusions

After a long period of limited exchanges and relations, the cooperation between US and the EU has taken a new direction based on common interests. Even if there are some institutional, cultural and political differences between these two powers, in the economic field the purpose of both of them is the same: economic trade and a free trade materialized, in the era of globalization, in the Transatlantic Trade and Investment Partnership.

In order to get answers to some of our questions (whether the US-EU relationship is a competition or a cooperative one?; who had benefited from the expansion of the US-EU relationship?; what issues and events led to the modeling / remodeling of the US-EU relationship in this century? And last question concerns the future of transatlantic cooperation, whether it will be a failure or success on the stage of international relations) we tried to see if the US-EU relationship is a competitive or a cooperative one and we find out that the type of relation depends on the area of interest and on the position of both of the economic blocs, the US and the EU. While the United States and the EU Member States have certain similarities,

¹⁶ Ted. R. Bromund, Nile Gardiner, Luke Coffey, “The Transatlantic Trade and Investment Partnership (TTIP): The Geopolitical Reality”, Heritage Foundation *Backgrounder* No. 2953, September 17, 2014, p. 2. <http://www.heritage.org/research/reports/2014/09/the-transatlantic-trade-and-investment-partnership-ttip-the-geopolitical-reality>, accessed October 6, 2014.

¹⁷ Centre for Economic Policy Research, *Reducing Transatlantic Barriers to Trade and Investment*, Final Project Report, March 2013, p. 47. http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf, accessed October 8, 2014.

¹⁸ David Cameron, “A British–American Tax and Trade Agenda”, *The Wall Street Journal*, May 12, 2013, <http://online.wsj.com/article/SB10001424127887324216004578478652537662348.html>, accessed October 9, 2014.

the economic and political relationship between them contains elements of divergence. To the question “who wins from the expansion of the US-EU relation?” the answer may not be so simple (US or EU) because we can include other options such as interest groups, institutions/international organizations or common economic interests groups. The remodeling of the US-EU relationship in this century depends on the factors involved in the competition or the cooperation type of relation. The historical background and the common interest can be one of the answers to the question regarding the issues and events which has led to the modeling/remodeling of the US-EU relationship in this century. To make predictions about the future of the transatlantic relations we need to analyze the common interests of both economic powers and we need to see if the negotiations of the transatlantic partnership will have a successful end or it will be an expected failure that will reflect the capability/incapability of US and the EU to cooperate in the economic field.

There were made studies based on the gains from the transatlantic partnership and one of the studies is the one made by the Global Economic Dynamics project of the Bertelsmann Foundation in 2013. This study concluded that “an ambitious TTIP that eliminated tariffs and reduced many regulatory barriers to trade would create almost 1.1 million jobs in the U.S., with most of the gains resulting from the reduction of non-tariff barriers and with the U.S. gaining more than the EU. Most of the rest of the world would suffer trade diversion and a resulting loss of jobs”¹⁹. This conclusions are in order to show us, the European citizens and to the American citizens that a collaboration between the United States and the European Union is recommended, especially in these times of European crisis and instability in the international system.

To conclude, the Transatlantic Trade and Investment Partnership could represent a model of success of the cooperation between the United States and the European Union. Even if there are a lot of risks, the benefits for both economic blocs are important for the stability of their international trade and it is an opportunity that must be used.

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¹⁹ Gabriel Felbermayr, Benedikt Heid, and Sybille Lewald, “Transatlantic Trade and Investment Partnership (TTIP): Who Benefits from a Free Trade Deal? Part 1: Macroeconomic Effects,” *Global Economic Dynamics*, 2013, <http://www.bfna.org/sites/default/files/TTIP-GED%20study%2017June%202013.pdf>, accessed October 7, 2014

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