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PROGRESS REPORT ON EU-US RELATIONS

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A WORD ABOUT THE PROGRESS REPORT

The Progress Report addresses all those interested in the EU's external relations, and EU-US relations in particular. It provides information on some of the issues currently under discussion between the EU and the US, denoting progress achieved and obstacles encountered. It has, however, no claim to completeness, and the fact that some developments are reported while others are not should not be construed as a judgement as to their relative importance.

More general information on the transatlantic relationship and copies of the Transatlantic Declaration (a 1990 joint declaration, providing the basis and framework for the ongoing EU-US dialogue) are available on request. Readers may also be interested in some other European Commission publications: the *1995 Report on US Barriers to Trade and Investment* published recently; the annual *General Report on the Activities of the*

Communities; and the monthly *Bulletin of the European Union*. These last two publications include chapters on EU-US relations, with the Bulletin focusing on the on-going dialogue at the highest political level.

The Progress Report is produced by DG I (Directorate-General for External Relations), Eurostat (Statistical Office of the European Union) and DG X (Directorate-General for Information, Communication, Culture and Audiovisual Media).

For further information, please contact the Secretariat of Unit I-B-1 (Relations with the US; tel: +32-2-296.48.22). Alternatively, the addresses of our US information services are listed on the front page.

A copy of this report will appear shortly on the Commission's World Wide Web Internet server (<http://www.cec.lu/>).

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THE EUROPEAN PARLIAMENT

EP-US Congress meeting

The 43rd meeting of delegations from the EP and the US Congress, which took place in Brussels on 28/29 April 1995, offered a good opportunity for MEPs to meet for the first time with the new Republican dominated US Congress. The two delegations, led respectively by British Socialist MEP Alan Donnelly and New York Republican Congressman Ben Gilman, Chair of the International Relations Committee of the House of Representatives, had a comprehensive exchange on recent developments in the EU and on the first 100 days of the new Congress. In view of the recent adoption by Congress of the National Security Revitalization Act, multilateral questions, such as enlargement of NATO and the role of WEU, as well as the future of the UN and international peacekeeping actions, were of particular relevance to this meeting. MEPs were concerned about the danger of new isolationist tendencies in Congress and criticised the US insistence on a global embargo against Cuba.

With reference to recent events on both sides of the Atlantic, the two delegations discussed the problems of international terrorism, drugs trafficking and arms/nuclear material smuggling, and called for closer Euro-American cooperation, such as joint investigations by Europol, the CIA and the FBI.

Other major items on the agenda were the future WTO agenda (linkage of social standards/environmental concerns and trade) and the situation of the international financial markets, as well as bilateral economic issues, such as the audiovisual sector, aviation and competition policies.

Finally, both delegations discussed the chances for revitalising and improving the transatlantic partnership by an EU-US treaty, and agreed to consider this issue further at their next meeting in Nebraska at the end of September.

HIGH-LEVEL ENCOUNTERS

EU-US Summit in Washington

The biannual EU-US Summit took place on June 14, and was attended by Presidents Santer, Chirac and Clinton. The Summit emphasised the political and economic importance of the transatlantic partnership in the promotion of democratic values and economic prosperity throughout the world.

Discussion focused on means to enhance and develop transatlantic links. In this context, the Presidents reviewed the three expert group which had been established by the previous Summit in Berlin (see Progress Report No. 4). These groups had identified a number of examples of ongoing and future EU-US cooperation, including:

- nuclear safety,

- support for the UN effort in ex-Yugoslavia (see page 11),
- assistance to the Palestinians,
- assistance to emerging democracies in their efforts to fight crime (see page 10).

In addition, the Summit charged a small group of senior-level representatives to assess means of strengthening and further developing the EU-US relationship. This group will report to the next Summit which will be held during the forthcoming Spanish Presidency.

The three leaders also discussed issues relating to Russia, the Middle East and Mediterranean, and the subsequent G-7 Summit (see below).

President Santer attends G-7

President Santer attended his first G-7 Summit as Commission President earlier this month, accompanied by Vice-President Sir Leon Brittan and Commissioner de Silguy. The Summit focused on growth and employment issues and called for close consultation and effective cooperation over economic surveillance and exchange markets; the leaders agreed on a decision to organise a conference on Job creation in France next year to follow-up the Detroit conference of last year. Similarly, the Brussels G-7 information society conference will be followed up by a global conference on this subject to be hosted next Spring by South Africa.

The G-7 also called for the momentum of trade liberalisation to be maintained, and emphasised standards, intellectual property and procurement as areas for further action.

Commenting after the Summit, President Santer indicated that the Commission would have preferred a more formal surveillance mechanism, inspired by the system operating within the EU. The President welcomed the references in the Summit communiqué on the need for stronger coherence and co-ordination between international institutions, with a view to improving their cost-effectiveness.

New Commission strengthens contacts with Washington

The new Commission, in office since the beginning of the year, has lost no time in reinforcing its links with the US. In his inaugural address to the European Parliament, President Santer noted the importance of transatlantic links. He dismissed gloomy predictions about Americans becoming less and less interested in Europe, noting instead the volume of trade flows, the common interests in security and defence. But he stressed that Europe must be united if it is to stand as an equal to the United States, and he declared himself personally in favour of a genuine Transatlantic Treaty.

During the February G-7 Information Society Conference, President Santer and Vice President Gore took some time aside to discuss the possible future of transatlantic relations, and the need to develop a common vision for the year 2000 and beyond. With Vice-President Sir Leon Brittan and Commissioner van den Broek also in attendance, other subjects of discussion included global environment issues, the middle east peace process, central Europe and the Ukraine.

As Commissioner responsible for EU-US relations, Vice-President Sir Leon Brittan has held a number of meetings with USTR Kantor and Commerce Secretary Brown. These have provided an opportunity to review the key trade issues of the moment - many of which are discussed later in this report. Sir Leon also met USTR Kantor at Whistler, Canada, in May for a Quad meeting.

A number of other Commissioners have also found their way across the Atlantic to meet opposite numbers in the US Administration:

☆ On 12-14 May 1995, Commissioner Cresson, responsible for research, science and education, took part in the ninth Carnegie group in Washington. This group meets informally twice a year at G-7 Science Minister level. The discussion included the future of research universities and graduate education in science and maths, the outlook for public and private sector support of R&D, cooperative public/private technology programmes, intellectual property rights, aid to former Soviet republics, population and immigration. Given the current political configuration in the US and the predicted budgetary cuts, the discussion focused essentially on the implications of the R&D budget reductions.

☆ Commissioner Fischler visited the United States in early June, meeting with US Agriculture Secretary Glickman, USTR Kantor and members of Congress and addressing the 10th World Meat Conference in Denver. Among the subjects discussed at these meetings was the dispute relating to the EU's ban on the use of hormones in livestock production. Mr Fischler announced that

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he intends to convene a conference in the autumn to discuss the use of hormones in general. US and other third country scientists would be invited to participate. He said that when the results of this conference are available, he will act quickly to assess possible changes in EU policies. The US side noted that if a quick resolution is not then forthcoming, they would bring the issue to the WTO.

Mr Fischler also indicated some flexibility on the EU's position in the banana dispute within the narrow limits of the areas currently under discussion in Brussels, i.e. increase in the overall quota, distribution between different categories of operator and the allocation of licenses. Other issues that were touched on briefly include the Europe Agreements, the Uruguay Round commitments in the cereals and rice sectors, wheat gluten, genetically engineered products and the on-going discussions in the veterinary and wine sectors.

- ☆ In April, Commissioner **de Silguy**, responsible for economic and financial affairs, attended meetings of the IMF and G7 finance ministers in the US. Following these meetings, the Commissioner also took the opportunity to meet the President of the Federal Reserve Board, Mr Alan Greenspan, and Under-Secretary of State, Joan Spero, as well as to participate in a debate on EMU at the European Institute in New York
- ☆ During her visit to Washington in May, Commissioner **Bonino** reached agreement with the US State Department for the establishment of a new dialogue between the humanitarian services of the US Administration and the Commission. Its first meeting was scheduled for September and will initially comprise an exchange of information about each other's humanitarian actions.
- ☆ Commissioner **Wulf-Mathies**, responsible for regional policy, spoke to the White House Conference on Northern Ireland on 24-26 May. Following that, the Commissioner met Commerce Secretary Brown, the President's Northern Ireland

Advisor, Senator Mitchell, as well as Senator Joe Kennedy. These meetings should pave the way for enhanced cooperation between DG XVI and the US Administration. The Commissioner completed her trip with a speech about the Maastricht Treaty and regional policy.

Sub-Cabinet meeting

The EU-US Sub-Cabinet met for the fourth time under the Clinton Presidency in May. As usual Director-General for External Relations Horst Krenzler represented the Commission, with Under Secretary of State Joan Spero on the other side of the table. The Sub-Cabinet has become a lively forum for brainstorming on a whole range of issues, as well as a means of raising at the diplomatic level, under the heading of 'early-warning', matters which risk becoming trade disputes in the future. It specifically does not seek to take policy decisions. Among the items on the agenda were the Middle East peace process and the Mediterranean, export promotion, free trade areas and the future of the transatlantic relationship.

Under the first two points, both sides reviewed the situation in the respective areas. They discussed actions to sustain the peace process in the Middle East by providing appropriate economic and financial support. The Commission took the opportunity to explain to the US its recent communication on *Strengthening the Mediterranean Policy of the EU, establishing a Euro-Mediterranean Partnership* in which a free trade zone and wide-ranging cooperation between the EU and its Mediterranean parties has been suggested.

With regard to export promotion, both sides discussed the need to avoid aggressive policies, but rather to develop a constructive and cooperative attitudes concerning exports to what the US have labelled 'Big Emerging Markets'. The two sides exchanged ideas about possible "rules of the road" which may be needed for export promotion policies.

As for Free Trade Areas, attention focused on political and practical implications of a possible Transatlantic Free Trade Agreement, an idea which has recently surfaced on both sides of the Atlantic.

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Particular attention was given to the importance of the conformity of any Free Trade Agreement with the strengthened WTO rules, and whether a transatlantic Free Trade Agreement would strengthen or weaken the multilateral system. As both the Commission and the US Administration are engaged in internal reflection about the future shape for Transatlantic relations, the Sub-Cabinet discussed practical short term

actions which help to further improve the Transatlantic cooperation.

Finally, both sides agreed to endorse a joint paper on "Regulatory Cooperation" (annexed) which provides guidelines for regulators in the EU and the US to work more closely together in order to avoid the creation of trade and investment barriers due to non compatible internal regulations.

SPOTLIGHT: REINFORCING EU-US RELATIONS

It seems that hardly a week passes at present without one senior politician or another declaring their interest in some kind of reinforced transatlantic relationship. This issue's spotlight therefore falls on two recent key-note speeches - one by Vice-President Sir Leon Brittan and the other by Secretary Christopher - which set the scene for the recent EU-US Summit's decision to establish a high level group to analyse the options during the next six months.

Sir Leon outlines EU policy

As Commissioner responsible for EU-US relations in general, Vice-President Brittan took the opportunity of his address to the American Club of Brussels last April of spelling out his vision for the future.

Sir Leon's central argument was that "the [EU-US] relationship continues to be the most important international relationship for both parties, but that changing political and economic circumstances make it essential for us to re-focus our attention on it, and to find the right policies and mechanisms to adapt it to those changes." As such, Sir Leon demurred from speculation that the transatlantic relationship was becoming 'unstuck'.

Much of the speech was given over to the issue of the evolving European security and defence identity. Sir Leon expressed his hope that the IGC next year would be used to "create a European pillar which is capable of being a strong partner in NATO but which is

also under certain circumstances capable of acting outside of NATO". Sir Leon therefore acknowledged the very keen interest with which the US will follow its European partners' deliberations.

The EU and US also work extensively together to achieve political goals elsewhere in the world. Agreeing on common objectives and interests may make available resources work more efficiently.

The economic agenda, however, is not tied to institutional issues. The trade and investment relationship is already very strong. But Sir Leon stressed the importance of the numerous expert level contacts between the Commission and their US counterparts, especially on regulatory issues, to sustaining and developing economic links across the Atlantic.

Sir Leon went on to identify these contacts as part of one of three routes for giving the transatlantic relationship new momentum. In this context, the Mutual Recognition Agreement negotiations need to achieve a success this year. Sir Leon also noted the importance of ensuring that the Transatlantic Summits are followed-up more determinedly, and repeated his belief in the necessity to revive the Cabinet level contacts.

The second route is to fill in gaps in the transatlantic dialogue, notably between parliaments and between industry. Some Parliamentary contacts do take place, but the possibility of resolutions being adopted and fed back into national and European policy

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needs to be envisaged. As for business, the Commissioner noted that the Transatlantic business dialogue had recently been launched (see page 12).

Turning finally to a future initiative on transatlantic relations, Sir Leon counselled caution against creating false expectations. Although he personally had an open mind on the issue, it raises some profound questions: the economic aspects would have to be compatible with WTO rules, while security requirements are difficult to be precise about ahead of the IGC.

Secretary Christopher defines US priorities

Secretary Christopher took advantage of a Spanish speaking engagement after the June NATO Ministerial to spell out the US perspective on sustaining stability in Europe and developing transatlantic relations. Like Sir Leon, Secretary Christopher rejected the notion that links were fraying, but acknowledged that they "cannot be sustained by nostalgia".

For the US, security is pre-eminent, and NATO the central pillar in its achievement. NATO has changed dramatically over the last years and embraced the emerging democracies through the Partnership for Peace. Nonetheless, Secretary Christopher was keen to stress the need to bolster the

security relationship with solid political and economic ties.

On the economic side, the EU's and US' leadership role has been very effective. For the future, Christopher set the long term goal of "the integration of the economies of North America and Europe", and listed a series of more immediate measures to further the process of integration. These ranged from achieving success in international negotiations on investment, financial services and bribery to developing flexible rules for the information society.

Secretary Christopher went on to spell out a whole set of areas of political cooperation ranging from halting the spread of weapons of mass destruction to cooperation in the fight against international crime and from assuring the transformation of central and eastern Europe and the former Soviet Union are consolidated to supporting a democratic Turkey.

Looking to the future, the Secretary set a three point agenda. The EU and US must remain engaged in the world. Secondly, Europe needs to become "a capable actor on the world stage". Lastly, there is a need to strengthen the mechanisms for cooperation, and, like Sir Leon, again noted parliamentary and business contacts.

FOREIGN AND SECURITY POLICY

Fears grow about US aid budget and UN support

The Commission joined forces with the French Presidency earlier this month to write to the chairmen of the Senate and House foreign affairs committees about the US' continuing commitment to foreign assistance funding and the financing of the UN.

The House adopted a Bill (HR 7) on 'revitalising' National Security in February - the only international element of the 'Contract

with America'. It provides for the deduction of US peace-keeping costs from its contributions to the UN. The Senate is examining a similar text, which will have to be reconciled with the House text in the ensuing Conference.

Beyond this, other Congressional bills provide for the reduction of US contributions and participation in the UN and its associated organisations.

The letter from the Commission and Presidency argued that, if these bills were

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implemented, they would not only endanger the current reforms of the UN system, but also undermine the long-term interest of the international community. The US are key partners for the EU in peace keeping operations, as well as in promoting the principles of democracy, the rule of law and the free market economy throughout the world. The EU therefore urged Congress to maintain a substantial level of development assistance and to ensure a funding for the UN commensurate with its international influence.

US Trade embargo against Iran

On 7 May 1995 President Clinton signed an executive order prohibiting certain transactions with Iran. The President and Secretary of State Christopher both made it clear that they expected co-operation from the allies with regard to this trade embargo and that it is meant to serve as example to other countries in their relations with Iran. However, the President also expressed his opposition to a secondary boycott or the prohibition of foreign firms doing business with Iran from doing business with the US.

This may be seen in the context of the legislation currently before Congress proposing a trade embargo against Iran, namely, the Comprehensive Iran Sanctions Act (S.277) and the Iran Foreign Sanctions Act (S.630), both introduced by Senator D'Amato, and the House bill introduced by Representative King (HR 1033).

The first D'Amato bill, besides instituting a total trade embargo between the US and Iran, would also prohibit US-owned foreign subsidiaries from doing business with Iran. The second bill would extend the embargo to any foreign person or foreign-owned company that engages in virtually any trade with Iran providing for procurement and export sanctions for an indefinite period of time in case of violation.

In addition, the extraterritorial intent of this legislation has also been made clear by Senator D'Amato himself, while introducing S.630 on the floor of the Senate, when he stated that "Simply put, a foreign corporation

or person will have to choose between trade with the United States or trade with Iran".

The European Union has co-ordinated a response to the US' imposition of the trade embargo against Iran. Thus, while the European Union shares some of the US' concerns vis-à-vis Iran, notably on human rights, a bilateral Critical Dialogue is continuing in order to influence their behaviour on certain issues. In the present circumstances, therefore, the European Union does not consider a total trade embargo against Iran to be appropriate.

In addition, and with particular reference to the proposed Congressional legislation, the European Union has consistently expressed its opposition to the extraterritorial application of US jurisdiction which would restrict EU trade with third countries as a matter of law and policy.

The EU has made clear that it considers that the US has no basis in international law to claim the right to regulate in any way transactions taking place outside the US with Iran undertaken by subsidiaries of US companies incorporated outside the US or to impose export or procurement sanctions on any foreign person or foreign-owned company who trades with Iran.

The European Commission presented a démarche on the extraterritorial elements of the proposed Congressional legislation to the State Department on 1 May 1995.

Helms Cuba Bill criticised for its extraterritoriality

The existing US embargo

The US embargo towards Cuba is based on a complex system of laws and regulations that prohibit virtually all commercial and financial transactions with Cuba or Cuban nationals by US companies, *US owned or controlled companies* and US nationals. The threat of sanctions on companies incorporated outside the US, even if owned or controlled by US nationals, is clearly extraterritorial as these companies should

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only have to conform with the laws of the country in which they are incorporated.

The EU has not taken a position on the US embargo, considering it to be primarily a bilateral matter for the governments of the US and Cuba. The EU favours a peaceful transition to democracy and market economy in Cuba and objects to the lack of fundamental political and human rights. Cuba enjoys GSP status with the EU, and the two sides maintain normal diplomatic relations.

However, the EU has always rejected, as a matter of principle, US actions aimed at involving third states in the application of measures that fall exclusively within the US foreign policy. A long series of démarches and other diplomatic activities testifies to its consistent opposition to US legislative initiatives featuring extraterritorial application of US jurisdiction. The EU was therefore dismayed by the recent introduction by Senator Helms of another Cuba bill.

The Helms Cuba Bill

Introduced in February 1995, the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1995 (S 381, the Helms Bill, and its companion HR 927, the Burton Bill) is seeking to tighten further the embargo against Cuba. Its several objectionable provisions include:

- a prohibition on US-owned or controlled firms from financing other firms that might be involved in certain economic transactions with Cuba;
- a prohibition on the entry into the US of sugars, syrups and molasses originating from any country that imports such products from Cuba, unless this country certifies that it will cease such imports in the future;
- the granting of US court jurisdiction over disputes between US and foreign persons or companies about expropriated property located overseas, including retroactively, over claims by persons that held Cuban citizenship at the moment of expropriation;

- a reduction in US contributions to international financial institutions (e.g., IMF) that provide loans or assistance to Cuba;
- a reduction in US assistance to Russia to the extent of the sums the latter pays to Cuba for the leasing of the Cienfuegos monitoring facility (\$200m); and,
- the denial of visas to executives or shareholders of companies involved in transactions concerning confiscated property in Cuba.

As it stands, LIBERTAD violates several general principles of customary and conventional international law - WTO, NAFTA, OAS statutes, UN conventions and resolutions, FCN treaties.

The EU has conveyed to the US Administration and Congress its opposition to this Bill and its determination to defend the EU's legitimate rights under the WTO. Similar démarches have been tabled by the UK, Canada, Mexico and Japan. The US Administration has taken on board these objections and has offered to help Congress make the Helms Bill more compatible with US international obligations.

Coordinating food aid to the Caucases

Throughout the last Winter, the EU has been delivering over 1 million tonnes of food aid to the Caucases and Central Asia. The US has had its own programmes in this area too, and the two donors have had to develop a very close coordination to ensure that all the assistance can be channelled through the restricted number of access points.

With war in Chechnya blocking routes from the north, and the Turkish border closed due to the conflict in Nagorny Karabach, suppliers have been competing for access through the Georgian Black Sea ports of Poti and Batumi. The EU and US therefore agreed from the outset to coordinate their delivery schedules. This not only avoided congestion at the ports, but also ensured that there was a steady supply of essential food products for the recipient countries.

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But the problem does not end at the ports; getting products in land requires a reliable infrastructure. Building on the cooperation at sea, the EU and US cooperated in the financing of the Caucasian Logistics Advisory Unit, which provided valuable assistance in overcoming problems of a lack of rolling stock serving the ports, and of inadequate coordination between the recipient countries.

Plans are now being considered for possible food operations next Winter. From the outset, the EU and US hope to further their existing cooperation, and a coordination meeting has recently taken place in Brussels.

Enhanced cooperation in central and eastern Europe

Over the last year, there has been a steady increase in the cooperation and co-ordination between the EU and US in the area of assistance to central and eastern Europe. The initiative began with a series of meetings of the so-called Ad-hoc Assistance Coordination Group either in Brussels or Washington. An significant additional step was taken in November of last year when the Group decided to meet on the spot in Warsaw, Poland, with the World Bank also in attendance.

This visit allowed for thorough discussion of the reform progress between the western participants before presenting the findings to the Poles. This initial meeting has since given way to active coordination between the EU and US diplomatic and aid representatives in Poland on particular sectoral projects.

The Polish experience was highlighted in report by the Working Group on central and eastern Europe prepared for the EU-US Summit. The report suggests repeating this initiative in other countries where bilateral coordination is not already well underway. In this respect a meeting in Albania is being scheduled.

It is clear that in a world with where budgets are tight on both sides of the Atlantic, there is everything to be gained from ensure the highest possible complementarity between

the two assistance efforts. The original Ad-hoc Assistance Coordination group will continue to meet on a regular basis to assure the coordination of aid from the West's two biggest donors to the region.

Tackling crime in central Europe

One area which the Summit working group on organised crime identified as affording scope for Transatlantic cooperative action is that of assisting the countries of Central and Eastern Europe. These countries' law enforcement agencies are having to cope with criminal activity on a scale which is new to them and to adapt to new working methods. Both the United States and the Union and its Member States are committed to helping them.

One example of potential EU-US cooperation in central Europe may be found in Budapest. The EU has recently agreed in principle to participate in the establishment of a police training facility. The International Law Enforcement Academy (ILEA) will promote best practices throughout central and eastern Europe in tackling: cross-border and organised crime, drug trafficking and counterfeiting. As such, middle-ranking police officials will be invited to attend a series of courses run intermittently throughout the year.

A centre has been found for the ILEA, which is being transformed into a suitable teaching facility. In addition to providing a venue for the ILEA, it may also be envisaged that the European Law Enforcement College (ELEC), a European initiative in this area, could use the Budapest facilities too.

The Commission considers that the ILEA training programme is of importance and that it fits well with the other initiatives in the field. In the medium term therefore, the Commission is considering supporting joint ILEA/ELEC activities using funds from the Phare programme.

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EU & US become 'friends' of Bosnian-Croat Federation

The Friends of the [Bosnian-Croat] Federation was launched in March on the first anniversary of the establishment of the Federation. The EU and US co-sponsored this informal grouping in order to give financial and political support to the Federation in Bosnia-Herzegovina. The launch was presided over by French foreign minister at the time, M. Juppé, for the EU with Secretary Christopher for the US. Other countries which are participating in the project include Norway, Turkey, Russia and Malaysia.

A loose structure of meetings and consultations has been agreed between the

US and the EC, and two arbitrators for legal and political matters have been appointed, Robert Owen (US) and Dr. Schwarz-Schilling (EU).

This Federation has been making some progress recently in terms of institution building (municipal and cantonal councils etc.), but a lot of difficulties remain to be overcome, especially at the local level, stemming from the wartime experience and mutual distrust. The Federation is increasingly a key element of the international peace strategy for Bosnia-Herzegovina, and complements other activities such as the EU administration of Mostar.

TRADE AND ECONOMIC MATTERS

Commission publishes its Barriers Report

The European Commission Services published its eleventh annual Report on US Trade and Investment Barriers in July. The Report provides a comprehensive stocktaking of impediments faced by European industry in the US market place.

The report broadly confirmed the view that, despite some well documented exceptions, EU-US economic relations are more positive than they have been for some time. Mainly due to progress made in the Uruguay Round, this year's report is 40 pages shorter than that of last year.

As with previous years, the Commission's principal concern was the US' willingness to entertain and engage in unilateral trade action. The continuing threat of such action over bananas is added to the EU's long-standing complaint about US unilateral retaliation against EU restrictions on hormones in agricultural produce.

The extraterritorial impact of some US legislation is also taken up again this year and the Report notes that diplomatic action has been taken with the US regarding the Helm-Burton Cuban bills, and on the House of Representatives' product liability reforms. Elsewhere, the Commission has recently addressed concerns to the US Administration about the Congressional telecommunications reform bills and on the D'Amato Iran bill.

On a more positive note, the Commission are relatively upbeat about developments on public procurement, shipbuilding and conditional national treatment - all three sections are considerably changed from last year.

The Report stresses the importance of setting the WTO off on a good footing. Intellectual property is identified as an area where US implementation of the Uruguay Round commitments may be going astray, and the Commission calls for US to share the lead in the on-going negotiations on telecommunications, financial and maritime services.

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The Report also includes a new chapter which highlights the growing web of contacts between experts on either side of the Atlantic. This multi-stranded dialogue is referred to in the 1991 EU-US Transatlantic Declaration and now stretches from veterinary to telecommunications issues. The Commission is looking to these contacts to result in more compatible regulations which avoid the creation of new sources of future trade difficulties.

The Barriers Report is available on request from: Unit I-B-1, European Commission, Room B28 8/156, Rue de la Loi 200, 1049 Brussels, and will shortly appear on a Commission Internet server.

Update on recent events

Launch of transatlantic business dialogue

US Secretary of Commerce, Ronald Brown, last year launched the idea of a private sector driven "Transatlantic Business Dialogue". The idea was further developed when Mr. Brown met Vice-President Sir Leon Brittan and Commissioner Bangemann in the margins of the G-7 Information Society conference. The Commission side confirmed interest in the concept, as a way to give the EU/US relationship a practical underlining.

To that end, a letter signed jointly by the three politicians was sent, at the end of April, to senior corporate executives of a mixture of large, medium and small enterprises, as well as to business organisations, on both sides of the Atlantic, inviting them to contribute in the definition of the future shape and direction of the relationship.

The Commission and the US Administration are now in the process of analysing the responses to the joint letter. At this stage it is still too early for defining in detail the next steps, however, the first results show that this joint initiative has raised considerable interest and support in the business community so that a follow up is warranted. A meeting is now planned in Brussels on July 12, to be co-chaired by Under Secretary Garten and Directors General Krenzler and Micossi, in order to discuss with European Business representatives ideas about which issues

should be dealt with priority and about how to structure the dialogue in an efficient way.

Commission stresses WTO telecommunications negotiations

The US Congress is currently debating a number of bills to reform the competitive environment for the US telecommunications industry. The legislators are taking this opportunity to review the long-standing restrictions on foreign participation in the US market, and in particular the 25% limit on foreign ownership of radio communications systems enshrined in section 310 of the 1934 Telecommunications Act. One proposal which seems to enjoy widespread support is to provide for the lifting of these restrictions on a reciprocal basis - enabling companies based in countries meeting specified measures of openness to take larger shares.

In a parallel move, the Federal Communications Commission sought public comments on its proposals to amend its implementation of the existing provisions in Section 310. They too suggested lifting investment restrictions on a reciprocal basis as a means to force open foreign markets.

The European Commission, in common with a number of member states, submitted comments on the FCC's proposals. Given the similarity of the Congressional proposals, the Commission has also passed its comments to key Congressional members.

The Commission's submission stressed the importance of the on-going GATS negotiations on basic telecommunications. These began during the Uruguay Round are due to complete next year with an exchange of commitments by all participants based on the most-favoured nation (MFN) principle. The Commission argued that the introduction of reciprocity-based market access is incompatible with the MFN principle.

Moreover, the expression by a major trading partner of a clear preference for bilateral over multilateral solutions augurs well for neither the negotiations themselves, nor the WTO more generally.

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Section 301 bananas investigation

In July 1993, the European Union instituted an EU-wide banana regime to replace the regimes many EU Member States had maintained in favour of banana imports from certain countries in Africa and the Caribbean. Subsequently, five Latin American banana exporting countries, namely Colombia, Costa Rica, Guatemala, Nicaragua and Venezuela, brought and won a GATT dispute settlement suit against the EU banana import regime. In spring 1994, the EU and four of these five Latin governments signed a "Framework Agreement on Bananas", in which the four governments settled their GATT cases against the EU in exchange for modifications in the EU banana import regime.

In September 1994, Chiquita and the Hawaiian Banana Industry Association filed a petition sought a Section 301 investigation to ascertain if the EU's banana regime is adversely affecting US economic interests. USTR Kantor published a preliminary finding against our system in January 1995. However, the EU considers that there is no justification for the US to take unilateral action. The credibility of the WTO would be put at stake were the US to ignore so blatantly their obligations and rights within this new organisation within months of its inception. Either a negotiated solution can be found to the problem or the US should pursue its rights in the WTO. There should be no doubt of the Commission's willingness to continue a constructive dialogue with the US and discussions between officials are proceeding to see if a solution can be found.

Nuclear Cooperation Agreement initialed

On 10 May, the Commission adopted a Communication to the Council of the European Union, inviting it to approve an Agreement between the European Atomic Energy Community (EURATOM) and the United States of America for Peaceful Nuclear Cooperation. The Agreement, which is the result of several years of negotiations, became possible following high-level talks between Commissioners Papoutsis (Energy) and Sir Leon Brittan and US Under-Secretary of State Lynn Davis. It will replace the

existing cooperation agreement that entered into force in 1960 and which expires this year.

Commenting on the agreement, Vice-President Brittan said "the satisfactory outcome of these negotiations is of importance not only in the energy sector, but also in terms of the wider EU-US relationship. Once again we have shown the strength of the transatlantic partnership and the will to cooperate while striking a hard bargain in the name of our commercial interests".

With about one third of all electricity in the EU being nuclear produced, the agreement provides the legal framework which guarantees to the European nuclear industry, whenever it operates with US-obligated materials, security of supply, stability and long-term predictability in trading and other cooperation.. The agreement will stay in force for at least 30 years, followed possibly by 5 year roll-over periods and has a wide scope covering research and development, industrial and commercial cooperation as well as safeguards and non-proliferation.

The Agreement now has to be ratified by the Council of the European Union and the US Congress.

Product liability reforms extended too far

Congress is currently reviewing US legislation on product liability with a view to simplifying the rules and easing the excessive burden on manufacturers seeking to market goods in the US. Although these reforms are largely welcome, the EU did become concerned about some of the provisions adopted in the House of Representatives' text.

The main concern centred on a provision which would allow for a presumption of guilt if a foreign manufacturer failed to provide material requested in a 'discovery order' by a US court. The rules governing the exercising of judicial authority in a third country are governed by the Hague Convention. This requires that a US plaintiff seek a discovery order in the US, which is then passed to the courts in the third country and transposed

TRADE AND ECONOMIC MATTERS

into a local discovery order that binds the named manufacturer.

The Hague Convention procedures therefore avoid any direct extra-territorial application of a US court's jurisdiction. The House's text clearly does not fit well with the US' international obligations in the Hague Convention, and appears to ignore the sovereign rights of other countries. Moreover, the penalties for not producing material on request appear only to apply to foreign firms.

The Senate has also been considering product liability reforms. The EU wrote to key Senators and the Administration expressing its concerns, and was relieved to hear in May that the Senate did not include such provisions. The lobbying effort will now be intensified ahead of the Conference which will be needed to iron out the various differences, including on extraterritoriality, between the two chambers' texts.

Education agreement signed

In May, Commissioner Edith Cresson, responsible for education, science and research policy, initialed on behalf of the European Union an agreement establishing a cooperation programme in higher education and vocational education and training. The activities under this agreement include joint projects carried out by consortia of institutions in the European Community together with consortia of institutions in the United States, exchanges of information and expertise to enhance the dialogue between the European Union and the United States, provision of scholarships for the study of and research and lecturing on European Community Affairs and EC/US relations.

The current proposal offers the possibility of linking US institutions with over 3000 networks in the ERASMUS and other programmes and provides the opportunity for the mobility of US students and staff to integrate themselves directly into the environment and culture of the host country institutions.

It represents an innovative structure for deepening and widening the quality of transatlantic dialogue between citizens, and promoting mutual understanding between the peoples of the European Community and the United States, including broader knowledge of their languages, cultures and institutions.

The EU plans to contribute 1.1 MECU in funding in 1995, to be matched by the US.

Leghold traps unresolved

Leghold traps continue to be the source of friction between the EU and the US. The disagreement between the EU and the US is over the impending EU import ban of pelts and manufactured goods of certain species caught by means of leghold traps or other trapping methods not meeting international humane trapping standards. The ban is due to enter into force on 1 January 1996.

However, with a view to avoiding the trade disruption caused by the ban, the EU and the US, together with Canada, have agreed to rapidly try and establish an expert group charged with the elaboration of a draft multilateral agreement on interim standards that would meet the EU's animal protection requirements. A series of preparatory meetings between the countries concerned has taken place and the working group should take up its work very shortly.

Meanwhile, the US fur industry and State wildlife officials are said to prepare a Section 301 petition in order to increase pressure on the EU.

Commission seeks mandate for 'Open Skies' negotiations

In November 1994 US Secretary of Transport Peña released his "International Aviation Policy Statement", a strong commitment towards an open aviation world. In this spirit, the US offered so-called "open skies" agreements to nine European countries, including six EU member states (Austria, Belgium, Denmark, Finland, Luxembourg and Sweden). The major objective of these agreements is to end restrictions on flights between the signing countries and allow

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airlines of both countries to operate air services from any point in one to any point in the other, as well as to and from third countries.

Although the European Commission asked the Member States concerned not to enter into any formal arrangements with the United States, all six have since signed agreements. The UK also signed a partial open skies agreement in June and intends to resume negotiations for a more ambitious agreement later this year.

In the view of the European Commission, the cumulative effect of the bilateral agreements gives the US considerable operational opportunities in Europe, without adequate reciprocity for European carriers. It also prejudices the future Community aviation policy and makes it more difficult to arrive at a balanced aviation agreement between the EU as a whole and the US.

In the light of this and following the European Court of Justice's ruling of November that has clarified the question of competence, the Commission has prepared draft negotiating directives for an agreement at EU level, which are currently under discussion in the Council. First discussions have shown opposition from some Member States, but the Commission remains optimistic it will gain a negotiating mandate by the beginning of next year meanwhile, a study in the economic benefits of an EU-US open skies agreement is carried out.

Large civil aircraft consultations

US and European Commission officials met in May for their fourth round of formal bilateral consultations under the 1992 Bilateral Agreement on Large Civil Aircraft (LCA). This meeting focused on the following issues: exchange of information on government support to LCA manufacturers; US interpretation and implementation of the "indirect support" discipline; effect of the US dollar devaluation on profitability of European manufacturers; US government support to MacDonnell Douglas.

The EC provided the US with information about its levels of direct and indirect support programmes for 1994, both being in compliance with the limits set by the Agreement. The US said that, as in previous occasions, their information would be supplied only in the summer.

The more general discussion on the interpretation and implementation of the indirect support discipline confirmed substantial disagreement between the EC and the US. The EC maintained that the US interpretation was far from correct and made the implementation of the agreement unbalanced and biased to the advantage of the US. In addition, the EC stated that certain US projects strongly supported by public funding (e.g. High Speed Civil Transport) should be notified as "direct" government support and therefore subject to the repayment conditions.

On US dollar exchange rate fluctuations, the EC recalled that the continued US dollar devaluation created serious problems to European manufacturers who, selling exclusively in US dollars were confronted with narrower margins of profit. Although the EC did not expect to find a solution to this problem, it wanted however to underline the crucial importance of this external variable for the European aircraft industry.

On government support to McDonnell Douglas, the US side explained that most of the aid package had been negotiated between MacDonnell Douglas and private entities and the Unions. Other concessions stemmed from reduction of corporate tax as a result of new general tax legislation.

Alaskan oil

A Bill (S 395) to authorise the export of Alaskan North Slope crude oil was passed by the US Senate on 16 May 1995 and the corresponding bill (HR 70) will shortly be considered by the House of Representatives. These bills restrict such exports to US flagged vessels with entirely US personnel.

The Commission has participated in several diplomatic démarches to the US

TRADE AND ECONOMIC MATTERS

Administration against this unacceptable extension of cargo reservation, and has supported and joined in the efforts of representatives of the European shipping industry in bringing its objections to the notice of the US authorities.

The Commission is continuing its efforts in the run-up period to the Bill being considered by the full House to point out that the United States is, in the view of the European Community, acting in breach of its undertaking in the GATS Ministerial Decision on Maritime Transport Services, as well as under other international obligations.

Broadening the transatlantic dialogue

Since the last Progress Report, two new dialogues have been set up between the EU and US. The discussions on Science & Technology may result in a formal agreement, while the exchange of experiences in tackling unemployment and poverty will hopefully assist policy making in this particularly difficult area.

As a follow-up to the US State Department's proposal for an umbrella agreement on **scientific and technological cooperation**, exploratory meetings took place in early April with officials of the White House Office of Science and Technology Policy, the State Department, the Department of Commerce and various agencies. Although some US agencies are already engaged in cooperation with EU programmes, such as ESPRIT, others were aware that, in times of budgetary constraints, close cooperation in basic research was very relevant.

The State Department's proposal consists essentially of two elements: a mechanism for regular consultations on S&T matters and a standard intellectual property right annex for S&T cooperation. However, the Commission services, building on past experiences, made it clear that they preferred a framework comparable to the EU/Australia agreement, which permits project by project cooperation in well defined fields of activity.

Although the pattern of employment and wage levels differs considerably between the

EU and US, both sides share the same basic objective of trying to make the most efficient use of public funds to combat **unemployment and poverty**. At a first video conference in April between the Commission's Directorate Generals for Economic Affairs and for Employment and the US Departments of Labor, Commerce and the Treasury, discussion focused on targeted assistance programmes.

On-going negotiations

A fourth round of negotiations for an **agreement on Mutual Recognition** of conformity assessment took place in Washington just prior to Easter. A further round of negotiations is scheduled for July and both sides have committed themselves to concluding the negotiations by the end of the year.

Discussions on an EU-US **wine agreement** which had lain dormant for more than two years were revived in Washington in mid-April when the two sides met to review comprehensively matters related to the wine sector. The main issues traditionally associated with the previous negotiations for a wine agreement, namely oenological practices and wine appellations were discussed in depth, with the EU making clear its position that any future agreement should include both elements. A number of other issues including certification, labelling, late harvest wines, pesticides, lead levels and Nuclear Magnetic Resonance tests were also raised. At the end of the meeting, it was agreed that both sides should take some time to reflect on these questions and another meeting will be scheduled probably in June 1995.

Several rounds of discussions have also been held in the context of a proposed EU-US **veterinary agreement** whose objective is to establish the equivalence of veterinary legislation on both sides of the Atlantic and thus facilitate trade in animals and animal products. This may be regarded as an extension of the existing veterinary equivalence agreement, dating from 1992, which, however, applies only to the pork and beef sectors.

TRADE AND ECONOMIC MATTERS

The EU's view on US trade relations with Japan

US-Japan trade relations are based mainly on the framework agreements of April 1993 between the Prime Minister of Japan and the US President. They cover procurement (telecommunications and medical equipment), financial services, flat glass and intellectual property. The framework provides a structure for consultations on structural and sectoral issues, with the aim to increase market access and investment, to promote international competitiveness and to enhance bilateral economic cooperation between the United States and Japan.

The EU, while recognising that progress has been achieved in market opening, has repeatedly expressed concern about possible discrimination against EU operators and products and has requested to be fully associated with the bilateral implementing mechanism of the agreements so that they fully respect the multilateral system.

The recent developments in US-Japan relations have focused on the auto and auto parts dispute. After more than 20 months of negotiations between Japan and the US on cars and car parts, the talks nearly stalled over US demands on voluntary procurement plans, deregulation in the replacement car parts market and the opening of dealerships to more than one make.

Considering that no progress was possible in the talks, the US decided to pre-file a notification to the WTO and to impose section 301 sanctions. The US's double-barrelled threat of retaliating unilaterally against Japan and of challenging Japanese trade practices in the WTO created a worrying precedent and raised doubts about Washington's commitment to the multilateral trading system.

The US announcement of almost \$6 billion in sanctions (100% tariffs on the importation of 13 specific makes of Japanese cars) led Japan to challenge the US in the WTO and to request consultations, under Art XXII:1, considering that the US decision was already having an impact on exports.

Just hours before the deadline for the imposition of sanctions, an agreement was reached between the US and Japan. Commenting immediately afterwards, Vice President Brittan welcomed the fact that the Japanese had resisted the calls for government backed targets.

Nonetheless, the EU remains concerned to ensure that there is no undermining of the multilateral system and its own interests. The EU has therefore contacted both sides to seek assurances that the agreement will provide benefits to all, and is seeking inclusion in the monitoring of the arrangements.

PERSONNEL CHANGES

Eckart Guth, currently head of the Unit for US relations, will shortly be moving to new responsibilities within the Commission.

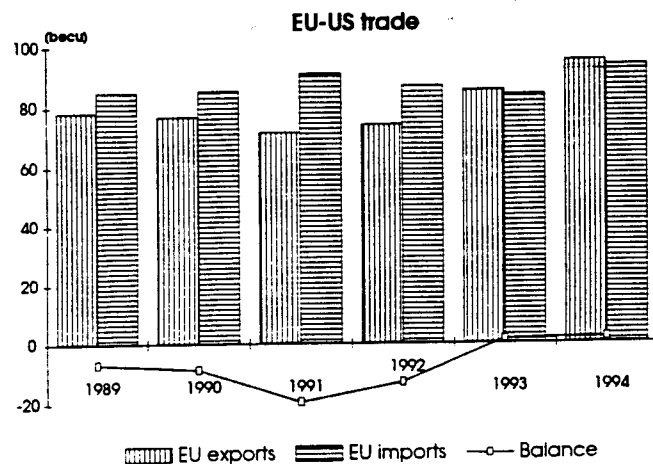
His replacement will be Eric Hayes, who is presently Head of the Commission's Delegation in Finland. He can be contacted, from July 17, on +32-2-299-11-11

STATISTICAL ANNEX

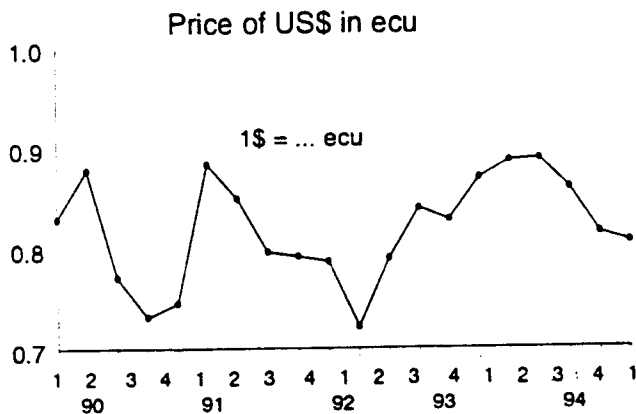
European Union trade with the United States - Results for 1994

Part I: Summary

Trade between the EU and US remained virtually balanced in 1994, with the EU's surplus rising only slightly.



Overall commerce rose 12% last year with trade in both directions increasing sharply. Machines and electrical equipment are the single largest sector of trade. The US is in surplus in this sector and agriculture, with the EU strongest in vehicles.



Transatlantic trade flows remained second only to US-Canada trade last year. Total trade was a little less than 190 bn ecu. The EU cut its deficit with Japan, while the US saw a further increase in its trade imbalance.

For the US, its NAFTA partners are becoming an increasingly important trading partners.

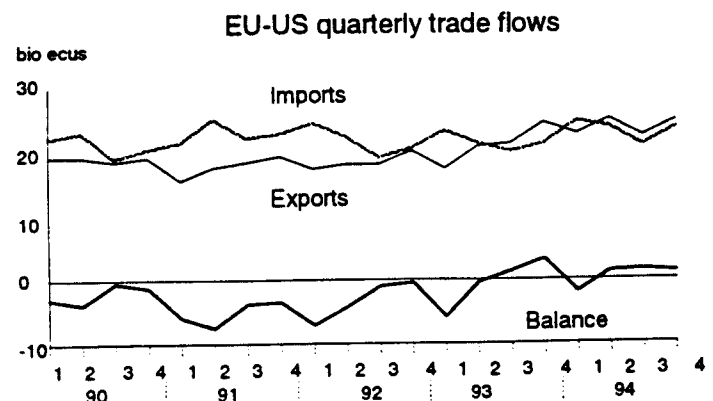
Likewise, the EU is particularly strong in eastern Europe and the former Soviet Union.

Germany is the largest exporter to the US, while the UK attracts the most imports. Germany, Italy and Denmark increased their bilateral surpluses with the US in 1994, while the Dutch, British and Irish deficits rose.

Part II: EU trade with the US by product groups

Overall trade flows

The EU has recorded a small surplus in five of the last six quarters. As a result the EU's overall surplus for 1994 increased slightly to 1.8 bn ecu (1.4 bn ecu in 1993).



EU exports to the US rose 12% in 1994, and imports increased by 11%.

Trade by product group

Looking at the data by sector, the EU has a surplus on transportation equipment, wood, stones and metals, and on textiles. The US is particularly strong on machines and electrical equipment, and records a small surplus on agricultural products as well.

Total bilateral trade rose 12% in 1994, powered by an 13% rise in trade in machines and an 18% increase in wood, stones and metals. Only mineral products experienced a decline last year.

Bio ecu	Exports		Imports		Balance	
	93	94	93	94	93	94
TOTAL	85.1	95.0	83.7	93.2	1.4	1.8
Agriculture + food industry (I-IV)	4.8	5.1	6.4	6.7	-1.6	-1.6
Mineral products, oil incl. (V)	3.7	3.0	2.6	2.5	1.1	0.5
Chemical & plastic products (VI-VII)	11.4	12.8	11.1	12.8	0.3	0.0
Textiles, footwear & misc. manuf. (VIII,XI,XII,XX)	6.3	7.2	3.0	3.3	3.3	3.9
Wood, articles of stone & base metals (IX,X,XIV,XV)	11.8	13.5	7.7	9.6	4.1	3.9
Mach. & electr. equip. / opt. & photo. instr. (XVI,XVIII)	29.5	33.6	38.5	43.0	-9.0	-9.4
Vehicles, aircraft & transport equipment (XVII)	13.6	15.4	9.5	9.8	4.1	5.6
Others (XIX,XXI)	4.1	4.3	4.9	5.4	-0.8	-1.1

Principle traded products in 1994

Given the dominance of machinery and electrical equipment in the sectoral breakdown above, it is little surprise that the top export sector in both directions is engines and mechanical appliances.

Indeed, the majority of the top ten export sectors also feature in the top ten imports, corresponding in considerable inter-sectoral trade. In both cases, the top ten sectors account for over two-thirds of total trade.

Among the other features of the table below are the fact that 50% of EU aircraft imports by value come from the US, as do 41% of precision instruments and over a third of oil seed imports. By contrast, among the EU's major transatlantic exports, the US market is the destination for little over a quarter of total exports.

	PRODUCTS	HS Code	Level Bio ecu	Annual variation %	Share in		
					extra-EU trade by product**	trade with US	
						%	% cumulated
Top 10 imports							
1	Engines and mech. appl.	84	23.7	11.9	33.6	25.5	25.5
2	Elec.mach.,TV,sound	85	12.1	15.7	21.0	13.0	38.4
3	Optical,precision inst.	90	7.1	5.4	40.6	7.6	46.0
4	Aircraft, spacecraft	88	6.6	-2.3	50.0	7.1	53.2
5	Organic chemicals	29	3.5	14.9	27.1	3.7	56.9
6	Vehicles non railway	87	3.0	20.5	11.8	3.2	60.0
7	Pearls, precious met.	71	2.7	78.4	13.0	2.9	62.9
8	Plastics and articles	39	2.5	18.7	22.7	2.7	65.6
9	Mineral fuels	27	2.0	-8.1	3.1	2.1	67.7
10	Oil seeds	12	1.8	-1.7	34.5	1.9	69.6
Top 10 exports							
1	Engines and mech. appl.	84	22.0	15.0	21.0	23.2	23.2
2	Vehicles non railway	87	10.3	22.5	19.9	10.8	34.0
3	Elec.mach.,TV,sound	85	6.7	18.9	13.1	7.0	41.0
4	Optical,precision inst.	90	4.8	4.4	24.9	5.0	46.0
5	Aircraft, spacecraft	88	4.7	0.2	26.4	5.0	51.0
6	Organic chemicals	29	4.5	18.5	24.9	4.7	55.7
7	Pearls, precious met.	71	3.4	1.5	21.0	3.5	59.2
8	Iron and steel	72	3.3	33.6	24.4	3.5	62.7
9	Mineral fuels	27	2.9	-20.6	21.0	3.0	65.7
10	Beverages, spirits	22	2.3	1.8	26.4	2.4	68.1

Part III: The importance of transatlantic trade in the global context

EU-US trade generated the largest total flows between non-neighbouring countries in 1994 - only US-Canadian trade is greater.

The EU saw a small narrowing of its deficit with Japan last year, largely due to strong export growth. The US deficit rose further in 1994, and US data indicates that its imports from Japan exceeded those from the EU.

Looking at the US trade position in general, there was a marked increase in the deficit which is only partly explained by the change vis-à-vis Japan. A worsening position relative to Canada and China were the other major elements.

	Exports		Imports		Balance	
	1993	1994	1993	1994	1993	1994
Bio ecu						
EU trade with US	85.1	95.0	83.7	93.2	1.4	1.8
EU trade with Japan	22.8	26.6	47.2	48.9	-24.4	-22.3
EU Total	486.9	538.7	484.9	539.7	2.0	-1.0
US trade with Japan**	40.9	45.7	94.3	106.0	-53.4	-60.3
US total	397.4	426.3	512.4	578.7	-115.0	-152.4
Japan total	308.2		205.5		102.7	

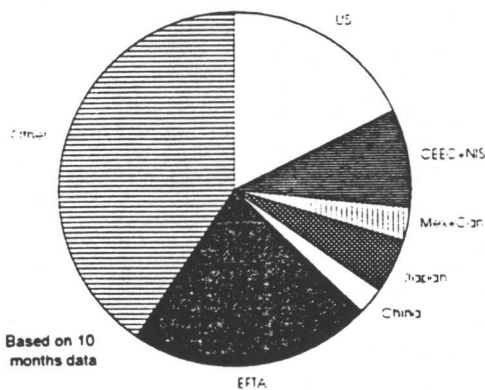
** Source: IMF-DOTS

The EU's and US' principal trading partners

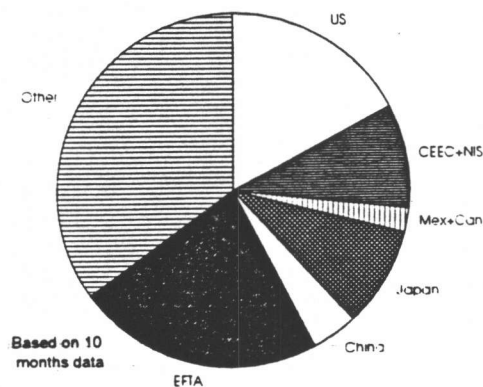
The EFTA countries remained the EU's largest trading partners in 1994, with the US second. It is clear that central and eastern Europe and the NIS is becoming a significant partner for the EU

The share of US trade with its NAFTA partners increased in 1994. The US is proportionately more involved in Japan and China.

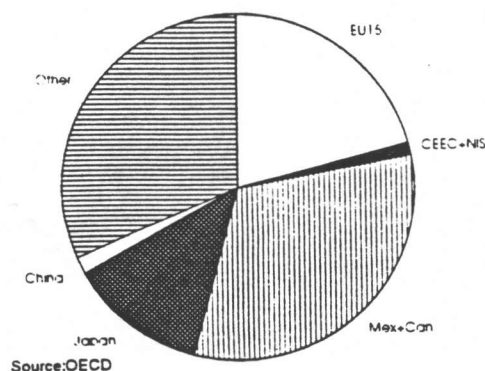
EU exports 1994



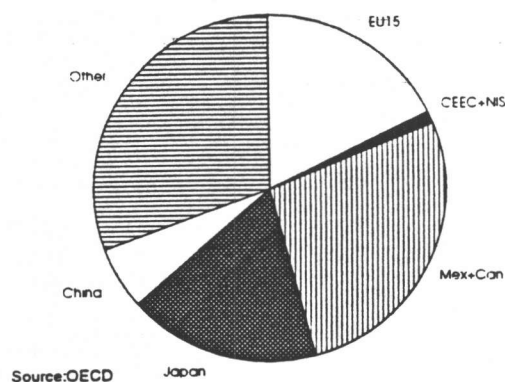
EU12 imports 1994



US exports 1994

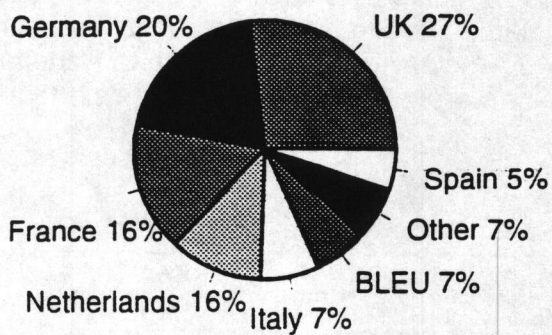


US imports 1994

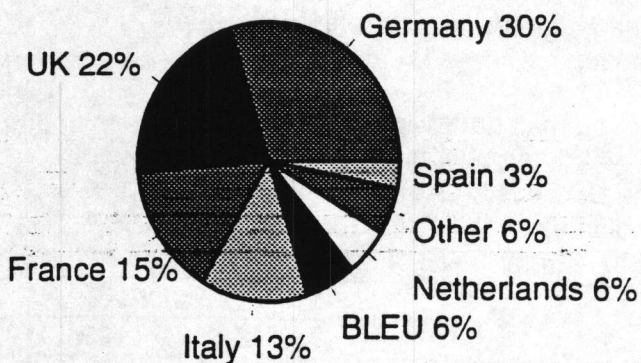


Part IV: EU trade with the US by member state

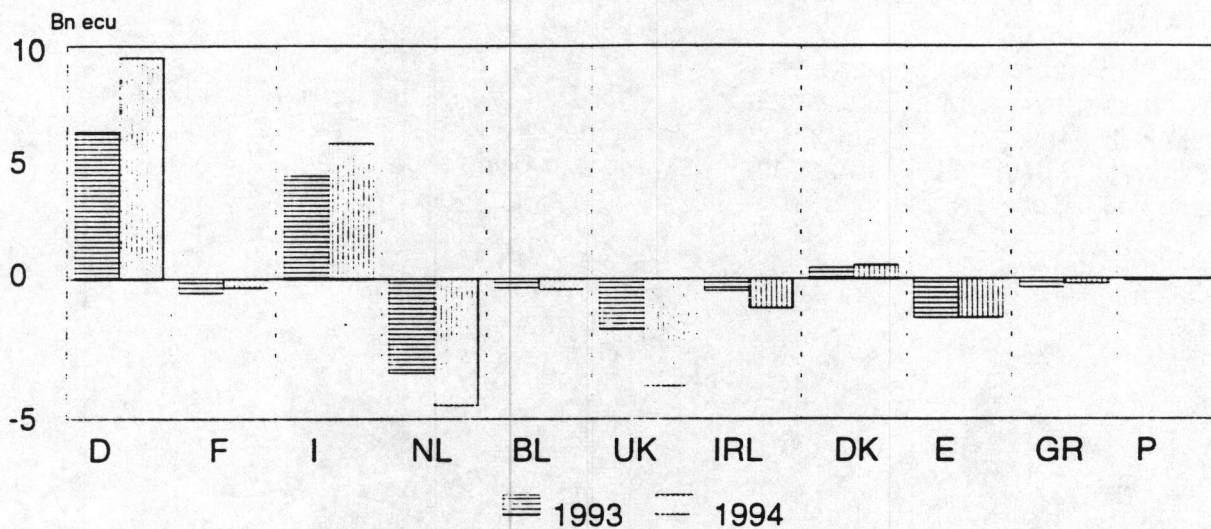
EU Imports from USA, 1994



EU exports to USA, 1994



EU trade balance with USA



Source: All data from Eurostat unless stated to contrary.

TRANSATLANTIC REGULATORY COOPERATION

This text was agreed by the EU-US Sub-Cabinet of 5 May 1995 by Director General for External Relations H. Krenzler for the European Commission and Under-Secretary of State J. Spero for the US Administration.

Building on existing cooperation

Regulatory agencies in the European Union and the United States have a long and productive history of working together to address common problems. With the globalisation of markets, and increasing appreciation of the depth and breadth of the US-EU trade and investment relationship, the EU and the US are placing a new priority on encouraging the close cooperation of regulatory agencies. Such cooperation can help regulators better address their programmatic and enforcement responsibilities, improve relationships with regulated industries, minimise unnecessary barriers to trade, and provide better health, safety and environmental data to assist regulatory decisions.

Cooperation among regulatory agencies is consistent with the 1990 Transatlantic Declaration, which stated the commitment of the United States and the European Union to:

"... inform and consult each other on matters of common interest, both political and economic, with a view to bringing their positions as close as possible, without prejudice to their respective independence."

Many forms of regulatory cooperation

Many regulatory agencies have already established close transatlantic contacts to exchange information. Some use this framework to *consult on the development* of new technical regulations and standards or in reviewing the adequacy of existing regulations (for example, on pesticides). Regulators also actively participate in *solving problems* arising out of incompatible regulatory frameworks or in crafting special arrangements to bridge regulatory differences (for example, slaughterhouse standards). Similarly regulatory agencies can *cooperate in the enforcement* of regulations (for example in the field of competition policy).

Enhancing Regulatory Cooperation

The EU and the US wish to encourage regulatory agencies to give priority to cooperate with their transatlantic counterparts. In addition to other objectives, such as promoting the domestic regulators' goals, this will provide the opportunity to address technical and other non-tariff barriers to trade resulting from divergent regulatory processes, and thus to strengthen further the links between the US and EU economies.

The emphasis will be on enhanced, voluntary cooperation, while still allowing our respective regulatory authorities to meet their legitimate health, safety, consumer protection, and environmental objectives, and other broadly shared policy goals.

The US-EU Sub-Cabinet dialogue has therefore decided to provide strong political encouragement to US and EU regulatory agencies to enhance (or,

where necessary, establish) transatlantic cooperative relationships. EU and US regulatory authorities are asked to look for ways to work with their counterparts on the other side of the Atlantic to this end. Needless to say, the specific aspects of regulatory cooperation will depend on the sector concerned, and the existing mandate and statutory position of the authorities involved.

Such cooperation could take the form of:

- * cooperation on technical issues for regulatory projects of joint interest;
- * greater use of each other's technical infrastructures;
- * providing early warning of highly divergent or incompatible regulatory initiatives which may have trade implications;
- * the development of cooperative procedures in the regulatory process;
- * management of mutual recognition regimes for conformity assessment, testing and certification (particularly as may be agreed as a result of the US-EU MRA discussions currently underway), where appropriate.

Using new technologies to reduce resource constraints

EU and US regulatory agencies, like other government departments, face severe resource constraints. Fortunately new technologies make it possible to improve the frequency and substance of the transatlantic dialogue on specific regulatory issues without the time and expense of extensive travel. Use of video conference facilities and the Internet in particular hold the prospect of increasing interaction at lower costs. The US Mission to the EU and the EC Delegation to the US have a key role to play in facilitating this dialogue.

Continuing Sub-Cabinet Interest

In order to reinforce the visibility and credibility of enhanced regulatory cooperation, the EU-US Sub-Cabinet will keep itself informed of the ongoing dialogues between regulators with the help of the regulatory authorities directly concerned. When appropriate, issues identified by the early warning mechanism will be taken up by the Sub-Cabinet, and particular "case studies" in regulatory cooperation will be drawn to the attention of the wider regulatory community by the Sub-Cabinet, Cabinet and (on occasion) biannual US-EU Summit meetings.