

**The EU-US relationship:
regulatory cooperation, environment and security**

The decade of the 1990s has been a remarkable one for the European Union and for the US-EU relationship. The new administration will inherit a set of relationships significantly different from those inherited by the Clinton Administration in 1992. It can choose to negotiate within the new, still evolving institutional framework or, alternatively, it can try to reconstruct a more traditional foreign policy agenda characterized by bilateral relationships, a focus on military capabilities rather than new security threats, and the notion of the United States as a “leader” rather than a “partner.” The policy and institutional landscape is such that the decision to choose the second rather than the first option will be more difficult than is commonly assumed by analysts trained in the traditional assumptions of international relations. The decision to choose the first option, however, will require unusual diplomatic deftness, an ability to coordinate across disparate bureaucracies within the American government, and a sophisticated understanding of how the transatlantic relationship and globalization are intertwined.

**Foreign direct investment:
European multinationals in the United States**

In the 1980s, the relationship between the United States and Europe changed in such a way that transatlantic relations now are composed of both a “private sphere” and a “public sphere.” Transatlantic business is now an interlocutor, and while European and American businesspeople have to some extent taken their place at the “public” table alongside diplomats, trade negotiators, and generals the fact they are producers, employers, and taxpayers in each other’s markets makes them especially salient to the transatlantic relationship. The “private” European American-relationship is now so important that it needs to be analyzed along with its “public” counterpart..

The 1980s were the watershed for the construction of the “private” relationship. American foreign direct investment in Europe is a well-known phenomenon; its European counterpart—European investment in the US-- occurred especially in 1978-81 and 1986-89. In 2000, the Congressional Research Service concluded that “The United States and the EU have an enormous cross-ownership relationship: each is the largest investor in the other’s market.” (Gallis, 2000, p. 8)

European owned multinational firms are now important players in the transatlantic economy. While trade still matters, a great many jobs in the United States are tied to the presence of European-owned firms in the United States. The role of European firms as employers of Americans and as constituents of American politicians has added a new dimension to the transatlantic relationship. The American and European economies are now populated by a common set of multinational firms, a fact which is often obscured by the visibility of trade conflicts which highlight exports and imports rather than production by foreign-owned firms. The kind of economic interdependence implied by foreign direct investment is of a different nature than that implied by trade interdependence.

Regulatory cooperation

The role of both European and American multinationals in many important sectors of the American economy has underpinned the increase in regulatory cooperation between the United States and the European Union. Whereas previously NATO and GATT had been the key fora in which the Europeans and the US interacted, a variety of US-EU institutional relationships now exist which penetrate deeply into the American governmental structure. Previously, the US dealt with national governments in NATO and with the EU in GATT; now the EU is everywhere.

Two examples are noteworthy on the institutional side and both emerged precisely because of FDI. Both have led to US federal bureaucracies becoming involved with the EU in novel ways as the EU develops a far-reaching regulatory structure which intersects with the American. The US and the EU are now each a “regulatory state” characterized by a complex legal framework, and their economic interdependence ensures that regulatory co-

operation is likely to be a high priority for any American administration.

In the area of antitrust policy (referred to as competition policy in the EU), the European Commission is a powerful actor independent of national governments, and its power to act in transatlantic relations has been ratified by the European Court of Justice (the EU's equivalent of the US Supreme Court). In the 1990s, the US Department of Justice and the Commission concluded two agreements leading to close cooperation in anti-trust cases. Since multinational firms are now in both markets, mergers and acquisitions have implications for market activity on both sides of the Atlantic. Unilateral antitrust decisions on one side could be vetoed by contrary decisions on the other side. Given the role of the courts in regulatory activities, it is not surprising that the justices of the American Supreme Court and the European Court of Justice have hosted each other in order to become better acquainted with each other's legal environments.

We find a similar pattern of regulatory cooperation in the approval of new medicinal drugs. Under pressure from multinational drug companies, the US Food and Drug Administration (FDA) and the EU's European Medicinal Evaluation Agency (EMA) have just concluded a set of agreements which will greatly facilitate the gaining of approval for new drugs in both the American and EU markets. The emergence of the EMA, which became operational in 1995, and its rapid ascendance as a key interlocutor for both the Japanese and the FDA symbolizes the institution-building which has characterized the EU's regulatory structure in the past half-decade.

Transatlantic Business Dialogue: In 1990, the Bush Administration and the EU agreed to the Transatlantic Declaration, the first formal symbol of the US-EU relationship. In 1995, the Clinton Administration agreed to a New Transatlantic Agenda (NTA) and an Action Plan which laid out a framework for cooperation, including provisions for "people-to-people" contacts and exchanges. One of the politically most powerful groups organized under the aegis of the NTA is the Transatlantic Business Dialogue (TABD). The TABD brings together the CEOs of both European and American multinationals for twice-yearly meetings. This transnational group has agreed on a set of priority items to which both the US and EU have given significant attention. The TABD is a new transnational actor which has been particularly successful

in pressuring the EU's and American regulatory authorities to move toward compatible regulatory requirements.

New security agenda

The EU has significantly increased its capacity to act internationally in the areas of internal security and global environmental policy. In 1999, it took very significant steps to increase its legal and organizational capacity to act in the fight against drug trafficking, terrorism, money laundering, and transnational organized crime. Both the FBI and the Department of Justice are interested in cooperating with the EU as the threats in these areas appear to be increasing rather than decreasing. In the area of global environmental politics, the EU has taken a strong stance in favor of implementing the Kyoto Protocol in ways which diverge from those supported by the United States. The business community is a key actor in this arena. If multinational insurance firms in particular were to mobilize in support of the Kyoto Protocol (a definite possibility), the pressure on the rest of the transatlantic business community would be such that the political debate in the US could change in rather unexpected ways.

Military security

In December 1998, the French and the British made a historic bargain. That bargain led, in September 2000, to the first high-level meeting between the EU and NATO. Fifty years after Robert Schuman's historic press conference launching the process of European integration, the two organizations responsible for European international affairs had finally introduced themselves to each other. It is difficult to over-estimate the political significance of the decision to establish a rapid reaction force for the process of European integration, but it is very easy to over-estimate the threat which that force represents in substantive terms to NATO's ability to act. The new administration will need to decide whether it deals with symbols or substance. It can choose to treat the force as a political symbol of the EU's wish to be treated as a partner rather than a follower while understanding how little it actually threatens NATO. Alternatively, the new Administration can treat it as a symbol of threat, thereby increas-

ing the long-term likelihood that it will indeed emerge as a substantive threat to NATO.