

# Contents

<i>List of Tables, Figures and Boxes</i>	viii
<i>List of Abbreviations</i>	x
<i>Acknowledgements</i>	xii
<i>Introduction</i>	1
<b>1 European Integration, Transatlantic Relations and the United States since 1945</b>	<b>6</b>
Foundations: 1945–58	7
Partnership and Rivalry: 1958–1971	13
Change: 1971–85	18
From change to transformation: 1985 onwards	26
Overview and conclusion	34
<b>2 Analysing the ‘Euro-American System’</b>	<b>36</b>
Components of the ‘Euro-American System’	38
Processes, institutions and policies	48
Four Images of the ‘Euro-American System’	61
Overview and conclusion	65
<b>3 Trade</b>	<b>67</b>
European Union trade policymaking and trends	72
The changing nature of American trade policy	77
The Brussels–Washington axis	82
Losing control – the move to a multipolar WTO	87
The EU, the US and disputes in the WTO	91
Overview and conclusion	94
<b>4 Money and the Macroeconomy</b>	<b>96</b>
The evolving role of the Euro	98
The US economy: living on borrowed money?	106
Managing the global economy	110
Overview and conclusion	117

vi *Contents*

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<b>5</b>	<b>Investment and Competition policy</b>	<b>119</b>
	Evolution of EU competition policy	125
	Evolution of US antitrust law	130
	Coordination and conflict	132
	Applying Euro-American policies to the world	138
	Overview and conclusion	144
<b>6</b>	<b>Innovation</b>	<b>147</b>
	European innovation policy	150
	The direction of European R&D	155
	American innovation policies	158
	The US search for competitiveness	163
	From transatlantic to global innovation space?	167
	Overview and conclusion	170
<b>7</b>	<b>Regionalism and Interregionalism</b>	<b>172</b>
	The European Union as a regional power	176
	The European Union and the new regionalism	178
	The US as a regional power	184
	George W. Bush and the new regionalism	187
	Competition and convergence in a regionalized world	192
	Overview and conclusion	198
<b>8</b>	<b>The New Europe</b>	<b>200</b>
	The EC, the US and cold-war Europe	201
	The EC/EU and the 'new Europe'	202
	The US and the 'new Europe'	208
	The EU, the US and European order: competition or convergence?	211
	Overview and conclusion	225
<b>9</b>	<b>World Order</b>	<b>226</b>
	The European Union and world order	229
	The United States and world order	237
	The EU, the US and world order: power and security	243
	The EU, the US and world order: global governance	253
	Overview and conclusion	259

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<b>10</b>	<b>The ‘Euro-American System’ and Beyond</b>	<b>261</b>
	Competition and convergence	265
	New challenges and opportunities	268
	Moving forward	278
	Overview and conclusion: what kind of ‘Euro-American system’?	280
	<i>Bibliography</i>	282
	<i>Index</i>	308

## Chapter 1

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# European Integration, Transatlantic Relations and the United States since 1945

The system of relations that has grown up between the European integration project and the United States is dense and complex, and it is one of long standing. Central to the argument in this book is the growth and development of this system of relations, and its impact not only on its members but also on the world as a whole. For much of its life, the system has dominated the global economy and has played a key part in the management of global diplomatic and security issues. It is thus vital to understand the structure and functioning of the system, its central rules and assumptions, and the ways it has changed and developed during more than half a century. This is the focus of the first two chapters in the book.

In a way, as Alfred Grosser has argued, there is no 'year zero' in relations between the United States and Europe (Grosser 1980). The influence of the 'old continent' was central in the establishment and growth of the US, and increasingly from the late nineteenth century onwards, the United States came more and more to play a central part in the European arena. From the beginning of the twentieth century, American investment and economic influence were important to the management of the European economies; nowhere was this more clear than in the aftermath of World War I, when the capacity of the US to contribute to the recovery of Europe, and its willingness or unwillingness to make such a contribution, played a central role in the development of the interwar order. During the 1930s, the American economy and its troubles after the 'great crash' of 1929 fed directly into the increasing instability of Europe, and the uncertainties of US diplomacy in the age of isolationism played a major role in the onset of World War II. The fates of the US and Europe were deeply intertwined even before the great catalytic drama of the war in Europe and beyond (Grosser 1980: Chapter 1; Lundestad 2005: Chapter 1).

This said, detailed analysis of the ways in which the relationship between European integration and the United States was established and evolved should start in the aftermath of the second global conflict. It was at this point that US involvement became structural and in some ways organic, and the growth of European integration itself became a central pillar of the emerging relationship. This chapter sets out to map the historical evolution of the relationship in the sixty years following the end of World War II, and to identify the key forces contributing to the process of historical change. In Chapter 2 we will look more closely at the underlying structures and functioning of the 'Euro-American system' and at the issues and institutions around which it has centred.

The first part of the chapter examines the foundations on which the relationship between European integration and the United States was constructed in the first decade after World War II. In the second part, the focus is on the growth of partnership and rivalry between an integrating Europe and the US. The third and fourth parts of the chapter focus respectively on processes of change and transformation: first, the changes that took place within EC-US relations during the 1970s and early 1980s, and second, the dramatic changes that surrounded the relationship in the late 1980s and after. The key question underlying all of this is simple: How much of what was established during the 1950s and 1960s still survives, and how substantial has the transformation of the relationship been?

### **Foundations: 1945–58**

At the most general level, it could be said that the end of the World War II saw the collapse of Europe and the dominance of the United States. At one time or another, almost all of the European states had been defeated during the war, while even those that had emerged victorious and never been occupied, such as Britain, were exhausted. The European economy had in many respects ceased to exist, because of the divisions and dislocations created by war, while European society was racked by tensions and insecurities. These insecurities emerged partly out of the challenge to governmental legitimacy in almost every European country, but also out of the perceived challenge from Communism represented most

## 8 *The European Union and the United States*

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clearly by the Soviet Union and the presence of the Red Army in the heart of Europe. At the same time, the US had ended the war in a position of unprecedented strength: its economy had boomed, its military might (bolstered by possession of the 'ultimate weapon' in the shape of the atom bomb) was unchallenged, and American ideas of democracy and progress seemed to be the wave of the future.

This situation was not of course unproblematic. For European governments, particularly those of the western half of the continent, the challenge was not simply one of re-establishing economic and political stability; it was also one of recreating or adapting the European model of statehood in a context where the nature of statehood itself was in question. For their Eastern and Central European counterparts, the challenge was one of resisting or adapting to the fact of Soviet dominance. For the Americans, the challenge was that of coming to terms with international predominance and resolving the clash between isolationism and internationalism – a clash that ran through the heart of US political life. It was out of this complex and unstable mix of political, economic and security problems that the initial 'bargain' between the US and European governments emerged (Grosser 1980: Chapter 1; DePorte 1986; Ellwood 1992; Lundestad 1998: Chapters 1–2; Lundestad 2005: Chapter 1; Sloan 2005: Chapters 1–3).

Between 1945 and 1950, the elements of what later came to be seen as a grand strategic bargain between the United States and Western Europe were put in place. The initial driving forces were a combination of insecurity, the search for governmental legitimacy and the search for a formula to maintain and express US engagement with the international system. For Europeans, the need to counter the Soviet threat and to keep the US committed to European stability rapidly became a central fact of diplomatic life. The Roosevelt administration in Washington had proclaimed at the end of the war that they would aim to withdraw all US forces from Europe within two years, a prospect that fuelled European fears of instability and Soviet opportunism. As a result, a series of European leaders, led by Winston Churchill, the British Prime Minister, expressed their concern about the prospects of instability and threat in the event of a US withdrawal, and this concern itself became part of an extensive debate in Washington about the future of US foreign policy. The working out of this debate thus became crucial to the future of Europe itself, especially after the replace-

ment of Roosevelt by Vice-President Harry Truman in 1945 (Hoffmann and Maier 1984; DePorte 1986; Hogan 1987).

The intersection of European fears and US domestic debate led to a process of incremental commitment between 1945 and 1949 that culminated in the North Atlantic Treaty of April 1949. Before that military ‘bargain’, however, the key thrust of US commitment had been economic and diplomatic. In 1947, the ‘Truman Doctrine’ had set out the basis for US commitment to the defence of democracy on a global level, but especially in postwar Europe. This was followed in mid-1947 by the initial moves in what came to be known as the Marshall Plan: in June of that year, General Marshall, the US secretary of state, made a speech at Harvard University in which he set out the terms for continued US economic assistance to Europe (see extract in Box 1.1). His premise was that if Europe was allowed to continue in economic chaos, this would sharpen the political and security threats of Communism, and would increase the power of domestic Communist parties in countries such as France or Italy. While this may not seem radical today, the speech represented a key element in the emerging transatlantic ‘bargain’ – not least because of the terms on which

### **Box 1.1 The Marshall Plan speech (extracts)**

It is evident . . . that, before the United States Government can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government. It would be neither fitting nor efficacious for our Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This is the business of the Europeans. The initiative, I think, must come from Europe. The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. The program should be a joint one, agreed to by a number, if not all, of European nations.

*Source:* Secretary of State George C. Marshall, Address at the Commencement Exercises of Harvard University, Cambridge, Massachusetts, 5 June 1947.

## 10 *The European Union and the United States*

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the aid was to be given. These included the establishment or strengthening of 'free institutions' and free markets and, significantly, the construction of a cooperative plan through which the Europeans themselves were to specify the nature and the allocation of the aid itself (DePorte 1986; Hogan 1987; Gann and Duignan 1998; Lundestad 1998, 2005; Sloan 2005).

The Marshall Plan thus can be seen as a keystone of three processes. First, by restricting the aid to 'free' countries, it contributed strongly to the division of Europe that became solidified in the cold war. Although some Central- and East-European governments displayed initial interest in the plan, they were brought rapidly into line by the Soviets, and a political-economic division of Europe was accentuated. At the same time, Communist parties that had aspired to power or in some cases achieved it in some Western-European countries were marginalized through a combination of economic restructuring and associated political realignment. Finally, the requirement that European countries should cooperate to respond to the plan (soon labelled the European Recovery Programme or ERP) can be seen as setting in motion processes that proved fundamental to the European integration process. The plan was to be delivered via the ERP and an associated organization, the Organization for European Economic Cooperation (OEEC), and it is by no means fanciful to see this as the breeding-ground for what became the European Coal and Steel Community, the first institution of European economic integration. In the background, the establishment of the institutional framework that came to be known as the Bretton Woods system, encompassing the International Monetary Fund, the World Bank and the General Agreement on Tariffs and Trade, created a set of multilateral rules that were to be crucial in shaping the development of the European economies and of European integration (Mee 1984; Milward 1984; Hogan 1987).

It can be argued that by 1949, with the signing of the North Atlantic Treaty between the US, Canada and fourteen European countries, the key elements of the 'transatlantic bargain' were in place. The ERP (and in broader terms the Bretton Woods system) expressed the political/economic end of the spectrum, while the North Atlantic Treaty represented the guarantee of continuing US involvement with the security of the continent – and both together had the effect of constructing the boundary between the 'free world' and the Communist bloc that became the centrepiece of the

cold war. The ERP also seemed to have contributed to (if not actually having inspired) the proposal made by Monnet and Schuman of France in May 1950 for a European Coal and Steel Community, in which France and Germany would form the core of a new kind of economic and (by implication) political integration. But this process was not without its tensions and divisions. In the first place, the 'new Europe' gradually emerging from the chaos of the postwar period was not a comprehensive Europe: the division between the original six members of the ECSC (France, Germany, Italy and the Benelux countries) and those who were left or chose to remain outside set up a new division within the western half of the continent. Most obviously, Britain, the largest single recipient of Marshall Aid, had declined with almost no hesitation the opportunity to join the ECSC (Grosser 1980: Chapter 3). Second, the process of US commitment to the security of Europe had exposed significant divisions between European governments, particularly between those such as France that saw Europe as a potentially independent 'third force' and those such as Britain that saw the North Atlantic Treaty as a vital strand in the new Atlantic partnership. Finally, in the US, the debate about the nature and extent of US international engagement had served to sharpen the fear of Communism and to set in motion the domestic forces of McCarthyism, which led to a strongly anti-Communist atmosphere. This was only sharpened further by the onset of the Korean War in 1950, which seemed to demonstrate the world-wide threat from the Soviet Union and its allies, including China.

During the 1950s, these coexisting trends towards transatlantic cooperation and tension were perpetuated by a series of events in both Europe and the US. From the European perspective, the period between the establishment of the Coal and Steel Community in 1950 and the signing of the Treaty of Rome in 1957 – the latter establishing the European Economic Community and the European Atomic Energy Community – was one of progress and setbacks. The Coal and Steel Community prospered, partly as the result of natural economic recovery but also as the result of a lowering of barriers and the achievement of economies of scale, and by the mid-1950s this was leading to calls for a decisive extension of the European integration process. But at the same time, attempts to further European integration in the fields of diplomacy and defence were unsuccessful. In 1952, the French had proposed a plan for a European Defence Community, in which there would be substan-

## 12 *The European Union and the United States*

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tial integration of military units and military command structures; this was in part a response to American calls for the rearmament of West Germany, and in part a perpetuation of the idea that Europe could be a 'third force' in world politics (Fursdon 1980; DePorte 1986; Winand 1993: Chapters 2–3; Lundestad 1998: Chapter 5; Lundestad 2005: Chapter 3). By 1954, the project lay in ruins, ironically in large part because of its rejection by the French National Assembly, but also because of the abstention of the British and perceptions of a clash with the North Atlantic Treaty Organization (NATO), which had been constructed on the foundations of the North Atlantic Treaty and which now encompassed sixteen European countries. This defeat had two significant implications for the relationship between the US and European integration. First, it meant that for the foreseeable future collective European defence would be conducted through NATO (of which West Germany became a member through joining the Western European Union in 1955). Second, it meant that the European integration project would remain overwhelmingly 'civilian' in character, whatever the attempts by countries such as France to move it in the direction of diplomatic or security coordination.

This was the foundation for the 'relaunching' of European integration in 1955–7 through the negotiations for what became the Treaty of Rome. Because of the defeat of the EDC, the EEC was to be 'civilian' and to be based on a massive extension of economic coordination between the original six member states of the ECSC. Although other countries such as Britain were by this time much more interested in – or worried by – the European project, the prospect of supranational influence over national economic policies was still enough to make them hesitate, thus contributing to the continuing dominance of France and Germany within the project (Lundestad 2005: Chapters 2–3). For the Americans, as might have been expected, the extension of European integration was a two-edged process. On the one hand, it consolidated the economic and social stability of western Europe, and thus contributed to the stabilization of the continent as a whole (DePorte 1986), so many US policymakers were strongly in favour not only of the EEC but also of British membership (Camps 1960; Winand 1993: Chapter 5). On the other hand, those Americans who looked at the aims of the EEC and discerned a threat to US economic interests in areas such as agriculture were less enthusiastic; the fact that one of the first common policies to be adopted by the EEC was the Common

Agricultural Policy (CAP) was to have a shaping – and sharpening – effect on transatlantic relations throughout the 1960s (Krause 1968; Beloff 1976). The ECSC had already attracted the suspicion and in some cases the outright hostility of American steel interests, who saw it as an unfair cartel designed to exclude them from the European market (Diebold 1959), and the EEC looked like a much wider and more dangerous threat.

By the late 1950s, therefore, the tone of relations between the US and the European integration project was in important respects set. In 1958, the major European currencies achieved convertibility into each other and into the US dollar: this was a key indicator of their continuing recovery and consolidation, and of their full participation in the Bretton Woods system of international economic institutions, but it was also surrounded by ambiguities and uncertainties about the future course of transatlantic relations.

### **Partnership and Rivalry: 1958–71**

We have seen that the relationship between European integration and the United States as it had developed by the end of the 1950s contained important coexisting but often conflicting elements of cooperation and competition. The European project on one level was a vital component of the consolidation of the ‘west’ in the cold war, contributing to stability and to the growth of what Marshall had called ‘free institutions’. At another level, it was a source of concern to American economic interests and a focus of aspirations for a European ‘third force’ that could express a particular identity in the world arena. During the 1960s, these tensions were to multiply, partly for reasons inherent in the European project, partly for reasons reflecting US positions and priorities, and partly because of wider changes in the international system. Ironically, it may seem, the period between 1958 and the beginning of the 1970s was littered with proclamations of ‘Atlantic partnership’ at the same time as it gave increasing evidence of Atlantic rivalry (Diebold 1960; Cleveland 1966; Pfaltzgraff 1969; Calleo 1970; Diebold 1972; Calleo and Rowland 1973; Winand 1993: Chapters 6–12; Lundestad 1998: Chapter 6; Lundestad 2005: Chapter 4).

From the point of view of European integration, this period was one of consolidation but also of internal tensions and often open

## 14 *The European Union and the United States*

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conflicts. A number of common policies were initiated, among them two that were to be central to transatlantic relations, the Common Commercial Policy (CCP) and the CAP. Institutional development and consolidation were apparent, especially in the role of the European Commission which became established as a key generator of initiatives on the road to greater integration. At the same time, the economies of EEC member states continued to flourish, led by the West-German economy and the 'economic miracle' it represented. But there were also strong trends in the direction of internal conflict and fragmentation (Camps 1967; Grosser 1980). In the early 1960s, the French tried to set in motion the development of a 'European foreign policy', but this was limited and not supported by key 'Atlanticist' member states; in 1969 there was a further initiative in this direction with the beginnings of what became European Political Cooperation, but the basis remained strongly intergovernmental and diplomatic rather than integrationist and security-related. During the mid-1960s, the implementation of further integrationist measures in agriculture and the development of the 'common market' for goods created sharp perceptions of gains and losses for major member states, and in the case of France led to its declaration of an 'empty chair' policy between 1966 and 1967. As a result, the 'Luxembourg Compromise' of 1967 signalled a retreat from full-blooded integration to a situation in which vital national interests could form the basis for an effective veto of legislation within the EEC. Alongside all of this, the prospect of the EEC's first enlargement continued throughout the 1960s. In 1963, General de Gaulle, the French president, effectively vetoed the first application for membership by Britain (thus also excluding Denmark, Ireland and Norway who had also applied). This veto was repeated in 1967, but by 1970 the installation of a pro-integrationist government in Britain combined with the fall of de Gaulle to produce an agreement on British membership.

The turbulence of developments in European integration during the 1960s was paralleled by problems within American politics and foreign policy. The rich promise of the Kennedy administration installed in 1960 was eroded by the president's assassination, by domestic tensions over such issues as civil rights, by increasing US entanglement in Vietnam and by the continuing threat of Soviet nuclear capability, which led to a major intensification of the arms race. This latter process was reflected in US relations with Europe, leading to the 'nuclearization' of NATO and to the growth of

domestic anti-nuclear protest movements. But the tribulations of US administrations were not simply political: the US economy proved sluggish and in some respects uncompetitive, and was increasingly distorted by the focus on military spending and military commitments (Calleo and Rowland 1973). By the end of the 1960s, the Nixon administration installed in 1968 had begun to unwind some of these issues, not without considerable suspicion or difficulty. They had begun the process of 'détente' with the Soviet Union, focusing especially on the control of nuclear weapons, had initiated a broader diplomacy designed to respond to the needs of what they saw as a potentially multipolar world, engaging the Chinese and the Japanese as well as the Soviets and the Europeans, and had begun a reassessment of US economic commitments in the light of the generally poor performance of the economy.

The intersection of these trends in Europe and the US created a series of tensions throughout the 1960s. Even before the Kennedy administration had been installed, General de Gaulle had called for a greater degree of power-sharing in NATO, and had begun to present the EEC as the basis for a new challenge to US dominance (Calleo 1970; Harrison 1982). When in July 1962 President Kennedy made a speech in which he outlined a 'declaration of interdependence' between the United States and a 'uniting Europe' (see Box 1.2), this was greeted in some quarters as a visionary response to the new realities of world politics and in others as an attempt to perpetuate US hegemony over a resurgent Europe in particular (Winand 1993: Chapter 9). Thus it is not surprising that the rhetoric of 'Atlantic partnership' and 'Atlantic community' that arose after Kennedy's speech was accompanied by major efforts to counter it through a discourse of European independence and difference. But not all Europeans were united in this respect: de Gaulle's strident anti-Atlanticism (see Box 1.2), reflected in his veto of British membership in the EEC, and in French withdrawal from the NATO integrated military command in 1966, was balanced not only by British Atlanticism, but also by that of such countries as the Netherlands, Italy and Germany within the EEC itself (Cromwell 1969; Grosser 1980; Harrison 1982; DePorte 1986). Even such Atlanticist countries were perturbed by the increasing US commitment in Vietnam and by the evidence of US-Soviet diplomacy in the context of 'détente', so the overall picture was a complex one, which could not be reduced to a simple EEC-US partnership or rivalry.

## Box 1.2 Kennedy and de Gaulle

The nations of Western Europe, long divided by feuds far more bitter than any which existed among the 13 colonies, are joining together, seeking, as our forefathers sought, to find freedom in diversity and in unity, strength. The United States looks on this vast new enterprise with hope and admiration. We do not regard a strong and united Europe as a rival but as a partner. To aid its progress has been the basic object of our foreign policy for 17 years. We believe that a united Europe will be capable of playing a greater role in the common defense, of responding more generously to the needs of poorer nations, of joining with the United States and others in lowering trade barriers, resolving problems of commerce, commodities, and currency, and developing coordinated policies in all economic, political, and diplomatic areas. We see in such a Europe a partner with whom we can deal on a basis of full equality in all the great and burdensome tasks of building and defending a community of free nations.

. . . I will say here and now, on this Day of Independence, that the United States will be ready for a 'Declaration of Interdependence', that we will be prepared to discuss with a united Europe the ways and means of forming a concrete Atlantic partnership, a mutually beneficial partnership between the new union now emerging in Europe and the old American Union founded here 175 years ago.

*Source:* President John F. Kennedy, Address on the Goal of an Atlantic Partnership, Philadelphia, 4 July 1962.

[the entry of Great Britain and others] will completely change the whole of the actions, the agreements, the compensation, the rules which have already been established between the Six . . . Then it will be another Common Market whose construction ought to be envisaged . . . Further, this community, increasing in such fashion, would see itself faced with problems of economic relations with all kinds of other States, and first with the United States. It is to be foreseen that the cohesion of its members, who would be very numerous and diverse, would not endure for long, and that ultimately it would appear as a colossal Atlantic community under American dependence and direction, and which would quickly have absorbed the community of Europe.

*Source:* President Charles de Gaulle, Press Conference, Paris, 14 January 1963.

Alongside this diplomatic complexity, the political economy of EEC-US relations was no less significant. One of the most obvious manifestations of this significance was the growth of all forms of exchange between the United States and the EEC during the early 1960s: trade, investment and travel all experienced a major increase and it is difficult to avoid the conclusion that this was caused by the establishment of a large market among the six EEC member states (Cooper 1968; Diebold 1972). It is also important to note that at this time Britain accounted for much more in all of these areas than the whole of the EEC combined. By the beginning of the 1960s, there was also evidence of the Europeans' increasing capacity to engage collectively with the Americans within the world arena. Most obviously, the Dillon Round of trade negotiations within the General Agreement on Tariffs and Trade (GATT) during 1961 had seen the EEC adopting a collective position. More dramatically, the Kennedy Round of 1963-6, proclaimed by the president as part of his 'declaration of interdependence', saw the creation of a substantive EEC trade diplomacy, which enabled the Europeans to resist US pressure on a number of fronts, particularly agricultural trade (Calleo and Rowland 1973). This set of developments is perhaps best cast in terms of the capacity to resist, rather than the capacity to initiate and lead, but it did signify a distinct set of new directions in international trade diplomacy. There were also the beginnings of European capacity to construct new inter-regional relationships: the most obvious of these were to be found in the framework of the Yaoundé Conventions, which constructed relationships with a set of mainly French ex-colonies in Africa.

Despite this evidence that the EEC was gradually acquiring the ability to exercise collective weight in the context of transatlantic relations and the broader world economy, the 1960s did not provide conclusive evidence of the emergence either of a true transatlantic partnership or of transatlantic rivalry. If anything, they provided evidence that any form of cooperation in the international political economy was hard work, that it would be characterized by disputes as much as by progress, and that it remained fragmented in the continuing absence of Britain and other significant European states from the EEC. By the end of the 1960s, it was clear that this 'gap' was likely to be filled in the near future, but by that time also it was clear that the world economy as a whole was in a state of turbulence and potential chaos. The impact

## 18 *The European Union and the United States*

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of the war in Vietnam and of conflict in the Middle East, the uncertainties of US–Soviet ‘détente’ and the unevenness of economic performance in the major western economies created a breeding-ground for uncertainty and instability (Calleo and Rowland 1973; Hanrieder 1974; Shonfield *et al.* 1976; Hanrieder 1982). As a result, the Bretton Woods system of financial institutions, and the rules relating to fixed exchange rates and domestic economic adjustment, were increasingly under pressure. It was apparent that both in the diplomatic and in the economic sphere the 1970s would be challenging to say the least, and that the challenge to the assumptions behind EEC–US relations would be potentially momentous.

### **Change: 1971–85**

On 15 August 1971 in a television broadcast to the American people President Nixon proclaimed what came to be known as his ‘New Economic Policy’. At around the same time, in a number of speeches and papers, the administration also enunciated what became known as the ‘Nixon Doctrine’ relating to its foreign policy and diplomatic commitments, especially to allies. It is no exaggeration to say that these two sets of developments shaped the course of EEC–US relations for at least a decade, and that when combined with developments within the EEC itself and in the broader world arena they created a series of significant changes within the transatlantic relationship (Kaiser 1973; Czempiel and Rustow 1976; Kaiser and Schwartz 1977; M. Smith 1978). During the early 1980s, the relationship was given an additional and severe testing by the policies of the Reagan administration, and by the beginnings of a new phase of European integration itself.

Nixon’s August 1971 speech (see Box 1.3) rapidly became known as the ‘Nixon Shock’. As we have already noted, the US economy had been giving cause for concern for some time, with low growth accompanied by rising unemployment, declining competitiveness and a balance of payments deficit. For some in the US administration this set of conditions as linked closely to the burden the US had been carrying as leader of the ‘free world’ for the past twenty-five years, and there was a move to declare America an ‘ordinary country’ in economic affairs, prepared to defend its own interests against all comers (Rosecrance 1976). There is no doubt,

**Box 1.3 The 'Nixon Shock'**

I have directed secretary [of the Treasury] Connally to suspend temporarily the convertibility of the dollar into gold or other reserve assets, except in amounts and conditions determined to be in the interest of monetary stability and in the best interests of the United States . . . To our friends abroad . . . I give this assurance: The United States has always been, and will continue to be, a forward-looking and trustworthy trading partner. In full cooperation with the International Monetary Fund and those who trade with us, we will press for the necessary reforms to set up an urgently needed new international monetary system. Stability and equal treatment is in everybody's best interest. I am determined that the American dollar must never again be a hostage in the hands of international speculators . . . As a temporary measure, I am today imposing an additional tax of 10 per cent on goods imported into the United States . . . At the end of World War II the economies of the major industrial nations of Europe and Asia were shattered . . . Today, largely with our help, they have regained their vitality. They have become our strong competitors, and we welcome their success. But now that other nations are economically strong, the time has come for them to bear their fair share of the burden of defending freedom around the world. The time has come for exchange rates to be set straight and for the major nations to compete as equals. There is no longer any need for the United States to compete with one hand tied behind her back.

*Source:* Address by President Nixon on the Challenge of Peace, 15 August 1971.

as already noted, that the economic problems faced by the US also related to the burden of the Vietnam War, which had created inflationary pressures as well as distorting the balance of the US federal budget. The combination of rising welfare spending with rising external expenditure on foreign and security policy was a potent one (and one that would be seen again in the 1980s). The administration's response, as expressed through the 'Nixon Shock', was to inject a dose of economic nationalism. The dollar was detached from its previous fixed price against gold, resulting in its decline against other leading currencies, while measures were taken to control imports and to boost the competitiveness of US industry. While this might be seen as a logical and rational response to eco-

## 20 *The European Union and the United States*

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economic difficulties, in the circumstances of the early 1970s it was an explosive set of measures (Calleo and Rowland 1973; Calleo 1981). The administration justified it at least in part by the need for allies to take up the burden of defending democracy, thereby continuing what had been a growing chorus of complaint against the Europeans' unwillingness to either adjust their currencies against the dollar or take up more of the burden of defence spending. But the measures can also be seen – as they were at the time – as an attack on cherished principles of the Bretton Woods system. The effective devaluation of the dollar meant that the USA was asking its allies to pay the price for the loss of US competitiveness, while the imposition of an import surcharge went against one of the central principles of the GATT.

Alongside this set of economic measures, the administration continued its exhortations to its allies – the Nixon Doctrine (Hoffmann 1968; Hanrieder 1974; Hoffman 1978); essentially this consisted of the demand that the allies (whether in Europe or elsewhere) should take up more of the burden of their own defence and stand on their own two feet. As applied to the conflict in Vietnam, this was a means by which the US would eventually disengage and leave the South Vietnamese to fend for themselves. As applied in Europe, it sharpened the pressure on those European allies (now almost all members of the EEC) that had in American eyes grown richer under the protective umbrella provided by America. But the problem was that these demands were coming from an administration which was progressively weakened internally by the Watergate scandal, in which it became entangled after the 1972 presidential election. This erosion of internal legitimacy for the administration, along with the doubts long harboured by Europeans about US involvement in conflicts outside the NATO area, combined to create a new scepticism among EEC member states when it came to US leadership in all of its forms.

By the time Britain along with Denmark and Ireland entered the EEC in January 1973, there was thus a good deal of turbulence in transatlantic economic relations and more broadly in the western alliance. Although in other circumstances this might have seemed like an opportunity for the enlarged Community to assert itself on the world stage, in fact it militated strongly against that kind of initiative. The conditions that had fostered economic progress and the deepening of European integration during the 1960s had actually been short-lived; financial instability, fears of protectionism in

world trade and the increasing politicization of economic disputes were to become a key theme of the next fifteen years in transatlantic relations, and thus part of the world with which the Community had to cope (Warnecke 1972).

The year 1973 was in fact symptomatic of the problems. In April, US Secretary of State Henry Kissinger delivered a speech in New York proclaiming this to be the 'year of Europe' and calling for a new transatlantic bargain to express the new balance of influence between the US and its European partners (see Box 1.4). This speech, delivered in the US and not discussed with the Europeans before its delivery, served as a catalyst for European resentment of the Americans' leadership, and among other results prompted the formulation of a 'declaration on European identity' by the Community – a declaration that focused strongly on the need for partnership rather than domination in the relationship with the US (see Box 1.4). By the end of 1973, the October War in the Middle East between Israel and its Arab neighbours had created a double twist to the tension: on the one hand, it fulfilled many Europeans' fears of US domination and risk-taking through the declaration of a nuclear alert by Washington over the heads of the allies, while on the other hand it precipitated a 400 per cent rise in the price of crude oil, creating an energy crisis and stretching the domestic economic management capacities of European countries to breaking-point (Kaiser 1973; Kaiser 1974; Vernon 1973; Lieber 1974; Chase and Ravenal 1976; M. Smith 1978).

The European Community, already absorbing the impact of its new member states and the longer-term effects of the crises of the late 1960s, was ill fitted to respond dynamically to this set of simultaneous crises. Grand plans for the creation of economic and monetary union by 1980, and for the establishment of a European political union, were undermined both by external developments and by the new internal complexities arising especially from British entry into the Community. A period of 'Eurosclerosis' set in, in which it appeared impossible to take significant new initiatives and in which member state governments were unwilling to contemplate the costs of further integration. Indeed, they spent much of their time focusing on the costs of such integration as already existed, with conflicts over the CAP and over the Community budget lasting through the 1970s. There were, however, at least some signs of a more hopeful kind, and some of these were visible in transatlantic relations. Not for the last time, concerns about rela-

### Box 1.4 The 'Year of Europe'

The problems in transatlantic relationships are real. They have arisen in part because during the fifties and sixties the Atlantic community organized itself in different ways in the many different dimensions of its common enterprise. In economic relations, the European community has increasingly stressed its regional personality; the United States, at the same time, must act as part of, and be responsible for, a wider trade and monetary system. We must reconcile these two perspectives. In our collective defense, we are still organized on the principle of unity and integration, but in radically different strategic conditions. The full implications of this change have yet to be faced. Diplomacy is the subject of frequent consultation, but is essentially being conducted by traditional nation states. The United States has global interests and responsibilities. Our European allies have regional interests. These are not necessarily in conflict, but in the new era neither are they automatically identical. In short, we deal with each other regionally and even competitively in economic matters, on an integrated basis in defense, and as national states in diplomacy. When the various collective institutions were rudimentary, the potential inconsistency in their modes of operation was not a problem. But after a generation of evolution and with the new weight and strength of our allies, the various parts of the construction are not always in harmony and sometimes obstruct each other.

*Source:* Secretary of State Henry A. Kissinger, Address to the Associated Press Annual Luncheon, New York, 23 April 1973 – 'The Year of Europe'.

The Europe of the Nine is aware that, as it unites, it takes on new international obligations. European integration is not directed against anyone, nor is it inspired by a desire for power. On the contrary, the Nine are convinced that their union will benefit the whole international community since it will constitute an element of equilibrium and a basis for cooperation with all countries, whatever their size, culture or social system. The Nine intend to play an active role in world affairs and thus to contribute in accordance with the purposes and principles of the United Nations Charter, to insuring that international relations have a more just basis, that prosperity is more equitably shared, and that the security of each country is more effectively guaranteed. In pursuit of these objectives the Nine should progressively define common positions in the sphere of foreign policy . . . The close ties between the United States and the Europe of the Nine – who share values and aspirations based on a common heritage – are



mutually beneficial and must be preserved; these ties do not conflict with the determination of the Nine to establish themselves as a distinct and original entity. The Nine intend to maintain their constructive dialogue and to develop their cooperation with the United States on the basis of equality and in a spirit of friendship.

*Source:* Communiqué of European Community Summit Meeting, Copenhagen, 15 December 1973, Annex II: 'Declaration on Europe's Identity.'

tions with the US were accompanied by some moves towards greater international coordination among member states. In the 1970s it was the growth of European Political Cooperation (EPC) that promoted greater coordination of diplomacy among member states, albeit on an explicitly intergovernmental basis. Such coordination was apparent in the Community's activities in the Conference on Security and Cooperation in Europe (CSCE, also known as the Helsinki Process) during the mid-1970s, and was also evident increasingly in the growth of a 'European' diplomacy towards conflict in the Middle East during the late 1970s (Allen and Wallace 1977; Allen and Smith 1982; Allen and Pijpers 1984).

The 1970s were thus not an entirely barren period in EC-US relations, although throughout they were fraught with difficulties. Although the Nixon administration, succeeded by the Ford administration after the fall of the president in 1974, did little to bind the wounds created by the events of the early 1970s, the Carter administration (1976-80) was less confrontational and more inclined to seek consensus. By the nature of things, given the economic difficulties faced by the US, the type of international policy coordination favoured by Washington was based on others (now including Japan as well as the Europeans) taking up more of the burden and taking responsibility for world economic growth (Keohane 1979). At the same time, protectionist demands grew in the US itself, especially from industries such as steel or shipbuilding that were feeling the heat of new competition from both Europe and Asia. Resentment over US attempts to get others to adjust was thus persistent, and towards the end of the 1970s it was reinforced by further concerns in the Community about US diplomacy outside the Atlantic area. In particular, European concerns focused on the onset of new tensions with the Soviet Union in Africa, and on the escalation of tensions in the Persian Gulf after the Iranian revolu-

## 24 *The European Union and the United States*

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tion of 1978–79. By 1980, when the Soviet Union undertook its invasion of Afghanistan and was immediately subjected to sanctions by the Americans, a ‘new cold war’ was proclaimed, a concept with which many European governments found themselves distinctly uncomfortable (Kolodziej 1980–81; Freedman 1982, 1983; Allen and Smith 1989).

One of the key problems in EC-US relations during the 1970s was that of US leadership. The assumption that America would (and should) lead in all areas of western international life was challenged in a number of dimensions simultaneously. Economically, it was put in doubt by the fragility of the US economy and by the attempt to get others to pay the costs of US economic decline. Politically, it was thrown into question by the internal turmoil surrounding Watergate and by the frailty of successive US administrations in the wake of Vietnam. In terms of security and defence, it was shaken by the ‘Vietnam syndrome’, which created doubts about the effectiveness of use of force, and by the growth of new tensions leading to the ‘new cold war’. For the EC, the issue expressed itself most forcibly in the economic dimension, with the growth of disputes and the threat of protectionism, but the Community was not immune from the impact of the broader diplomatic and military controversies. Indeed, a key development of the time was the increased linkage between economic issues and political or security matters, and this was bound to make the management of relations with the US more challenging for the Community and its member states.

Given these general conditions, the election of Ronald Reagan as US president in 1980 gave an additional twist to already significant tensions. Reagan was committed to the reassertion of US primacy, both globally and in transatlantic relations, and his administration proved troubling for the Community in many ways. Firstly, the practice of what became known as ‘Reaganomics’ threatened the kind of international economic instability that the Community found profoundly uncomfortable. A series of measures including substantial tax cuts and spending increases, both in welfare and in defence, had the effect of spreading financial instability worldwide, and especially across the Atlantic. The West German chancellor of the time, Helmut Schmidt, once famously accused Reagan of creating the highest interest rates since the death of Christ, as the Americans tried to square the circle of massive tax cuts and spending increases. The US dollar gyrated erratically on the inter-

national exchanges, undervalued and overvalued in quick succession as the administration tried to use interest rates to control the money supply. Unilateral US attempts to cure their financial problems intersected with continuing difficulties within the EC over the budget and agriculture to perpetuate 'Eurosclerosis' and to exaggerate economic divergence among the member states. Only in 1985 did some measure of international financial coordination reappear, with the Plaza Agreement on coordination of monetary policies (Oye *et al.*, 1983; Tsoukalis 1986; Woolcock and van der Ven 1986; Oye *et al.*, 1987).

By the mid-1980s therefore, the economic scene resembled a war zone, with instability and fluctuations a central theme of policy-making. Within the EC, however, there had been some progress in the face of considerable difficulties. The European Monetary System, set up in the final year of the Carter administration, had created a level of monetary coordination among its members that provided some insulation from the wilder gyrations of the dollar (Ludlow 1982). In 1984, at the Fontainebleau summit, Community leaders had at least partly resolved the issue of agricultural financing and the Community budget (including the creation of arrangements for Britain that moderated its contribution to the budget for the foreseeable future). And they had begun to move forward on reforms to improve decision-making within the Community and to make possible the completion of what had become known as the 'Single Market' (Pelkmans and Winters 1988; Sandholtz and Zysman 1989). One central theme of these reforms was the need to make the Community competitive in a world economy where both the US and Japan constituted formidable rivals.

The policy impact of Reaganism, however, was not felt only in economic matters. Indeed, for the citizens of the Community in the early 1980s the preoccupation was not so much the economic and financial impact of Reaganite policies as the perception of danger created by US diplomacy and defence policy. Reagan's election had reflected the demand from Americans that the US be made strong again, after the uncertainties of the 1970s, and the administration set out to deliver on this promise with massive increases in defence spending as well as a much more assertive and muscular diplomacy. This was aimed primarily against the Soviet Union, but inevitably had an immediate impact on European perceptions and policy options. As the rhetoric of US policy was ratcheted up

## 26 *The European Union and the United States*

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during the early 1980s, and European governments were faced with demands that they accept new deployments of nuclear weapons on their territory, popular disquiet grew. At the same time, US responses to Soviet actions in central and eastern Europe, including the imposition of martial law in Poland during 1981, placed additional pressures on European governments to go along with diplomatic and economic sanctions, in circumstances where they almost instinctively would have preferred to negotiate and look for ways out that did not damage the existing European order (Allen and Smith 1989). One of the results of this pressure was an increasing tendency in the Community to explore the possibility of new forms of European foreign policy cooperation, both within the 'civilian' realm of European Political Cooperation and within the distinctly more sensitive area of European security and defence cooperation (Treverton 1985; Joffe 1987).

### **From change to transformation: 1985 onwards**

Up to the mid-1980s, it is persuasive to talk about transatlantic relations in terms of continuity and evolution. Many aspects of the relationship were recognizably the same in the 1980s as in the 1950s, although in a number of important respects the world had changed around them and there had been a clear impact of political and economic change both in the EEC and in the US. A number of the key issues encountered within the system had remained relatively constant since the 1950s: the problems of leadership and followership, the question of burden-sharing in its broadest context, the role of institutions and the questions raised about them. This part of the chapter is based on the perception that since the mid-1980s the changes in and around the transatlantic relationship amount not to a further stage in evolution but to a radical transformation whose implications have not yet been fully realized. In the previous section, we drew attention to the ways in which during the early 1980s the combination of Reaganism in the US and slow but steady resolution of some key issues in the EEC had created a new momentum and arguably a redefinition of US attitudes towards the Community and western European attitudes towards the US. In the US, the globalism of many policies pursued under the Reagan administration from 1980 to 1984 had created a new awareness that American interests encompassed the Pacific as

well as the Atlantic, and that the Europeans were less reliable than they might have been as underwriters of an assertive US posture on economic, political and security issues (see Box 1.5). In the EC, the very assertiveness of US policies combined with a consciousness of new developments in European economic and security policies to foster a sense of difference and of divergence.

This means that although 1989 and the fall of the Berlin Wall is often seen as a crucial turning-point in transatlantic relations, it can equally be argued that the turn had been in progress since 1985 at least. From the EC point of view, there were three key ingredients in this process. First, there was the resolution of key institutional and budgetary issues in the Fontainebleau agreement of 1984, rapidly followed by the Single European Act (SEA) of 1985 and in particular by the inception of the Single Market Programme in 1986. The latter was a five-year plan to radically reduce the barriers to a single European market, with the anticipated effect of substantially enhancing the competitiveness of com-

### **Box 1.5 Lawrence Eagleburger on the Transatlantic Relationship, 1984**

I have often discussed with European friends the different requirements for a nation with global responsibilities to those with more regional concerns. The use of the word global is not meant in any arrogant fashion. Nor is it to deny the interests that several European nations retain in areas of the world beyond their continent. But the sheer scope of American interests engages us in a different set of perspectives and imperatives. I am persuaded that despite periodic inconsistencies (mainly on our part) and even more frequent crises of policy disagreement (emanating frequently from the European side) members of the alliance can still forge a strong consensus on most issues of importance . . . [but] . . . now may well be the appropriate moment for all of us – Europeans and Americans – to take a new look at where we should be going together and how we should get there . . . The two pillars of a “smarter” relationship, in my opinion, are: increasing respect for the differences in our alliance; and a more coordinated approach – across the board – to all political, economic and security issues with our European allies.

*Source:* Under Secretary of State for Political Affairs Lawrence Eagleburger, Speech to the National Newspaper Association, Washington, DC, 7 March 1984.

## 28 *The European Union and the United States*

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munity industries and enabling the EC to stand on equal terms with the US and Japan in a changing world economy (Hufbauer 1990: Chapter 1; Schwok 1991: Part II; Smith and Woolcock 1993: Chapter 3; Hocking and Smith 1997: Chapters 1–2). As such, it had not only an economic but also a profoundly political set of implications, relating to institutions and regulation in the world economy and to the effective use of market power by the Community to enhance its world role. The SEA underpinned this set of aims by making what appeared to be relatively small institutional changes such as the widespread use of qualified majority voting in the Community legislative process; these changes actually had a major cumulative effect on the capacity of the EC to make decisions in vital areas of political economy (Keohane and Hoffmann 1993). At the same time, the Community completed a new wave of enlargement with the entry of Spain and Portugal in 1986 to follow that of Greece in 1981. One result of all these developments was a distinct wave of confidence in the EC and its institutions during the late 1980s, part of which spilt over into the aspiration for new measures, specifically economic and monetary union (EMU) and further development of foreign and security policy cooperation.

Set against the ‘ring of confidence’ that began to surround the EC in the late 1980s, US policies and institutions presented a complex and unstable picture. The massive expenditures and the economic fluctuations of the early 1980s created an equally large ‘hangover’ in the late 1980s, symbolized best by so-called ‘Black Monday’ in October 1987, when US stock markets nosedived and created world-wide uncertainty about the economic future. The Reagan years had created a very large ‘double deficit’ in the US economy, affecting both the balance of payments and the federal budget, and it was not entirely fanciful to see the US as being kept afloat by the willingness of the Japanese and the European to buy US government bonds. Although as noted previously there was a return to elements of monetary policy coordination from 1985 onwards, first with the Plaza accords and then in 1987 with the Louvre agreement, the picture remained one of considerable volatility and risk. Diplomacy and defence policy under ‘Reagan II’ from 1985 onwards were also a source of uncertainty: continued confrontation with the USSR was accompanied by the initiation of the so-called ‘Star Wars’ (or Strategic Defence Initiative) programme of space defence from 1985 onwards, but in 1986 there began a

process of US–Soviet rapprochement which created the possibility of substantial nuclear disarmament. Mikhail Gorbachev, the new Soviet leader, proved open to new and often radical initiatives, but this was not always a source of reassurance for the Europeans, many of whom feared US–Soviet friendship as much as they did confrontation between the superpowers. By the late 1980s, therefore, it appeared that issues of trust and risk in EC–US relations pervaded both the economic and the diplomatic/security spheres (Allen and Smith 1989).

It was against this backdrop that in 1989 the Berlin Wall was first breached and then destroyed, with fundamental implications for the continued existence of the Soviet bloc and the Soviet Union itself. At one level, this is of course best seen as a profound event in superpower diplomacy and security policy: the confrontation between the USSR and the US, which had been heightened by Reaganite policies, had resulted in the collapse of the Soviet sphere, politically, militarily and economically. As such, it was bound to have immediate effects on the relationship between the USA and its key allies in Europe. But it is clear that the events of 1989–91 were also profoundly European in their origins and impact. The collapse of the Soviet bloc, the end of the Soviet Union and the unification of Germany did not of course see the Americans as bystanders, but they did give a new focus to the diplomatic and political evolution of the ‘new Europe’ which was distinct simply from the superpower game (Allen and Smith 1991–92; Keohane and Hoffmann 1993; Story 1993; Smith and Woolcock 1993: Chapter 1). Another dimension of the events is also central to the story in this chapter: the end of the cold war was as much an economic process as it was a political or military one. Because of this, the EC was thrust almost immediately to the centre of the process, and remained there throughout the 1990s. This much was recognised as early as December 1989 by US Secretary of State James Baker who in a speech delivered in Berlin called upon the EC to play its full role in the stabilization of the new Europe through welcoming membership applications from newly liberated countries of central and eastern Europe (see Box 1.6). The Community was in many respects unable to live up to the expectations of rapid and comprehensive expansion, but the incorporation of East Germany was followed by a broad-ranging aid programme for the Central- and East-European countries (CEECs). While this did not initially come with the promise of membership, by 1993 a process had begun

**Box 1.6 James Baker on the Role of the European Community after the cold war**

As Europe changes, the instruments for western cooperation have got to adapt. Working together, it is up to us to design and generally to put into place what I refer to as a new architecture for this new era . . . The future development of the European Community will also play a central role in shaping the new Europe . . . As Europe moves toward its goal of a common internal market, and as its institutions for political and security cooperation evolve, the link between the United States and the European Community will become even more important. We want our transatlantic cooperation to keep pace with European integration and with institutional reform. To this end, we suggest that the United States and the European Community work together to achieve, whether it is in treaty or some other form, a significantly strengthened set of institutional and consultative links . . . We propose that our discussions about this idea proceed in parallel with Europe's efforts to achieve by 1992 a common internal market, so that plans for US-EC interaction would evolve along with changes in the Community. The United States also encourages the European Community to continue to expand cooperation with the nations of the east. The promotion of political and economic reform in the east is a natural vocation for the European Community . . . We see no conflict between the process of European integration and an expansion of cooperation between the European Community and its neighbors to the east and west. Indeed, we believe that the attraction of the European Community for the countries of the east depends most on its continued vitality. And the vitality of the Economic Community depends in turn on its continued commitment to the goal of a united Europe envisaged by its founders – free, democratic and closely linked to its North American partners.

*Source:* Secretary of State James A. Baker III, Address to the Berlin Press Club, 12 December 1989.

which led in 2004 to the entry of eight new CEEC member states along with Cyprus and Malta, to be followed in 2007 by Bulgaria and Romania.

The Community was thus earmarked both in the US and in Europe itself for a major role in what became known as the 'new

world order'. Its institutional, financial and political capacity to play such a role was tested to the limit throughout the 1990s, and had a fundamental impact both on its internal makeup and on its international role. Beginning with the Maastricht Treaty of 1991, and proceeding through the Amsterdam Treaty of 1997 and the Nice Treaty of 2000 to the unratified Constitutional Treaty of 2004, the European Union (as it became with the implementation of Maastricht in 1993) was continuously faced with the challenge of redefining and 'reinventing' itself in the face of a rapidly changing world arena. Part of this challenge was inextricably bound up with EU-US relations: the EU was seen by many Americans as playing a major supporting role in the redefinition of US foreign policy and its attempts to cope with the disappearance of its superpower rival, as well as forming the basis for a much expanded economic partnership and rivalry. This perception was widely but not completely shared in the EU itself, and fed into the key debates about the EU's appropriate world role that came to characterize much of the 1990s and beyond (Forster and Wallace 2000; Niblett and Wallace 2001; K. Smith 2003; Hill and Smith 2005; Bretherton and Vogler 2006). These debates in turn were greatly sharpened by events both in the European 'neighbourhood' and in the wider world during the early and mid-1990s. The Gulf War of 1990-1 and the series of conflicts in the former Yugoslavia that erupted in 1991 ran alongside and were intertwined with the institutional changes in the EU that established a Common Foreign and Security Policy (CFSP) and then, in the late 1990s, the European Security and Defence Policy (ESDP). But they also accompanied the progress of most EU member states towards Economic and Monetary Union, and the attempts by the Union as a whole to wrestle with the economic adjustments necessitated by simultaneous processes of enlargement and domestic economic management in a globalizing world.

It is basic to an analysis of what happened in EU-US relations during the 1990s to understand that economics, diplomacy and security issues were mutually entangled and highly demanding, and to be aware of the ways in which these issues engaged both the external policies and the internal politics of the EU and the US (Haftendorn and Tuschhoff 1993). At the same time as the 'adversarial partners' were immersed in processes of self-definition and adjustment to new realities, they were also locked together in a number of much more wide-ranging global processes. Among these

## 32 *The European Union and the United States*

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were the negotiations within the GATT for a new global trade agreement that led in 1993 to the conclusion of the Uruguay Round, to be followed by a series of key sectoral trade negotiations and then in the late 1990s by renewed demands for a new global negotiating round. At the same time, the approach of EMU and the introduction of the euro as the new single currency for eleven EU member states fed into the wider need for international monetary management in a turbulent world, where global conflicts and global currencies were often closely linked. In all of these processes, the EU and the US were inevitably at centre-stage, and were equally inevitably assailed by a mass of domestic and external demands. Whereas in the economic field, it might plausibly be claimed that the EU and the US were engaged on equal terms in key global management processes, this was not the picture in global diplomacy and security policy, despite the progress made in the EU towards foreign and defence policy coordination during the late 1990s (Featherstone and Ginsberg 1993; Peterson 1996b; M. Smith 1998; Howorth 2003; Smith and Steffenson 2005; see also Chapter 9 below).

Around these shifting EU–US relations, there grew up during the 1990s a network of institutional arrangements that for some achieved the status of ‘transatlantic governance’ (Philippart and Winand 2001; Pollack and Shaffer 2001; Petersmann and Pollack 2003; Steffenson 2005: Chapters 1, 2). In 1990, the EC, its member states and the US signed the Transatlantic Declaration (TAD) which set out in very general terms the needs for intensified consultation and cooperation. In December 1995, the EU and the US signed the New Transatlantic Agenda (NTA), which set out in more detail the mechanisms of cooperation and specified a wide range of areas for ‘joint action’, including the creation of a New Transatlantic Marketplace (NTM). Alongside the NTA was created a series of transatlantic dialogues, for business, for legislators, for trades unions and for others in specific sectors such as environmental cooperation. And in 1998 the EU and the US concluded a more focused agreement for a Transatlantic Economic Partnership, designed to create concrete mechanisms for mutual recognition and other policy initiatives. By the end of the 1990s, therefore, there had been created a wide-ranging set of institutions and mechanisms for communication and consultation, especially in economic and social policy matters, that seemed to set the framework for new processes of cooperation across the Atlantic.

These frameworks – and the very foundations of EU–US cooperation – came under intense and sustained pressure in the early years of the new millennium. While there had been tensions and disputes during the 1990s, in areas as diverse as conflict in the former Yugoslavia, global environmental policies and global currency management, these seemed to have been largely contained. After the election of George W. Bush as US president in November 2000, tensions were ratcheted up by a series of policy initiatives from Washington that seemed to express a new unilateralism and a willingness to disregard existing international commitments in the cause of US national security (Peterson and Pollack 2003; Gordon and Shapiro 2004; M. Smith 2004; Andrews 2005; M. Smith 2005a). These initiatives were such as to link together the economic, the diplomatic and the security aspects of international policies, and as such they directly attacked some central assumptions of EU–US relations, at a time when the EU was preoccupied with the implementation of EMU, the continuing attempt to reform the European institutions and the wide-ranging challenge of enlargement. They were greatly intensified in the aftermath of the terrorist attacks which Islamists associated with the Al-Qaeda network carried out on the US on 11 September 2001, by the subsequent US declaration of a global ‘war on terror’ and by the attack on Iraq in spring 2003. For some commentators, this expressed a radical new attack on the foundations of the transatlantic system and presaged its possible dissolution (Lieven 2002, Lindstrom 2003; Peterson 2004a, 2005; Pond 2004). Alongside the military and security challenges this posed to EU–US relations, there went a series of tensions and recriminations in new or newly-politicized policy areas such as those of human rights and the environment, and an intensification of disputes and differences in global trade and development policies. At the same time, however, there was an expansion of EU–US cooperation in areas of ‘soft security’ relating to the challenge of terrorism, and a continuation of day-to-day economic cooperation (alongside continuing disputes) in the context of a wide range of bilateral and multilateral institutions (Petersmann and Pollack 2003; Dannreuther and Peterson 2006; Rees 2006). Thus although during the later years of the George W. Bush presidency, after his re-election in November 2004, it was possible to discern a new flexibility and willingness to cooperate in US policies, there is no doubt that during the previous five years the EU–US ‘partnership’ had been shaken to its core (Zabarowski 2006a).

## Overview and conclusion

This chapter has set out to provide a broad understanding of the historical forces and current pressures that have shaped the relationship between European integration and the United States. A number of key phases have been used as the means of organizing what is a complex and often strongly debated historical process, leading to the following overall conclusions:

- First, the ‘foundation’ period between 1945 and the late 1950s put in place many policies, institutions and practices of which the traces can still be seen, and raised questions about the operation of the transatlantic relationship that remain key to its development.
- Second, during the 1960s a series of tensions emerged within transatlantic relations as the European Communities grew and as the focus of power and interests within the system was contested from a variety of sources.
- Third, between 1971 and the mid-1980s there was a continued process of change, in which relationships were intensified but also conflicted, and during which the impact of external forces from the world arena became more apparent.
- Finally, between the mid-1980s and the present, the coming together of radical international changes with intensified change in the European integration process and significant fluctuations in US policy has created a process of substantial transformation, which is unfinished yet profoundly important both for the EU and for the US.

It is thus important to remember that many of the tensions and pressures that came to a head in 2000–4 had been fermenting since the end of the cold war and the radical changes of the early 1990s. In turn, many of the issues on which attention focused in the 1990s can be seen as radically intensified versions of issues that had been characteristic of transatlantic relations since the early days, and which give rise to the central theme of this book: competition and convergence. Much of the rest of this book is dedicated to the systematic exploration of the ways in which these pressures and tensions have been defined, analysed, managed and – in some cases – mismanaged, but this chapter has attempted to set out the broad historical sweep of the evolution of transatlantic relations as the

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*European Integration and the United States* 35

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backdrop against which this exploration can be set. In the next chapter, we will look successively at the components, the structure and the functioning of what can be conceptualized as the 'Euro-American system', as a means of further setting the scene for detailed policy analysis.

# Index

- accounting standards 114, 118  
 ACP states  
   and banana case 78–9  
   EU partnership 179  
   trade agreements with 76  
 adversarial partnership 237  
 aerospace sector 88, 135–6  
 Afghanistan 188, 279  
   2001–2 invasion 244–5  
   and NATO 241  
   role of EU 245  
   Soviet invasion 24  
 Africa 193, 276  
   conflicts 252  
   EU relations with 182–3  
   security issues 196  
   US PTAs 189  
 Aggarwal, V. 178, 179  
 agricultural issues 14, 17, 76, 80, 87  
   banana dispute 77, 78–9, 94  
   and Brazil 90  
   Cancún meeting 254  
   CAP 12–13; conflicts 21, 25, 90–1  
   and developing states 90–1  
   and Kennedy Round 83  
   sugar dispute 77, 92  
   US protectionism 91  
   WTO dispute process 92–3  
 Ahearne, A. 97  
 Ahtisaari, Martii 189, 216  
 aid  
   for CEECs 29  
   China to Africa 252  
   Marshall Plan 9–10, 11  
   and trade 193  
 Airbus Industrie 94, 135–6, 158, 162  
 Airtours and First Choice decision 128  
 Al-Qaeda network 33, 239  
 Albert, M. 41  
 Albright, M. 58, 217  
 Alcacer, J. 160  
 Aldrich, R. 58  
 Alecu de Flers, N. 172, 178, 179, 183  
 Aliboni, R. 208  
 Allen, D. 23, 24, 29, 52, 202, 206, 254  
   on China 180, 255–6  
   on enlargement 209  
   on EPC 26, 51  
   EU and Middle East 23  
   on extraordinary rendition 258  
   relations with Russia 218, 219  
 Allende, Salvador 185  
 Allgeier, Robert 81  
 Alting von Geusau, F. 203  
 American Chamber of Commerce 86  
 Amsterdam Treaty (1997) 31, 231, 232  
 Andrews, D. 33, 247  
 anti-dumping 87  
   and Chinese products 89  
   US rules 79, 81, 93–4  
 anti-globalization protests 190, 254  
 antitrust measures 132, 133  
   and competition 123–4  
   EU 128, 138, 139  
   and innovation 161  
   international measures 125  
   multilateralization of 141  
   US 130–2  
 APEC (Asia-Pacific Economic Cooperation)  
   forum 180, 196–7  
   US relations 190, 275  
 apparel market 255  
 Archibugi, D. 151, 156, 165  
 Argentina 187, 194  
 arms race 14  
 ASEAN 180, 196, 279  
 Ashbaugh, H. 114  
 Asia 271  
   EU partnership 179  
   EU-US economic reliance on 110  
   security issues 196–7  
   US FTAs 189, 190  
 Asia-Europe Meeting (ASEM) 180, 182, 196  
 Asia-Pacific region  
   EU partnerships 179–82, 193  
   EU and US strategies 197  
   US relations with 192  
 Asmus, R. 210  
 Atlanticism, British 15  
 Australian-US FTAs 143, 190, 192  
 automobile industries 167  
   EU-US trade 84  
 Bahrain 188, 190  
 Baily, M.N. 102, 165, 167  
 Baker III, James A. 29–30, 208

- balancing process, hard and soft 53, 54, 224, 265, 267
- Baldwin, M. 254
- Balkans 59, 220  
crises 212–24, 225; EU role 216–17  
Eufor in 216
- banana dispute 77, 78–9, 94
- Batt, J. 218
- Baun, M. 210
- Bayh-Dole Act (1980) (US) 162
- Becker, W. 98, 185
- Beloff, M. 13
- Belorussia 221, 222
- Bensch, A. 164
- Berger, S. 165
- Bergsten, F. 103, 115, 116, 117, 123
- Berlin Plus agreements 58
- Berlin Wall fall 27, 29, 204, 229
- Berlusconi, Silvio 105
- Bhattacharjea, A. 140–1
- bilateral investment treaties 124–5, 143, 145
- bilateral trade agreements, US 186
- biotechnology 155, 273
- Bipartisan Trade Promotion Authority Act (2002) (US) 143
- Black Monday (October 1987) 28
- Blair, Tony 245
- Blinder, A. 148, 167
- Bodansky, D. 250, 256
- Boeing-McDonnell-Douglas merger 131, 135–6, 138
- Boel, Commissioner 92
- Bora, B. 124, 142
- Bosnia-Herzegovina war 212, 214–16, 221, 241  
Contact Group 214  
EU and US roles 214–16
- Brandt, Willy 100
- Branscomb, L. 163
- Brazil 71  
and agricultural trade 90  
and global finance 97  
and Mercosur 194, 195  
patenting 169  
pressures from 80  
US relations 185, 187, 188, 275  
and WTO 88, 90, 95
- Bremer, H. 162
- Bretherton, C. 31, 50, 250, 256, 257
- Bretton Woods system 10, 13, 20  
and EMU 99
- Britain *see* United Kingdom
- Brusoni, S. 155, 169
- budget issues 21, 25
- Bugaski, J. 210
- Burma 180
- Burtless, G. 166
- Busch, M. 85, 87
- Bush, George H.W. 208–9
- Bush, George W./administration 81, 160, 256  
foreign policy 263  
grand strategy 241  
and new regionalism 187–92  
and R&D 164  
rejecting politics of limits 242  
tax cuts 107–8  
unilateralism 239, 241  
US–Russian relations 222  
use of power 244  
view of Europe 211  
'war on terror' 33
- Busse, M. 70
- Buzan, B. 210, 223
- Byrd Amendment 81, 94
- Cafruny, A. 41
- CAFTA (Central American Free Trade Agreement) 81
- Calingaert, M. 51
- Calleo, D. 13, 15, 17, 18, 20
- Cameron, F. 236, 245, 247
- Camps, M. 12, 14
- Canada 186  
CUSFTA 186  
and WTO 88, 89, 90
- Cancún meeting 80, 89, 90, 124, 140, 187, 254
- Cannady, C. 88
- CAP (Common Agricultural Policy) 12–13, 14, 83, 254, 269  
conflicts 21, 90–1  
and sugar dispute 92
- capital controls 110
- Capling, A. 85, 143
- car industry, EU-US trade 84
- cartels 135
- Carter, J./administration 23
- CCP (Common Commercial Policy) 14, 49, 72
- CEECs (Central and East-European countries)  
aid for 29  
EU entry 30, 208–9, 210  
and NATO 208
- CFSP (Common Foreign and Security Policy) 31, 49, 51, 62, 204, 205, 231  
and Balkan crises 213  
establishment of 229, 232, 233  
from Maastricht to Constitutional Treaty 232

310 *Index*

- Chase, J. 21  
 Chernow, R. 184  
 Chesbrough, H. 147  
 Chile  
   EU trade agreement 182  
   and US 185, 187, 189, 190  
 China 278  
   and Africa 252  
   and anti-dumping 94  
   and ASEM 180  
   competition from 105  
   currency peg 111–12, 116  
   EU exports to 72  
   EU relations with 193; as strategic partner 180, 181  
   EU and US trade deficit with 117  
   exports to Eurozone 71  
   exports to US 111–12  
   FDI flows 120, 122–3, 146  
   foreign exchange reserves 115, 270, 271  
   growth of 67, 68, 105  
   influence of 80, 115–17  
   innovation 148–50, 165, 273  
   and international economy 96  
   and international finance 96, 118  
   and IP protection 262  
   location for R&D 158, 171  
   patenting 169  
   R&D spending 148–9, 169  
   and US debt 108, 112, 270  
   and US foreign policy 190  
   US relations with 190–1  
   and WTO 88, 89, 95, 255–6  
 Chinese National Offshore Oil Company 122  
 Chirac, President 223  
 Chung, W. 160  
 Churchill, Winston 8  
 Cini, M. 127, 128  
 civilian power of EU 200, 209, 210, 227, 263  
 Clarke, J. 239, 241, 258  
 Clayton Act (1914) (US) 130  
 Cleveland, H. 13  
 climate change 250, 253, 256  
   and global governance 257  
 Clinton administration 140, 189, 210, 211, 221–2, 256  
   foreign policy 217, 239, 241  
   and R&D 163, 164  
   trade liberalization 186–7  
   use of power 244  
 Coco, A. 151, 156, 165  
 Cohen, B. 103  
 Cohen, L. 166  
 cold war 11, 13  
   ending of 29, 202–4, 225, 227, 281  
   European integration 201  
   ‘new cold war’ 24, 202  
   relations 200, 201  
   *see also* post-cold war  
 comity provisions 136–7  
 commercial networks 43  
 commercial organizations 2, 47  
 commercial policy 39, 74, 83  
   *see also* CCP  
 commercial relations 44  
 Communism, post-war threat 7–8, 9, 11  
 COMPETES Act (2007) (US) 166  
 competition and convergence 45, 55, 65, 265–8  
   climate change issues 256–7  
   financial regulation 113–14  
   and global governance 253–9, 260  
   and new Europe 211–24  
   political economy 59  
   trade relations 95  
 Competition Directorate (EU) 129  
 competition policy 39, 51, 75, 140, 266  
   convergence 53, 54, 119  
   cooperation agreement 133–4  
   coordination and conflict 132–8  
   depoliticized 133  
   enforcement issues 132  
   EU preference for 144  
   EU–US influence on 139–41, 144  
   evolution of EU 125–9  
   and increased FDI 123, 124  
   influence of US antitrust law 125  
   internationalization of 138–41  
   multilateralization of 140–1  
   and network industries 124  
   as technology policy 161  
   and trade associations 57  
   of US 130, 134; extraterritorial enforcement 134; and OECD 134–5  
 competitive cooperation 94, 254, 266  
   regionalism 195–6  
   trade and development 193  
 competitiveness 164–5  
   Lisbon strategy 152–4  
   and Single Market Programme 152  
   US search for 163–7, 273–4  
 computer chip market 162  
 Condit, Phil 137  
 Conference on Security and Cooperation in Europe (CSCE) 23  
 conflicts  
   EU responses 236  
   management of 212–24

- conflicts – *continued*  
     regional 251, 252  
     *see also* crises; Iraq  
 Congo, Democratic Republic of 196, 252  
 Constitutional Treaty (2004) 31, 206,  
     231, 232  
     Dutch and French referenda 104, 206  
     consumer welfare and competition policy  
         132, 133, 138  
 Continental Can judgement 127  
 convergence *see* competition and conver-  
     gence  
 Cooper, R. 17  
 cooperation, post-war 8–11, 13  
 Cornish, P. 234  
 corporate scandals 107, 113  
 Cotonou Conventions 76, 77, 178, 183  
 Council of Economic Advisors (US) 163  
 Council of Ministers and trade policy 73  
 Cowles, M. 43, 57  
 Cox, M. 247  
 Crawford, B. 213  
 creative destruction 153, 155  
 crises  
     1960–70s 20–2  
     in new world order 228  
 crisis management 53, 54–5, 224, 265,  
     267  
     EU 231, 233, 234  
     mechanisms of 55, 281  
 Croatian independence 212, 213, 214  
 Cromwell, W. 15  
 Crowe, B. 236  
 currency 270–1  
     China's peg 116  
     dollars and euros in circulation 98  
     and end of Bretton Woods 114  
     managed float 110  
     and monetary policies 115  
     OCAs 101–2  
     snake 99, 100, 101  
     stability 118  
     *see also* dollar; euro  
 CUSFTA 186  
 Czempiel, E.-O. 18, 36  
  
 Daalder, I. 237, 238, 239, 241  
 Damro, C. 128, 133, 134, 135, 136  
 Dannreuther, D. 177, 208, 218  
 Dannreuther, R. 33, 58, 212, 234  
 Darfur region 252  
 Daveri, F. 153  
 Dayton Agreement (1995) 215  
 De Bièvre, D. 75  
 de Gaulle, Charles 14, 15, 16  
 defence 42, 45  
     EU concerns 25–6  
     proposed European Defence Community  
         11–12  
     US 1980s policy 28–9  
     *see also* military; security  
 Delors Report 101  
 Den Boer, M. 245  
 DePorte, A. 8, 9, 10, 12, 15  
 derivatives 110  
 developing countries 88  
     and agricultural conflicts 90–1  
     and Doha Round 254  
     and FDI flows 122  
     as location for R&D 158, 171  
     and Singapore issues 140  
     in WTO 146  
 development issues 251, 254  
     Africa 252  
 development policy  
     EU and WTO regulation 76–7  
     trade policy and EU 76–7  
 Devuyt, Y. 125, 130, 132, 133, 141  
 DG Competition 128  
 Diebold, W. 13, 17, 51  
 Diez, T. 210, 223  
 Ding, Y. 114  
 diplomatic issues 57–8, 60  
 Doctor, M. 76, 195  
 Doha Round 70, 75, 81, 87, 88, 91, 95,  
     124, 140, 174  
     agenda establishment 253–4, 255  
     disputes 269  
     investor protection 142  
 dollar 49  
     1990s appreciation 107  
     2003–6 depreciation 108–9  
     banknotes in circulation (2003–7) 98  
     Nixon administration 19, 20  
     primacy of 42, 96–7, 106, 115, 262  
     yuan relationship 116, 270  
 dominance and resistance approach 63,  
     64  
 Dore, R. 165  
 Dosi, G. 147, 152, 154, 155  
 Drahos, P. 189  
 Drejer, I. 155  
 Duckenfield, M. 103  
 Duignan, P. 10  
 Dyestuffs case 131  
  
 Eagleburger, Lawrence 27  
 eastern European countries and EU 206  
     *see also* CEECs  
 EC (European Community)  
     enlargement 28  
     qualified majority voting 28  
     and Soviet collapse 208–9  
     *see also* EEC; EU

312 *Index*

- ECB (European Central Bank) 107, 117, 271  
 and euro 104–5, 118  
 and SGP 102
- Economic and Monetary Union (EMU) 28, 31, 32, 101, 204, 229
- Economic Partnership Agreements 77
- economic security 249
- economy, US  
 1960–70s 18–19  
 1980s 28  
 Reaganomics 24–5
- ECSC (European Coal and Steel Community) 10, 11, 13, 39, 41
- Edwards, G. 172, 179, 234
- EEC (European Economic Community) 11  
 enlargement 14  
 establishment of 12, 39  
 institutional development 14  
 trade diplomacy 17  
 US relations 13, 17  
*see also* EC; EU
- Eichengreen, B. 86, 97, 103
- Elgström, O. 154, 231
- Ellwood, D. 8
- empty chair policy 14
- energy issues 193  
 1973 crisis 21  
 and EU trade policy 71  
 Russian supplies 219, 220  
 security 3, 250–1, 274
- enlargement of EU 223, 225, 274  
 and Turkey 210, 222–3  
 US pressure for 208–10
- Enron 107
- environmental issues 140, 175, 177, 193, 231  
 disasters 251  
 and EU trade policy 71  
 policy convergence 53  
 regulation 250  
 security 3, 249–50  
 and US 241, 243
- ESDP (European Security and Defence Policy) 31, 51, 60, 216, 217, 231  
 emergence of 233  
 from Maastricht to Constitutional Treaty 232  
 and NATO 58, 220  
 US reaction to 58
- EU (European Union)  
 1980s reforms 25  
 1990s institutional changes 31  
 bilateral strategies in Asia 181  
 business researchers employed 159  
 China strategy 116–17  
 Chinese economic relations 89  
 civilian policies 230  
 civilian power 200, 209, 210, 227, 263; as superpower 177  
 and eastern European countries 206, 210  
 exports by region 69  
 exports to China 72  
 ‘foreign policy’ 58, 182, 233  
 global role 179  
 institutional development post-cold war 231–2  
 inward FDI 120, 121, 123  
 member countries 205; 2007 membership map 207  
 multilateral strategies in Asia 182  
 Neighbourhood Policy 217–23, 277  
 new areas of competence 237  
 and new regionalism 178–84  
 outward FDI 120, 121, 122  
 policy areas 39  
 policy towards US 48–50  
 R&D spending 149, 170  
 regional policies 172–3  
 as regional power 175–8  
 security policy 202  
 trade 67, 262; with US 68, 84  
 as trading state 238, 259  
 US and Mercosur 194–5  
 US pressure to admit CEECs 29, 30, 208–9  
 US response to policymaking 51–2  
*see also* new Europe; trade policy
- EU–Chile trade agreement 143, 145
- EU–Mexico trade agreement 143
- EU–Russia Energy Partnership 220
- EU–US relations 261  
 1945–58 7–13, 34  
 1958–71 partnership and rivalry 13–18, 34  
 1970s turbulence 20–2  
 1971–85 change 18–26, 34  
 1985–2006 change to transformation 26–33, 34  
 1990s and global processes 31–2  
 1990s transatlantic governance 32  
 and assertiveness of US policies 26–7  
 centrality of 2  
 Chinese influence 255–6  
 concerns over US leadership 20, 24  
 cultural differences 260  
 and Euro-American system 37  
 and global governance 253–9  
 global impact of 262  
 institutionalization of 56  
 intergovernmentalism 263

- EU-US relations – *continued*  
 Mars/Venus problem 247  
 as mixed-actor system 4  
 security 244  
 stakeholder network 86
- Euratom (European Atomic Energy Community) 11, 39
- euro 272  
 banknotes in circulation (2003–7) 98  
 challenge to dollar 104  
 changing perception of 103  
 evolving role of 96–7, 98–106, 115, 270–1  
 introduction of 32  
 politics of 49  
 stabilization of 103  
 and US policy 51
- Euro-American system 36–66, 261–81  
 actors and interests 38–40  
 commercial interests 40  
 components of 38–48  
 diplomatic issues 57–8  
 dominance and resistance 38, 280  
 EU as central pillar 39  
 EU's 'US policy' 48–50, 62  
 expansion of 38  
 four perspectives on 61, 63–4  
 growth of institutions 39  
 impact of change 59–61  
 institutional development 55–9  
 institutions and cooperation 38, 280
- i nterdependence and integration 38, 280
- markets, hierarchies and networks 41–4, 47, 280  
 mixed actor system 37, 44–8, 65  
 multilevel politics 44–8  
 new 223–4  
 non-governmental actors 39–40, 47  
 policy processes 37, 48–55  
 political economy 59–60  
 political interests 40  
 power and security 38, 280  
 processes, institutions and policies 62  
 trade relations 70  
 US' 'EU policy' 50–2
- Europe  
 1958–71 tensions 13–14  
 post-war division 10  
 post-war insecurity 7, 8  
 Rumsfeld on old and new 246  
*see also* new Europe; post-cold war
- European Commission 14, 129, 143, 151, 158  
 competition policy enforcement 127  
 and EU innovation 154
- European Court of Justice and competition policy 127
- European Defence Community 11–12
- European Monetary System (EMS) 25, 100
- European Partnership Agreements (EPA) 77
- European Political Cooperation (EPC) 14, 23, 26, 51, 201, 202, 227
- European Recovery Programme 10
- European Research Council 156
- European Security Strategy (2003) 220, 234, 235
- European Union Force 216
- Euroclerosis 21, 25
- Eurozone 102  
 and ECB 117, 118  
 productivity growth 103, 104  
 recovery 109
- Evenett, S. 123–4
- Everts, S. 248
- Exchange Rate Mechanism (ERM) 102
- exchange rates 270  
 and euro decline 115  
 and private investors 110  
 and US economy 106
- extraordinary rendition 258
- Faini, R. 208
- Fassbender, H. 153
- Faust, J. 181, 182
- Featherstone, K. 32
- Feinberg, R. 81, 173, 186
- finance, international 96–118, 271–2  
 and Asian central banks 97  
 competition and convergence 113–14  
 decline in EU-US dominance 97, 118  
 decline of New York 112  
 deregulation 110  
 EU-US management function 111  
 financial centres 112  
 influence of institutions 96  
 management functions 97  
 multipolarity of 97  
 private finance 110–11  
 regulation 96, 117–18  
 US economy 106–10
- financial services industry 255  
 EU regulatory agenda 113, 272  
 liberalization 86, 96, 270  
 regulation 113, 266, 272
- Finland: innovation 149, 151
- Fogarty, E. 156, 157
- Fontainebleu summit 25, 27
- Foot, R. 42
- Ford administration 23

314 *Index*

- foreign direct investment 120–1  
 China 120, 122–3, 146  
 and competition policy 133  
 controversies 122  
 US 71, 116, 120, 121, 122
- foreign policy 51–2  
 EU 50, 51; attempts to establish 14, 26  
 resource differentials 52  
 US 238–41  
 1990s redefinition of 31  
 grand strategy 240–1  
 post-September 11th 33  
 Reaganism 202
- Foreign Sales Corporation dispute 93, 94
- former Yugoslavia crisis 31, 205, 212–17  
 EU and recognition process 213–14  
 US and Gulf conflict 213
- Forsberg, T. 247
- Forster, A. 31, 180
- Fox, E. 132–3, 139
- Fox, Vincente 187
- France  
 and Defence Community 11–12  
 and ECSC 11  
 EEC formation 12  
 and Iraq invasion 245, 246  
 post-euro performance 105
- free market model 41, 265
- Freedman, L. 24
- Frelleson, T. 55
- Friis, L. 216
- Funke, M. 111
- Fursdon, E. 12
- G-7 56
- G-8 Heiligendamm summit 257
- G-20 and WTO 89
- GAAP (Generally Agreed Accounting Principles) 114
- Gagne, G. 125, 142, 143
- Gallagher, P. 75
- Gamble, A. 172
- Gann, L. 10
- Gardner, A. 55
- Garten, J.E. 164
- GATT (General Agreement on Tariffs and Trade) 46, 49, 56, 74  
 Dillon Round 17  
 European tariff concessions 82  
 formation of 10, 77–8  
 Kennedy Round 17, 79, 83  
 tariff reduction 74  
 trade liberalization 70  
*see also* Uruguay Round; World Trade Organization
- Gehrig, T. 110
- General Electric/Honeywell merger 129, 131, 135, 137–8
- Germany 72  
 biotechnology 155–6  
 and ECSC 11  
 EEC formation 12  
 exports 67–8; to China 105–6  
 innovation 149, 154, 155  
 and Iraq invasion 245, 246  
 monetary leadership 102–3  
 and monetary union 100, 101  
 and open trade policies 89  
 post-euro performance 105  
 and SGP 102  
 unification 29, 204, 209
- Geuna, A. 155, 169
- Ghironi, R. 86
- Giesecke, S. 155
- Gilson, J. 180
- Ginsberg, R. 32, 54, 215, 216, 233
- GlaxoSmithKline 150, 168
- global governance 228, 253–9, 277  
 and climate change 257  
 and EU 231, 277; limitations 234–6, 237; multilateralism 277  
 EU–US relations 253–9  
 human rights and ‘war on terror’ 257–8  
 and US 241, 243
- global system 2  
 EU and US interregional relations 197  
 multipolarity 268, 278, 279  
*see also* world order
- global warming 256
- globalization 62, 228, 268, 274, 281  
 anti-globalization protests 190, 254  
 and competition policy 144  
 and creative destruction 153  
 and EU–US trade 84  
 impact of 42, 230  
 of knowledge 148  
 US concerns 82
- Gnesotto, N. 236
- Goldstein, J. 79
- Gompert, D. 201
- Gorbachev, Mikhail 29
- Gordon, P. 33, 245
- Gordon, R. 107
- Gourevitch, P. 130, 160, 165
- governance 62  
 economic 86–7  
 and international trade 70  
 need for global 228  
*see also* transatlantic governance
- government procurement 75, 140
- Gow, J. 215
- Greece 28

- Grosser, A. 6, 8, 11, 14, 15  
 Grugel, J. 195  
 Guantanamo Bay 258  
 Guatemala 185  
 Guay, T. 63, 209  
 Gulf conflicts 31, 213  
   EU involvement 236  
 Guzman, A. 134
- Haftendorn, H. 31  
 Hakim, P. 188  
 Halliday, F. 228  
 Halper, S. 239, 241, 258  
 Ham, R.M. 170  
 Hamilton, Alexander 130, 184  
 Hanrieder, W. 18, 20  
 hard power 55, 203, 235, 247, 259  
   EU limitations 235–6, 237  
   EU move to 231  
   of US 195, 198, 239; advantage of  
     61; reducing soft power 240;  
     supporting vision 238
- Harrison, M. 15  
 Hart, D. 161  
 Heiligendamm G-8 summit 257  
 Held, D. 237  
 Helsinki Process 23, 201, 203, 223  
 Henderson, K. 203  
 Henning, C.R. 117  
 Herd, G. 247  
 Hettne, B. 172  
 hierarchies 42, 47  
 high politics 40, 42, 64  
   and ending of cold war 203
- Hill, C. 31, 45, 50, 52, 236, 245  
 Hocking, B. 28, 51  
 Hoffmann, S. 9, 20, 28, 29, 203, 204,  
   213, 215  
 Hogan, M. 9, 10  
 Holland, M. 178, 179, 183, 236  
 Hong Kong as financial centre 112–13,  
   272  
 Hong Kong ministerial meeting 90–1, 254  
 Howorth, J. 32, 49, 52, 59, 60, 184, 211,  
   216, 231, 234, 236, 252  
 Hufbauer, G. 28, 51, 85  
 human rights issues 177, 193, 197, 231,  
   245, 251  
   China 191  
   and US 241, 243  
   and ‘war on terror’ 257–8  
 human security 251–2
- Ikenberry, J. 237, 238, 240  
 immigration  
   illegal 275  
   labour and innovation 151, 166  
   import surcharges, US 19, 20  
 India 67, 71, 278  
   and anti-dumping 94  
   as EU strategic partner 180, 181  
   and FDI flows 120, 122  
   innovation 148, 150, 273  
   location for R&D 158, 171  
   patenting 169  
   pressures from 80  
   US relations 275  
   and WTO 90, 95
- inequality, income 166, 274  
 influence, spheres of 197, 198  
 innovation 2, 147–71, 266  
   business researchers per country  
     159  
   and competition policy 129  
   and creative destruction 153, 155  
   and EU governance 154  
   EU lag 151–2  
   EU policy 150–5  
   EU universities 151, 152, 156  
   and European culture 153  
   globalization of 167–9, 273–4  
   and immigrant labour 151, 166  
   linear model 147, 158  
   as non-linear 155  
   services 151  
   Structural Funds for 156  
   US decline 165–6  
   US policies 158–62  
   US universities 147, 160, 162, 166, 273  
   *see also* R&D
- institutions  
   and cooperation approach 63, 64,  
     243–4, 250, 253–6  
   Euro-American system 55–9, 62  
   multilateral 46, 47  
 intellectual property protection 73, 82,  
   85–6, 87, 88  
   and China 89, 262  
   EU–US cooperation 169, 171  
   and innovation 160  
   and US FTAs 192
- intelligence cooperation 43, 245  
 inter-dependence and integration approach  
   63, 64  
 interest rates 272  
   Eurozone 107  
   US 106, 107
- intergovernmental relations 44–5, 47  
 International Competition Network (ICN)  
   141, 145, 273  
 International Competition Policy Advisory  
   Committee (ICPAC) 141  
 International Criminal Court 235  
   opposition to 252, 253

316 *Index*

- International Financial Reporting Standards 114, 118
- International Monetary Fund 10, 56
- International Organization of Securities Commissions (IOSCO) 111
- International Trade Organization (ITO) 77
- investment policies, coordination of 119
- investor protection 75, 124, 141–5, 269
- US preference for legislation 139
- Iran 23
- nuclear capability 248
- Iraq conflict 33, 55, 188, 196, 239, 277, 279
- growth of insurgency 248
- opposition within EU 245–7
- and special relationships 43
- US and aftermath 240, 241, 278
- isolationism, US 6, 8, 238
- Israel 190
- US trade relations 186
- Israel–Arab war 21
- IT investment, US 165
- Italy 11
- post-euro performance 105
- Janow, M. 134, 137
- Japan 270
- computer chip market 162
- innovation 148, 151, 152, 153; and US innovation 161–2
- interest rates 272
- PTAs 74
- R&D spending 149, 170; by business 156–8
- regional trade agreements 174
- and US anti-dumping 93–4
- US relations with 191–2
- and WTO 88, 89, 90
- Jervis, R. 188, 242
- Joffe, J. 26
- Jones, E. 75, 91
- Jordan 188, 190
- Kagan, R. 229, 247
- Kaiser, K. 18, 21
- Kaldor, M. 239, 251
- Kennedy, J.F.K./administration 14, 15, 16
- assassination 14
- ‘declaration of interdependence’ 15, 16, 17
- Kennedy Round 17, 79, 83
- Keohane, R. 23, 28, 29, 203, 204, 253
- Keukeleire, S. 176, 220
- Kirkegaard, J.K. 102
- Kissinger, Henry 20, 22, 224
- Knodt, M. 73, 74
- knowledge economy 148, 152
- Koenig-Archibugi, M. 237
- Kok, Wim/ Report 154, 156, 158
- Kolodziej, E. 24
- Korea 174, 270
- and ASEM 180
- and international finance 97
- PTAs 74
- and US anti-dumping 93–4
- US relations with 192
- Korean War 11
- Kosovo conflict 212, 215, 220, 221, 241
- Krause, L. 13, 51
- Kroes, Neelie 125, 129, 138
- Krugman, P. 170
- Kuhlmann, S. 154
- Kupchan, C. 240
- Kuwait 213
- Kyoto Protocol 250, 253, 256
- EU–US tensions 256–7
- Laatikainen, K. 58, 236
- labour productivity growth, EU 153
- Laffan, B. 203
- Lamy, P. 89–90
- Lardy, N. 112
- Larrabee, S. 201, 222
- Latin America 193, 251, 271
- and banana case 78–9
- EU relations with 179, 181, 182
- trade agreements 189, 190, 192–3
- US relations with 184, 185, 187, 198, 275
- Lawrence, R. 165
- Lawton, L. 95, 105
- LeBlond, P. 103
- Leiserson, G. 108
- Leith, C. 81
- Leydesdorff, L. 130
- Lieber, R. 21, 240
- Lieven, A. 33, 238, 241
- Light, M. 218, 219, 221
- Lindberg, T. 229, 247
- Lindeque, J. 79, 85
- Lindsay, J. 237, 238, 239, 241
- Lindstrom, G. 33, 245, 247, 252
- Lisbon Agenda 107, 129, 152–4
- financial services regulation 113, 266
- and R&D 156
- Lister, M. 178
- Little, R. 61
- Lomé Conventions 76, 178, 179, 182–3
- London as financial centre 112, 272
- Louvre Accord 28, 115
- Luce, E. 166

- Ludlow, P. 25  
 Lundestad, G. 6, 8, 10, 12, 13, 204  
 Luxembourg Compromise (1967) 14
- Maastricht Treaty (1991) 31, 179, 204, 231, 232  
 McCarthyism 11  
 McCormick, J. 54  
 McCowan, L. 127, 128  
 McCreevy, C. 113  
 Macedonia 212, 216  
 MacKinnon, R. 102  
 McMahon, J. 180  
 McNamara, K. 100, 101  
 Mahnke, D. 54, 60  
 Maier, C. 9
- Malaysia: innovation 150  
 Mandelson, Peter 90–1  
 Manger, M. 74, 173  
 Manners, I. 234  
 markets 41–2, 47, 261–2  
   liberalization 268  
   neoliberal model 41  
   social market model 41, 265  
 Marrakech agreements 87–8  
 Mars/Venus problem 247  
 Marshall, George C./Plan 9–10, 11  
 Mee, C. 10  
 Melamed, D. 138, 140  
 Menkhoff, L. 110  
 Mercosur 173, 182, 193  
 EU and US 194–5  
 Merger Control Regulation (1989) (EU) 127, 128  
 Merger Task Force (MTF) 128–9, 266  
   criticisms 137, 138  
 mergers and acquisitions 119, 127  
   EU policy reform 129  
   merger boom 125, 128, 273  
   MTF decisions 128  
   US policy 130–1  
 Meunier, S. 73, 83  
 Mexico  
   and EU 70, 173, 182  
   US relations 185, 187, 275
- Microsoft 124, 126  
 Middle East 193  
   1970s European diplomacy 23  
   economic growth 105, 106  
   EU involvement 236  
   security issues 196  
   US FTAs 189, 190  
   US policies post-9/11 188, 278  
 migration 175, 177  
 military deployment/power and asymmetrical conflicts 278  
   China 191  
   EU 232; in Macedonia 216  
   US 108, 239; capabilities 61, 173, 195; recourse to 185, 214, 259  
 military R&D, US 162, 164  
 Milosevic, Slobodan 214  
 Milward, A. 10  
 Mittal Steel 122  
 mixed actor system 37, 44–8, 65  
 Monar, J. 245  
 monetary policies  
   coordination of 114–15  
   of EU 49, 117  
   *see also* finance  
 monetary relations 2, 39  
   1950s 13  
 monetary union, development of 100–1  
 Monroe Doctrine 184  
 Montreal ministerial meeting 88  
 Morgan, E. 137  
 Morin, J.-F. 125, 142, 143  
 Morocco 188, 190  
 Mowery, D. 130, 131, 155, 161, 162, 168, 170  
 Mowle, T. 63  
 Muller, K. 103  
 Muller-Brandeck-Bocquet, G. 182  
 multilateralism 46, 47, 277  
   anti-trust law 141  
 multinational corporations  
   and EU integration 40  
   US 189  
 multipolarity of global system 268, 278, 279  
 Mundell, Robert 101  
 Murphy, A. 216  
 Musu, C. 251
- NAFTA 70, 186, 194, 281  
   and investor protection 142, 143  
   and Japan 173, 174  
   US FTAs 190  
 nanotechnology 149–50  
 Narlikar, A. 90  
 National Cooperative Research Act (1984) 131–2  
 National Science Foundation 158, 164, 168, 169  
   immigrant scientists 151  
   scholarship budget 166  
 National Security Strategy (2002) (US) 241, 242  
 NATO (North Atlantic Treaty Organization) 12, 38, 39, 47, 60, 62, 210  
   and Balkan crises 215, 216  
   and ESDP 58

318 *Index*

- NATO – *continued*  
 and European institutions 52  
 extension of 208  
 French 1966 withdrawal 15  
 member countries 205  
 nuclearization of 14  
 peacekeeping operations 58–9  
 and Soviet bloc collapse 204  
 and US hard power commitments 241, 243
- Navarro, L. 155
- neighbourhood policy, EU 177, 178, 217–23, 274
- Nello, S. 203
- neoconservatives, US 241, 248, 265
- neoliberalism  
 in EU 127  
 and euro 99–100  
 market model 41  
 US 211
- network industries and competition policy 124
- networks 43, 46, 47  
 commercial 43
- Neumann, F. 85
- new Europe  
 competition and convergence 211–17  
 and EU ‘foreign policy’ 209  
 former Yugoslavia conflict 212–24  
 new Euro-American system 223–4  
 shaping of 206–8  
 US and 208–11, 223, 276
- new regionalism  
 EU and 178–84  
 US and 187–92
- New Transatlantic Agenda (NTA) 32, 43, 56–7, 62
- New Transatlantic Marketplace (NTM) 32, 56
- ‘new world order’ 30–1, 209
- Niblett, R. 31, 202, 203, 204, 210
- Nicaragua 185
- Nice Treaty (2000) 31, 231, 232
- Nicolaïdis, K. 73
- Nixon, Richard/administration 15, 23  
 Nixon Doctrine 20  
 Nixon Shock 18–19, 55, 106
- Noll, R. 166
- non-EU Europe 217–18
- non-governmental economic networks 57
- non-governmental organizations 47, 86  
 and trade policy 70
- Nordic countries’ innovation 149, 153–4  
 business researchers per country 159
- North Atlantic Treaty 9, 10, 11  
*see also* NATO
- North Korea 192
- Nossal, K.M. 143
- nuclear weapons  
 arms race 14  
 NATO 14  
 protest movements 15  
 US deployment in Europe 26  
 US–Soviet détente 15, 29
- Nugent, N. 206, 207
- Nuttall, S. 213
- Nye, J. 227–8, 240, 244
- OECD countries 39, 47, 148, 152, 154, 158, 164, 167, 169  
 and antitrust measures 134–5  
 business R&D spending 157  
 business researchers per country 159  
 Hard Core Cartel Recommendations 135  
 R&D spending 160  
 and trade disputes 87
- OEEC (Organization for European Economic Cooperation) 10
- oil crises 21, 99
- oil and gas supplies 250–1  
 Russian 219–20
- oil reserves  
 African 252, 276  
 Venezuela 251
- Olsen, G. 183
- Oman 188, 190
- Operation Concordia 216
- Operation Proxima 216
- optimum currency areas 101–2
- Ortega, M. 193, 236, 253
- OSCE (Organization for Security and Cooperation in Europe) 39, 47, 281  
 member countries 205
- Ostry, S. 164
- Owen, David 214
- Oye, K. 25
- Paeman, H. 164
- Papaioannou, E. 115
- Pape, R. 54
- Paraguay 194
- Paris Conference (1990) 203
- Patel, P. 155
- patenting 168  
 China 148  
 developing countries 169  
 EU decline 151  
 US 160, 162
- Payne, A. 172
- Pelkmans, J. 25
- Perez, R. 77
- Petersburg tasks 232, 233, 252

- Petersmann, E.-U. 32, 33, 85  
 Peterson, J. 33, 72, 163, 209, 215, 247  
   on economic security 163  
   on Euro-American system 36, 43, 63  
   on neighbourhood policy 211  
   on policy convergence 53, 56  
   security policy 32  
   trade disputes 85  
   on use of power 244, 245  
 Pfaltzgraff, R. 13  
 Pfizer 150  
 Phare programme 203  
 pharmaceutical sector 88, 150, 167,  
   168–9, 273  
   and German innovation 156  
   in India 158  
 Philippart, E. 32, 36  
 Philippines 184, 197  
 Pigman, G. 93  
 Pijpers, A. 23  
 Piketty, T. 166  
 Pinder, J. 53  
 Pinochet, Augusto 185  
 Plaza accords 25, 28, 115  
 Poland and Soviet Union 26  
 policymaking  
   at transatlantic level 53–5, 62  
   convergence 53  
   EU 50, 51, 53–5  
 political concerns 40  
   high politics 40, 42, 64, 203  
   low politics 40  
   sectoral politics 40  
 political economy  
   change in 59–60, 62  
   competitive cooperation 59–60  
   US structural power 42  
 Political and Security Committee (COPS)  
   232  
 politicization of issues 230  
   commercial 234  
   regional agreements 276  
 Pollack, M. 32, 33, 43, 45–6, 53, 56, 57,  
   85, 211, 247, 249  
 Pond, E. 33, 247  
 popular culture 42  
 Porter, T. 80  
 Portes, R. 208  
 Portman, Robert 91  
 Portugal 28  
 Posch, W. 248  
 Posen, A. 104, 114, 115  
 Posen, B. 54  
 post-cold war era 2, 5, 200, 202–3,  
   240  
   end of bipolarity 227, 228, 230  
   EU response 203–4, 234  
   and European defence responsibilities  
     42  
   reshaping of Europe 206–8  
   Russia in 218  
   securitized issues 248  
   US on role of EU 29, 30  
   *see also* new Europe  
 post-World War II 7–8  
   strategic bargain 8, 9  
   transatlantic bargain 11  
   US commitment to Europe 8–10, 11  
   US troop withdrawal 8  
 Potočník, J. 156  
 power  
   hard 227, 229, 235, 240, 247, 259  
     and US 238  
   management of 243, 244–9, 259, 260  
   and security approach 63, 64  
   soft 229, 230, 247, 252, 259, 267  
   use of 244, 245  
 Preeg, E. 17  
 preferential trade agreements 74  
 private finance 110–11  
 product standards 75  
 protectionism  
   1970s US 23, 24  
   US 91, 115, 163  
     and Chinese exports 111–12  
     within EU 73  
 Putin regime 221  
   energy weapon 251  
 Quad in WTO 89–90  
 R&D 273  
   business 164; EU spending 156–7,  
     170, 273; spending by country  
     157; US spending 164  
   direction of EU 155–62  
   EU expenditure 151, 152  
   foreign investment as 150  
   in house 147  
   regionalization 167  
   spending by country 149  
   US in Asia 169  
   US in Europe 167, 169  
   US in-house 161  
   US as location for OECD countries  
     168  
   US military 162, 164  
   *see also* innovation  
 Rahn, J. 111  
 rapid reaction force 232  
 Ravenal, E. 21  
 Ravenhill, J. 183  
 Reagan, Ronald/administration 18, 25,  
   26–7, 28, 55, 202, 239

320 *Index*

- Reaganomics 24  
 Reciprocal Trade Agreements Acts (1934) (US) 84  
 Rees, W. 33, 58  
 Regelsberger, E. 172, 178, 179, 183  
 regime change 188, 246  
 regional conflicts 251, 252  
 regional trade agreements 70, 71, 81  
   attractions of 174  
   EU-US competition 173  
   growth of 174, 175  
   and regulation 75  
   US 186  
 regionalism 172–99  
   competition and convergence 192–8, 266  
   EU and US policy differences 172–3, 275  
   new regionalism 178–84, 187–92;  
     and EU 178–84; and US 187–92  
   politicization and securitization 193, 199, 276  
   and spheres of influence 197, 198, 276  
 regionalism, EU  
   Africa 182–3  
     civilian agreements 177  
     as civilian superpower 173, 177, 198  
     continental agreements 178  
     global links 178  
     global role 179  
     neighbourhood policy 177, 178, 206, 275  
   and new regionalism 178–84  
   privileged partnerships 178  
   as regional power 175–8  
   sanctions available 183–4  
   South America 181, 182  
   strategies in Asia 181–2  
 regionalism, US 184–7  
   interregional trade agreements 190  
   Latin America 184–6  
   Pacific area 184  
 Reinhardt, E. 85, 87  
 Rhineland capitalism 41  
 Rice, C. 183  
 RL&F activity 160, 167  
 Robertson, P. 155  
 Rohaly, J. 108  
 Roosevelt administration 8–9  
 Rosecrance, R. 18, 230  
 Rosenberg, N. 130, 131, 155, 161  
 Rowland, B. 13, 15, 17, 18, 20  
 Rumsfeld, Donald 241, 246  
 Russia 224, 277  
   anti-Americanism 221  
   and Chechnya 219, 220  
   energy supplies 208, 219, 220, 251, 274  
   EU relations 208  
   EU strategies towards 218–21  
   and Kyoto Protocol 256, 257  
   response to US in Balkans 221  
   US policies towards 221–3  
 Rustow, D. 18, 36  
 Rwanda 196, 252  
 Ryner, M. 41  
 SAARC grouping 180  
 Saez, E. 166  
 Sally, R. 75, 140  
 San Francisco Charter (1945) 186  
 Sandanista regime 185  
 Sandholtz, W. 25  
 Sarbanes–Oxley Act (2002) (US) 113, 272  
 Sbragia, A. 236, 250  
 Scheve, K. 112, 167  
 Schirm, S. 172  
 Schmidt, Helmut 24  
 Schmitt, B. 247  
 Scholte, J.A. 111  
 Schroeder, Gerhard 247  
 Schumpeter, J. 153, 155  
 Schwartz, H.-P. 18  
 Schwok, R. 28, 56  
 Seattle ministerial meeting 88, 89, 140, 254  
 security  
   context 2–3, 5  
   economic 249  
   energy 250–1  
   environmental 249–50  
   EU policy 49–50, 52, 202, 267  
   EU-US relations 244–5  
   Euro-American system 60–1, 62  
   hard 226, 227–8, 235–6, 259, 277  
   hierarchy relations 42  
   issues 45, 230, 248, 260; collaboration 43; EU responses 236; and inequality 274; and regional policies 193; and trade 70–1  
   new threats 228  
   policy 266  
   regional 196–7  
   and regional agreements 276  
   relations 247  
   soft 226, 227, 228, 230, 235, 237, 248, 252, 259  
   security organizations: member countries 205  
   security pacts 174  
   post 9/11 175  
   Sedelmeier, U. 208

- Segal, A. 164  
 Sell, S. 86  
 semiconductors 123, 131  
   US–Japan agreement 191  
 Sen, G. 79  
 Senior Level Group 56  
 September 11th attacks 33  
   impact of 60, 62, 193, 228, 236, 272;  
     diplomatic coordination 58; on  
     US trade policy 187, 188, 189  
   and US economy 107  
   and US R&D 164  
   US response 239  
 Servan-Schreiber, J.-J. 150–1  
 services  
   innovation 151  
   trade 73  
 Shaffer, G. 32, 43, 44, 45–6, 53, 56, 79  
 Shambaugh, D. 191  
 Shanghai as financial centre 112, 272  
 Shapiro, J. 33, 245  
 Sharp, M. 156  
 Sherman Act (1890) 130, 161  
 shipbuilding industry, US 23  
 Shiroyama, H. 86  
 Shonfield, A. 18  
 Singapore  
   innovation 148, 150, 273  
   US relations with 192  
 Singapore issues 75, 140, 143, 269  
   and developing countries 140  
 Single European Act (1985) 27  
 Single Market 25, 272  
   1986 inception 27–8  
 Single Market Programme  
   and competitiveness 152  
   and euro 100–1  
   influence on competition policy 125,  
     127–8  
   US response to 51  
 Slaughter, M. 112, 167  
 Sloan, S. 8, 10, 204  
 Slovenian independence 212, 213, 214  
 Smith, 222  
 Smith, A. 203, 208  
 Smith, H. 182  
 Smith, K. 31, 50, 58, 177, 184, 203, 206,  
   208, 234, 236, 257  
 snake 99, 100, 101  
 social market model 41, 265  
 Soderbaum, F. 178  
 soft power 55, 247, 252, 259, 267  
 soft security 226, 227, 228, 230, 235,  
   237, 248, 252, 259  
   and EU–US cooperation 33  
 software industries 124  
 Solana, Javier 245  
 South Africa  
   and EU 173  
   patenting 169  
 South African Customs Union 81  
 South America  
   and FDI flows 120  
   US FTAs 190  
 South-East Asia 196–7  
   *see also* Asia  
 sovereignty and global governance 253,  
   260  
 Soviet states 221  
 Soviet Union 8  
   Afghanistan invasion 24  
   collapse of 29, 42, 202, 203, 227; EU  
     response 203–4; European  
     integration 229; impact of  
     233  
 Spain 28  
 special relationships 43, 49, 52, 60, 212,  
   251  
 Spence, D. 209  
 Stability and Growth Pact (SGP) 101,  
   102, 103, 104  
 stagflation era 99  
 Star Wars (SDI) 28  
 state subsidies 163–4  
 steel industry 23  
   dispute (2001) 86–7  
 Steffenson, R. 32, 43, 44, 45, 56  
 Story, J. 29, 202, 203  
 subsidiarity and EU innovation 154  
 subsidies, state 163–4  
 Sudan 252  
 sugar dispute 77, 92  
 Sun Microsystems 126  
 superpower  
   bipolar 237  
   EU as civilian 173, 177, 198  
   EU as partial 278  
   US as sole 42, 221, 224, 226, 227,  
     233, 237, 238–9  
 Sweden  
   innovation 149, 151  
   R&D 156  
 TACIS programme 219  
 Taiwan 197, 270  
   innovation 148  
   and international finance 97  
   tensions 191  
   and WTO 88  
 technological innovation 148, 149–50,  
   151  
   biotechnology 155, 273  
   diffusion in EU 170  
   nanotechnology 149–50

322 *Index*

- technology policy 161  
 and US competitiveness 163, 166, 167,  
 170, 171
- technology transfer 88
- telecommunication industries 124
- Telesi, I. 210
- Teló, M. 178, 179
- terrorism 275, 276  
 challenges 3, 228  
 extraordinary rendition 258  
 and US economy 107  
 US response 33  
*see also* 'war on terror'
- Tetra case 138
- textile sector 111
- Thatcher, Margaret 99
- Thurbon, E. 192
- Tito, President 212
- Todd, E. 240
- Todorov, F. 127, 129
- trade  
 associations 57  
 facilitation 75  
 institutional differences within EU 73  
 liberalization 119, 120  
 security dimension 70–1  
 services 68, 73  
 world 2  
 WTO influence on EU 73–4
- trade agreements 70, 95  
 EU and antitrust measures 141  
 and investor protection 142, 143,  
 144  
 preferential 74  
 regional 70, 71, 75, 81, 173, 174, 175,  
 186  
 and regulation 75  
 US 186; interregional 190; with  
 Middle East 188, 190
- trade disputes 57, 81–2, 91–4  
 and anticompetitive activity 123  
 EU–US 84–5
- steel industry 86–7
- trade policy 39, 269  
 Brussels-Washington axis 82–6  
 and competition policy 139  
 EU 72–7; and development policy  
 76–7; and energy and  
 environmental security 71;  
 erosion of preferences 76–7;  
 internal constraints on 72–3;  
 multi-track approach 74; and  
 regulation 74–7; tariffs 76  
 EU–US relations 82–6; disputes  
 84–5, 86; EU as partner 83;  
 inclusion of commercial activities  
 83  
 and global economy 71–2  
 influence of China 89  
 and NGOs 70  
 and product standards 75  
 US 77–82; competitive liberalization  
 80–1; effect of Cancún 80–1;  
 evolution of 83–4
- trade promotion authority (TPA) (US)  
 188–9
- trade relations 44, 67–95  
 competitive cooperation 94  
 managing 86–7, 95
- Trade-Related Investment Measures  
 (TRIMs) 142
- TransAtlantic Business Dialogue (TABD)  
 57, 62, 86
- Transatlantic Consumer Dialogue 62
- Transatlantic Declaration (1990) 32, 56,  
 62
- Transatlantic Economic Partnership 32,  
 43, 57, 62
- transatlantic governance 37, 53–4, 62,  
 224, 265, 267  
 1990s 32  
 adversarial partners 59  
 and competition policy 132  
 levels of action 44–8
- Transatlantic Legislative Dialogue 62
- transgovernmental relations 44, 45,  
 47
- transnational relations 44, 45–6, 47
- Treaty of Nice: competence for FTAs  
 73
- Treaty of Rome (1957) 11, 12
- Treverton, G. 26, 201
- Truman, Harry/Doctrine 9
- Tsoukalis, L. 25, 99, 100
- Turkey 210, 217  
 accession negotiations 222–3
- Tuschhoff, C. 31
- Tussie, D. 90
- Tyson L. 163
- Ukraine 220, 221, 222
- UNICE 154
- unilateralism  
 and multilateralism 243, 245–7, 249,  
 251–2, 255–8, 263  
 US 259, 279
- United Kingdom  
 EEC entry 20; French veto 15, 16  
 and open trade policies 89  
 R&D spending 149  
 special relationship 43, 49
- United Nations 22, 62  
 EU–US conflict 58  
 and Iraq invasion 245

- United States  
 1990s productivity growth 106–7  
 balance of trade 109  
 biotechnology 155–6  
 budget deficit 108, 270, 272; and  
 China 108  
 business R&D spending 160  
 business researchers employed 159  
 Chinese purchase of debt 112  
 economy 106–10  
 EU and Mercosur 194–5  
 EU policy of 50–2, 62  
 exceptionalism 238  
 export growth 165  
 GDP 67  
 housing market 109  
 inflation 109  
 innovation 153, 273  
 interest rates 106, 108  
 inward FDI 120, 122  
 mid-2000s recession 107  
 military commitments 108  
 as only superpower 42, 49  
 outward FDI 120, 121  
 post-war commitment to Europe 8–10,  
 11  
 protectionism 163  
 R&D spending 149, 151, 160,  
 170; business spending 156–8;  
 GERD 160  
 regional policies 173  
 regional trade agreements 81, 95  
 search for competitiveness 163–7  
 trade 67, 68; by region 69; deficit  
 116; with EU 68, 84; and security  
 dimension 71  
 as warrior state 238, 259  
 world order vision 238  
*see also* EU–US relations
- United States–Chinese relations  
 monetary 111  
 normal trade relations 116
- United States–Russian relations 221–3
- United States–Singapore Free Trade  
 Agreement 192
- United States–Soviet relations  
 1970s 23–4  
 1980s 28–9  
 nuclear détente 15, 18, 29
- Uruguay 194
- Uruguay Round 32, 76, 80, 82, 88, 89,  
 185  
 agreement on agriculture 92  
 IP issues 85  
 state subsidies 163, 164  
 WTO dispute process 91  
 USTR office 79–80, 91
- Valke, A. 127, 129
- van der Ven, H. 22
- van Miert, Karel 136
- Vance, Cyrus 214
- Vance–Owen plan 214
- Vanhoonacker, S. 49, 231
- Veljanovski, V. 129
- Venezuela 251
- Vernon, R. 21
- veto (EEC) 14
- Vienna summit (2006) 85
- Vietnam war 14, 15, 18, 24  
 economic burden of 19, 20
- Vilnius Group 246
- Vogler, J. 31, 50, 236, 250, 257
- Wallace, W. 23, 31, 51, 202, 203, 204,  
 206, 210, 251
- Walter, A. 110
- Wan, M. 117, 193
- ‘war on terror’ 33, 55, 60, 62, 198, 228,  
 239, 240, 241, 244, 245, 277  
 and human rights 257–8  
 Russian response 220  
 and security pacts 175
- Warnecke, S. 21
- Watergate scandal 20, 24
- weapons of mass destruction issue  
 245–6
- Webber, M. 59, 60, 208, 218, 220
- Weiss, L. 192
- Welch, Jack 137
- Weller, M. 215
- Whalley, J. 81
- White, S. 208
- Whitman, R. 234
- Wiener, J. 89
- Wilkinson, R. 77, 88
- Wilks, S. 127, 129
- Winand, P. 12, 13, 15, 32, 36, 50
- Winters, A. 25
- Woodward, B. 240
- Woolcock, S. 25, 28, 29, 41, 50, 52, 201,  
 209, 213, 244
- World Bank 10
- world order 2, 226–60  
 and EU 229–37, 266–7  
 EU and US approaches to 229, 260  
 institutions and cooperation 243–4,  
 250, 253–6  
 ‘new world order’ 30–1  
 power and security 243–52, 259,  
 277  
 unilateralism and multilateralism 243,  
 245–7, 249, 251–2, 255–8  
 US and 237–43, 277  
 US vision 238

324 *Index*

- World Trade Organization 46, 49, 62,  
142, 160, 194, 270, 273  
banana case 78–9  
and China 116, 255  
dispute process 81–2, 91–4, 263, 269  
EU–US influence 262; decline of  
88–9, 95  
formation of 80  
and G-20 developing countries 254  
influence on EU 73–4  
IP provisions 85–6  
membership 70, 88, 268–9  
move to multipolar 87–91, 95, 269  
non-discrimination principle 76, 77  
plurilateralizing policy areas 139, 140  
prominence of ministerials 90  
Quad 89–90, 269  
Singapore ministerial 75  
trade disputes 85, 86, 87, 95  
Uruguay Round 76, 80, 82  
and US trade agreements 186  
*see also* Cancún; Doha; Singapore issues;  
Uruguay
- World War II 6, 7
- WorldCom-MCI merger 132–3
- Yaoundé Conventions 17
- ‘Year of Europe’ speech 21, 22, 224
- Young, A. 72, 75, 85
- Young, O. 48
- Youngs, R. 193, 236, 248
- yuan 271  
and dollar 116, 270
- Yugoslavia *see* former Yugoslavia
- Zabarowski, M. 33, 180, 247
- Zelikow, P. 183
- Zhou, P. 130
- Zimbabwe 183–4
- Zoellick, Robert 81, 189
- Zucconi, M. 186
- Zysman, J. 25