

ANNEX

THE TRANSATLANTIC ECONOMIC RELATIONSHIP

30 September 2004

The EU and US form the largest trade and investment relationship in the world and are each other's largest trade and investment partners. The volume of trade in 2003 comprised more than € 600 bn (\$ 725 bn) worth of goods and services. For comparison, figures for EU trade in goods and services with the next largest partners: with Switzerland: € 200.7 bn, with China: € 155.7 bn, with Japan :€ 139.1 bn, with Russia € 113 bn.

Large as this is, it is now far outweighed by the flow of investment. In 2003, the EU had € 890 bn of direct investment in the US while the US had € 650 bn in the EU; a total of over € 1.5 trillion (\$ 1.8 trn). Today investment constitutes the most significant element of our economic relationship.

The EU and the US have a long history of close cooperation in GATT and then the WTO, most recently illustrated over the adoption of a new Doha Round framework in July. This cooperation has underpinned this high level of economic interdependence, despite the absence of any formal trade/investment agreement between the EU and US.

THE STRUCTURE OF OUR ECONOMIC COOPERATION FRAMEWORK

With the aim of structuring discussions over issues that arise in trade, and over steps to build closer cooperation, the EU and the US have adopted some formal arrangements that have been built up over the past ten years. The framework of the EU-US economic relationship goes beyond trade and investment and includes a number of institutionalised dialogues and growing regulatory cooperation between the partners. The main elements of this framework are described below. The EU and the US also cooperate in numerous multilateral organisations.

[The New Transatlantic Agenda](#) (NTA) and the accompanying [EU-US Joint Action Plan](#) of December 1995 created a senior level dialogue structure and embarked on a series of concrete cooperative endeavours. One of the aims of the NTA is "to create a New Transatlantic Marketplace by progressively reducing or eliminating barriers that hinder flow of goods, services and capital between us".

The [Transatlantic Economic Partnership](#) (TEP) agreed in May 1998 lays the foundations to enable the EU and US to intensify their efforts to reduce or eliminate barriers to trade and investment between them notably through closer co-operation between regulators. It allows them to focus initiatives on areas where there is goodwill on both sides and where gains can be enormous – for example financial markets. It promotes upstream convergence or mutual recognition of rules and standards; and it acts as an early warning mechanism in case a potentially damaging piece of legislation is in the pipeline. In November 1998 the European Commission and the US Administration adopted a rolling work programme, entitled the **TEP Action Plan**. This document identifies areas for common actions both bilaterally and multilaterally. Some elements of the plan take the form of trade negotiations, others are achieved through co-operative actions.

In order to manage day-to-day transatlantic trade and investment relations, the **TEP Steering Group** (SG) was set up. It monitors the realisation of TEP objectives and provides a horizontal forum for bilateral consultation and early warning on any matter of trade and

investment relevance, with a view to preventing conflicts and resolving trade frictions. It is also responsible for implementing and developing the **Positive Economic Agenda (PEA)** – a series of positive and specific trade-related initiatives designed in May 2002 to promote co-operation and mutual commercial benefit. Activities under the PEA include the implementation of the Guidelines on Regulatory Cooperation and Transparency, developed in 2002 under the TEP, and the Financial Markets Dialogue, a forum for the discussion of complex bilateral financial and regulatory issues.