

ADDRESS to the CEPS
by FAES PRESIDENT JOSÉ MARÍA AZNAR
'A Case for an Open Atlantic Prosperity Area'
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Ladies and gentlemen,

Good afternoon.

Thank you for being here today.

I would also like to thank the Centre for European Policy Studies for its hospitality. It is a great pleasure for FAES to co-organise this presentation with CEPS.

As you well know, I am not a political leader anymore. I am currently the President of FAES, a Spanish think tank.

But I am very busy. Apart from teaching at Georgetown University, I work hard on producing new ideas that can promote progress in my own nation, Spain, in Europe, in which I deeply believe, and in the rest of the world.

You may have already heard about my proposal to reform NATO.

Today, we are presenting another far-reaching proposal which I believe can be extremely helpful for Europe: 'The Case for an Open Atlantic Prosperity Area'.

I am completely persuaded that the Atlantic link is crucial to both Europe and America.

For the last fifty years, the Atlantic relationship has been central to the security and prosperity of our people.

A free and democratic Europe only managed to prevail over a series of dictatorships with the help of the United States. The same could be said of the ten new Member States of the European Union.

The United States of America and the European Union share common values regarding democracy, respect for human rights and individual freedom. Promotion of peace, collective security and economic freedom are also key underpinnings of our civilization.

Today, the European Union and the United States of America share common principles and objectives, and they face the same threats.

First, Europeans and Americans face the threat of Islamic terrorism. I am convinced that global security threats are more effectively dealt with through joint action than on an individual basis. The Atlantic link is a crucial aspect of the fight against Islamic terrorism.

Second, Europeans and Americans share the same concerns regarding global challenges to mankind, such as pandemics.

Third, the European Union and the United States are concerned about global warming. Both regions need to improve energy efficiency, promote the diversity of their energy sources, and ensure a safe and secure energy supply.

The USA and the EU need to improve their domestic energy supply arrangements, reducing their dependence on external energy sources.

Fourth, both Europeans and Americans have a strong commitment to global free trade and the fight against poverty.

The multilateral economic order which has made globalization a reality was designed by Europe and the USA. The GATT and the World Trade Organization, which have been largely responsible for the impressive increase in world trade over the last few decades, have also enabled many countries to make enormous progress towards prosperity, leaving poverty behind.

The Monterrey Consensus only came about because it was promoted by the USA and the European Union.

Again, Atlantic cooperation was crucial in reaching the historic agreement signed at Gleneagles last summer.

In spite of the need for renewed Atlantic co-operation in all these fields, there has been a rising tendency towards accepting what we might call 'Atlantic drift' over the last few years.

Atlantic drift weakens both the EU and the USA. However, as President George Bush has rightly pointed out, 'when Europe and the US are united, no problem and no enemy can stand against us'.

We, both Europeans and Americans, must work closely together in many fields, which is why the Atlantic link must be strengthened. Co-operation is essential in the economic field.

We can look back over a long history of Atlantic economic co-operation. In fact, the original European Community was a genuine pro-Atlantic project.

Let us look a little more closely at this historical background, because it will help us to understand the logic of creating an open Atlantic Area for Prosperity.

In the post-World War II period—and without calling into question the need to open up national borders in order to avoid the disastrous effects on world commerce of the nineteen-thirties' restrictive trade policies—two options were considered from the very beginning.

The first option emphasised regional economic integration, an approach that was developed to its fullest extent on the European Continent.

The second option sought to establish multilateral liberalization. World trade would be coaxed towards this goal through the GATT Agreements and by means of the Most-Favoured-Nation clause.

In view of the difficulty of achieving free world trade within a reasonably short period of time, many of the economists who advocated this option as the most interesting means of promoting world economic development considered the possibility of creating an *Atlantic Trade Area*, one that would prevent Europe from enclosing itself within its own market.

Many prestigious economists were outstanding pro-Atlantic Europeans, such as the Austrian-American Gottfried von Haberler, Sir Lionel Robbins

of Great Britain, Wilhelm Röpke of Germany, Maurice Allais, the French Nobel Prize-winner, and Pierre Uri, a member of the team that drafted the Treaty of Rome.

All of these men openly advocated the idea of an *Atlantic Community* as a superior solution to a mere European union.

Thus, the idea of strengthening the Atlantic link is nothing especially new. It simply means rediscovering the true origins of European construction.

And as we can also clearly see, from the very beginning of the process of creating the institutions that have become the European Union as we know it today, many of the most brilliant minds in Europe were aware of the fact that the European free trade project should not be restricted to Europe.

What is more, they also recognised that one of the main goals of this free trade policy should be to open up trade to the rest of the world, beginning, of course, with the United States of America. An Atlantic Union was considered to be the best means of creating a system of free international trade that would also benefit the rest of the world.

More recently, the New Transatlantic Agenda and the Transatlantic Economic Partnership have laid the foundations for stronger economic ties across the Atlantic.

However, too many obstacles to trade and investment still remain, and our aspirations for the future must outdistance our past achievements.

The proposal to create an open Atlantic Area of Prosperity, as described in the book we are presenting here today, is especially useful when it comes to strengthening the Atlantic link within the

economic sphere, because it combines a bilateral agreement and a multilateral development agenda.

Now is the right time to aim for full Atlantic economic integration. The USA and the European Union can and should pursue entirely free transatlantic flows of goods, services, capital and knowledge.

Many barriers can be removed through Atlantic co-operation. FAES's book goes into great detail on this point.

Other obstacles will require a certain amount of effort from the European side. Moreover, the internal and external dimensions of the Lisbon Agenda can potentially reinforce each other.

We must highlight the fact that progress on the Lisbon Agenda is an essential prerequisite for breathing new life into the Transatlantic Economic

Relationship. A more competitive EU will provide a boost to the transatlantic economy.

Furthermore, many barriers that currently fragment the European market will collapse under the pressure of transatlantic competition.

The decisions adopted by some European governments against free intra-European investment are extremely dangerous for the European Union. These openly anti-European decisions are exactly the opposite of what Europe needs.

They are a threat to Europe's future and can be extremely destructive to the European process.

By the way, how can those who are actively working to destroy Europe's very foundation, the European Single Market, also champion the European Constitution? They simply have no credibility.

Politicians promoting these protectionist rules can only be considered anti-Europeans.

The next question is: Is this idea of an open Atlantic Prosperity Area really important? Why should we be interested in this proposal?

The answer is quite simple. European and US citizens would benefit from increased trade and investment, strengthened competition, greater innovation and higher productivity, leading to substantial and permanent welfare gains in terms of higher growth and more and better jobs.

Europe would, in fact, be the one to gain more from this project.

The most recent study in this field was produced by the OECD in 2005. It estimates that further transatlantic liberalization could lead to permanent per capita income gains in Europe of up to 3.5 %.

This is the equivalent of each worker receiving a year's salary for free. A full year's income throughout a working lifetime: that is what an open Atlantic Prosperity Area could provide.

These benefits would also filter into the broader worldwide community. According to the OECD, trade links would spread the benefits of reform in the United States and the European Union to other OECD countries, with an estimated increase in per capita GDP of up to 1.5%.

These results from the OECD assessment should serve to build broad-based political support among policy-makers and the general public on both sides of the Atlantic for a Transatlantic Partnership,

just as the Cecchini Report provided the basis for the EU Single Market process in 1988.

Transatlantic barriers prevent us from reaping these gains. The costs of not fully implementing transatlantic economic integration are indeed huge.

The EU has a new Commission and a Parliament that has been sitting for a year and a half. President Bush enjoys fast-track negotiating authority until mid-2007.

Statements of goodwill have come from both sides of the Atlantic, accompanied by hopes of strengthening the ties between the EU and the USA over the next few years.

Legislators on both sides of the Atlantic have also highlighted their willingness to renew their cooperation.

Moreover, an Atlantic initiative goes hand-in-hand with European Commission President Barroso's priority of implementing economic reform and improving EU competitiveness and of creating 'an important opportunity for near-term action', as well as with the wishes of President Bush, Prime Minister Tony Blair, and Chancellor Angela Merkel to strengthen the Atlantic link.

Important stakeholders, such as the Transatlantic Business Dialogue and the Transatlantic Policy Network, are strong supporters of the Atlantic link. This project coincides with their own proposals.

On the Eleventh Anniversary of the New Transatlantic Agenda, we are presented with a unique opportunity to adapt the Transatlantic Economic Partnership to the current situation, and to reinforce the Atlantic economic link. We need political commitment at the highest levels. The Atlantic Agenda must be made a key political priority.

Thank you.