

**STOCKHLOM NETWORK
PRESIDENTE AZNAR
“Area Atlántica de Prosperidad”**

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London

Ladies and gentlemen,

Good morning. I thank you very much for your time and your keen interest.

I would also like to thank the Stockholm Network for its hospitality. It is a great pleasure for FAES to co-organize this presentation with the Stockholm Network, a wonderful initiative brilliantly led by a group of young Europeans that show the way to go.

I would like to express my gratitude to Anne Jensen, Helen Disney and Sacha Kumaria for their helpfulness, as well as to Bronwen Maddox and Liam Fox for their kindness in accepting the invitation to join us today.

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

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

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

Today, we are presenting another far-reaching proposal which I believe can be extremely helpful for Europe: “a case for an open Atlantic Prosperity Area”.

This proposal tries to reinforce the Atlantic link and to avoid the so-called Atlantic drift. Because I am completely persuaded that the Atlantic link is crucial to both Europe and America. And that the European Union cannot survive if it was decided that it should change its allies or it should be confronted to the US.

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. You Londoners know very well

about what this means. 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 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.

Four, 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 Organisation, 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 cooperation in all these fields, there has been a rising tendency towards accepting what we might call the “Atlantic drift” over the last few years.

The Atlantic drift weakens both the EU and the USA. However, as President 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. Cooperation is essential in the economic field.

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

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

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

The first option placed the emphasis on 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 such Gottfried von Haberler, Sir Lionel Robbins, in the Great Britain, Wilhelm Röpke, in Germany, Maurice Allais, the French Nobel Prize-Winner, and Pierre Uri, a member of the team that drafted the Treaty of Rome, were outstanding pro-Atlantic Europeans.

They 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 the 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 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 recognized 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 a stronger economic link across the Atlantic.

However, too many obstacles to trade and investment still remain.

And our aspirations for the future must surpass our achievements of the past.

The proposal to create an open Atlantic Area of Prosperity, such as the one described in this book, is useful when it comes to strengthening the Atlantic link within the economic field, because it combines a bilateral agreement and a Multilateral Development Agenda.

This 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 cooperation. This book goes into great detail on this point.

Other obstacles will require a certain amount of effort on 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 important 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 just the opposite of what Europe needs.

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

By the way, how can they defend the European Constitution those who are actively working in destroying the European basement, the European Single Market? They simply have no credibility.

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 be the one to gain more from this project.

The most recent study 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 through to 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 GDP per capita of up to 1.5%.

These results of the OECD assessment should serve to build broadly based political support among policy-makers and the general public on both sides of the Atlantic for a Transatlantic Partnership, in a similar way 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 idea of the Atlantic Prosperity Area being an open project is very important. Taking into account the poor results of Hong Kong within the Doha Round, the European Union should now consider the bilateral way. Let us start with the United States, but the APA being an open club means countries like

Canada, India, Japan, South Africa or Korea could also join, as well as many other countries.

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 in the next few years.

Legislators on both sides of the Atlantic have also underlined 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, Tony Blair and 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.