

transatlantic economic institutions – as envisaged, for example, by Churchill and Roosevelt in their Atlantic Declaration or by Pearson in Article 2 of the North Atlantic Treaty or later in forums such as the OEEC [Organization for European Economic Co-operation] and later in the OECD [Organization for Economic Co-operation and Development].

Instead, we have presided over the creation of separate continental structures – first the European Union, and now the NAFTA – which, although highly successful at the regional level, have tended to operate as transatlantic rivals. Absent a common economic framework paralleling NATO in the security realm, bilateral issues are left to be managed through a byzantine maze of channels – periodic GATT Rounds, G-7 Summits, ad hoc ministerial encounters – whatever works.

More worrisome has been the tendency of our regional blocs to focus inward. Europe and North America seem preoccupied with their own institution building to the point where other interests risk being subordinated to architectural imperatives.

Even when we look outward, it is often to extend our regional spheres of influence: in the case of Europe, through contiguous free trade areas, association agreements and Lomé preferences; in the case of North America, through NAFTA expansion, the proposed Free Trade Agreement of the Americas and in the fledgling Asia Pacific Economic Co-operation forum.

All of this has contributed to a growing fortress mentality and a pervasive mood of isolationism among some; but this is an attitude that overlooks our mutual dependency and fosters transatlantic friction. Without arrangements to match existing levels of economic integration, the risk is that our differences – rather than our common interests – will continue to define the relationship.

What should be the broad principles guiding a transatlantic initiative? First, it should encompass the totality of the transatlantic community.

An agenda which focusses on bilateral relations between the European Union and the United States alone rather than on the wider transatlantic context ignores the integration of the North American economy. It is an approach that is not only anomalous, but ultimately self-defeating.

Second, we should concentrate on areas not yet covered by the new World Trade Organization. While most tariffs are already low – industrial tariffs average between 2 and 3 per cent – and could be eliminated by agreed dates, our main focus should be on non-tariff barriers and deeper trade-related policies. We have already agreed to seek a high-quality investment agreement under the