

the ground rules of a transnational economy in areas such as standards, investment, competition policy, and so forth. Where once we agreed on what governments should not do, now must take the more difficult step of deciding what governments should do together.

Europe and North America are well placed to move ahead in these areas. We share in principle, if not always in practice, a commitment to open markets and to the rule of law. Our political institutions, legal systems, and cultural norms draw upon the same historical and intellectual roots.

And in the European Union and to a degree in the NAFTA, we have created unique structures for regional economic co-operation and integration - structures that can, with imagination, provide logical building blocks for a trans-regional initiative. Ours is a relationship that could be deepened more easily and more quickly than that between any other regions of the world.

There is a third rationale for deeper transatlantic integration: the need for global economic stability. The success of the GATT [General Agreement on Tariffs and Trade] system over the last 50 years is a testament to the postwar strength and resolve of the United States. Yet the balance of global power and the structure of the world economy are very different today. Power is more diffuse; the United States is but one of several major actors on the global stage, none of which is pre-eminent. What is more, economic structures differ widely, increasing the scope for "system friction" and placing greater strains on the multilateral order. We have reached the end of *Pax Americana* in multilateral trade; yet the need for strong leadership and a secure, rules-based system has never been greater. Growing trade friction in recent years is not a sign that we have taken liberalization and integration too far, but rather that we have not gone far enough.

Europe and North America can provide leadership to the world trading system only if we do so in concert. Even a modest transatlantic undertaking would not only help to improve EU-North American relations but would also make it easier to manage the World Trade Organization system as a whole. A more ambitious agreement could serve to advance the new trade policy agenda and lay the groundwork for the first trade negotiation round of the new World Trade Organization. As long as the goal is not to replace the multilateral system - still less to set up a defensive bloc - but to move beyond the commitments that we accepted in the World Trade Organization, then a new economic partnership of Europe and North America could provide the critical mass needed to re-energize the totality of the world trading system.

We have an opportunity here to correct history. In the aftermath of the Second World War, Western leaders got the security structure right, but faltered in their parallel efforts to build