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Transatlantic economic integration should not allow the US and EU to dictate world trade rules against the welfare of developing countries

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Widely unnoticed by the media on both sides of the Atlantic, the European Union and the United States agreed a new framework for advancing transatlantic economic integration earlier this year. A brainchild of the German EU presidency, the framework's main aims are twofold: internally, the new cooperation should enhance EU and US competitiveness. Externally, the initiative is meant to "encourage other countries to adopt the transatlantic economic model of respect for property rights, openness to investment, transparency and predictability in regulation, and the value of free markets."

Transatlantic economic initiatives are of course not new. There were a number of projects in the past. The EU-US economic initiative of 2005, for instance, went in a similar direction as the new framework. These previous initiatives were, however, largely without major effects because political positions, regulatory regimes and national interests proved too difficult to reconcile. This could, however, change with the new proposal.

The experiences of many negative effects of economic globalisation have been similar on both sides of the Atlantic. And the political pressure for effective answers to the downsides of globalisation is increasing in Europe and the US. Therefore this transatlantic initiative has a better chance of more substantial outcomes than its predecessors: a united response by the two most important economic areas seems politically reasonable, especially if economic interests are converging in the face of intensifying economic competition, above all with Asia.

For many of the players involved in this process, the long-term goal is the establishment of a Transatlantic Free Trade Area (pdf) - also not a new idea - that would secure economic dominance in the face of growing challenges. Approximately 40% of all global trade takes place between the two most powerful economic blocs of the EU and US. So a more united transatlantic area could determine the world economy even more than it does at the moment. Essentially, the framework seeks to consolidate "western" economic hegemony and make emerging powers play more according to market rules.

Whereas there are undoubtedly valid economic concerns regarding the behaviour of some emerging super-economies that need to be addressed, there are also major problems with the new framework. Closer integration between the two most important economic blocs - themselves often heavily influenced by vested interests - must not dictate world trade rules against the welfare of developing countries as has often been the case in the past. But also internally, the complete omission of any social dimension in the framework makes the new initiative purely a liberalisation project that could undercut social standards in Europe, but also in the US and even further.

As tariffs between the EU and the US are only 4% on average, the new framework focuses on non-tariff trade barriers: regulation and standards. The newly established Transatlantic Economic Council (TEC) meets regularly to supervise progress in specific projects of regulatory cooperation. Currently co-chaired by Günter Verheugen, EU commission vice president, and Allan Hubbard, director of the US National Economic Council, the TEC had its first meeting in Washington on November 9 to discuss common standards for trading bio-fuels. Broader and more ambitious projects are already on the horizon.

Given the focus on streamlining regulatory processes, closer cooperation or harmonisation too often means - as happened in the past in other contexts - lowest common denominator solutions. The complete omission of any social dimension in the framework should therefore ring all alarm bells. There is nothing wrong with closer transatlantic economic integration but as with so many other political plans, it is vital how this project is shaped.

Abolishing unnecessary trade restrictions is surely a good thing. But the securing of fairness in global trade and the development of high social standards must also be a major concern of the framework. Also, there are areas - for instance financial services - where regulatory innovation and not reduction would be useful as a response to recent problems.

For these reasons it is fundamental that the new framework for advancing transatlantic economic integration is not just conducted as a liberalisation project that simply tries to bring down trade barriers. It needs to be conceptualised as a broader project in which social concerns are represented - for instance by the active inclusion of trade unions and other NGOs of the economic fabric. Another project purely focussed on liberalisation would be the wrong answer to current political problems.