ISSUES AND CHALLENGES OF THE US – EU ECONOMIC RELATIONS

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Abstract

Economies of the USA and the EU are the main engines of the international economics system. The overall world economic growth and the quality of life depends on their development based on their economic partnership within their foreign trade relations.

The article deals with the mutually problematic US – EU trade issues within the transatlantic economic relations. The paper is focused on problematic aspect analyses such as the US and the EU common trade agenda, the WTO dispute settlements regarding the most diverse' trade aspect issues – antidumping, countervailing procedures, trade wars and so on. The aim of the paper is, based on the EU and the US trade policies and their WTO's dispute settlements analysis, to find out whether and to what measure the problematic trade issues between the US and the EU can affect their economic cooperation in the global system of international economics. The hypothesis is set that the problematic US – EU trade issues such as trade wars and antidumping and countervailing dispute settlements, excecuted at the WTO field have no negative impact on the US – EU economic relations and the collaboration in the world economy.

The paper attempts find out if and to what extent the problematic trade issues between the US and the EU may affect their economic cooperation in the global system of international economic relations.

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1. Introduction

The US – EU economic relationship dominates the world economy by the sheer size of their combined economies. Developing the Transatlantic Agenda is a response to the desire to strengthen the relationship between the United States and the European Union in order to enhance and maintain world stability. The Trans-Atlantic Business Dialogue (TABD) was conceived to promote closer commercial ties between the US and the European Union. It offers a framework for cooperation between the transatlantic business community and the governments of the European Union (EU) and the United States of America (US). The US and the EU policymakers continually face the task of how to manage the increasingly complex bilateral economic relationship in ways that maximize benefits and keep frictions to a minimum.

According to Jovanović (2005), the European business is being increasingly affected by the growing US national security restrictions. The EU recognizes that there are security issues to be resolved relating to trade and investment, particularly in the aftermath of 9/11, but has long expressed concern about excessive use which could be interpreted to be a disguised form of protectionism. Lipková (2011) argues that in 2010 the EU and the US together account for 37% of world trade and bilateral investment flows between the two economies are worth around €1.5 trillion.

As far as we are concerned, the US – EU economic and trade relations are mostly affected by their mutual trade relations as a consequence of current financial crisis that has been overlapped by the global economic recession and at last resulted in the debt crisis not only in the European Union economy but also in the US. Thus, the development of the US and the EU economic relations, as the object of our analysis, has a fundamental impact on the global international economics system in terms of it social and economic development and the quality of life level in the USA and countries of the European Communities including the Slovak Republic.

The knowledge acquired from the paper will be offered to the Ministry of Foreign Affairs of the Slovak Republic where it will be utilized as important guidelines in the area of economic diplomacy. This paper is intended as an outline for the Slovak trade representatives dealing with the international trade policy in territories such as the EU and the USA. On the other hand, the paper output will help the Slovak governmental and private corporations with their export promotion strategy policy formulation, it is expected to lay down the strategy for entering the US and the EU markets successfully by means of using the transatlantic business opportunities.

Characteristics and institutionalization of transatlantic economic relations

The landmarks in the EU – US relations in recent years are the Transatlantic Declaration, the New Transatlantic Agenda and the Transatlantic Economic Partnership. The Transatlantic Declaration was adopted by the US and the EU in 1990. It laid down the principles for greater EU – US cooperation and consultation. Cooperation in the fields of economy (liberalization, OECD, competition policy, etc.), education, science and culture and transnational challenges was established. A machinery of biannual summits and ministerial meetings, ad hoc Troika/Presidency meetings with the Secretary of State and briefings on the European Political Cooperation (now CFSP) was set up in the Declaration.

The framework of transatlantic cooperation

The US – EU economic relations exist within a framework of economic, political and security factors. Some of these factors have promoted closer economic relationships, while others have created tensions that have, at times, threatened to undermine the relationship. The US – EU economic relationship dominates the world economy by the sheer size of their combined economies. The United States and the EU member countries are of roughly equivalent levels of economic development and are among the most advanced in the world. As a group they include the world’s wealthiest and most educated populations. The United States and the members of the EU, with a few exceptions, are major producers of advanced technologies and services. As a result the US – EU trade tends to be intra-industry trade; that is trade in similar products, such as cars and computers, dominate two-way trade flows. Furthermore, the United States and the EU have advanced and integrated financial sectors which facilitate large volumes of capital flows across the Atlantic (Cihelková, 2009).

A New Transatlantic Agenda

In 1995 the New Transatlantic Agenda (NTA) and the US – EU Joint Action Plan was adopted. According to Neumann (2001) the future activities of the United States and the European Union in implementing the Transatlantic Agenda will be guided by the Joint US – EU Action Plan. This joint action plan, which sets activities that will be undertaken to accomplish the four major goals, will be coordinated by a group of senior level officials. The senior level group will make reports and assessments of progress and necessary adjustments will occur at “biannual EU-US summits”.

Baldwin and Wyplosz (2009) argue that in order to accomplish the goals set out in the NTA, a Joint EU/US Action Plan, setting out over one hundred specific joint actions, is also approved. At each summit, leaders review the progress in achieving the goals of the NTA and set priorities for the future. The EU and the US can already point to major achievements under the NTA (Cooper, 2009):

- In the area of *foreign policy*, the joint efforts support the process of reconstruction and reconciliation in the former Yugoslav republics, promote dialogue and economic development in the Middle East, and work to end violence and encourage political stability in Central Africa. (Evenett, Lehman, Steil, 2000)
- Under *global challenges*, the agreement on Chemical Precursors represents a major success in efforts to curb the diversion of chemicals for use in the manufacture of illegal drugs, NTA have a well-established cooperation in combating drugs in the Caribbean, and started work on a joint information campaign aimed at preventing trafficking in women (Strunz, Vojtovič, 2012).
- On *economic and trade matters*, NTA successes include the conclusion of the Information Technology Agreement and the Basic Telecommunications Services Agreement in the World Trade Organization, and leadership in the effort to complete the WTO financial services negotiations by December 12, 2009.
- Progress is also being made in *building bridges* between these two communities, particularly through the People-to-People Conference convened in 2009 May, which, according to Ivanová (2013), among numerous other initiatives, has led to the TIES (Transatlantic Information Exchange System) project, plans for a Transatlantic Digital Library, and the launching of a Civil Society Dialogue.

Transatlantic business dialog

Transatlantic Business Dialogue (TABD) offers a framework for cooperation between the transatlantic business community and the governments of the European Union (EU) and United States of America (US). Neumann (2001) stressed that it is an informal process whereby European and American companies and business associations develop joint US – EU trade policy recommendations, working together with the European Commission and US Administration.

The major goal of the TABD is to boost transatlantic trade and investment through the removal of barriers caused by regulatory differences. Cihelková (2003) suggests that TABD promotes its policy statements and recommendations through formal meetings with the EU and US government and parliament people, giving the members direct access to high-level talks with the leading figures for efficient lobbying. TABD Membership is by invitation only, officially to secure a proper geographical representation and a mix of sector activities as well as small-medium-enterprises representation. The TABD's goal is to help establish a Barrier-Free Transatlantic Market which will serve as a catalyst for global trade liberalization and prosperity. Unified markets are needed to create a business environment which will stimulate innovation and economic growth, more investment and create new jobs (McGuire, Smith, 2008).

Transatlantic Trade and Investment Partnership (TTIP)

As a new issue the future creation of US – EU Free Trade Agreement, called the Trans-Atlantic *Trade and Investment Partnership (TTIP)* is essential to be mentioned. During the first round of the trade and investment talks, which took place in Washington D.C. in July 2013, negotiating groups set out respective approaches and ambitions in some twenty areas covered by the TTIP.

According to Baldwin, Wyplosz (2009) the Transatlantic Trade and Investment Partnership (TTIP) is a trade agreement that is presently being negotiated between the European Union and the United States. It aims at removing trade barriers in a wide range of economic sectors to make it easier to buy and sell goods and services between the EU and the US. On top of cutting tariffs across all sectors, the EU and the US want to tackle barriers behind the customs border – such as differences in technical regulations, standards and approval procedures. Todaro (2000) underlines that these often cost unnecessary time and money for companies who want to sell their products on both markets. For example, when a car is approved as safe in the EU, it has to undergo a new approval procedure in the US even though the safety standards are similar. The TTIP negotiations will also look at opening both markets for services, investment, and public procurement. They could also shape global rules on trade.

2. Method

The research task is focused on the analysis of the problematic aspects of the mutual trade relations development between the EU and the USA in terms of transatlantic economic area affected by the global economic recession. The research will be focused on exploring of the EU and the USA economies´ operating area in the international economics system as well as the bilateral trade analyses.

In general this chapter will handle the problematic aspects regarding the economic issues between EU and USA. The particular issues will consist of following aspects including: First of all, the task is, on the basis of the EU and US trade policies and their WTO's dispute settlements analysis, to find out weather and to what measure the problematic trade issues between the US and the EU can affect their economic cooperation in the global system of international economics.

To put in other words, this chapter will also handle the mutual problematic US – EU trade issues within the transatlantic economic relations. We will focus on problematic aspect analyses such as the US and EU common trade agenda, WTO dispute settlements regarding the most drivers trade aspect issues – antidumping, countervailing procedures, and trade wars and so on. We will try to figure out weather and to what measure the problematic trade issues between the US and EU can affect their economic cooperation in the global system of international economics development.

Ways of synthetic and analytic methods will be used in the paper. The methods of information analysis, comparative analysis, analysis of data and facts from scientific and professional publications, periodical and no periodical press as well as internet sides will be primarily used and examined. Subsequently the analysis will lead to synthesis and prognosis by means of abstraction method eliminating the less important factors in order to set general statements and opinions.

3. Results

By evaluating the transatlantic economic relation we can claim that in spite of some complicated trade issues basically these relations have good and stable background to bring positive aspects and contributions for both US and EU economies in order to enhance their competitiveness in the international economics system in terms of turbulent ongoing global processes to face to and compete with other economic blocs and subjects. Cooperation and joint leadership between the two partners have historically been the key to all efforts to liberalize world trade on a multilateral basis, including the creation of the General Agreement on Tariffs and Trade (GATT) in 1948 and the World Trade Organization (WTO) in 1995 (Lipková, 2011). Dicken (2007) agrees that trade tensions, disputes, and rivalry coexist alongside and, in part, result from these cooperative and generally positive currents. Bilateral trade disputes have been an important part of the relationship during the Cold War as well as after. They are nothing new nor unexpected given the huge volume of commercial interactions.

Historically, with the possible exception of agriculture, the disputes have been managed without excessive political rancor, perhaps due to the balanced nature of the trade and investment relationship. Larry (2007) argues that the US and EU always have more in common than in dispute, and likes to point out that trade disputes usually affect a tiny fraction (often estimated at 1-2 percent) of the trade in goods and services. In the middle of the first millennium's decade, however, Washington and Brussels are still at loggerheads over a number of issues, ranging from bio-engineered food products and aircraft to the treatment of agriculture in the Doha Round of multilateral trade negotiations. The conflicts have not been easy to resolve, and some of the efforts at dispute resolution have led to escalation and tit-for-tat retaliation. Instead of compromising in an effort to find solutions, policymakers on both sides sometimes appear more interested in getting even.

Congress has been in the middle of many of the trade disputes. By both crafting and passing legislation, Congress has supported the efforts of US agricultural and industrial interests to gain better access to EU markets. Congress has pressured the executive branch to take a harder line against the EU in resolving a number of disputes, but has also cooperated with the Administration in crafting compromise solutions. Combined with a growing value of trade now being disputed, the political and economic effects of trade discord between Brussels and Washington are important questions.

Antidumping and countervailing procedures

A variety of legal procedures, sanctioned by the WTO, provides domestic producers temporary protection against both “fair” and “unfair” trade practices. These include safeguard or import relief procedures for fair trade and anti-dumping and countervailing procedures for unfair trade practices. While these procedures are sanctioned by the WTO, and often referred to as contingency protection, either side’s implementation of these procedures is often controversial. A case in point has been the Continued Dumping and Subsidy Offset Act (CDSOA), or Byrd Amendment. Enacted by the US Congress in October 2000, this provision required that the proceeds from antidumping and countervailing duty cases be paid to the U.S. companies responsible for bringing the cases, instead of to the US Treasury. Cihelková (2003) argued that soon after enactment, the EU and eight other parties challenged the statute in the WTO on the grounds that the provision constituted a “non-permissible specific action against dumping or a subsidy” contrary to various WTO agreements. Basically, the plaintiffs argued that the action has been fitted US companies doubly: first, by the imposition of the antidumping or countervailing duties and, second, by receiving the duties at the expense of their competitors.

Subsidies, dumping, tariffs, duties, quotas

Export subsidy - financial non-tariff trade policy approach to providing budgetary outlays for national exporters, which makes it possible to sell to customers in many other countries at a lower price than the domestic market, thereby accelerating exports. The main difference between the import tariff and export subsidy as trade policies lies in the fact that the import tariff affects the importation of domestic goods price increases, while the export subsidy affects exports boom in domestic prices. The import tariff imposed by the large country improves its terms of trade by reducing its import price, and increasing the relative supply of domestic goods competing with imports, and thereby reducing import demand.

Export subsidy, led by large parties, made a reverse effect: it worsens the terms of trade by increasing its export price, but at the same time increasing the relative export and supply and reducing demand for domestic goods. The import tariff improves the terms of trade in the country the expense of other countries. Export subsidy worsens the terms of trade in other parties. The two trade policy instruments by the distorting effects on domestic prices and consumption structure in the country.

Dumping - financial non-tariff trade policy approach, including the product output to foreign markets, export prices, reducing the expense of lower than normal level of prices in those countries. According to Navickas (2011) dumping can be implemented as separate resources by seeking to conquer their products in foreign markets, so state subsidies to exporters. Commercial practice would be likely to take one of the following forms (Hamilton, Webster, 2009):

- Random dumping - selling goods carried cameo in the foreign market at reduced prices.
- Non anticipate dumping - temporary export prices of deliberate humiliation end displace competitors from the market and subsequently set a monopoly price.
- Constant dumping - fixed export of goods at a low fair price.
- Reverse dumping - the export price exaltation in comparison with the sales prices of the same goods on the domestic market.
- Reciprocal dumping –made between two countries trade by reducing the prices of one and the same price.

Krajňáková, Vojtovič (2012) claim that dumped, usually the market situation at which the elasticity of demand, domestic prices are lower than those in foreign countries. This allows firms with a relative monopoly on the domestic market to sell their product at prices much higher than the foreign market, where demand far more elastic price and where competition is greater.

Opening markets can be beneficial, but it also requires adjustment. According to Jeníček, and Foltýn (2010) the WTO agreements allow countries to introduce changes gradually, through "progressive liberalization". Developing countries are usually given longer to fulfill their obligations. The WTO is sometimes described as a "free trade" institution, but that is not entirely accurate. The system does allow tariffs and, in limited circumstances, other forms of protection. More accurately, it is a system of rules dedicated to open, fair and undistorted competition.

The rules on non-discrimination - MFN and national treatment - are designed to secure fair conditions of trade. So too are those on dumping (exporting at below cost to gain market share) and subsidies. The issues are complex, and the rules try to establish what is fair or unfair, and how governments can respond, in particular by charging additional import duties calculated to compensate for damage caused by unfair trade.

While the EU has taken broad powers to control subsidies, the US does not have anti-trust legislation restraining and restricting subsidies. It is clear that in the EU such controls respond to a reality of persistent and widespread government subsidization. The truth is that in the US various forms of subsidy occur that in the EU would attract the attention of the Commission as representing forms of state aid. Typically, they are justified as supporting either "industrial policy" or "regional development" and they represent in aggregate substantial public expenditure. However, such subsidies do not qualify for consideration by the agencies with authority for implementing anti-trust law.

It is always tempting to believe that setting up a new specialized agency would lead to more rational decisions. But in this case (as in many others) the proposal does not tackle the underlying causes of the problems afflicting the Commission. As Havierniková (2006) estimates setting up a new body would work only if the new agency truly had greater independence than Directorate General IV (the Commission's body now responsible for competition policy) and had independent powers of enforcement. To establish such a body would require great boldness as well as unanimity on the part of Member-States.

According to the European Union delegation by the USA (2013) the *Transatlantic Declaration on EC-US Relations* reporting requirement reflects the overall weakness of the Commission and its dependence on Member-State governments for cooperation in enforcement. It is clearly inadequate as a procedure for direct and close enforcement. It may be noted that the main criticism leveled by observers of EC policy on state aid is that somehow subsidies are approved periodically and repeatedly to the same recipients, departing from the principle of "one-time" aid that should be a feature of all rescue schemes. This suggests that the Commission lack enforcement powers and that the involvement of Member-States undermines the "one-time" principle.

By contrast, the virtue of the American approach has been that Congress and the Executive Branch have been directly and closely involved in management of plans approved by Congress. Congress and the administration have not only been arbitrators between those seeking assistance and their creditors but have taken direct responsibility for negotiations with creditors and trade unions (Allen, Roy 2009).

Trade war – Boeing versus Airbus

According to the European Commission (2013) the United States has launched a major economic dispute with Europe, taking the biggest trade complaint ever to the World Trade Organization for litigation. The stakes are enormous, involving the world's No. 1 and No. 2 civilian aircraft makers – Airbus (owned by a European consortium) and Boeing, which is America's largest exporter. If the World Trade Organization finds that either of the European or US governments is improperly subsidizing the manufacturers, it could allow billions of dollars in retaliatory tariffs.

That, in turn, could cause major turbulence throughout the aviation industry, including the already wobbly US airlines. On the surface, the dispute appears to be about boosting jobs and exports. But really, it's a magnification of the European-US culture clash over the role of government.

Although they're trying to wean themselves from the welfare-state model, Europe's citizens and businesses still reflect a mentality that expects government assistance. Americans, on the other hand, tend to view government help as an emergency measure - like the Chrysler bailout in 1980, or the airlines after 9/11. Airbus itself was born of the French and German governments in 1970. A 1992 agreement between the US and the European Union set restraints on subsidies to Airbus, but as part of the agreement, it still receives favorable public loans to launch new aircraft (Office of the US Trade Representative (online), 2012).

The US and Boeing now say Airbus is healthy enough to fly solo. It's profitable, and last year, it overtook Boeing, grabbing over 50 percent of the world market in aircraft sales. While Boeing produced one new aircraft in the past decade, Airbus rolled out five - a feat only possible, Boeing charges, because of the so-called “launch” aid. The US, in taking the case to the WTO, demands an end to subsidies, and is voiding the 1992 agreement. The Europeans counter that Boeing also drinks from the public spigot. Tax breaks and defense contracts indirectly benefit its commercial aviation business, they charge. They're right, but defense contracts (which Airbus's owners also enjoy) are hardly on par with direct financial loans, and the US has the stronger argument as global business moves away from direct subsidies. The WTO can bring needed transparency to what constitutes an unacceptable subsidy. While critics worry the trade arbiter is ill-equipped to handle such a large and complex case, it has the advantage of being able to depoliticize it - and perhaps force the two sides to an agreement to avoid high WTO-sanctioned tariffs (Office of the US Trade Representative (online), 2013).

4. Discussion

European countries were amongst the founding members of the modern international system of trade rules. This system, which has grown over sixty years into the network of agreements and obligations overseen by the World Trade Organization, helps to ensure that trade is open, predictable and fair. The WTO provides a forum in which all of its members have an equal say in the making of trade rules and in the negotiation of new WTO trade agreements. The WTO system has helped to shape and maintain a system of global trade rules that not only keeps the global economy open for trade, but reflects and respects the special needs and concerns of developing countries. As Hitiris, (2003) underlines, maintaining the WTO system, and ensuring that it continues to adapt to a fast-changing world, is a central priority for Europe‘s trade policy.

Another evidence, that the US – EU mutual trade relations is a very difficult issue to deal with, is the EU and US nations’ different ways of law interpretation in areas such as intellectual property rights, patent and copyright legislation, state aid area and so on. Supposedly, it is the task of WTO to bear in mind this complicated aspect and to propose particular steps how to avoid being that as a negative and determining issue. One of the proper ways might be to work out a complex set of rules or a “guide” how to harmonize those two different juridical concepts.

Foreign trade and investment data depict a strong, interdependent, and significant US – EU bilateral economic relationship. It is a relationship that is likely to grow in importance as advancements in technology and other forces of globalization, plus the future enlargement of the EU, force more trade and investment barriers to fall. The expanded relationship is widely seen as bringing economic benefits to both sides in the form of wider choices of goods and services and greater investment opportunities. But increasing economic interdependence brings challenges as well as benefits. US – EU trade ties have been plagued by disputes that at times have reached the highest levels of policymaking. While these disputes have covered a range of sectors and issues, the most contentious and public have been related to trade in agricultural and agricultural-related products. The United States has taken the EU to task for its ban on hormone-enhanced beef imports and for its policy regarding banana imports.

Yet, the agriculture sector accounts for a very small portion of not only US – EU bilateral trade but also for the total world trade of the two entities. According to Trade and Development Agency (2013) in 2012, agriculture accounted for 4.5 % of total US exports to the EU and for 3.5% of total imports from the EU17. It is beyond the scope of this paper to analyze this contrast between US and EU trade policies and trade volume. But the contrast suggests that the attention received by these disputes at the official level, as well as from the press, reflects the domestic political salience of these issues to a much further extent than their overall commercial or economic significance. Greater economic integration also challenges long-held notions of "sovereignty," as national or regional policies have extraterritorial impact. For example, the US use of foreign policy trade sanctions against such "rogue states" as Cuba and Iran affected EU firms and investors and caused sharp US – EU friction. Similarly, accepted understandings of "competition," "markets," and other economic concepts are tested as national borders dissolve with closer integration of economies.

US and EU policymakers, therefore, continually face the task of how to manage the increasingly complex bilateral economic relationship in ways that maximize benefits and keep frictions to a minimum. For Members of Congress it means weighing the benefits and costs to constituents of greater economic integration and placing this calculation in the context of overall US national interests.

Cooperation and coordinated action, which should be enhanced by the Transatlantic Agenda, the United States and the European Union, are poised to have dramatic impact on global politics, economics and trade. A coordinated multilateral foreign policy between these two government entities has the greatest opportunity for success in the next few years. This is due in large part to the economic difficulties most of the Asian economies are experiencing. Even though several of the European Union countries are experiencing some economic difficulties while they struggle to meet the requirements for the unified currency the Euro, as a combined economy they are poised for tremendous growth. The European Union is beginning to rival, and in the next two decades is likely to surpass, the economic and trading power of the United States. The influence on the policy and actions of multilateral international organizations (i.e. U.N., WTO, WHO, etc.) that these two powers could exert through coordinated actions could very well result in redefined institutions. The positive implications of a successful and prosperous relationship between the United States and the European Union, as facilitated through the Transatlantic Agenda, hold great possibilities for creating a new global political and economic order that will transform the world in the early 21st century.

As a conclusion we can point out that making ironing out the differences in European and American laws and standards a top priority, calling for the creation of a transatlantic single market. Such barriers are not just damaging to EU companies, but have a substantial negative impact on the US economy and consumers as well. To get rid of these negative aspects the good way would be to create the free trade area covering the transatlantic economic environment. As it has been said there are still some obstacles in mutual US-EU trade relations being the problematic trade issues especially on the WTO area.

We have to keep in mind that those particular problematic trade issues usually having the political background are not the drawbacks that could ruin the US – EU long term good economic cooperation. Generally speaking the US – EU trade transatlantic agenda is in good conditions and their trade relations are affected by the negative aspects only by 4% of their mutual trade flows. To create and maintain well working transatlantic cooperation is an advantage for both economies to enhance their competitiveness and leading position in global system of international economics.

By evaluating the transatlantic economic relation we can claim that in spite of some complicated trade issues basically those relations have good and stable background to bring positive aspects and contributions for both US and EU economies in order to enhance their competitiveness in the international economics system in terms of turbulent ongoing global processes to face and compete with other economic blocs and subjects. The point is that those two economies are the main engines of the international economics system and the overall world economic growth and quality of life depends on their development of which base is their economic partnership within their foreign trade relations.

Because the US – EU trade relationship is already the biggest in the world – every day they trade goods and services worth €2 billion, every trade barrier being removed could result in significant economic gains. The US Departement of Commers (2013) claimed that in 2012, the US had a $107 billion deficit in trade in goods with the EU. If negotiated with the goal of increasing employment and well-being for working families, the TTIP could positively affect that trade imbalance and create jobs in the US by increasing net exports. Eurostat (2013) suggests that an ambitious agreement could result in millions of Euros of savings to companies and create hundreds of thousands of jobs. As European Commission (2013) stated, it's expected that every year an average European household would gain €545, as our economy would be boosted by 0.5% of GDP, or €120 billion annually, once fully implemented. The extra economic growth will benefit everyone; boosting trade is a good way of boosting our economies by creating increased demand and supply without having to increase public spending or borrowing.

At present times, at the end of 2013, the EU wants the US to offer the elimination of tariffs on almost all goods from the USA. The agreement called the Trans-Atlantic Trade and Investment Partnership (TTIP) should remove some of the remaining trade barriers. According to the Eurostat Press Office now in 2013 the business between the EU and the USA consists of almost a third of the world trade, their mutual trade exchange goes up to two billion Euros a day. The European Union and the United States began negotiating the Free trade act in July 2013. The forthcoming trade agreement should create the largest free trade zone in the world, and Brussels hopes the negotiations will be concluded by the end of year 2014. In the negotiations on free trade the European Union will offer the United States the elimination of tariffs on almost all imported goods. EU wants to offer cancellation of up to 96 percent of current import duties. The EU wants to keep the protection only for a few sensitive products such as beef, poultry and pork. We can say it is just the first step, but it sends a message that no sector will be fully protected against liberalization. The EU proposal is to be divided into four groups. Firstly Brussels will offer to cancel 96 percent of duties with the fact that Washington will take the same step. There are also two groups to be proposed, in which tariffs will be cut in the period of three and seven years because the EU industry needs to be adjusted to the change. These groups will include three percents of the goods for which duty currently are being applied, in addition to, for example, some commercial vehicles and certain agricultural products. The final group contains the very sensitive goods such as beef, poultry and pork, which should remain protected, but to the United States the increased quotas on imports of these products will be applied. The quotas issue will be discussed later on during the TTIP free trade area negotiations between the EU and the USA over the year of 2014.

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