

## Honorable Mention Prize:

# A Solution to Transatlantic Trade Disputes

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### Abstract

*This essay deals with the contentious issue of transatlantic trade disputes between the United States (US) and the European Union (EU). Section one looks at the history of US-EU relations. Section two summarizes the recent treaties signed. Section three describes selected ongoing trade disputes. Section four proposes two five-point-plans: the first to settle current disputes, the second to prevent future ones from occurring.*

*To settle current disputes, bilateral studies are proposed to demonstrate the economic benefits of agricultural trade liberalization and to conclusively demonstrate the effects of Genetically Modified Organisms (GMOs). To settle the e-commerce dispute, a conference that includes all involved parties is proposed. Finally, a renewed push to change EU and US domestic laws so that they cannot unilaterally oppose World Trade Organization (WTO) decisions is called for.*

*Prevention is emphasized as the superior method for curing the ills in EU-US trade relations. A semi-annual agricultural conference between the actual farmers of the EU and US is proposed, to be followed by a farmers' exchange program. It is advocated that funding be restored to the Transatlantic Environmental Dialogue, to further include people in the process. To promote cultural empathy, it is recommended that mandatory modern Europe history courses be taught in US high schools. It is recommended that media channels like game shows such as Jeopardy! be exploited to cover more EU-based subject matter. Finally, it is proposed that a "blue phone", similar to the Russian "red phone", be established in the offices of the US and European Commission (EC) Presidents, while a Transatlantic "Virtual Trade Panel" is shown to be effective in providing an early warning system against trade disputes.*

### Introduction

Throughout the world, poverty is being alleviated through the forces of globalization, as efforts to extend capitalism and democracy into untamed areas continue with vigour. The two major players on this global stage, the United States (US) and the European Union (EU), are critical to this process. They have similar values and cultures, are each other's wartime allies, and have a trading relationship that is quantitatively unparalleled. Their size also lends them a manner of confidence, propelling them to acrimoniously protect their own interests by ignoring multilateral agreements. These violations of international law occur at the expense of their transatlantic relationship; consequently, the rest of the world also suffers. It is obvious that if these two economic juggernauts could be made to mend their minor

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differences, an escalation into devastating hostility could be prevented. Indeed, if the US and EU could be made to fully cooperate, the potential for liberalisation in erstwhile uncertain locales would be boundless. Clearly this would be a desirable outcome.

Before offering a solution to these tribulations, a history of European and American relations must be examined. Since recent diplomatic attempts have been made to bring the two closer, recent treaties must also be understood. Only then may recent disputes be viewed in the correct context. A treatment on the most important of these disputes can then be followed with ideas for specific mechanisms to amicably settle disputes and prevent their occurrence in the future.

### **History of US-EU Relations**

To understand relations between the United States (US) and the European Union (EU), it is important to understand the history of the two involved parties. Significant trade between the US and the countries that compose the EU dates back only to the end of the Second World War. Historically, European nations were competing with each other to create world-spanning trade empires. To this end, they established colonies in Africa, Asia and America to facilitate trade in goods. By the nineteenth century, however, the North and South American colonies had established their independence. African, and to a lesser extent, Asian, colonies remained for more than a century under the respective subjugation of Britain, France, Spain and other European nations. As a matter of conservative strategy, the Monroe Doctrine originated 1823. The US focused its political and economic attention on its geographic neighbours and observed an isolationist stance with what it saw as a turbulent and unpredictable Europe. As President Monroe stated: “The existing colonies or dependencies of any European power we have not interfered and shall not interfere.” The US foreign policy remained in this xenophobic state for the rest of the nineteenth century and to some extent into the twentieth century.

The US isolationist policy changed after it was required to enter the two World Wars to protect the principles of democracy and capitalism. World War I saw the US become not only the world's greatest military and political power, but also the world's creditor, as most western European nations repaired their economies with help from large amounts of US aid. The Second World War saw the US enter again reluctantly and belatedly; however, this time they understood the need for a tool to prevent this type of conflict from occurring again. The 1940s and 50s gave rise to many international institutions of policy and trade. The United Nations (UN) and the European Economic Community (EEC), the latter being the predecessor to the EU, continue to be the two most successful examples of those initiatives. Nothing brings nations closer together than fighting a war against a common foe. Consequently, the two World Wars facilitated the formation of many links between the United States and European nations such as France, England and Italy. Partly because of this new affinity, the General Agreement on Tariffs and Trade (GATT) was established, and was in effect from 1948 to 1995. The principle of the GATT was that each member state agreed not to make unilateral tariff increases. Fundamentally, the GATT supported multilateralism and nondiscrimination, although it had no power to enforce these principles. Despite the fact that it never had any status in international law, it

was reasonably successful in serving as the basis for consistent trade policy between western nations for decades after the war.

Europe and America solidified their ad hoc wartime military alliance in response to the perceived Soviet threat. Russia and its neighbours joined to form an economic and military bloc that would later culminate with the creation of the Soviet Union under the Warsaw Pact. Before this occurred, many European nations joined with the US and Canada to form the North Atlantic Treaty Organization (NATO) in 1949. This regional defense alliance further harmonised the US and EU in foreign policy, and led to an increase in transatlantic trade. Over the years the existence of NATO has arguably led to closer ties among its nineteen members and to a growing community of interests. Interestingly, however, the NATO alliance has recently begun to crumble, under the strain of shifting motives in both the European and North American member nations. Recent attempts have been made to establish the European Security and Defense Initiative (ESDI), a wholly European defense facility that is independent from NATO. For this reason, observers wonder if NATO will survive another ten years.<sup>2</sup>

After the dissolution of the Warsaw pact and the fall of the Berlin Wall in 1989, many scholars assumed that NATO and the transatlantic relationships it helped to stimulate would subside. This theory was proved to be false by the increase in trade between the US and EU after the collapse of the Soviet Union. Indeed, US exports to the EU have risen 56% between 1988 and 1996, while EU exports to US destinations rose a similar 52%.<sup>3</sup> US direct investment in the EU-15<sup>4</sup> has risen 67% over the same period.<sup>5</sup> Trade and positive relations are as important now as they were during the Soviet threat.

After many years, however, the GATT's deficiencies, including its lack of enforcement authority and its inconsistent laws, had become apparent; there arose the international will to create a stronger and more consistent international trade dispute settlement mechanism. Throughout GATT's existence there were negotiations designed to improve relations between its members; from the Kennedy Round in the 1960s, the Tokyo Round in the 70s, to the Uruguay Round of negotiations from 1985-94, members discussed ways to extend and improve the agreement. The last round of discussion resulted in the creation of GATT's successor, the World Trade Organization (WTO).

Despite the growth of connections between them, Europe and America continue to think, to a certain extent, in a north-south direction. Europe is still protective of its former colonies in Africa, and prefers to trade within its own region; for example, Mauritius, a former French colony, does 89% of its trade with the EU<sup>6</sup>. For its part, America has, however reluctantly, lifted most barriers to trade with its immediate neighbours, Canada and Mexico, under the North American Free Trade Agreement

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<sup>2</sup> Dr. Bruce Muirhead, Professor of History at Lakehead University. Private interview. 4 Mar. 2001.

<sup>3</sup> *US Transactions with the EU*. U.S. Department of Commerce.  
<http://www.useu.be/FACTFIG/transac.pdf>

<sup>4</sup> The fifteen countries that compose the EU.

<sup>5</sup> *U.S. Direct Investment Position Abroad*. U.S. Department of Commerce.  
<http://www.useu.be/FACTFIG/dirinv.pdf>

<sup>6</sup> *EU-US News – Volume II, number 6*. Office for Official Publications of the European Communities.

(NAFTA), signed in 1993. The ambitious plan of creating a free-trade zone across the Americas by extending NAFTA to Latin America, with the exception of Communist Cuba, has been rendered more palatable to conservative Americans by the success of the current FTA. Formal talks began in 1995 to extend NAFTA to Chile. Although it would be unlikely for a divided congress to pass such a liberal-minded bill, US President George W. Bush and other republicans would certainly be interested in taking limited measures, such as a continental energy pact or a continental water pact.

Thus, despite an ever-closer relationship being forged between the US and EU, fostered by wartime and peacetime military alliances and furthered by economic interests, an economic rift remains between them. Progress towards two FTAs continues, with one such FTA comprising the Americas and the other comprising the EU and its former African colonies. The free trade area (FTA) in North America and the European common market threaten to diverge rather than converge, with economic consequences for all.

### **Recent Treaties and Agreements**

Before 1947, any country was free to impose tariffs on its imports, and indeed, the 1930s saw a high-water mark of world protectionism as each country sought to raise its employment and national income by raising its tariffs. The result was lowered efficiency, less trade, but no more employment or income. Since the end of World War II, much effort has been devoted to reducing tariff barriers.

Until 1990, the GATT was all that existed of the US and EU's formal trade relationship. November of that year, however, saw the creation of the Transatlantic Declaration, which agreed to ongoing efforts to "bring closer together the peoples on both sides of the Atlantic."<sup>7</sup> This declaration outlined the common goals shared between the US and the EU, and the principles of a US-EU partnership. Specifically, the signatories of this declaration "recognize the importance of strengthening the multilateral trading system,"<sup>8</sup> and as such agreed to "support further steps towards liberalization, transparency, and the implementation of GATT and the Organization for Economic Cooperation and Development (OECD) principles concerning both trade in goods and services and investment."<sup>9</sup> Most importantly, the Transatlantic Declaration outlined the "Institutional Framework" for further consultation on transatlantic relations.<sup>10</sup> Specifically, it demanded bi-annual consultations between the EU and US at cabinet, ministerial and presidential levels. These consultations have proved fruitful in further developing relations: witness the New Transatlantic Agenda, and its subsequent organizations.

At its conclusion four years after the EU and US reaffirmed their commitments to free trade in the 1990 Declaration, the Uruguay Round was hailed as the most progressive set of trade-liberalizing agreements ever to be agreed upon by so many nations – 123 were signatories in 1994. One blemish on the Uruguay Round's overall success was a lack of a major liberalization of trade in agricultural goods. Before the EU's Common Agricultural Policy (CAP), Europe had agricultural areas in which it used to

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<sup>7</sup> *Transatlantic Declaration on EC-US Relations*. 3 Dec. 1990.

<sup>8</sup> *Ibid.*

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*

be dependent on developing nations. Because of the success of the CAP, the EU resisted any liberalization of agriculture; Canada had similar objections. Despite this notable exception, the successful completion of the Uruguay Round represented a major victory for the supporters of a strong, rule-based, multilateral trading system like the World Trade Organization (WTO).

In November of 1995, the WTO's founding year, more than 100 US and European chief executives met in Seville to launch the Transatlantic Business Dialogue (TABD). Since then it has quickly become a force for reinforcing the trade expansion constituency, by advocating the harmonisation of many redundant domestic certification requirements. As approximately one half of the \$110 billion of US merchandise exports to the EU require some form of EU certification in addition to any domestic certification requirements, the elimination of redundant red-tape could reduce the base cost of exports for corporations by as much as 15%.<sup>11</sup> Because of its strong corporate backing on both sides of the Atlantic, the TABD is, and will continue to be, an influential force in transatlantic trade policy.

Less than a month after the TABD was formed, presidential and ministerial dignitaries met in Madrid for 1995's EU-US summit. There, the New Transatlantic Agenda (NTA) was created. The Agenda was a wide-ranging agreement dealing with four broad categories: Promoting Peace and Stability, Responding to Global Challenges, Contributing to the Expansion of World Trade and Closer Economic Relations, and Building Bridges Across the Atlantic. Using the force of 1990's Transatlantic Declaration as a foundation while incorporating agreements reached at the inaugural TABD conference, the NTA was a monumental achievement of diplomacy. Leaders, notably then European Commission (EC) President Jacques Santer, vehemently expressed a desire for the NTA to include substantive proposals so that real progress might be achieved in improving the transatlantic relationship. Said Santer of the Agenda: "We decided to underpin our relations with a more practical, action-oriented approach based on *deeds not words*."<sup>12</sup> Significantly, the NTA included the "Joint EU-US Action Plan", seemingly detailing more than 150 specific actions. They include the mandate to conclude by the end of 1996 a customs cooperation and mutual assistance agreement, as well as the decision to combat corruption and bribery by implementing the 1994 OECD Recommendation on Bribery in International Transactions.<sup>13</sup> Even with these encouraging steps from word to deed, the Action Plan did not include any specific agreements outside of what the US and the EU had already agreed. Any areas where disputes exist were met with complacency; with reference to the controversial issue of data privacy, the Action Plan stated ambiguously: "We will discuss data protection issues with a view to facilitating information flows, while addressing the risks to privacy."<sup>14</sup> Despite its actual substantive shortcomings, the NTA is the most significant foreign policy agreement ever to be reached between the US and the EU. Any solution to trade disputes must inevitably build on the ideas set forth in the NTA.

Three years later, building on the success of the NTA, President Bill Clinton, Prime Minister Tony Blair, and EC President Jacques Santer met in May 1998 for one of

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<sup>11</sup> "The Stern Group" Article. TABD website: <http://www.tabd.org>

<sup>12</sup> Speech by Santer to the Transatlantic Policy Network at *Le Cercle Royal Gaulois*, 30 Nov. 1995.

<sup>13</sup> *Joint EU-US Action Plan*, 3 Dec. 1995.

<sup>14</sup> *Ibid.*

their regular consultations as established in the Agenda, this time in London. There, they forged the Transatlantic Economic Partnership (TEP), a new agreement that extended US-EU multilateral and bilateral commitments, though this time specifically with reference to trade and economic policy. According to the White House, “The [TEP] initiative covers more than a dozen areas where the US and EU will negotiate the reduction and elimination of existing trade barriers or improve regulatory cooperation in areas such as services, industrial tariffs, agriculture, global electronic commerce, intellectual property rights (IPR), investment, government procurement, and business facilitation.”<sup>15</sup> The TEP again made many substantive gains in areas of low EU-US friction, such as the reformation of IPR law and a continued resolve to keep e-commerce duty-free. Although the acrimonious area of agriculture was given absolute priority at this summit, all they could agree on was to “improve our scientific and regulatory cooperation.”<sup>16</sup> Since they missed any specific reference to policy changes, in practice the US-EU agricultural relationship did not improve.

A product of the sweeping 1995 New Transatlantic Agenda was the creation of multiple NGOs in the interest of furthering the transatlantic relationship down community lines. An Internet-based initiative of note is the Transatlantic Information Exchange Service (TIES). Their mission “is to strengthen the transatlantic partnership by promoting dialogue between individuals on a people-to-people level.”<sup>17</sup> Countering the well-funded TABD, which serves the interests of corporations, are the Transatlantic Consumer Dialogue (TACD), and the Transatlantic Environmental Dialogue (TAED). The latter was the product an effort to organize the long-standing relationships between NGOs in Europe and the US. Worryingly, this important bastion of hope for environmental groups had to cease its operations in November of 2000 due to a lack of funding from the US and EU governments that created it. In a letter to the leaders of the US and EU, John Hontelez, member of the Steering Committee of the TAED said: “The US government has always pretended the TAED is of great importance to them. This failure however does not confirm this.”<sup>18</sup> An organization such as this provides a link from government and corporate interests to the general public that most NGOs try to represent. Given the wealth shown by the TABD, it would have been easy to provide funding for this essential organization. It is unfortunate that the TAED could not find access to those funds.

### **Recent EU-US Disputes**

In contrast to this diplomatic grandstanding, huge and awkward issues are yet to be resolved. A perfect illustration of this: the two greatest democracies of the world, currently squabbling over bananas and beef. As of December 2000, the US and EU had 13 active WTO disputes underway.<sup>19</sup> The most important areas of dispute between the US and EU deal with agricultural tariffs, Genetically Modified Organisms (GMOs), differences in regulatory standards, and e-commerce.

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<sup>15</sup> *Fact Sheet: The Transatlantic Economic Partnership*. The White House, Office of the Press Secretary. 18 May 1998. <http://www.useu.be/summit/partn518.html>

<sup>16</sup> *Ibid.*

<sup>17</sup> *TIESWeb – Mission*. <http://www.tiesweb.org/divers/about.html>

<sup>18</sup> “Transatlantic Environment Dialogue suspends its activities due to the failure of US government to stick to its commitments.” Press release, Brussels, 21 Nov 2000. <http://www.tiesweb.org/taed/>

<sup>19</sup> *EU-US News – Volume II, number 6*. Office for Official Publications of the European Communities.

Agriculture represents the largest source of global trade relations animosity, as most nations feel that they must heavily protect this sector. Most modern democracies agree with the economic principle that free trade allows nations to export commodities in which they have a comparative advantage in and import commodities that they do not; they further agree that this is a principle which benefits all parties involved. Agriculture, however, is an area of particular sensitivity. Most nations worry about becoming dependent on others providing them with such a critical item. The transatlantic relationship is no exception to this principle. In addition, the French are now asserting that agriculture also benefits the countryside, and use this as further justification for a continuance of the CAP. The EU still stands by its CAP program which occupies a staggering 46% of the EU budget, and has a similar sympathy to its banana regime.<sup>20</sup> The latter, a relatively tiny dispute over bananas, has received much attention as it represents the EU-US agricultural disagreement in microcosm. In April 2000, the WTO confirmed for the fifth time in six years that the EU's banana regime is not consistent with its international trade obligations. The US has now imposed 100% duties on \$191.4 million in goods from the EU, which will remain in effect "until the EU institutes reforms of its banana export regime in a manner consistent with its WTO obligations."<sup>21</sup> The EU, however, wishes to maintain its influence in its former colonies, hence it is only willing to make superficial changes to its regime. The EU also introduces statistics to show that the US is also unfairly subsidizing agriculture, and increasingly so.<sup>22</sup>

A related concern deals with a WTO-condemned EU ban on imports of beef produced with growth promoting hormones. People on both sides of the Atlantic are concerned about the safety of genetically modified foods. Because of the different political process in Europe, the popular backlash against GMOs has been more effective there than in the US; indeed, Europeans have dashed the expectations for high-tech GMO seeds from both European and American businesses.<sup>23</sup> In the US, people and NGOs have been slower to realize the changes in their foods, and the structure of US congress means that corporations can influence legislators more effectively. Neither supporters nor opponents of GMOs can entirely substantiate their positions; the conflict is inherently emotional and value-based. Since US and Canadian firms have made great advancements in pioneering GMO technology, they are particularly disappointed at its failure as an export crop. In ongoing WTO dispute resolution hearings, it was decided in May 2000 that further studies should be made to obtain more complete scientific information. Whether the US and EU will comply with recommendations made in these studies is still uncertain.

The most semantically complex EU-US dispute deals with regulations and their discrepancies. Despite a number of positive changes in US legislation following the implementation of their Uruguay Round commitments, problems remain due to discrepancies between US legislation and other international commitments. The protection of trademarks in the US, notably those stemming from Cuban origin, is currently in disagreement with accepted international laws. Moreover, the co-

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<sup>20</sup> *From bad to worse, down on the farm.* The Economist, 1 Mar 2001.

<sup>21</sup> *Prepared statement of Ambassador David L. Aaron, Under-Secretary for International Trade, U.S. Department of Commerce, before the US House of Representatives Committee on International Relations.* 15 June 1999. <http://www.useu.be/ISSUES/aaron0617.html>

<sup>22</sup> *EU-US News – Volume II, number 6.* Office for Official Publications of the European Communities.

<sup>23</sup> *Ibid.*

existence of fundamentally different patent systems – the US first-to-invent system versus the first-to-file system followed in the rest of the world – continues to create extensive interfacing problems for EU companies. Additionally, the EU and US continue to be irritated at one another for their mutual failure to ratify the Kyoto Protocol. The EU accuses the US of relying completely on emissions trading rather than legislating genuine domestic pollution controls. Both parties, however, wish to change. Stuart E. Eizenstat, Under-Secretary of State comments: “. . . it will be important for us to hammer home the principles of fair and transparent trade rules, of respecting international commitments, and of using scientific principles, not politics, to make environmental, health, and safety decisions. Relying on these principles is the best way for the United States and the EU to reduce our frictions and to remove the emotions that so often cloud what should be technical actions.”<sup>24</sup>

Fully one third of US and EU economic growth comes from information technologies.<sup>25</sup> It is with a vested interest in maintaining the long-term future of e-commerce that the US and the EU agree. They disagree, however, over the extent to which government should be involved in data privacy. The United States recently endorsed the Council of Europe’s cybercrime treaty, which aims to harmonise laws against hacking, Internet fraud and child pornography. They take issue, however, with the broader European Data Protection Directive, which will change the law in all 15 EU member states to one that prohibits the transfer of personal information from Europe to third countries that do not provide “adequate” data protection<sup>26</sup>. Consequently, European consumers may now sue US-based Internet sites in their own countries.

The WTO was created to resolve such disputes; it is a failure for the same reasons as its predecessor: namely, a lack of authority. Although the WTO was created with “binding” arbitration powers, since its decisions must be confirmed by national governments, it can be ignored by powerful entities like the US and EU. Europe, for example, refuses to change its banana regime because it feels that doing so would not be acting in its best interests. While the US has in practice made extensive use of the WTO dispute settlement system, it retains the opportunity to impress unilateral trade sanctions. Recently the EU has won two dispute settlement cases before the WTO, one against the suspension of customs liquidation in the banana dispute, and one against Sections 301 to 310 of the US 1974 Trade Act<sup>27</sup>. Both decisions were rejected by the US Congress. As long as the US and EU flaunt WTO dispute settlement resolutions, no amount of sham treaties and glib speeches will ever lead to consistent and fair international law.

## **The Underlying Causes**

To effectively resolve transatlantic problems, two things must be done. First, existing disputes must be settled, and second, disputes must be prevented from occurring in

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<sup>24</sup> *An Address To the Secretary's Open Forum*. Stuart E. Eizenstat, Under Secretary of State for Economic, Business, and Agricultural Affairs, Department of State. 6 Apr. 1999.

<sup>25</sup> TIES interview with Secretary of State Madeline Albright, US Secretary of State. Sep. 2000. <http://www.tiesweb.org/interviews/albright.htm>

<sup>26</sup> *EU Data Protection Directive*. [http://europa.eu.int/comm/internal\\_market/en/media/dataprot/wpdocs/wp12en.htm](http://europa.eu.int/comm/internal_market/en/media/dataprot/wpdocs/wp12en.htm)

<sup>27</sup> *Report on United States Barriers to Trade and Investment*. European Commission. Jul. 2000. <http://europa.eu.int/comm/trade/pdf/usrbt2000.pdf>

the future. Settling the issues in question means that each should be individually addressed and corrected, necessitating a five-point plan. Prevention requires initiatives that go beyond what has already been proposed, requiring another five-point plan.

### **Specific Mechanisms to Amicably Settle Disputes – The First Five-Point Plan**

Of major importance is settling the agricultural issue. Since it dominates the transatlantic trade woes, significant energies should be directed to correct the situation without delay. Both the EU and US are strong forces; it is obvious that neither wants or feels the need to cede their respective positions regardless of any judicial ruling. Thus, a new panel of scientists, economists and farmers, half American and half European, should be created to study the effects of a repeal of farm subsidies. Issued after an investigation period of one to two years, the study would conclusively show that although certain kinds of farming would be reduced in areas where it has been artificially stimulated, it could be replaced by other kinds, and all would benefit in the long-term. If farmers were also involved in this process, both sides would be more willing to commit to respond in action to the findings of this committee. Indeed, before the study begins, both sides should pledge, in a formal treaty, to respond in action to the study's recommendations. To avoid undermining WTO authority, this panel could be made a subset of the WTO processes.

The second point addresses GMOs. Because the issue of GMOs is not a mere transatlantic issue but a long-term bioethics dispute, undoubtedly destined to be waged on for many more years, it is difficult to conclusively resolve. One thing can be changed for the better, however: this moralistic dispute should be equipped with more facts and less emotions. Thus, another bilateral committee should be commissioned to determine what the long-term health and safety risks are in consuming GMOs. Scientists and representatives of consumer advocacy groups opposed to GMOs should be represented on this committee, to give it an air of balance and make it seem less technocratic.

With respect to regulatory harmonization, the best approach has been shown to be further communication between involved groups. Since neither the EU nor the US is opposed to this process, the only obstacle is one of communication. To this end, a renewed commitment should be made to hold annual conferences on regulatory harmonization with that goal being the sole item on the agenda. Commercial and non-governmental interests alike would be invited, and government would participate at the ministerial level. The EU and the US should commit to reduce their use of the WTO's dispute settlement system. They could then begin using these conferences to confront their differences.

E-commerce is a more contentious issue, involving complex technological and moral qualms. Bringing involved parties together is the only way to obtain a level of mutual understanding wherein positive change can be made. A one-time EU-US Forum on Internet Regulation (FIR) should be held to determine and harmonize future data privacy policies. The FIR should allow NGOs and government leaders from both sides of the Atlantic to meet to determine a consistent policy. Technology leaders should also be present to discuss the technical and commercial feasibility of propositions made. Such concerns as the ones expressed by the French to keep neo-

Nazi websites from its citizens can be corrected while still allowing for other nations to allow unrestricted access, given enough discussion and consultation with technology leaders. The conference would conclude with a new NGO created to serve as the legal heir to the Internet, so the US could remove itself from any official involvement.

Finally, the WTO's arbitration process must be made more binding. As long as the two largest powers in the world participate in international laws only on a case-by-case basis, and do not feel bound to consistently follow them, the potential for conflict will always exist. Groups should push for both the EU and US to submit their trade policies to WTO authority, with no legal possibility for unilateral action. Corporations and developing nations alike benefit from non-tariff trade. These parties should join forces to lobby the US and EU to ratify trade authority with the WTO in their constitutions.

Clearly, given the difficulties in resolving current transatlantic disputes, it is more efficient to create mechanisms that prevent future clashes than to settle each dispute as it arises. Five initiatives, designed to preclude the possibility of future conflict, are called for.

### **Initiatives to Prevent Disputes from Occurring in the Future – The Second Five-Point Plan**

Preventing future agricultural disputes means getting the farmers themselves to support free trade. Currently, farmers in the US and EU have little communication between them. To change this, an annual agricultural conference should be held, hosted at alternating EU and US locations. Since both annually spend about \$32 billion each on farm subsidies, funding for this conference should not be difficult to procure. Agricultural organizations, such as the Maryland Agriculture Council and the European Agriculture Federation, could find volunteers willing to do a government-funded exchange, to learn about farming practices on another continent. Ideas would be spread; cultural empathy would be promoted. The benefits of EU-US farming awareness are clear: farmers on both sides of the Atlantic will be more open to liberalization with a party they know and trust than with "foreigners".

The second initiative called for to prevent future conflict is simple: bilateral funding must be restored to the TAED. Their important work in giving NGOs with environmental concerns a voice in government affairs must be allowed to continue. If NGOs and the millions who support them do not feel that they are a part of the process, trade liberalisation will be an alienating process. Without NGOs, an impression will be left that multinational corporations are dictating the agenda, and popular support for free trade will never materialize.

Thirdly, funding should be made available by US and EU governments to create a multilateral research facility focusing on alternate fuels and environmental research. This large, publicly funded entity would have transparent research processes analogous to those pioneered by the highly successful Human Genome Project. The purpose of this organization would be to springboard private initiatives by US and EU firms, as they would have a strong incentive to spearhead faster and more effective ways of using the research developed in order to market the products on their own.

Accelerating the development of environmentally-sound technology would alleviate problems of pollution in an economically-sound way. Productivity would not need to be sacrificed, and both the US and EU could meet their Kyoto Protocol agreements.

Fourth, a new program of Cultural Empathy should be started, to draw on the commonalities between Europeans and Americans. There is a severe deficiency of understanding about the EU in America. It is estimated that 92% of US high school students do not even know what “EU” stands for.<sup>28</sup> Therefore, a modern European history course should be made mandatory in all US high schools. Because of the prevalence of the media in American culture, it could also be exploited to increase EU awareness. Game shows like *Jeopardy!* and *Who Wants to Be a Millionaire?* should be approached and asked to include references to the EU and its processes. A similar program in Europe is less necessary, as there is already widespread US awareness. Furthermore, in accordance with the NTA Action Plan, more student exchanges and internships should be conducted.<sup>29</sup> Governments could provide direct funding, while also giving corporations incentives to sponsor as well. At the professional level, exchanges of low- to mid-level personnel in government and corporate agencies would help break down barriers of suspicion. Tax incentives for corporations participating in this program should be discussed at the next EU/US summit.

The final preventative initiative would be to increase the connections between government officials in the EU and US. The “Blue Phone Initiative” would see special hot-wired phones between EC President Romano Prodi and US President Bush. Similar to the celebrated “red phone” between the US and Russia, this set of blue phones, in addition to substantially increasing communication between the leaders, would serve as a symbol the media could focus on. This would lead to increased attention to transatlantic issues by all parties involved. Blue phones could even be established in the offices of corresponding US secretaries and EU commissioners. Another exciting concept that should be implemented is a “Virtual Transatlantic Trade Panel”. This would be comprised of two permanent facilities, having one in Brussels and one in Washington, with teleconferencing capabilities. Members of the panel, under the direct supervision of the Secretary of State and the External Relations Commissioner, would meet every day to discuss transatlantic trade. Heads of state at the ministerial level could also use the service on an ad-hoc basis, profoundly increasing communication and understanding between the two continental powers. This panel would function as an early warning system of the kind talked about in the NTA and in many speeches by EU and US officials.

The US-EU bilateral trade and investment relationship is the largest in the world, valued at \$1.4 trillion.<sup>30</sup> Millions of jobs on both sides of the Atlantic are supported by the other’s investments. In such a large relationship, disagreements are inevitable. Nevertheless, measures can be taken to mend current conflicts while reducing the chance of future ones occurring. A renewed set of conferences and committees combined with a restatement of commitment to the WTO should serve to cure present ills, while rehabilitated funding for existing initiatives and an improved set of inter-government communication tools will help to diffuse crises before they occur. With

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<sup>28</sup> Classroom surveys of 50 sophomore students done in Detroit, Michigan. Feb. 2000.

<sup>29</sup> *Joint EU-US Action Plan*. Section IV-3. 3 Dec. 1995.

<sup>30</sup> TIES interview with Secretary of State Madeline Albright, US Secretary of State. Sep. 2000.  
<http://www.tiesweb.org/interviews/albright.htm>

its most successful nations balanced in a mutually beneficial relationship, consistent mechanisms to keep the relationship free of quarrel cannot help but bring to the world a prosperous dynasty of progress and plenty for all.