



## US and EU Trade Relations

The EU and the US are the two largest markets and traders in the world by a large margin. Together they account for approximately 60% of international trade. Their size gives them significant power in negotiations, which allows them to form and shape the rules as they wish. By working in partnership the two heavyweights are much more likely to arrive at the results they want. However the two traders are also each other's most serious competitor in third markets as well as being by far each other's largest commercial partner.

### Trade Disputes

- Trade dispute between the two superpowers of world trade are often related to their wish to see their economic model or regulatory system accepted into the world economic system. Having one or the other's system accepted gives a significant advantage to that economy or to the sector of the economy which is concerned with expanding its market in third countries.

### Negotiating Hand in Hand

- During WTO trade negotiations the US and the EU often work together in private to form a common position. This allows them to then slowly expand their position to take account of one or two of their closest allies. Then once their position is refined it can be presented to other countries as a 'done deal', leaving smaller countries in the difficult position where they have to accept the position or risk being sidelined.

### Strategic Economic Sectors

- In an increasingly liberalised world, the aim of each country is to gain economic dominance in strategic sectors. These are the sectors that inherently have high rents upon the investments made in them, have crucial stickiness [ie are very difficult to relocate to another country] and multiplier effects [they inherently give benefits to other industries and parts of the economy.] It is the ability of countries to obtain and retain importance in these economic sectors that determines the overall economic power of each country. Therefore countries also see the establishment of rules that will consolidate these strategic sectors within their own economies as in their interest. A clear example of such rules could include the enshrinement of intellectual property rights.

### Dispute Settlement Mechanism

The Dispute Settlement Understanding is the legal document that sets up a mechanism for the resolution of disputes between WTO members over the implementation of WTO rules/law. It sets up a quasi-judicial process that decides upon the case at hand and has the potential to authorise the use of retaliatory sanctions if the defendant in the case fails to implement the recommendations adopted. There have been a number of high profile cases between the EU and the US, which highlight rivalries between the two economic superpowers.



### The Shrimp Case

In perhaps one of the most controversial of the WTO cases brought to the WTO Dispute Mechanism to resolve, the US was challenged over its imposition of an import restriction on shrimp that had not been caught using turtle friendly nets. The US argued that it was using the restriction to protect the environment. The complainant south-east Asian countries argued that it was a restriction on their products to the US market, and was therefore a barrier to trade. The case highlighted the strength of WTO rule making in international governance.

If the DSM had decided that the US could restrict the importation of shrimps that hadn't been caught in turtle friendly nets, then the DSM would have effectively allowed the US to unilaterally regulate the way in which shrimp must be caught world wide, as the US was a large importer of shrimp. This could effectively overrule the democratic wishes and deliberations of third countries. It is also likely that the regulation would have helped protect the US shrimp fishermen from competition. However if the DSM had decided that that the import restriction was illegitimate then it was making it impossible for the US to take action to help save the turtles.

Initially the Dispute Settlement Panel ruled against the US. However in the appeal to the appellate body, a large part of the ruling was overturned in a way that claimed the US had implemented its regulations in a discriminatory manner (the regulation initially only applied to the western hemisphere). The appellate body left space for the US to implement a WTO compliant way of restricting the import of non-turtle friendly shrimp.