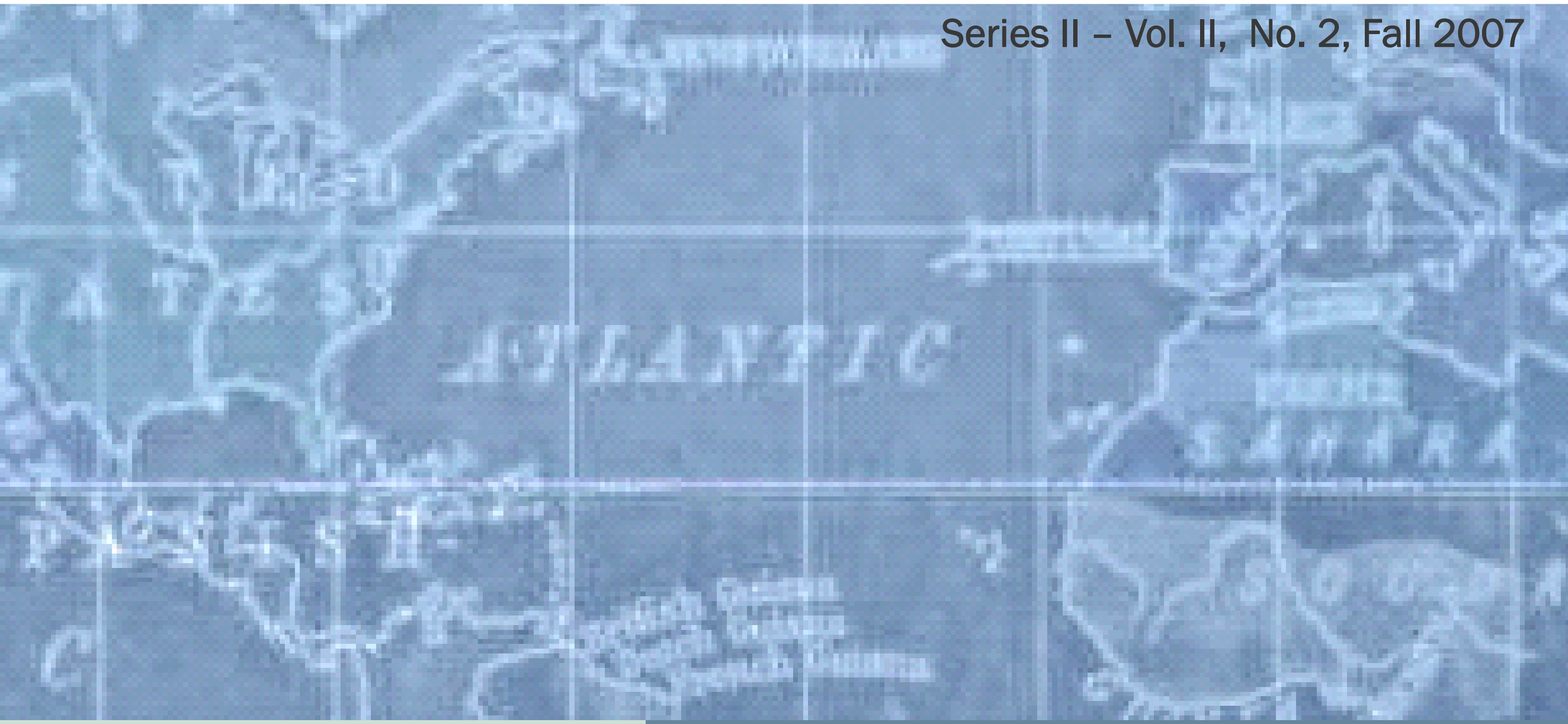
FREEDOM & UNION

Journal of The Streit Council for a Union of Democracies

Series II – Vol. II, No. 2, Fall 2007



US, EU Agree to form a Unified Transatlantic Market

Sen. Bob Bennett,
MEP Erika Mann,
Thomas Palley,
and others

Recent Events in Transatlantic Relations

February 11, 2007 *NATO chief calls for new Strategic Concept*
NATO Secretary General urged members to agree by 2009 on a new "strategic concept" for the body.

February 21, 2007 *EU Ministers Commit to 20% Emissions Cuts by 2020*
European Union environment ministers committed to achieve "at least a 20% reduction" in EU greenhouse gas emissions by 2020, but failed to agree on how to share the burden between the 27 nations. The ministers agreed that the more developed Western EU countries should take the lead and bear most of the burden.

March 22, 2007 *EU Governments Approve Open Skies Accord with United States*
The European Union agreed to deregulate trans-Atlantic travel, endorsing an aviation treaty with the US. to spur competition, encourage mergers and end protection. Transport ministers approved an "open-skies" accord allowing EU airlines to make US flights from any of the bloc's nations instead of from just their home country. The accord will result in an increase of 26 million transatlantic passengers, 72,000 new jobs, and a savings to consumers of US$ 16 billion over the next five years.

April 19, 2007 *Unions Explore Transatlantic Merger*
The creation of the first transatlantic trade union moved a step closer when British and North American unions unveiled merger proposals. The aim of the proposed three million member alliance would be to provide greater protection for workers whose jobs are threatened by globalization.

April 30, 2007 *2007 US-EU Summit: US and EU agree on a "Single Market". Transatlantic Economic Council Formed.*
The EU and US agreed on a Framework for Advancing Transatlantic Economic Integration between the United States of America and the European Union. The agreement was signed by US President George W. Bush, EU Council President Angela Merkel (also German Chancellor) and EU Commission President José Manuel Barroso. It established a Transatlantic Economic Council to oversee the efforts outlined in the Framework and accelerate progress on economic integration. The TEC is to be Co-Chaired by EU Commission Vice-President Günter Verheugen and Allan Hubbard director of the White House National Economic Council. The agreement is designed to dismantle non-tariff barriers to trade and harmonize regulatory standards, laying the basis for a US-EU single market.

May 4, 2007 *Japanese Defense Minister Discusses Cooperation with NATO*
The Japanese Defense Minister Fumio Kyuma visited NATO Headquarters for a meeting with NATO Secretary General Jaap de Hoop Scheffer. His visit followed a historic visit of Japanese Prime Minister Shinzo Abe earlier this year.

June 7, 2007 *G-8 Summit in Germany: Partial Breakthrough on Climate Protection*
The leading industrialized nations (G8) agreed to at least halve global CO_2 emissions by 2050 and to achieve this goal together as part of a United Nations process. The US committed to host a meeting of the world's biggest polluters, from both the developed and developing world, to discuss strategies for combating climate change in anticipation of a U.N. conference in Bali in December this year. This was carried out with a major international gathering in Washington on September 27.

June 20, 2007 *EU, US reach preliminary deal on SWIFT anti-terrorism data*
The EU and the United States reached a preliminary deal on how US authorities can consult data from the international banking network SWIFT in anti-terror investigations.

June 26, 2007 *Securities and Exchange Commission sees mutual recognition of rules step by step*
A landmark move by the US Securities and Exchange Commission to accept the market rules of a foreign operator's country would be done on a selective basis first, a senior SEC official said. The SEC is reviewing how to allow banks, brokers, and exchanges from the European Union and elsewhere to operate on the US market more easily, without going through a full, cumbersome US authorization process.

August 24, 2007 *NATO Celebrates Fifty-Eighth Anniversary of Active Operations*

September 25, 2007 *French President Sarkozy Lays Out Terms for Full French Re-Integration into NATO.*
Nicolas Sarkozy, whose presidential campaign made European defense policy a priority, stated that France will rejoin the military command structure of the NATO alliance if the other member states agree to two conditions: first, support a common European defense; and second, French defense officials must be allowed places in the NATO administration.

November 9, 2007 *First Meeting of the Transatlantic Economic Council*
The TEC first meeting is held in Washington, D.C. It reported progress on reducing regulatory barriers to trade, protecting intellectual property rights, mutual recognition of accounting standards, integrating financial markets, promoting innovation and technology and encouraging investment.

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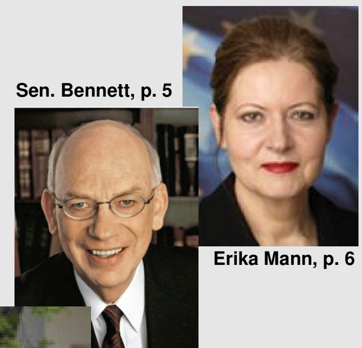
Transatlantic Economic Council Formed

The TEC, established by EU-US agreement earlier this year, held its first meeting on November 9. Its goal is to build a unified transatlantic market. This issue is devoted to the formation and purposes of the Council.



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EU, US leaders announce agreement to form Transatlantic Economic Council

Photo credit www.eu2007.de

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FREEDOM & UNION is published by the Streit Council for a Union of Democracies, Inc. Officers, Don Dennis, President; D. Bruce Shine, Chairman; Richard Henry, Vice-President; Edward Rawson, Vice-Chair.
Editor, Tiziana Stella; Copy-editor, Rick Wicks.
Research Assistant, Neil Bhatiya.
Authors' views do not necessarily reflect the views of the SC or the editors.

Freedom & Union's Policy

To think, write and act always in terms of all the democratic world, and not of any country in it.

To mean by "we" (except editorially) the citizens of the coming Atlantic Union or Federation of All the Free, not merely those of any existing democracy.

We are proud to continue Freedom & Union's enduring editorial policy which is reprinted in part here in its original wording. – Ed.

Sarkozy, Merkel Revive Atlanticism

By Ira Straus

Photo credit: www.washingtonpost.com

A new President of France and Chancellor of Germany have brought new initiatives for the revival of Atlanticism.

It is an unearned opportunity for America. Both leaders think in terms of Atlanticism, a word that is often used in Europe although not in the US.

Sarkozy has not merely delivered a friendly speech to the US Congress; he has offered a renewal of full French participation in NATO. He has stated his terms: it should be Euro-Atlanticism, with a serious EU defense capability, not Atlanticism alone. His terms are a starting point for negotiation of new deal for France-in-NATO.

Opportunities for Atlantic integration keep coming back. This is not to say there are no costs for neglecting them. But the trans-Atlantic relation itself keeps renewing its opportunities. This is due to the deep objective conditions of commonalities of society and interest among the Atlantic countries. The commonalities of interest continually give cause for proceeding with further integration; the commonalities of society enable Atlanticist initiatives to proceed with relative ease once attempted.

Angela Merkel picked up earlier this year on the idea of forming a common Atlantic economic space, by harmonizing the regulatory regimes on the two sides of the ocean – an idea Atlanticists had been working on for years – and gave it political legs. By the end of her period as President of the EU and Chair of the G8, she had an agreement in place for a 15-year project of forming a barrier-free Atlantic economy. A Transatlantic Economic Council has been established to oversee the work necessary for it.

Atlanticists in parliaments and NGOs had been quietly working on such a plan for years. For a long time, little attention was paid to the idea. Then their work bore fruit: Angela Merkel gained her multiple leadership posts and set as her task the renewal of transatlantic relations. She cast about for ways to proceed; one was waiting in the wings. Where no Atlanticist plan was ready – on environment, a new sphere for trans-Atlantic cooperation – she was not able to get as specific a result.

Current proponents of trans-Atlantic market integration have rediscovered a key point of Atlanticism, long ago noticed by Clarence Streit as *New York Times* correspondent at the League of Nations: 1) the Atlantic countries are the core of the world economy, with over half its GDP, and the hub of its finance and trade, 2) their economic unity or disunity determines the stability or chaos of world trade and finance, and 3) their economic union would have the effect of a union of a nucleus of the world economy, securing stability for world trade and finance and establishing common standards.

Sen. Bob Bennett, who chairs the Transatlantic Policy Network, has revived Streit's point seven decades later. He has in effect said that the newly-established Transatlantic Economic Council will carry the point into practice, when it harmonizes regulations on the two sides of the Atlantic: this, he says, will establish the same regulatory standard for 60% of the world economy, creating a de facto regulatory standard for the entire world.

The impetus from this would flow throughout the world economy. Other countries could, by adapting to common Atlantic standards, gain the benefits of closer intercourse with the entire Atlantic market instead of having to choose one or another Atlantic power to adapt to as in the past. A bandwagon effect would occur. The creation of the Transatlantic Economic Council this year thus has global implications.

Streit's classic reasoning had many implications. Given the deep commonality of the Atlantic societies, he concluded that they would have nothing to lose from a full political and economic union; given their role as hub of the world economic and security system, he concluded that theirs was the union most needed for world order. He added that more modest steps of alliance and economic integration would also work much better among them than among less cohesive global or regional groupings. This remark, made almost in passing, proved prescient. A decade later, State Department officials William Clayton and Theodore Achilles, inspired by Streit's goal of Atlantic Union, initiated the Marshall Plan and NATO, laying the grounds for the subsequent growth of the EU, OECD and G8. Ever since, integration has been proceeding, even if often invisibly. This year Chancellor Merkel, standing on the shoulders of the EU and G8, has taken the relation a new step forward; President Sarkozy has created an opening to move it further still.

Ira Straus, Ph.D., has been US Coordinator of the Committee on Eastern Europe and Russia in NATO, before that was Executive Director of the Association to Unite the Democracies.

Creating a Barrier-Free Transatlantic Market

Sen. Bob Bennett, MEP Erika Mann, Rep. Jim Costa, Rep. Phil English

Institutionalizing a Barrier-Free Transatlantic Market

Sen. Bob Bennett

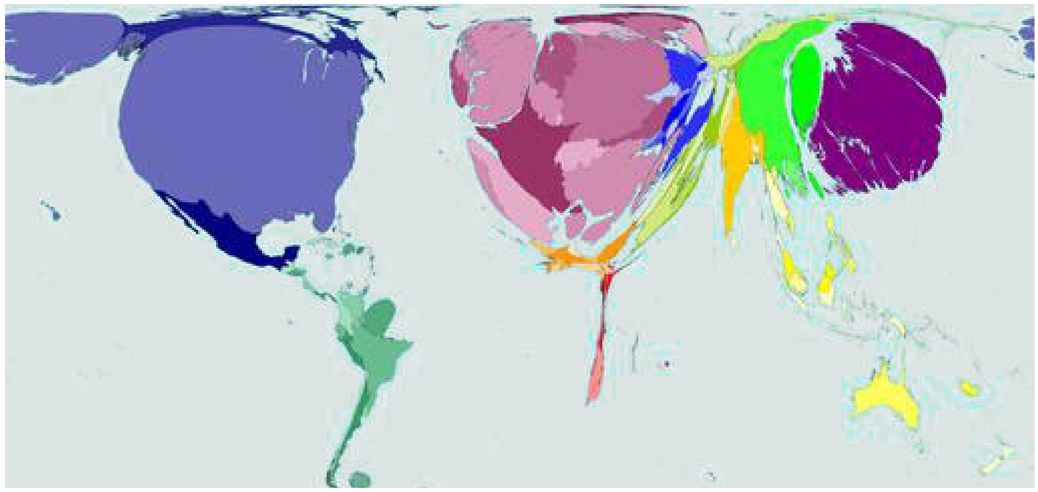
Sen. Bob Bennett

There has been a lot of discussion about the activity of the German presidency of the European Union with respect to creating a barrier-free economy between the European economy and the American economy. This is not a free-trade agreement (FTA). FTAs seem to carry a certain amount of emotional baggage with the name, and are usually geared primarily towards tariff-barriers. The tariff-barriers between the United States and Europe are not that significant, and probably do not deserve the attention of a formal FTA. However, there are many regulatory barriers, and these have been discussed at some length. At a Brussels Forum, Chairman Chris Cox of the SEC and I were on a panel with two Europeans, to discuss how we can lower regulatory barriers. It was pointed out that if you produce a car which you intend to sell on both sides of the Atlantic, you have to crash it twice: once to see if it meets European standards, then again to see if it meets American standards. While the regulators on both sides of the Atlantic will say that there is a reason for this regulation, or that regulation as a practical matter, cars are not particularly safer on one side or the other. It is simply that regulators have their own ideas as to what's important and what isn't. The primary focus, we believe, should be on what is good for the consumer on both side of the Atlantic, and that means regulations that make sense. Regulations are good in that they protect consumers' safety and environmental factors, but regulations can be bad if they are adopted simply for regulation's sake.

If you produce a car which you intend to sell on both sides of the Atlantic, you have to crash it twice: once to see if it meets European standards, then again to see if it meets American standards.

Angela Merkel, as the Chancellor of Germany, which had the presidency of the EU for a six-month period, made this one of her primary initiatives. We were reminded of how important the relationship between the United States and Europe is economically by the Belgian Foreign Minister, who delivered the final address at the Brussels Forum and pointed out to us that with all of our discussion about China as a rising economic power and trading partner, US investments in Belgium are higher than those in China. That gets lost in our concern about China.

The primary focus during the German presidency was to lower the level of barriers between the two economies on either side of the Atlantic. The target is 25%. I'm not sure how you come up with a number with respect to regulations, whether you just count out the lines in the Federal Register,



The world as seen when countries are re-sized by GDP.
The US and EU have 58% of global GDP, the OECD countries over 75% (World Bank figures using actual exchange rates; in PPP terms the numbers are over 40% and 55% respectively).
Image credit www.worldmapper.org

or the total number of regulations, but this is a follow-on of an initiative that was begun in 2005, and there are a whole list of areas where those who began this effort said that there could be a rationalization of regulations. Chancellor Merkel was not only pushing this in the German presidency, she had reached ahead to the two countries that will provide the European presidency following Germany, and received commitments that they will continue to push it, so we expect this will not be just a six-month initiative but will, at least from the European side, run at least eighteen months, and we hope much longer.

If we do, in fact, get some regulatory resolution between the European standards and the American standards, we create a momentum that will flow throughout the rest of the world. The two economies constitute 60% of world GDP, which means if you want to sell on a worldwide basis, you're going to have to make your product comply with those standards regardless of what the standards are in your various areas. Your domestic free trade area, of which you are a part, becomes less important than the market. If you want to sell automobiles into the markets that comprise 60% of world GDP, and those markets have achieved a regulatory standard, that becomes the de facto world standard regardless of what any other parties say. While this is not an FTA, and it's less than an FTA, it may turn out to be more than an FTA. We may look back on this and say that the Merkel initiative was one of the most significant things that affected world trade, and did so in a very quiet sort of way.

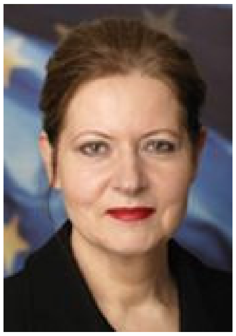
If we do get some regulatory resolution between the European and American standards, we create a momentum that will flow throughout the rest of the world. The two economies constitute 60% of world GDP. If you want to sell automobiles into the markets that comprise 60% of world GDP, and those markets have achieved a regulatory standard, that becomes the de facto world standard.

Now, it has to be institutionalized if it is going to survive. There have to be appointments on both sides in Treasury, in Commerce, in Transportation, whatever the issue might be, the Federal Trade Commission, you have to go all the way across the board and say this will be the executive appointed to work on the Merkel initiative from the FDA, this will be the executive at Treasury, so there is a point-man or woman in the key agencies on both sides of the Atlantic to make this work. Deputy Secretary Kennett was there at the Brussels Forum, and commented to me privately that work will go forward at least in the cabinet agency that he represents. I would expect that that kind of activity gets formalized from the very top – the President and Chancellor – and then the appointments start to be made.

Sen. Bob Bennett (R-UT) is a member of the Joint Economic Committee of Congress and of the Senate Banking Committee and Senate Appropriations Committee, and Ranking Member of the Senate Rules Committee. He is Chairman of the Transatlantic Policy Network.

Recognizing the Atlantic Economic Reality

MEP Erika Mann


MEP Erika Mann

The idea behind the transatlantic market initiative is very simple. It's to recognize that we already have a transatlantic market that two economies are integrated to a much larger degree that we already know and understand. We are getting studies done and the data have been showing how deeply this market is already integrated. This is not just true for the global corporations and for the big corporations, which we would of course all expect, but this is true for the smaller corporations as well because they are either embedded in the system, as in the supply chain, or independently, they have their own connections and they're integrated in the transatlantic economy. Since we have the data, the argument that we as politicians should recognize the transatlantic economy becomes even more important and more relevant.

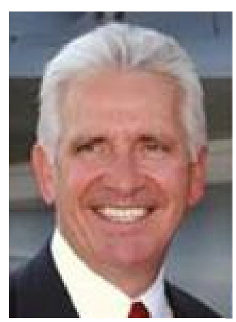
Now the implications are much harder. In the past, we have always recognized that regulatory issues are important, and the idea to work together and to find common understandings between the two sides on them has been there for many years. It was more of a very technical understanding in the past. We looked into safety standards, and it was called Mutual Recognition Agreements which amount to accepting the standard on one side and then, through certification procedures, letting it enter into the other market but it's a very complex and a complicated picture. Eventually we understood that this way of cooperating together, given the deeply integrated market, is not functioning very well. You see still from the regulatory side, either from government or from parliament, that you do not understand the functioning of the market. Regulation is still very nationally driven; they are not looking at the effects they will have on the other market. We decided to invest in the idea of developing greater regulatory cooperation in the future and this is the idea which is coming out now. It is a more binding agreement which exists for the future and which covers everything, from the classical mutual recognition agreement, which we are already familiar with, to cooperation, and, to a certain degree, harmonization of regulations as well, from the classical old-style harmonization to a new style of harmonization.

So that is what we would like to do. It is future oriented. It will be concerned less about the classical "taking barriers away"; it will look more into issues of not establishing new barriers, which is very difficult, because we have different regulatory cultures. It should make sure that the agencies are part of this route, and politicians on both sides as well; if they are not included in a systematic approach of avoiding the establishment of new barriers, it will be difficult to achieve something positive. We've been working on this for seven years and I think it's something great to see it finally get accepted by the two sides.

Erika Mann is a Member of the European Parliament (MEP) from the German Social Democratic Party. She is a member of the European Parliament's Committee on International Trade and the Transatlantic Policy Network's EU Steering Committee.

The Roadmap to a Common Market

Rep. Jim Costa


Rep. Jim Costa

I am excited about this effort. When we talk about creating a barrier-free market, we have to first look at where we are today. The transatlantic trade of goods is over half a trillion dollars. You have the two major world economies: Europe and the United States. Our exports to Europe last year totaled over 186 billion dollars. Those are jobs that are created in America and those are jobs that are created in Europe.

Regulatory barriers do not allow transatlantic markets and relationships to reach their full potential. Different regulations on the each side of the Atlantic as it relates to issues of health care, health safety, environment, consumer protection, have effectively established barriers and therefore hampered the promotion of additional trade. Remedial steps are critical both for US consumers and European consumers. We need to come together in a common sense way to create a regulatory framework that reflects the dynamics of both of the economies.

We need to look at where we can improve regulatory cooperation. It's not a new concept. But the Merkel proposal puts teeth in the negotiations by urging binding agreements.

The Transatlantic Policy Network that Congressman English and Senator Bennett and others have been working on for so long adopted a process that involves four steps:

1) Agree to a target date of 2015 to complete the transatlantic market between the United States and Europe.
2) Launch a sector by sector study of existing obstacles to create that transatlantic and to further expand that market.
3) Agree to outline a road map, because without planning, the best of intentions can go astray for removing such barriers to trade investment by the year 2015. And the way that you develop that road map, I believe, is to set up a small effort between the United States and the EU Transatlantic Market Implementation Group, who are elected and appointed officials who oversee and study the implementation of that road map.
4) And finally, to put in Brussels a regulatory impact assessment process comparable to what we have here in Washington to mark our progress every step of the way.

Those are among the items that the Transatlantic Policy Network worked on. In the end, this benefits Americans, it benefits Europeans, and again, if we are the leading economies of the world, it's for all the right reasons that we should be doing this.

Rep. Jim Costa (D-CA) is a member of the House Foreign Affairs Committee and its subcommittee on Europe, and is Vice-Chair of the Transatlantic Legislators' Dialogue

Politics of a Transatlantic Market: Better than an FTA

Rep. Phil English


Rep. Phil English

We have had discussions about a potential transatlantic free-trade area (FTA) for years, and we have run up against a certain amount of resistance. We recognize that the idea of an FTA faces challenges, particularly within certain parts of Europe and the very idea of an FTA is controversial now in many segments of political opinion within the US. What we're hoping to do is trump that kind of opposition by going through a very different model. I believe, ultimately, that an FTA between the EU and the US would be beneficial. But when a similar idea was floated by Mr. Aznar years ago, and prior to that by others, it ran into strong resistance. We're looking for something that we can sell now to a broad cross-section of public opinion, and opinion leaders, within both the EU and the United States. Tariffs are already low, while a traditional FTA would have benefits, regulatory integration and standard-setting have a greater potential, by reducing compliance-costs, to dramatically change the equation and to do so quickly and with significant benefits.

When you negotiate an integrated market among developed countries and large developed markets, you're able to avoid some of the most divisive issues that inspire protectionism.

This is one of the most important developments in trade policy that we've seen in many years. I say that as a member of the House Ways and Means Committee, active in trade policy, former Chair of the Steel Caucus, someone who has been a centrist on trade issues. It has the potential to stimulate economic growth on both sides of the Atlantic by deepening the integration of the transatlantic market using a model very different from what we used to pursue free-trade agreements. By seeking regulatory integration and common standards among countries that represent a major part of the world economy, we have the potential to have a mutually beneficial set of policies, but also to stimulate growth that will help the entire world economy, and lead to new rounds of WTO activity.

This is an ambitious initiative with the potential for immense accomplishment if. I particularly want to salute Chancellor Merkel for taking an idea which had incubated within the Transatlantic Policy Network for many years; it has been obvious that Chancellor Merkel's presidency of the EU emerged as a real opportunity to see this idea put forward, embraced, and tested.

This is something that I can take to Western Pennsylvania and sell to a unionized audience. This is something that I can take to my export companies and point out to them new opportunities. This is something that I can take to mature domestic industries and point to as an opening and an opportunity. This is something that is going to mean more jobs on both sides of the Atlantic.

I am particularly excited because this is an approach that sheds the baggage that many of the trade policies in the United States have suffered under. Let's face it: there's been an increasing difficulty in the US in finding a common broad-based trade policy. Increasingly, we've had difficulties passing free-trade agreements that were asymmetrical, with small trading partners, and with trading partners with which we didn't necessarily have a lot in common economically. In seeking greater integration with Europe, we have an opportunity to set aside some of the issues that have been hobgoblins elsewhere in trade policy, such as labor standards and environmental standards. It's fairly clear that when you negotiate an integrated market among developed countries and large developed markets, you're able to avoid some of the most divisive issues that inspire protectionism. So we have an opportunity to make fundamental progress in trade policy by engaging in this.

There is no question that we're going to face some major challenges. The standards that we're talking about harmonizing are not only economic standards but many of them have cultural values embedded in them as well. This is going to take a real engagement; as we survey the field and implement this idea, we're going to find some areas that are going to be controversial.

Recently, both the EU and the US have found that adopting new regulatory regimes can have unintended consequences on our trading partners. The EU has found this with their REACH initiative, and the US has found this with Sarbanes-Oxley. This is an opportunity to learn from that experience and target some regulatory openings. Open Skies is something we can be moving forward with very quickly. Accounting standards ought to be harmonized between our jurisdictions, and also medical devices. And from there we should be looking at things like competition policy, which is an area that we need to rationalize and, I believe, we can ultimately, if we're successful, take to the WTO.

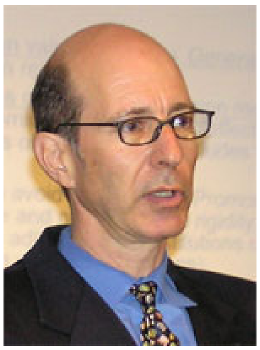
This is a great opportunity to stimulate economic growth on both sides of the Atlantic, if we have the courage to take advantage of the similarities between our economies. This is something that I can take to Western Pennsylvania and sell to a unionized audience. This is something that I can take to my export companies and point out to them new opportunities. This is something that I can take to mature domestic industries and point to as an opening and an opportunity. This is something that is going to mean more jobs on both sides of the Atlantic.

Rep. Phil English (R-PA) is a member of the Transatlantic Policy Network and Co-Chair of its Task Force on Trade.

The remarks above were given at a Press Conference sponsored by the Streit Council and cosponsored by the National Press Club as part of its "Newsmaker Program". On the same day, April 30, 2007, the US-EU summit succeeded in reaching agreement on a Framework for Advancing Transatlantic Economic Integration between the European Union and the United States of America, *signed as a "Framework Agreement" by US President G.W. Bush, EU President Angela Merkel and European Commission President Jose Manuel Barroso.*

Triangular Trouble: The Euro, the Dollar and the Renminbi

Thomas I. Palley



Dr. Thomas Palley has been Chief Economist with the US – China Economic and Security Review Commission. He has also been Director of the Open Society Institute's Globalization Reform Project. Before that he was Assistant Director of Public Policy at the AFL-CIO. An economist, Dr. Palley, holds a B.A. degree from Oxford University, and a M.A. degree in International Relations and Ph.D. in Economics, both from Yale University.
He has published in numerous academic journals, and written for The Atlantic Monthly, American Prospect *and* Nation *magazines. He is also author of two books:* Plenty of Nothing: The Downsizing of the American Dream and the Case for Structural Keynesianism, *Princeton University Press, 1998, and* Post Keynesian Economics: Debt, Distribution, and the Macro Economy, *Macmillan Press, 1996.*

For the last several years the euro has been appreciating steadily against the US dollar. Given the Chinese renminbi and other East Asian currencies are pegged to the dollar that means the euro has been appreciating steadily against all. This spells trouble for Euroland, and it suggests European policymakers should join with the US to address the global problem of under-valued currencies.

The euro has now appreciated approximately seventy percent relative to its historic low against the dollar, set on October 26, 2000. This appreciation has been economically justified given Europe's large trade surplus with the United States. That surplus peaked in 2005 and is now gradually coming down as the Euro appreciates, which is the exactly how a market based global economy is supposed to correct international financial imbalances.

Some in Europe are beginning to raise red flags regarding this appreciation, but the reality is it is still within the bounds of reasonableness. Though the euro has appreciated seventy percent against its historic low, it has only appreciated twenty percent relative to its January 1999 introductory parity.

Europe and the US are in competition for sales to China and each may fear antagonizing the Chinese government. This has triangulated Europe and the US to their disadvantage and to the benefit of China.

That said, European concerns about exchange rates are justified, but the focus should be East Asia's currencies, not the dollar. The key player is China, which has the largest surplus. Additionally, other East Asian countries are rationally reluctant to adjust their currencies absent a Chinese revaluation, as they fear losing competitiveness. This means China's refusal to significantly revalue its currency against the dollar is forcing a lop-sided adjustment process that places the burden of rebalancing the US trade deficit exclusively on Europe. That is imposing a deflationary burden on Europe that could easily undermine the European economy.

Europe is now experiencing double trouble as its surplus with the US begins to fall while its deficit with China is large and growing. Between 2002 and 2006 the European Union's deficit with China rose from 54 billion euros to 128 billion euros. At current exchange rates the 2006 deficit was 179 billion dollars, and the EU Chamber of Commerce expects that deficit to hit 260 billion dollars in 2007.

In a sense, Europe now finds itself involuntarily on the same path that the US voluntarily locked itself into in the late 1990s. That path is characterized by rising trade deficits, weakened manufacturing investment spending, and loss of manufacturing jobs.

The renminbi's under-valuation stands to lower European exports and increase imports from China as spending is redirected from European produced goods to cheaper Chinese goods. The resulting increased trade deficit will directly cost jobs, and reduced demand and profitability of European manufacturing companies will reduce investment spending. Furthermore, European manufacturers will have an incentive to close plants and shift production and new investment to China, just as happened in the US.

These effects are likely to be especially disruptive from a regional perspective. Whereas Germany's high value-added capital goods exporters may still be able to prosper, the economies of Italy, Spain, and other Mediterranean countries stand to be badly impacted. Additionally, manufacturing in Central Europe's new member states stands to be severely affected, making their integration into the European economy more difficult.

The bottom line is that by all reasonable standards China's currency is under-valued against both the dollar and the euro. China is running huge and growing trade surpluses with both Europe and the US; it has a growing global trade surplus; and on top of that it has an even larger current account surplus since its trade surplus is supplemented by massive foreign direct investment inflows.

These conditions suggest Europe and the US have a common interest in closely cooperating to pressure China to adjust its currency. Yet, so far, that has not happened. One reason is that until recently the euro was under-valued so that Europe had no grounds for or interest in pressuring China to revalue. A second reason is that Europe and the US are in competition for sales to China and each may fear antagonizing the Chinese government. This has triangulated Europe and the US to their disadvantage and to the benefit of China. The implication is that fixing the structural problem of triangulation and remedying the failure to cooperate on the China currency question should be urgent policy priorities for both sides of the North Atlantic partnership.

Finally, in addition to greater coordinated economic diplomacy regarding China, Europe and the US should work together to establish a new system for managing key currency exchange rates. Such a system would help avoid economically and politically costly exchange rate misalignments to which current arrangements are prone.

A Unified Atlantic Market
Views of two Economists

Freedom & Union *invited two economists at the World Bank to evaluate the project, agreed between the US and the EU this year, of forming a barrier-free transatlantic market. The views expressed below are entirely the authors' own, and do not necessarily reflect those of the World Bank.*

From Atlantic Market to Atlantic Polity?

Domenec Ruiz Devesa

When European and American leaders met in Washington for their annual summit in April 2007, political analysts, activists, and business leaders on both sides of the Atlantic had already made public their ideas for achieving an ever closer transatlantic community, and, in particular, proposals for its full economic integration. As is well-known, Europe and the US generally already invest and trade more with each other than with anybody else. For example, US investments in Belgium are higher than those in China. So, in that respect, a unified transatlantic economy is already a reality. Close transatlantic economic interdependence is also demonstrated by the rapidity with which financial turmoil crosses the Atlantic. A summer 2007 bank crisis in Europe started because of investments in high-risk bonds issued in the US sub-prime mortgage-market.

Economic integration must and will lead to political integration. An integrated market requires common institutions producing common rules to govern it.

This open economic relationship is, of course, accompanied by ongoing political dialogue underlined by shared values and necessitated by common security threats. But major economic obstacles remain, including both tariff and non-tariff barriers, such as different regulatory and accounting regimes. A 2005 OECD study estimated that per capita income would increase 2.5-3% if these obstacles were removed.

Thus the *Transatlantic Policy Network* – a group of parliamentarians and business leaders from both sides of the Atlantic – advocates "Completing the Transatlantic Market" with full economic integration by 2015 (www.tpnonline.org/TPN%transaltantic%20market%20paper%20FINAL.pdf, report published February 2007, accessed 14 August 2007). This would mean removal of all tariff and non-tariff barriers to trade and investment, including reduction of the regulatory burden.

There are several reasons for the current emphasis on reducing the regulatory burden. Tariffs and quotas have traditionally been applied to agricultural and industrial goods, but the Atlantic economies have become more oriented towards services, where the regulatory burden is likely to be higher. Some traditional trade-barriers – such as the EU's Common Agricultural Policy – are also so resilient that it may be much easier to focus on reducing regulatory differences. Besides, some regulations may be even more costly to the economy than are most tariff barriers. In the automobile industry, companies are forced to test vehicles twice in order to comply with both US and EU regulations. Different investment and banking rules are also a problem. For example, the EU treatment of private equity is substantially more restrictive than in the US, and differences in the regulation of mortgage markets likely lay behind the recent bank crisis mentioned above. Without institutionalized transatlantic consultation and coordination, such regulatory duplication and discord will likely proliferate.

Perhaps most notably, the 2007 EU-US summit achieved an "Open Skies" agreement to further liberalize transatlantic civil aviation. But it also called for "deeper" – though not "full" – economic integration by 2015, to be advanced and monitored by a newly-created "Transatlantic Economic Council". Leaders on both sides of the Atlantic thus seem to have realized the importance of speeding up the building of a fully integrated transatlantic economy.

However, the Transatlantic Economic Council is supposed to undertake a broad range of activities – preparing a work program, setting targets and deadlines, monitoring progress, and producing metrics and annual reports – and its level of organizational support is not spelled out in the summit documents. It will have two cabinet-level co-chairs, which is a good start. But it will require a permanent secretariat to fulfill its mission.

Other important challenges remain. In the document cited above, the Transatlantic Policy Network envisions "evolution toward an eventual Transatlantic Partnership Agreement embracing the economic, political, and strategic totality of the EU-US relationship." Thus transatlantic economic integration, though important in itself, is not the end. As understood by Jean Monnet, economic integration must and will lead to political integration, since an integrated market requires common institutions producing common rules to govern it.

Removing trade and investment barriers and easing other regulatory burdens can create a more prosperous Atlantic free-trade area. But a fully integrated transatlantic economy will also require shared institutions, such as a unified competition policy, a common external tariff, a common commercial jurisdiction, and perhaps even joint monetary arrangements, such as a dollar-euro parity to reduce transactions costs as well as trade and investment uncertainty. Creation of these institutions will require deeper political arrangements accompanying the purely technical ones, for, in the end, there cannot be a fully functioning common market without a common polity to govern it.

Prospects for Deeper Transatlantic Economic Integration

Costantino Pischedda

In the aftermath of the US-led invasion of Iraq, diplomatic relations between the United States and the European Union went through some of the most tense moments since the Second World War; only recently, with new governments in Germany and France, on the one hand, and a gradual attenuation of the Bush Administration's unilateralist instincts on the other, have signs of a new, more cooperative, phase emerged. But the political tensions do not appear to have significantly affected the economic dimension of the transatlantic partnership. In fact, over the past few years, transatlantic economic integration has continued at a rapid pace measured in terms of trade–flows, and even more so in terms of foreign direct investment (FDI) and the operations of EU and US multinational corporations (MNCs) in each other's home-territories.[1]

US National Economic Council Director Allan Hubbard (left) and European Commission Vice President Günter Verheugen (right), Co-Chairs the first meeting of the new Transatlantic Economic Council, November 9, 2007. Together, they will oversee the efforts to achieve transatlantic regulatory convergence.
Photo credit http://www.ansi.org

This is not to deny the rapidly increasing importance of China as an economic partner for both the US and the EU. The statistics, in fact, substantially support this popular perception: Over the past fifteen years, China-EU and China-US trade-flows have grown much faster than has transatlantic trade.[2] However, it is premature to fret about the end of the "supremacy" of the transatlantic relationship. In terms of FDI and the operations of MNCs (forms of economic integration less "superficial" than cross-border trade-flows), the transatlantic economic partnership appears much more solid and deep than do EU and US relations with China. The surge in FDI from and towards China over the last few years can mainly be explained by their very small initial values, and their values today remain just a fraction of transatlantic FDI. During 1990-2005, FDI inflows to China increased almost 50 times, but are still less than 1% of US outbound FDI, while 50% goes to Europe.[3]

Pundits have pointed to some high-profile commercial disputes (e.g., over steel, and genetically modified organisms) as evidence that transatlantic economic relations are in jeopardy. In addition, the opposition of the US and some European governments to some high-profile foreign takeovers has been interpreted as the beginning of a new protectionist trend.[4] These are clearly not positive developments, but, again, excessive alarm about the health of the transatlantic partnership is not warranted. In fact, most of the recent commercial disputes between the US and the EU have been continuations of clashes initiated during the Clinton administration, and many have been resolved via bilateral agreement, rather than resorting to the WTO.[5] On the other hand, despite an increasing number of foreign acquisitions in Europe, most have taken place without any government interference, while US resistance to foreign acquisitions has largely reflected national security concerns, and has targeted mainly Chinese and Middle-Eastern firms.

Deeper transatlantic integration is not an alternative to multilateral trade-liberalization in any way. On the contrary, it is actually possible that a deeper transatlantic relationship would strengthen the WTO.

In sum, transatlantic economic relations continue to be healthy and strong. But what are the prospects for deeper integration in the future? During Germany's six-month presidency of the EU, German Chancellor Angela Merkel strongly supported the creation of a barrier-free transatlantic market. At first, the project appeared to focus on the establishment of a free-trade area, which later shifted to the removal of non-tariff barriers through harmonization and mutual recognition of regulations and standards.[6]

It is premature to fret about the end of the "supremacy" of the transatlantic relationship which appears much more solid and deep than do EU and US relations with China.

This initiative has a solid economic basis: A 2005 OECD study concluded that mutual removal of barriers to foreign competition would contribute much more to economic growth on both sides of the Atlantic than would further reductions in tariffs or FDI restrictions.[7] The strictest barriers apply to services (especially transport, telecommunications, electricity, and gas). Another study estimated similarly that regulatory harmonization in the automotive industry would reduce average production costs by 7%.[8]

Overall, Merkel's initiative has been well received in Washington and London[9], and strongly influenced the agenda of the last US-EU summit. In April the EU and US signed a "Framework for Advancing Transatlantic Economic Integration", with primary focus on eliminating regulatory barriers. Moreover, the parties agreed on so-called "Lighthouse Priority Projects", including 1) enhanced protection of intellectual-property rights; 2) development of common standards for trade-security; 3) mutual recognition of financial-market regulations; 4) improved cooperation regarding innovation policies and new technologies; and 5) the establishment of a regular dialogue on barriers to investment. A permanent high-level "Transatlantic Economic Council" was created to supervise the Lighthouse projects, set goals and deadlines, and produce progress reports.[10]

A possible objection to the establishment of a common transatlantic market is that it could weaken the multilateral system centered around the WTO, which has promoted uninterrupted growth of trade over the past sixty years. However, deeper transatlantic integration is not an alternative to multilateral trade-liberalization in any way. The institution of the European single market does not appear to have damaged the multilateral system, and Merkel's proposal aims to gradually eliminate behind-the-border regulatory barriers, which have thus far been dealt with only marginally in WTO negotiations. It is also actually possible that a deeper transatlantic relationship would strengthen the WTO. In fact, the ensuing realignment of US and EU interests could enhance their influence in multilateral negotiations, and they are both traditionally strong WTO supporters. Finally, given the enormous EU and US economies, setting common standards for the telecommunications, finance, and automotive industries could generate strong pressure towards global standards, a clear WTO goal.

However, the political feasibility of this project remains open to debate. The limited results achieved in more than ten years of dialogue aimed at enhancing transatlantic regulatory cooperation are testament to the difficulty of this challenge.[11] As World Bank economist Bernard Hoekman pointed out, most barriers in the transatlantic economy are in particularly sensitive sectors (e.g., communications, transport, and privacy protection), in which cultural and national-security concerns are important, as are protectionist interests.[12] Moreover, achieving regulatory harmonization in the services sector presents especially serious hurdles because the economic actors that would benefit most from it are mainly small and medium-size firms, which thus face collective-action problems in organizing to exercise political pressure.[13] The widespread US perception of Europe as a stagnant or even declining power is another obstacle.

However, the prospects for deeper transatlantic integration are now better than they have been in the recent past. The unilateralist tendencies in US foreign policy seem to have faded, while the EU economies have recently shown signs of more dynamism (in part due to successful structural reforms). In addition, competitive pressure from China and India could reinforce incentives for the creation of a common transatlantic market, just as incentives for the establishment of the single European market were once reinforced by US and Japanese competitive pressures.[14]

The high-profile transatlantic initiative launched by Angela Merkel seems to have introduced an ingredient missing until recently – strong political will. The April US-EU framework agreement represents a bold move in the right direction, but continuous high-level support on both sides of the Atlantic will be necessary to implement its agenda and to overcome the inevitable challenges ahead. □

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[1] Daniels S. Hamilton and Joseph P. Quinlan, *Transatlantic Economy 2005: Annual Survey of Jobs, Trade and Investment between the United States and Europe*, 2006, Washington: Brookings Institution.

[2] Jens van Scherpenberg, Integrating the Atlantic Economic Area, Stiftung Wissenschaft und Politik (SWP) Research Paper, October 2006, Berlin.

[3] US Department of Commerce, Bureau of Economic Analysis, *Balance of Payments and Direct Investment Position Data*; available at www.bea.gov. This gap is much wider if one considers FDI from China towards Europe and the United States, because the Chinese government started encouraging local firms to invest abroad only in 2001 (Edward M. Graham and David M. Marchick, *US National Security and Foreign Direct Investment*, 2006, pp. 100-101, Washington: Institute for International Economics).

[4] Jens van Sherpenberg, *Economic Nationalism on the Rise: Foreign Direct Investment in the USA after the Dubai Fiasco*, SWP Comments 10, March 2006, Berlin; also "Buy, Buy, Buy: Europe's businesses are changing hands at a record rate," *The Economist*, 8 February 2007.

[5] Bruce Stokes, "Trade Negotiations," pp. 39-59 in D. Andrews, M.A. Pollock, G.C. Shaffer, and H. Wallace (eds.), *The New Transatlantic Agenda and the Future of Transatlantic Economic Governance*, 2005, Florence: European University Institute.

[6] Compare Bernard Benoit, "Germany Eyes Free-Trade Zone to Rival China," *The Financial Times*, 15 September 2006, with "Interview with Angela Merkel," *The Financial Times*, 2 January 2007.

[7] OECD, "The Benefits of Liberalising Product Markets and Reducing Barriers to International Trade and Investment: The Case of the United States and European Union," Economics Department Working Paper 432, June 2005, Paris.

[8] Daniel Hamilton and Joseph Quinlan, *Frankfurter Allgemeine Zeitung*, 30 November 2006.

[9] "US Expresses Support for Transatlantic Free Trade Zone," *Financial Times*, 20 September 2006.

[10] The text of the agreement is available at www.whitehouse.gov/news/releases/2007/04/20070430-4.html (accessed 8 August 2007).

[11] Jens van Scherpenberg (note 2 above), pp. 9-12.

[12] Bernand Hoekman, *Transatlantic Cooperation to Open Services Markets: Supporting Multilateralism,* paper presented at the conference "Sleeping Giant: The Transatlantic Services Market," 6 February 2007, Washington.

[13] Ibid. Large multinational corporations in the services sector can overcome some of the costs associated with regulatory differences between the US and the EU by hiring personnel with professional certificates issued by local authorities.

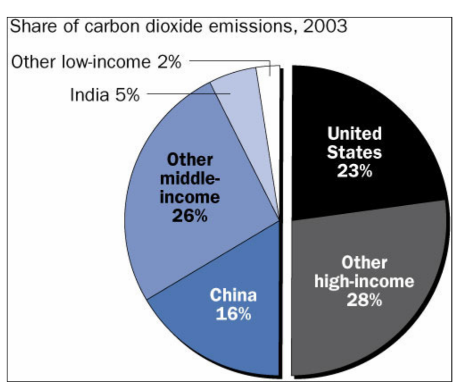
[14] Gabor Steingart went so far as to argue that a transatlantic common market could play a political-economic role similar to the political-military role played by NATO: strengthening transatlantic cohesion and enhancing EU and US leverage in the rest of the world. Idem., *World War for Wealth: The Global Grab for Power and Prosperity*, Munich: Piper Verlag, 2006.

Climate Control: A New Environment for Atlantic Integration

Jason Rubin

NGOs and activists, backed up by scientific studies, are pressuring US and European leaders to act quickly and decisively on the threat of climate change. This has provided the political capital for leaders on both sides of the Atlantic to take a progressive approach to environmental cooperation without fear of retribution from special interests. That capital should be spent on integrating US and European environmental institutions and policies. Transatlantic integration of environmental institutions and policies are essential to drawing the global community into the protective measures needed to quell the consequences of global warming and environmental degradation. Past attempts at global environmental regulation have failed, or only partially worked, and the efforts of NGOs and activists will have effect only as far as government enforcement supports them. Efforts to integrate transatlantic environmental institutions and policies have the potential to improve the transatlantic relationship, and subsequently global environmental cooperation, but only if the political class is willing to lead.

Much of the recent hope for transatlantic cooperation on environmental policy is the result of efforts by German Chancellor Angela Merkel. During Germany's Presidency of the European Union and as host of the Group of Eight industrialized countries (G8) summit at Heiligendamm this past June, Merkel has emphasized both the transatlantic relationship and environmental policy. Earlier this year, President George Bush had encouraging words in his 2007 State of the Union address, promising a 20% reduction in US greenhouse-gas emissions by 2020. The 2007 World Economic Forum, held in Davos, Switzerland, also placed environmental policy on top of its agenda. Speeches by Merkel, British Prime Minister Tony Blair, and many transnational business leaders, addressed the necessity of global cooperation to combat global warming. These efforts have been given further credence by three reports released by the United Nations' Intergovernmental Panel on Climate Change (IPCC). In them, 2,500 scientists from 113 countries boldly assert that global warming is without a doubt occurring, that it is almost certainly manmade, and that the world's poor will be affected most severely by shifts in weather patterns, water shortages, and rising sea-levels[1].



Source: World Development Indicators 2007

All this has created a perfect political storm that can propel increased transatlantic integration. Where once only transatlantic divergence was grabbing headlines, the spotlight has now been placed on the need for the world's two largest economic blocs to lead by example.

There are several reasons why the United States and the European Union should be the first to integrate environmental institutions and policies. They are the wealthiest regions of the world. Strict environmental regulation will put stress on the economic well-being of individual countries, with possible decreases in output, and increases in unemployment, which the US and Europe will be most able to absorb. On the other side of that argument is potential economic gain from stricter environmental standards. Both the public and private sectors will become increasingly reliant on "green" technology to meet new regulatory standards, and those who develop the technologies first will be poised to sell them to the rest of the world. Correlated with the transatlantic region's wealth is the fact that the US and Europe are also the world's largest emitters of greenhouse gases, and consume a disproportionate amount of the world's natural resources. For that reason, Western leadership is essential for drawing less developed countries into a global treaty to protect the environment.

Demand for global environmental policy that transcends the interests of individual nations has been created, but there is still little, if any, meaningful environmental protection that can be enforced globally. Since the Bush administration has been unwilling to act resolutely, other actors have stepped in to fill the void. NGOs, corporations, and sub-national governments have taken the initiative to set the international environmental agenda. California Governor Arnold Schwarzenegger has led the charge by co-operating with European policymakers and setting the nation's toughest environmental standards within his state. Meanwhile, venture-capital investment in clean-energy technology reached $63 billion in 2006 – up almost 29% from the year before – most of it coming from the US and Europe[2]. Furthermore, many globally-oriented businesses in the US and Europe have accepted voluntary environmental regulations in the belief that they must consider environmental impact when calculating their bottom line[3].

Some corporations that played a large role in creating global warming are now taking voluntary action to reverse it. Voluntary regulations have largely been monitored and enforced by international NGOs which have long been involved in global environmental protection. But it is questionable whether voluntary regulations and oversight by NGOs can stop and reverse global warming. NGOs, sub-state governments, and private efforts are promising. But Harvard professor John Ruggie, a former advisor to Kofi Annan, argues that while they have helped instill liberal values into the global polity, they will never be able to force national governments into compliance[4]. Governments, then, must voluntarily embed the values engendered by international NGOs, sub-state, and private actors, and create effective global institutions to enforce global environmental laws.

> **As the EU looks to revamp its emissions-trading system, and the US looks to create one, both sides of the Atlantic partnership should focus on creating one together.**

Global warming is a worldwide problem and requires a global solution. Many were hopeful that the 2007 G8 summit would yield an agreement on the terms of a post-Kyoto treaty. It ended with agreement to co-operate in forging a plan to succeed the Kyoto treaty, but no immediate goals for common emissions regulations were set, nor were plans made to integrate less developed countries into a treaty to combat global warming. Hopefully, leaders will make better use of the December 2007 United Nations Framework Convention on Climate Change.

The transatlantic partnership now needs to enter into negotiations to create a transatlantic structure to enforce binding environmental regulations. One idea that has been discussed is a transatlantic emissions-trading system. The US has yet to create such a system at the federal level, though California is on the verge of creating a state-wide system. The EU has created such a system, but it is largely ineffective because of a devaluation of emissions credits after national governments flooded the market with them. As the EU looks to revamp its system, and the US looks to create one, both sides of the Atlantic partnership should instead focus on creating one together. The first step would be to agree on a shared system of environmental standards; that is, there needs to be one system for measuring both allowable emissions and environmental pollution, and one set of benchmarks for measuring progress. The US has consistently stayed away from emissions standards set from outside the US and any caps on pollution and emissions in general. But the change-over to a Democratic Congress, in the context discussed above, means that American legislators could more readily accept the idea of emissions quotas and the transatlantic partnership would be more able to implement an effective emissions trading system. The purpose of quotas is not only to limit emissions, but to harmonize standards that will be required to build an efficient free-market approach to greenhouse-gas reductions. Harmonization of standards will remove the structural barriers that prevent objective valuation of emissions credits, a prerequisite for an integrated transatlantic emissions-trading system.

The other requirement is the creation of a transatlantic environmental institution to administer the transatlantic emissions-trading system. The two most important considerations in this are: 1) delegating enough power to the institution so that regulations can be adequately enforced, and 2) making it flexible enough to allow for the accession of other countries in the future.

Another policy-tool available is an international *carbon tax*. To implement it, an international body would first determine acceptable levels of emissions by individual industries within individual countries, relative to a specific baseline for each country, usually the Kyoto-treaty base-year (1990). The advantage of this is that less-developed countries, which often complain that they cannot afford the costs associated with strict environmental regulation, would only be subject to taxes based on a standard set for their own country, not on global standards. This is essentially a progressive tax where the wealthy would be subject to higher rates than the poor. Industries emitting more than allowed would have to pay a tax corresponding to their excess emissions. Another advantage is that national governments would have incentive to enforce the tax, because they would be responsible for collecting the tax revenue.

Such a global carbon-tax system would require international cooperation to set standards and to determine an effective mechanism for monitoring emissions, but it would require less global enforcement than a global emissions trading system. Yet, for the same reasons mentioned earlier, the US and EU have incentives and obligations to be the first to implement it.

Given the failure of previous international agreements on voluntary emissions-constraints, and the inability of sub-national and non-state actors to do so on a large scale, it is time for the US and the EU to create transnational environmental institutions and enforceable regulations. The consequences of global warming do not seem likely to go away, but the political momentum afforded by recent events might. If the transatlantic partnership fails to act now, we will have squandered an opportunity to show solidarity with and lead the world on an issue that requires swift and decisive action.

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a Washington, DC-based daily online magazine.

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[1] Intergovernmental Panel on Climate Change, *Climate Change 2007: The Physical Science Basis*, Working Group I, 4th Assessment Report, February 2007; and Climate *Change 2007: Impacts, Adaptation, and Vulnerability*, Working Group II, 4th Assessment Report, April 2007.

[2] The Economist, *Green Dreams*,, 16 November 2006.

[3] New York Times, *Energy Executives Urge Voluntary Greenhouse Gas Limits*, 1 August 2001.

[4] Ruggie, J.G., *Taking Embedded Liberalism Global: The Corporate Connection*, in David Held and Mathias Koenig-Archibugi (eds.), Taming Globalization: Fron-

Dr. Jane Elligett Leitner

Educator, Federal Unionist,

Editor of the *Constitution for a Union of the Democracies*

Jane Leitner was valedictorian of her high school class in New Jersey and graduated from Bryn Mawr College in 1940 at the age of 19. She received her M.A.

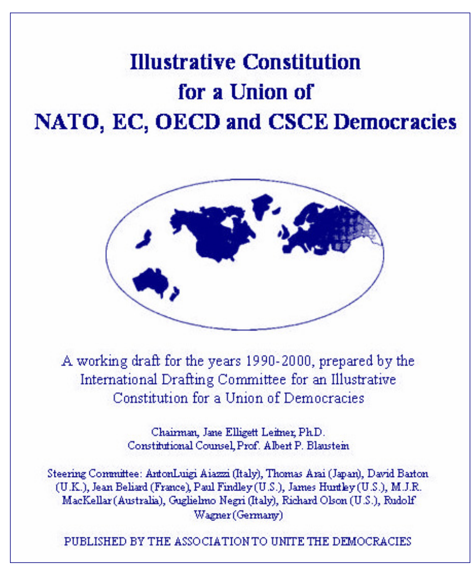
and Ph.D. from the University of South Florida and was an administrator of schools in the Tampa area.

About 1950 she became active in the Federal Union cause through the Atlantic Union Committee. Don Dennis, at the time Executive Director of the AUC, recalls her as "an attractive, petite young woman who founded a chapter of the Committee". Later on Jane became a Board member and Vice-President of Federal Union, Inc. In 1989 and 1990 Jane traveled around all of Europe – first Western Europe, then Eastern Europe and Russia as the Soviet empire crumbled – promoting with renewed urgency a union of the democracies. She coordinated the project to draft a constitution for a union of democracies, traveling first to compile the views of participants in the project across Europe, then reconciling the results, and finally traveling again to disseminate the results to a continent in the midst of an upheaval of hope. Rarely was the message received so well, and while the Union did not materialize in the form of the Constitution she drafted, it played its role in inspiring hopes of integration in the East and understanding of those hopes in the West.

In 1991-92 Jane served as Board Chair of the Association to Unite the Democracies, as Clarence Streit's movement had come to be known. When our organization became the Streit Council for a Union of Democracies, she was strongly supportive. Her lifelong passions included sailing and horseback riding, along with working to unite the democracies and her family.

It is with sadness and love that we note the death of our long-time Board member. Jane passed away in May of 2005, at the age of 84. She was a person of modest means but great conviction and dedication. She gave many a generous donation over the years to the Streit Council and its predecessors, alongside the gift of her time and energy, and bequeathed a final $10,000 in her Will. And, in her obituary, she requested that, in lieu of flowers, memorial contributions be sent to Streit's organization. The family, in keeping with Jane's wishes, has invited donations to be sent to the Streit Council in her memory. □

The Illustrative Constitution for a Union of Democracies was prepared by an International Drafting Committee of 58 political scientists, constitutional lawyers, parliamentarians and citizens from NATO, EC, OECD, and CSCE countries, working together for 2 years.



Illustrative Constitution for a Union of NATO, EC, OECD and CSCE Democracies

A working draft for the years 1990-2000, prepared by the International Drafting Committee for an Illustrative Constitution for a Union of Democracies

Chairman, Jane Elligett Leitner, Ph.D.
Constitutional Counsel, Prof. Albert P. Blaustein

Steering Committee: AntonLuigi Aiazzi (Italy), Thomas Arai (Japan), David Barton (U.K.), Jean Beliard (France), Paul Findley (U.S.), James Huntley (U.S.), M.J.R. MacKellar (Australia), Guglielmo Negri (Italy), Richard Olson (U.S.), Rudolf Wagner (Germany)

PUBLISHED BY THE ASSOCIATION TO UNITE THE DEMOCRACIES

Captain Tom A. Hudgens

A Visionary Democratic Federalist who worked throughout his life for World Peace

Tom Hudgens was a man of passion and boundless energy about the things he believed in and loved: his family, his faith, world peace – and flying. When Tom was about ten, a barnstormer landed his tri-motor Ford airplane in a field near Union City, Tennessee, where Tom grew up, and his father paid $5 for Tom to take a ride. It was "love at first flight". Flying became one of Tom's passions, and his career.

In 1939 Tom read Clarence Streit's *Union Now*, which convinced him that a federal union of democracies was the way to achieve world peace. World peace through the rule of law thus became another of Tom's passions, and eventually a parallel career. At Vanderbilt University, which he was then attending, he started by debating in favor of Streit's ideas.

Tom had also enrolled in a civilian pilot-training program. He soloed, then earned his private pilot's license, and later his instructor-rating and commercial-rating.

Streit had argued that a union of democracies could prevent Hitler's aggression, but the democracies did not unite, and war came. During the war, Tom taught cadets to fly at the Army Air Corps Flying School. After the war he joined United Airlines and, over the following decades, flew almost every plane it had, from DC-3s to DC-10s and Boeing 747s. He loved flight, declaring that he would have gladly paid just to have the opportunity to fly.

Flying contributed to Tom's appreciation of the planet Earth, which, as he said, looks so peaceful from high in the sky, with no boundaries dividing it. But he had lost his older brother and three roommates, shot down over Germany during the war. That only increased Tom's passion to work for world peace.

Tom was a longtime board-member of the Association to Unite the Democracies (AUD) – predecessor of the Streit Council – and served in the 1990s as its president and volunteer CEO, commuting bi-weekly from Denver to Washington to do so. During his long career, Tom also served as president of the World Citizen Association and of the American Movement for World Government, as vice president of the World Federalist Association, as treasurer of the World Constitution and Parliament Association, and as national world-order advocate of United Methodist Men. He gave hundreds of speeches on world peace to civic clubs, churches, high schools, and universities, was a frequent guest on radio and TV – even hosting for eight months his own weekly radio program entitled "The New World Order Peace Dialogue" – and authored two books, including *Let's Abolish War*, which sold 110,000 copies. In the words of his wife Moyna, Tom "would go anywhere, speak to any number, large or small, in hopes he could convince even one person that peace is possible." Streit Council board-member Rick Wicks well remembers first hearing about AUD in a lecture that Tom gave to a university political science course in Alaska, which stimulated him to pack up and move to Washington DC to work with AUD.

It is with sadness that we note Tom's death last year at the age of 85, and acknowledge our debt to him for his leadership and tireless work. Tom did not live to see the union of democracies he worked so hard to achieve, but tremendous progress was made toward it. The Streit Council for a Union of Democracies is continuing Tom's work for world peace on this beautiful planet. We remember his idealism, his devotion, and his generosity.

The Hudgens family has suggested that memorial gifts be made to: Association to Unite the Democracies, c/o Erik Johnson, Treasurer, 1525 Marion St., NW, Washington, D.C. 20001.

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for a Union of Democracies

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