



## **TRANSWORLD CONFERENCE**

### **THE TRANSATLANTIC RELATIONSHIP: STILL LEADERS IN A CHANGING WORLD?**

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**Chatham House, 10 St James's Square, London SW1Y 4LE**

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## Report

The Transworld Project, funded by the European Union (EU) under the 7<sup>th</sup> Framework Programme, is currently in its second year of activity. In order to increase the visibility of the project and its preliminary result, an international conference was organized at Chatham House, in London, on the day after the project consortium had convened to discuss the state of progress of the research. The conference “The Transatlantic Relationship: Still Leaders in a Changing World?” examined how relations within the EU may affect bilateral relations between the EU and the United States (US); how the transatlantic relationship is responding to internal and external economic challenges; how the rising powers are perceived to be impacting EU and US leadership in a multipolar liberal world order; how the EU and US manage climate change and energy resource issues, and how emerging economies are dealing with environmental and human rights issues.

The conference first explored the impact on transatlantic relations of the potential withdrawal from the EU of the United Kingdom (UK). The UK has for many decades enjoyed a strong relationship with the US, based notably in the areas of military co-operation, high levels of two way foreign direct investment, and the sharing of a common language and values. However, the UK-US relationship is showing signs of weakening in light of changes in the ways common challenges are addressed and prioritized. The current popular ambivalence in the UK about deepening of the EU integration process is a contributing factor. Any re-negotiation of the UK’s membership in the EU is likely to result in a weakening of the UK’s voice in the EU, and hence in its ‘special’ relationship with the US. Any UK withdrawal from the EU would almost certainly weaken the relationship between the EU and US.

Participants agreed that there are four potential areas to build a more constructive transatlantic relationship during the second term of US President Obama: fighting international terrorism, the Middle East, the Transatlantic Trade and Investment Partnership (TTIP) negotiations to create jobs and generate growth, and global rules and standards setting in light of China’s rise (e.g. in cyber security issues, climate change). At the end of the day, the real determinant for transatlantic cooperation might not only be the urgency to deal with certain issues but also recalling shared values, identities and histories. If the EU wishes to retain its international influence, some believe there are advantages in maintaining close ties with the US which seems to be the only ‘trustworthy’ major global actor able to help maintain an international liberal order.

There are serious internal and external economic challenges to the transatlantic economic relationship, which have been accentuated by the global financial crisis starting in 2008. In particular, many developed economies are still struggling to recover whilst other parts of the

world economy, notably many countries in Asia, are growing at a rapid pace. There is however still room for manoeuvre in implementing a sustainable growth agenda, as agreed at the Pittsburgh G20 Summit in 2009. On the monetary side, the long debated end of the US dollar's hegemony is still far away, especially as the internationalization of the Chinese currency is in its early stages. The US's tough but pro-active policies to counteract its economic crisis appear to have generated growth and deleveraging in the short term. However, there are downside risks, and the US economy is still far from realizing its potential. US domestic economic challenges have relatively negative implications for the relationship with Europe. The anticipated launch of the TTIP negotiations could nonetheless boost growth in the US and EU, and could be a game changer in global trade, potentially acting as a catalyst to relaunch dormant multilateral trade negotiations. The current sheer weight of transatlantic economies in the global economy should not be underestimated, in spite of the ongoing crisis in the euro area and concerns over high levels of debt in the US.

The protracted crisis in the euro area is multi-faceted: it is clearly an economic crisis but it also a crisis of governance and legitimacy. Radical solutions have recently been proposed, most notably by the four 'EU Presidents': Herman van Rompuy (European Council), José Manuel Barroso (European Commission), Jean Claude Juncker (euro Group) and Mario Draghi (European Central Bank). Their four-point agenda "Towards a more genuine and economic monetary union (GEMU)" included the implementation of a 'common financial framework' (or banking union), a common budgetary framework (or fiscal union), an integrated policy framework (a structural union); and lastly all of the above have to be legitimated by a political union. In fact, more progress on many of these issues has recently been achieved at the EU level than is often perceived. Their achievement, however, still faces some fundamental challenges, notably the lack of a clear vision on burden-sharing, concrete action towards political union and ensuring the legitimacy of EU institutions, and addressing macroeconomic imbalances with the euro area.

The rise of new powers, Brazil, Russia, India and China (the BRICs), and in particular those with less democratic or authoritarian regimes, is widely regarded as challenging the liberal international order established after World War Two. Some argue that an alternative normative vision of the world order is emerging, and therefore wonder about the role that the US and Europe may play in it. One view is that there has never been consensus on what is meant by a 'liberal' international order, and therefore the lack of consensus might apply to any definition of multi-polarity.

Three dimensions of the emerging multipolar system need to be taken into account: the 'rump hegemony' of the US, the rise of regional orders, and the new constellation of emerging powers. A second view suggests that the liberal order is mainly a Western concept and the challenge is to



ensure its survival and ensure other countries (the rest) ‘own’ it. A third view questions the assumption of the decline of the liberal order and a new narrative in the ongoing relative global shift of power, noting the rise of the ‘rest’ might not have happened in another world order.

Lastly, it was widely believed the EU is demonstrating more effective leadership on environmental governance and human rights issues than the US. The two powers have different approaches. For example, in the EU sustainability and precautionary principles are embedded in legal frameworks. The two powers also differ fundamentally in their attitude on building an institutional framework such as dispute settlement and enforcement. These have been advocated in the EU, whereas the US shows reluctance. This situation is slowing improved institutional governance of environmental issues.

Bringing human rights and environment issues together is controversial. However, new environmental threats, particularly climate change, pose a question of global justice and human rights (e.g. refugees, land and famine issues). Here, again, there are totally different approaches: the EU has internalized human rights and environmental policy to be essential dimensions of other policies, whereas these considerations are almost entirely absent in the US. Coordination therefore becomes more pressing and the question of international rule-making is becoming even more relevant.

The increasing and accelerating divergence of the EU and US on most climate change and resource issues prevails except with regard to environmental resource security. Here cooperation is being forged, especially in the context of the UK-US relationship. Remarkably, EU and Chinese policies are becoming increasingly aligned (i.e. importing from the same areas, building renewables, energy efficiency). Yet there is ambiguity about such a triangular relationship, and its impact on the future and on the extent of consensus on the future of the liberal order.

Concerning a new global climate regime, the Obama Administration has not demonstrated a strong position, whereas the EU wants a clear legal framework. China has found itself caught in the middle in the struggle between the EU and US. In the case of India, environmental justice, more than environmental rights as such, is a key concern. Populist politics surrounding the issue dominates the public debate in India. There is a risk of reproducing earlier inequalities on a larger scale, especially given the great regional challenges of having to deal with refugees and internally displaced people. For this reason, it is important to set and agree the guiding principles, rules and law, and to progress greater transnational corporate governance.