



# TRANSATLANTIC VISION 2030 Renewing the partnership

Stimulating debate through thought papers

## A new beginning For the Transatlantic economic partnership

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### Executive Summary

#### **The EU and the US are the world's deepest economic relationship ...**

Together, the EU and the US constitute a \$30 trillion commercial space accounting for over 35% of world GDP in terms of purchasing power. European majority-owned foreign affiliates directly employ roughly 4.7 million U.S. workers. U.S. affiliates directly employ an estimated 4.3 million workers in Europe in 2015. The United States exports more than \$300 billion in goods each year to Europe and, in addition, nearly \$300 billion in services. The European Union sells nearly \$500 billion in goods to the US and more than \$200 billion in services. The transatlantic relationship remains the most innovative in the world: 57% of total global R&D expenditures by U.S. foreign affiliates occur in Europe, totaling more than \$30 billion. European affiliates account for 72% of all R&D performed by majority-owned foreign affiliates in the United States, more than \$40 billion.

... facing unprecedented challenges.

#### **Slow growth and high unemployment**

Economic growth has suffered since the economic crisis. After relatively good performance in recent years, economies are slowing again. Employment has rebounded since the depths of the Great Recession but it still remains high. The fortunes of the EU and the United States rise and fall together, transatlantic commerce rebounded sharply from the Great Recession but trade growth is also forecast to slow in the years ahead.

#### **The rise of economic nationalism and trade tensions**

Economic nationalism driven by political populism on both sides of the Atlantic is undermining the multilateral trading system that has been the economic backbone of the Transatlantic market. The opposition to international economic integration is a reminder that economic change brings social disruption that can spur a political response and that trade integration creates both winners and losers. Tit-for-tat trade wars have undermined a sense of shared self-interest in bilateral commerce, sapped investment, productivity and business confidence.

#### **Unfair competition and the inexorable rise of China**

China has become a larger exporter than either the US or the EU, accounting for roughly 17% of world exports. Yet, Chinese investment flows into EU and US are in stark contrast with the difficulty of Transatlantic companies to compete head-to-head with local players on the Chinese market. While China has benefit hugely from the openness of global markets it hasn't obey the rules and growing competition from China challenges the core of our democratic

system and impact the economy: the rule of law, transparency, due process and the role of the state in the economy.

### **Persistent inequality**

Both European and American societies are experiencing growing income and wealth inequality at a time when their peoples lack the skills necessary to succeed in the new economy. If the productivity gains hoped for from AI and robotics do not translate into broadly shared prosperity, then additional wealth inequality could bring further political destabilization.

### **Technological change and automation**

We estimate a high proportion of American and European populations are at risk of losing their jobs to automation. A digital revolution is occurring on both sides of the Atlantic that will transform economies, business environment and societies. The rapidly-emerging digital economy requires rules of the road on everything from privacy to taxation.

### **Climate Change**

The existential threat posed by climate change lends new urgency to transatlantic technological cooperation and larger measures to prevent global warming beyond a critical threshold. The burgeoning use of carbon-emitting energy sources will hasten global warming, creating food shortages, intensifying migration pressures, while aggravating health problems.

### **Geopolitical tensions, economic uncertainty over the Brexit**

China's rise, Russian assertiveness, American and European domestic politics, economic uncertainty over Brexit, the U.S. imposition of economic sanctions on Iran and its trading partners are all reminders that the impetus for deeper U.S.-EU economic integration faces increasingly challenging geo-political concerns.

Left unaddressed, the challenges posed by technological change, inequality, China and climate will spawn populist, inward-looking, protectionist and ultimately unsuccessful remedies that could slowly decouple the economic ties that have fueled the transatlantic economy for generations. Addressing these challenges will be impossible without sustained transatlantic cooperation. If America and Europe cannot work together in their economic self-interest, broader cooperation on global issues will not be credible.

A renewed ambitious comprehensive trade & investment partnership

### **Learn from the setbacks & engage the public**

Americans and Europeans need to learn from their setbacks. They must acknowledge that the challenges have broadened, not narrowed and that they need to further engage the public on the both sides of the Atlantic to address their concerns over trade.

### **Renewed political will for a free but fair trade that benefits all**

Whatever their political leanings, Americans and Europeans will have to accept that deepening the transatlantic market is not possible without compatible efforts to protect privacy, competition and the dignity of work in the digital age, to slow climate change and to provide their citizens with the skills needed to compete in the marketplace, the reassurance that there will be jobs for them in the future economy and a safety net to cushion the disruptions attendant with a rapidly changing economy and society.

## **Lead the way for new rules for digital, privacy , taxation , services, health ad safety standards**

With the growing importance of China and others in the global economy, U.S. and EU cooperation is even more important to ensure that common transatlantic standards based on the appeal of what is still the world's largest market, become the prevailing global standards, especially for emerging information, bio, nano and similar cutting-edge technologies but also on everything that concerns privacy , taxation, services , health and safety standards. Common standards convey competitive advantage that would enable European and American firms, workers and economies to reap the benefits of being first movers and trendsetters. If the European Union and the United States do not articulate such a vision, standards and rules for the digital economy others will do it.

## **Stimulate growth and jobs creation**

Europe and America need jobs and growth and this will require structural reforms, renewed investment and productivity increases. Transatlantic compatible technical standards and domestic labor, environmental and health and safety regulations will be key to this. Moreover, the trade and investment environment will need to be reshaped to reflect the growing importance for future prosperity of both services and the digital economy.

## **Climate change**

The need to drastically reduce carbon emissions will spark a global race to develop a suite of new green technologies . Europe and the United States will be most successful if they cooperate in this endeavor as they compete with China for 21st century dominance in such innovation.

## **Social compact & make the best of the digital transformation**

The human costs of adjusting to change should not be underestimated and this challenge calls for complementary policy measures to ensure that the transatlantic economy of the future works for all. Creation of an ever-deeper transatlantic marketplace will require governments on both sides of the Atlantic to renew and evolve their social contracts but also to invest in long-life learning and upgrading skills to effectively make use of information and communication technologies. The data revolution can spur job creation and enhance competitiveness if managed properly. European studies suggest big data analytics alone could boost EU economic growth and create new data-related jobs. AI has the potential to double annual economic growth rates in most countries over the next two decades. No progress toward a fully functioning 21st century partnership between the U.S. and Europe is possible without a common or at least interoperable digital policy framework requiring new and coordinated approaches to public policy to maximize the effectiveness of digital technology and to deal with its inevitable effects on society.

## **WTO Reform and support For the multilateral trading system**

China has become a larger exporter than either the US or the EU and neither America nor Europe is likely to reclaim that top spot on their own. But together the transatlantic market, comprising both the EU and the U.S., is still a far larger force in global trade, but will remain so only if it operates as a unified player in world commerce.

Transatlantic trade is enshrined in the international economic organizations crafted jointly over the last half century, institutions that have served the world well since then. In this spirit, renewed cooperation will help revive the multilateral trading system, reforming and updating the World Trade Organization, in order to maximize the global benefits of increased

commerce in a non-discriminatory manner. Once a more integrated transatlantic market has been realized it can be opened to others on a reciprocal basis and can serve as a model for further multilateral liberalization around the world, breathing new life into the WTO.