



## **Leveraging the transatlantic partnership to fight the global economic crisis**

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In front of the deep crisis that citizens around the world are now facing, solidarity is of the essence. President Barack Obama has rightly stressed that a strong sense of collective effort will be needed to spur the economic recovery. However, at a time when confidence is missing and depression is feared, shared responsibility goes beyond national borders and calls for international cooperation. The transatlantic partnership is the place to start.

The globalization of capital, goods, services, ideas and population flows means that any response to the crisis must be global to be efficient. In particular, the temptation of protectionism, induced by jobs loss and the wave of bankruptcies, must be resisted: the 1930s have shown that such a policy could lead to an uncooperative international game and the collapse of international trade and investment, which make the crisis worse and longer.

In the search for international cooperation, the transatlantic partnership is an asset that should not be undervalued. Together, the European Union and the United States still account for 54% of world GDP (43% in PPP terms), 28% of the world trade in goods, 46% of the world trade in services and two thirds of the world stock of FDI. However, there is much to do in order to leverage this economic strength.

Despite efforts at further liberalizing trade through the Transatlantic Economic Council, recent disputes on beef hormone and public subsidies show that strong political will is needed. It is therefore essential that leaders on both sides of the Atlantic understand that creating a more integrated transatlantic economy will generate efficiency gains through economies of scale that are necessary to compete successfully in the world economy. Concrete progress is possible through mutual recognition of technical certifications, increased transparency of public tenders and harmonization of norms in sectors such as financial services, telecommunications, electrical devices and cosmetics.

Furthermore, current economic challenges call for a common transatlantic agenda:

- Europe and the US should cooperate to revise existing financial regulations. Examples of what may be done include central clearing for off-exchange traded derivatives, reformed rules for rating agencies, updated international accounting standards and improved international banking supervision.
  
- Europe and the US should seek an agreement on the revision of global economic governance, so that global economic unbalances are tackled with greater efficiency. Enlarging the G8 to the G20 is a good step in that direction. In order to simplify talks, the EU could adopt a common representation in the meetings of the G20, and at the IMF and the World

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Bank, as is already the case at the WTO. In order to overcome the Doha round stalemate at the WTO, Europe and the US should also consider launching plurilateral trade agreements opened to any country that is willing to participate.

- The European and American administrations should spur cooperation on energy and environmental policy. So far, they have disagreed on environmental policy tools: in the post-Kyoto protocol negotiations on greenhouse gas emissions, the commitment of the new American administration and Congress will be essential to ensure that the US participate in the new protocol. Transatlantic cooperation is also needed to promote the development of green technologies and set common standards. Concerning energy, both the US and Europe need to decrease their dependency on oil and gas. They would benefit from sharing and supporting R&D investments on recycling technologies, third generation biofuels, CO<sub>2</sub> sequestration and fourth generation nuclear reactors.

While the social consequences of the crisis understandably focus the attention on national issues, international cooperation is a major stake in the fight against the economic depression. The new American administration could opportunely make the transatlantic partnership the *avant-garde* of this cooperation.