

Residual anger about the Iraq War needn't impede economic cooperation between the US and Europe, maintains Jeffrey Garten, dean of the Yale School of Management. According to Garten, accusations of continued American unilateralism are largely exaggerated. US President Bush is currently engaged in multilateral global trade negotiations, regional economic discussions, and anti-AIDS efforts that belie a single-mindedly unilateral foreign policy. The pressing issue is not whether the US foreign policy is multilateralist, which it has to be, but "where on the spectrum of multilateralism Washington should be." Cooperation with Europe is particularly important, because the continent remains a significant economic power and essential partner in nearly every American venture, Garten says. Negotiations on global trade, anti-trust policies, food safety, halting money laundering, and tax evasion must all continue despite lingering resentments over Iraq. Ultimately, Garten argues, the US and Europe need not agree on military policy in order to deepen cooperation on economic issues. - YaleGlobal

There is More to Transatlantic Relations Than Security

It is time for the US to strengthen the economic common ground with Europe

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NEW HAVEN: Three months after the Iraq War it is clear that the news of the demise of the Trans-Atlantic alliance was greatly exaggerated. The annual Group of Eight Summit in Evian, France was followed by a meeting of NATO defense ministers in Brussels, and a US-EU summit in Washington, all evidencing an intense level of engagement. To be sure, there are still fundamental transatlantic differences on when to deploy military power, but there is far more common ground on the economic front. Looking ahead, there is every reason for



Happy American farmer, but US policy on GMO is a source of friction with Europe.

Washington to leave aside the unresolved security differences and step up efforts to enhance economic cooperation.

It is commonplace to think that such a separation between security and economic policy is not politically realistic, given that the tough decisions in both arenas are generally made by the same heads of state and are heavily influenced by the same public opinions. But, based on what we have seen, the major European powers seem resigned to America's insistence on not being constrained on military issues. And I'm hopeful that Washington will recognize America's overwhelming self-interest in more rather than less multilateralism on economic matters.

Of course, some realism is in order. For at least the last thirty years, the US has never pursued multilateralism as completely as some pundits allege, and today it has not rejected this strategy as many others claim. After all, numerous governments condemned President Nixon for his unilateral export embargoes of soybeans and scrap steel to prevent domestic shortages. They criticized President Reagan for forcing Japan to voluntarily restrain auto exports, in violation of accepted trade norms. And they screamed 'unilateralism' when the Clinton administration provided heavy support for American companies trying to win big contracts abroad.

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On the other hand, today the Bush team is deeply enmeshed in global trade negotiations and regional economic discussions with Latin America, the Middle East, and Africa in an effort to more effectively regulate global banking and to stop the spread of HIV/Aids in the developing world. You can argue with the style and the details of the administration's policy, as I often do, but not with the idea that it is deeply engaged internationally.

The point is not whether the US can be unilateralist or not. Clearly it cannot always go it alone and still remain a world power. The key issue now is where on the spectrum of multilateralism Washington should be. Particularly with Europe, its most essential partner, the US cannot ignore some basic realities. In economics, unlike in military matters, Europe is truly a superpower, and we need its help. Fact is, there is no big global economic problem that can be solved without both American and European involvement.

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The EU may not have a powerful army or a common foreign and defense policy. But it does have 450 million people, a \$10 trillion GDP, a common currency, a single central bank, and a mandate to negotiate trade and other matters as a single unit. American firms like GE and Microsoft export over \$1 trillion a year across the Atlantic and sell three times that much from their European-based affiliates. Europe accounts for over 60% of their earnings from all overseas foreign investment. European companies remain the biggest foreign investors in the US. More than ten million American and European jobs are supported by transatlantic commerce.

If there is to be a real recovery in America's future - not just a short term run up in the stock market - the US and Europe will have to coordinate growth policies. Together they will also need to pressure on China and Japan not to artificially hold down the value of their currencies. Now that the Europeans are moving on the farm subsidy issue, the US should encourage them to go further. But Washington must also make some liberalization moves itself. A little give and take on both sides of the Atlantic would go a long way towards breaking current protectionist logjams and rescuing stalled global trade negotiations. Europe's approach to genetically modified foods is also a problem for Washington. There is no easy answer here, since both sides have some strong arguments in their favor. At the least, this issue should not be allowed to overshadow the broader areas for economic agreement.

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This is just the start of a pressing transatlantic agenda. Other issues include more collaboration on common accounting standards, more harmonization of antitrust policies, agreement on ways to insure food safety, negotiations of a trans-Atlantic "open skies" agreement for airlines, and deeper cooperation on halting money laundering and cross-border tax evasion.

What's essential now is not some dramatic policy pronouncement but roll-up-the-sleeves transatlantic cooperation, issue by issue. I believe the key issue is whether the US, as the most important country, can lead the way. This could happen if the US takes the necessary time to get other governments on board so that they feel enough of a stake in the outcome to make real trade offs. Washington should never again walk away from a global negotiation without proposing a constructive alternative, like it did with the Kyoto treaty. It should refrain from megaphone diplomacy, in which its media-intensive critique of EU policies, such as Bush's incessant lambasting the EU's skepticism about genetically modified foods, overshadows what can be agreed behind the scenes. And there should be no petty vendettas against those nations, such as France and Germany, who don't support our military operations but whose economic cooperation is crucial to us.

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It is unbecoming for a nation of America's power and its global responsibilities to pout or to be so blatantly arrogant. It is also contrary to America's national welfare. The Iraq war is over, the summits are finished, and it's time for Washington to end its chest beating, especially in international economic affairs. Giving transatlantic economic cooperation a big push would be a great way to get things on a better track. This summer is the time to start.

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