

THE ATLANTIC COUNCIL OF THE UNITED STATES

Transatlantic Leadership in the New Global Economy Major Conclusions and Recommendations

The global economy is in the midst of a fundamental transformation. Globalization has linked national economies closely together — for good and bad — and has also been accompanied by the tremendous growth of private capital flows around the world. Economic wealth and power have shifted to the east and south, making the “emerging economies” a significant element in the world’s economic well-being. The global energy market faces the emergence of India and China as major consumers and the implications of greater control of supplies by state-owned companies. The difficulties of the Doha Round have signaled the likely end of the traditional trade round as a means of lowering barriers. These changes threaten to overwhelm the institutions — the World Bank, IMF, G8/G7, WTO and others — created by the United States and Europe in the postwar era to manage the global economy.

The United States and the European Union now face a serious challenge — the international economic system from which they have prospered so much now hangs in the balance. If they do nothing, the global economy may well fracture — regional arrangements will divide the world into blocs, protectionism and economic nationalism will rise, and the governing institutions will fade into irrelevance. Only with stronger and broader leadership will the global economy continue to be open and stable in the face of the pressures of globalization and economic nationalism.

The United States and the European Union should convene the major and emerging economic powers in a Conference on Global Economic Governance aimed at restructuring the existing institutional architecture along the following lines.

- To prepare the World Bank and the International Monetary Fund for the new global economy:
 - The heads of the IMF and the World Bank should be chosen on merit;
 - Emerging economies should have greater voting power, while European representation is consolidated into two seats, eurozone and non-eurozone;
 - The roles of the World Bank and IMF should be more clearly delineated so they are better able to cooperate, and the executive directors should be “double-hatted;”
 - Planning should begin now for a merger of the Bank and the Fund by 2030.

- A restructured G8 should be the forum for strategic discussions among major governments:
 - The G8 at the heads-of-state level should focus on political issues;
 - The finance ministers, in a new “G7 Plus” format, should become the primary advisory body of the global economy, and be open to leading emerging economies; including Russia, China, India, Brazil, South Africa, South Korea, and others.
 - The U.S. and the EU should reinvigorate their bilateral consultations and summit process.

- The Organization for Economic Cooperation and Development (OECD) should:
 - Maintain its role as the economic club for democracies and market economies, while broadening its membership and strengthening its role as a testing ground for creative thinking on economic issues.

- The International Energy Agency (IEA) should be enhanced to deal with a global energy market.
 - The IEA should develop special partnerships with China, India, and other non-OECD consumers, with a clear timetable for membership.
 - The IEA should engage in a more extensive dialogue with the producer states; and
 - The enhanced IEA should be given a mandate to facilitate cooperation over natural gas supplies in case of emergency.

- The WTO must be preserved and strengthened as a major institution in the management of the global economy. To that end, the United States and the EU should:
 - Push for bilateral and regional trade accords to be compatible with WTO requirements.
 - Strengthen the successful WTO dispute resolution process by making it more transparent — by opening hearings and appeals to the public and allowing non-parties to file amicus briefs — while working with developing countries to improve their capacity to enforce trade agreements.

The United States and the EU must also exert leadership by showing a new way forward in reducing trade barriers. As a first step toward a more open global market, the U.S. and the EU should negotiate a series of agreements aimed at creating a barrier-free “Enhanced Transatlantic Market.” They should:

- Establish a barrier-free Transatlantic Investment Market, removing obstacles to foreign ownership except for narrowly defined national security restrictions;
- Launch negotiations for a Framework Regulatory accord, along the lines proposed by Chancellor Merkel, and with guidelines for the process of establishing regulations; and
- Liberalize market access for developing countries by moving their trade preferences for those countries toward a single set of rules.

The United States and the European Union must lead a broader effort to remove trade barriers in the global economy by engaging major trading nations in negotiating WTO-compatible accords. Specifically, after the conclusion of the Doha Round, the United States and the European Union should engage their partners in a set of negotiations using the concept of variable geometry to:

- Work with like-minded WTO members to eliminate barriers to trade in products and services over the next ten years add MFN, free rider.
- Negotiate accords with interested WTO members to liberalize market access in specific sectors;
- Work with like-minded WTO members to reduce additional barriers that extend across sectors in such areas as competition policy and government procurement.

The United States and the European Union must undertake to strengthen the global energy market by:

- Reinforcing market mechanisms, with an emphasis on transparency and governance;
- Developing a more united policy toward Russia and its energy companies;
- Identify joint action to protect energy supplies and critical infrastructure;
- Launch a new, jointly funded effort to develop future energy technologies as part of a new post-Kyoto international consensus; and
- Push the global community to establish an international nuclear fuel cycle bank.

Endorsements

This report has been endorsed by the following individuals*:

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* Individuals endorsing the report agree with the overall consensus represented by the report, but not all individuals will necessarily agree with every statement.