

Transatlantic Economic Relations in a Changing Global Political Economy: Achieving Togetherness but Missing the Bus?

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This article focuses on the changing context for transatlantic relations within the global political economy. The first part of the article identifies key areas of structural change in the GPE and in particular the potentially revolutionary shifts caused by global instability and the emergence of new economic powers. The argument then explores changing patterns of economic relations between the EU and the US, within a general framework of continuity created by the coexistence of competition and convergence. These contextual factors are then related to patterns of Atlanticism and transatlanticism, to questions of values and identities in the GPE and to the possibility of an EU–US ‘grand strategy’ for the changing GPE. The conclusion argues that although there is perhaps more secure ground for a sustainable EU–US ‘compact’ than previously, the EU and the US may have ‘missed the bus’ in terms of jointly shaping the future of the global economy.

Keywords: European Union; United States; transatlantic economy

Introduction

Consideration of the transatlantic political economy during the George W. Bush years has to take account of a number of important contextual factors. In the first place, the enlargement of the European Union in 2004 and 2007 has meant that more than ever before, the EU–US system in economic matters is now effectively equivalent to the ‘Euro-American’ or transatlantic system (McGuire and Smith 2008, chs 1–2). Although there are and always will be variations, this is now an intercontinental relationship in ways that it never was before, with attendant challenges and opportunities. The emergence of the euro as a fully fledged international currency, alongside the troubles of the US dollar, has only served to underline the growth of ‘economic equivalence’ between the EU and the US, as (partly) predicted by commentators (Bergsten 1997 and 1999; Cohen 2003). At the same time, this newly enlarged relationship exists against the background of profound structural change in the global political economy (GPE), in particular through the emergence of new power centres which have created important new elements in the calculus of global strategy. The so-called BRIC countries (Brazil, Russia, India and China) have now become key components in both the functioning of the global economy and the pursuit of global governance, and thus cannot be excluded from consideration of the EU–US relationship. A third factor at the level of broad context is the growing politicisation and securitisation of economic issues,



which has made it increasingly difficult to define any issue as purely technical or economic in its impact and implications. This is not actually a new factor—after all, energy for example has been strongly politicised and securitised since the 1970s—but it is new in its intensity and in its interaction with global structural change. During 2008, a new and forceful twist was given to all of these factors in the shape of the global financial crisis precipitated by the problems of the US sub-prime mortgage market. This called into question all of the factors outlined above and linked them in new and unexpected ways.

At the transatlantic level, the process of EU–US interpenetration has continued, with the deepening of financial and other forms of integration, and this has accentuated the ‘who is us?’ problem in transatlantic relations. It has become increasingly difficult to distinguish between what is a ‘European’ and what is an ‘American’ product or process, even where there is an apparently direct confrontation such as that between European and US manufacturers of large civil aircraft (the Boeing–Airbus dispute). Alongside this deepening of interpenetration, and as a consequence of it, has been the growth of mechanisms of transatlantic governance, both governmental and private (Pollack and Shaffer 2001; Steffenson 2005; McGuire and Smith 2008, ch. 2). In turn, these mechanisms are embedded to a greater or lesser extent in the broader multilateral mechanisms of global governance, creating questions of linkage and co-ordination for policy-makers in both the public and the private spheres. The persistence of significant economic disputes between the EU and the US demonstrates the ways in which these ‘bi-multilateral’ processes create both challenges and opportunities for policy-makers on both sides of the Atlantic, by linking the bilateral and the multilateral in novel ways (Petersmann and Pollack 2003; Smith 2005). As a result, dispute management at the global level has gone alongside processes of ‘crisis management’ at the transatlantic level.

Taken together, these factors contribute to a process of continuing transformation in the global political economy and more particularly in EU–US relations. This process did not begin with the inauguration of George W. Bush in 2001, nor will it cease with his departure in 2009, and to that extent there has to be an emphasis on continuity in any account of transatlantic political economy during that period—albeit with some interesting stylistic twists imparted by the Bush administrations. The argument in this article is thus that transatlantic economic relations during the Bush years have demonstrated considerable continuity, characterised by seemingly contradictory tendencies towards competition and convergence. There may well be a firmer basis for substantial convergence at the end of the period than at its beginning, but this has evolved against a backdrop of potentially revolutionary changes in the global political economy. The issues for the immediate future—and maybe for the long term—are first, whether this revolutionary potential will work to drive the EU and the US together or to drive them apart in the search for commercial and financial advantage, and second, whether a new-found convergence has appeared at precisely the time that the EU and the US are losing their ability to exert decisive leverage on the global political economy.

This argument is pursued here in several stages. The first part of the article identifies key areas of structural change in the GPE and in particular the potentially revolutionary shifts caused by the emergence of new economic powers during the past

eight years. The argument then moves on to explore changing patterns of economic relations between the EU and the US, within a general framework of continuity created by the coexistence of competition and convergence. These contextual factors are then related to patterns of Atlanticism and transatlanticism and to questions of values and identities in the GPE.

In the final two sections of the article, attention turns to the ways in which there can be an EU–US ‘grand strategy’ for the changing GPE, and to the sustainability of the EU–US relationship in light of the revolutionary tendencies noted earlier. The article concludes that although there is now much more secure ground for an EU–US ‘compact’ than in previous periods, this may well have come too late to enable the EU and the US separately or collectively to exercise decisive leverage on the key changes now taking place in the GPE. In important ways, therefore, the EU and the US may have realised their common interests too late, and thus may have missed the bus in terms of management of a changing global economy.

Structural Change

The above discussion implies a very strong role in EU–US relations for structural change in the global political economy, but the impact of this change is still ambiguous. On the one hand it might be argued that it has subordinated the Atlantic political economy to global processes, giving new power to actors outside the Atlantic area, while on the other hand it might be claimed that the Atlantic political economy is still predominant, partly through material resources and their deployment, partly through power within and over major institutions. Tellingly, this set of structural changes does not always or necessarily coincide with shifts in the global diplomatic or security arenas, or with developments in transatlantic diplomatic or security practices—there is, that is to say, a disjunction between changes in the global political/economic structure and the global security structure. Equally tellingly, however, as noted above, the political/economic structure and the political/security structure are increasingly linked and interpenetrated. This process has been going on since the 1970s (at least) but it now poses new problems of management and response, partly because of the different rhythms of change that are experienced in the two key arenas.

Key elements in this set of problems are, first, the enlargement of the global political economy (including enlargement of the European political economy, in turn reflecting enlargement of the EU). There has been a step change in the scope and scale of the political economy with the emergence of powerful new actors such as the BRICs, and with the expansion of global exchange processes both in manufacturing trade and in intangibles such as trade in services. The key new actors, as noted above, do not always subscribe to the same values and institutional priorities as the EU and the US, and increasingly they compete for markets, raw materials and institutional influence. This kind of competition has made itself felt, for example, in the politics of world food supplies and in the search for new sources of oil in such areas as central Africa.

A second element of structural change surrounds the development of new institutional contexts—most obviously the World Trade Organisation (WTO) as successor

to the General Agreement on Tariffs and Trade (GATT)—which cover greater and often more contentious or ill-defined areas of the global political economy (such as services, labour questions or environmental issues) and which provide arenas in which new forms of policy linkage can be pursued. Thus, the link between trade and human rights or the protection of the human environment has become a key background issue in global trade negotiations, and has increasingly been built into bilateral and inter-regional agreements negotiated by the EU especially. Alongside this set of intensified linkages, there has emerged a set of linkages between different negotiating arenas within the global political economy—bilateral, inter-regional, multilateral—in which the growth of the ‘bi-multilateral’ negotiation processes noted above produces new types of externalities and thus problems of management both for national governments and for international institutions (Smith 2005). Through such processes, it might be argued, the problems of management in international negotiations and international co-operation more generally have been exacerbated, and the potential for unintended outcomes increased.

Not surprisingly, there has been a search for new policy directions in response to the need for containment or accommodation of new structural elements, which has led to the development of forms of multi-level or layered governance in the global political economy (and which as a consequence has engaged the EU and the US in new areas of ‘competitive co-operation’). This includes new bilateral and inter-regional structures designed to protect or promote the interests of both the EU and the US. The growth of transatlantic governance structures has been most recently expressed in the establishment of the Transatlantic Economic Partnership (TEP) and the accompanying Transatlantic Economic Council during 2007, after the initiative taken by the German chancellor, Angela Merkel (Allen and Smith 2008). This is in fact the continuation of trends observed since the mid-1990s, and like them it has two sides: on the one hand, it is a mechanism for the conduct of EU–US bilateral relations, including ‘early warning’ procedures for trade and other disputes, while on the other hand it contains provisions for consultation and potential joint actions on broader multilateral issues (Steffenson 2005). In addition, these emerging governance structures have both a public (governmental) strand and a private (commercial) strand involving large firms and other non-governmental groupings, but it is not always clear which of these groups is leading or co-ordinating the processes and in which direction they are moving.

During the past eight years, both the EU and the US have manifested considerable uncertainty in their responses to such new structural imperatives. Although there has been a tendency to indulge in ‘competitive inter-regionalism’, for example in Latin America or the Asia-Pacific, this has been accompanied by forms of bilateralism and the continuing preference (especially on the part of the EU) for multilateral solutions to global problems (McGuire and Smith 2008, ch. 7). In addition, there has been a tendency in the face of new power structures within the global political economy to search for exclusive arrangements and to try and occupy new policy space through the pursuit of special relationships (for example, with China and India where both in different ways have been identified as ‘strategic partners’ by both the EU and the US). EU responses of this kind have been largely in the ‘civilian power’ part of the spectrum, while US responses have been clearly linked to broader considerations of military security. An example is provided by the

developing relations of both the EU and the US with India: while the EU has had difficulty in extending its 'strategic partnership' into issues of political dialogue, the US has been able, for better or for worse, to enter into nuclear power agreements with the Indian government that potentially call into question the multilateral provisions of the Non-Proliferation Treaty. Likewise, there have been recurrent pressures from within the EU on commercial grounds for the withdrawal (or at least the redefinition) of the arms embargo imposed on China in the aftermath of the Tiananmen Square incident of 1989, while on the American side there has been considerable pressure on security grounds for the embargo to be maintained.

Patterns of Relations

Much of what has already been said appears to argue against the emergence of a consistent pattern of relations between the EU and the US in the global political economy, because of the continuing dynamism and uncertainty of the global arena. One way of posing this question is to talk in terms (on the one side) of 'concert' and (on the other side) of 'bilateralism'. The assumption is that there is a search for (or processes that will lead to) a dominant mode of relations in the post-George W. Bush period. While such emerging dominant trends might be discernible in security policy (although there is also room for doubts about this), it is very difficult to sum up transatlantic economic relations in these terms.

For this there are several reasons. In the first place, transatlantic economic relations are characterised by deep and growing integration, but also by complexity. Not unnaturally, this means that there are many disputes within a general context of increasing interconnectedness and interpenetration (Peterson 1996; Petersmann and Pollack 2003; McGuire and Smith 2008, ch. 3). There is an increasing presence of mechanisms of multi-level governance within the Atlantic economic space, but these are limited in their scope and authority—not least by the strongly held and institutionalised economic positions of elites on both sides of the Atlantic. In addition, these mechanisms exist within a system of multilateral governance at the global level, the maintenance of which has been a time-consuming activity for policy-makers in both the EU and the US (Pollack and Shaffer 2001; Steffenson 2005). Despite threats of defection from the US in particular, these global institutions have held firm in a very turbulent period for the global political economy—although radical extensions to their scope and effectiveness look far less likely than preservation of what has already been achieved.

In addition to these institutional complexities, it is important to consider complexities of preferences and policies within the EU and the US. The attempt to identify consistent patterns of convergence or divergence between the EU and the US is challenging, because many of the key pressures to which policy-makers respond on both sides of the Atlantic are both domestic and transnational in nature. There is no settled single 'European' identity in the global political economy (although there is more of a basis for the claim in this area than in others, such as foreign and defence policy) (Smith 2006). In the same way, there is no single 'American' identity, given the intense involvement of many US companies and other organisations in the global economy, and not least in the EU

(Hamilton and Quinlan 2004). This is of course a variant of the 'who is us?' problem mentioned earlier in this article. There may—just may—be an emerging Atlantic identity, forged in response to the pressures created by the power shifts in the broader global political economy. So there is a mixture of convergence and divergence at several different levels.

In the same way, there is no neat distinction to be made between collective or multilateral and bilateral patterns within the Atlantic political economy. While the George W. Bush administration has been widely accused of unilateralism in many policy areas, while the EU has been seen (and has presented itself) as a champion of multilateralism (Pollack 2003; Ortega 2005), the picture is less clear-cut than it might seem. In the global political economy, for a number of reasons, there is less space for unilateralism on the part of the US than in other areas, while the EU has no hesitation in taking unilateral action where its commercial interests are threatened. Despite the potential for defection and unilateralism on both sides, economic needs, the pressures of integration and the presence of multilateral obligations in a wide range of economic arenas make the costs of defection high and increasing. There is not a clear choice, either, between multilateralism and bilateralism; as noted above, what often occur are processes that can be termed 'bi-multilateral', in which the bilateral relationships between the EU and the US are embedded within multilateral structures and conditioned by them. This is different from 'multi-bilateralism', a situation which refers to the maintenance of a kind of hub and spoke system of (potentially) divide and rule; 'bi-multilateralism' means literally that it is impossible to disentangle the conduct of bilateral (or for that matter mini-lateral) relations and multilateral relations. As a result of this situation, the policy calculations facing both EU and US leaders in their mutual economic relations are far more complex than a simple juxtaposition of bilateralism and multilateralism might suggest.

In terms of the course of transatlantic economic relations since 2001, this discussion implies that the Bush administration has had little impact on the prevailing patterns of alignment and activity. These are set far more by the kinds of multi-level complexity and diversity of interests that have been uncovered here than they are by the actions—however provocative—of any individual government. Even where there is a clear unilateral provocation such as the US imposition of steel tariffs during the first Bush administration, the pressures of multilateral institutions and interests are at least as powerful as those of parochial politics (Petersmann and Pollack 2003). What seems striking is the extent to which deliberate unilateral provocations have been absorbed within the wider transatlantic and global arenas, not the extent to which they have subverted the broader operation of the global political economy.

In addition to areas of what might be termed 'contained competition', there is also evidence in EU–US relations of emerging common interests in the 'new trade issues' such as investment, services and intellectual property. Both in the context of the Doha Round and in more specialised sectoral settings, the EU and the US have the incentive to defend their commercial interests and also to promote regulatory models as a means of 'ordering' the external world. Although there are differences between the EU and the US approach in specific areas, the balance

tilts strongly towards convergence, partly as a result of the structural changes noted earlier in this article (McGuire and Smith 2008, chs 5 and 6). But this discussion of convergence and shared interests should not be seen as offsetting the effects on the one side of questionable domestic economic policies and on the other of the increased pressures emerging from a global economy in the course of major transformations. The two forces have come together since late 2007, with the global impact of the US sub-prime mortgage crisis and the coexisting pressures of growing demand for commodities (especially oil) and food products within the broader global arena.

Atlanticism and Transatlanticism

In the sphere of political economy, Atlanticism and transatlanticism (understood here as the central institutional commitments and norms of relations between the United States and western Europe) have always been embedded in (and arguably have dominated) the broader global order. During the cold war period, the EC and the US together dominated the global political economy, and also contributed strongly to the growth of the multilateral institutions that sustained global trade and finance. Despite important disagreements between the two partners in the GATT, there was a general acceptance that this was the arena in which to deal with issues of world trade. There was a shift as the cold war proceeded, towards greater 'parity' for the EC, especially within the GATT and the global trading system; a somewhat similar shift occurred in the sphere of international development issues, where the EC developed a major presence through the implementation of successive Lomé Conventions. In both of these areas, a process of 'competitive co-operation' could be discerned, in which international conventions and institutions were permeated by EC-US rivalry and in which a kind of 'adversarial partnership' could be seen at work (Smith and Woolcock 1993; Smith 1998). International financial issues during the cold war period were still dominated by the US, and by the dollar as 'top currency', but with increasing European presence as the European Monetary System grew during the 1980s, as the Single Market Programme was implemented and as economic and monetary union became part of the European agenda in the late 1980s.

The end of the cold war in a number of ways accentuated this dominance of Atlanticist/transatlanticist forces in the GPE. It was claimed, not without reason, that globalisation, if it existed, primarily existed in the transatlantic area, and that the increasing economic integration of the Atlantic 'space' might form a new and relatively consolidated bloc at the core of the world economy (Hamilton and Quinlan 2004). As noted above, a number of institutional developments also contributed to this feeling, and it could be claimed that during the 1990s the EU and the US engaged more than previously in a form of social learning that began to underpin a (pluralist) transatlantic economic community. This did not mean that there were no differences or disputes; what it did mean was that those difference and disputes were increasingly handled within institutions (both public and private) that contributed to forms of stabilisation and order within the transatlantic space (Peterson 1996; Pollack and Shaffer 2001).

In this context, the impact of the George W. Bush administration can be seen as incremental rather than transformational. A lot of hard work had been done in the 1990s to underpin the evolution of co-operation in EU–US economic relations and to consolidate mechanisms of early warning or crisis management (Steffenson 2005). This is not to deny that the Bush administration had an impact, but much of that impact was through the ‘leakage’ of political and security disputes into the political economy, or through the indirect effect of US domestic economic policies (or the lack of them). A number of key areas merit consideration in this context. First, there was a continuation of efforts to bolster the institutional underpinnings of the transatlantic space, through the New Transatlantic Agenda (NTA) process and eventually through the establishment of the Transatlantic Economic Council. This council brings together high officials from both the European Union and the United States, with a brief to focus on results as much as on processes of collaboration, and thus constitutes a potentially significant advance on the previous mechanisms of the NTA (Allen and Smith 2008).

Alongside the TEP, there have emerged continued efforts to bring at least some element of co-ordination into EU and US efforts within major international institutions (WTO, increasingly the International Monetary Fund (IMF), etc.) despite continuing competition and disputes. The later stages of the Doha Development Round (DDR) saw persistent efforts to co-ordinate EU and US policies, although in the final analysis the irreconcilable disagreements that destroyed the Round seemed to be primarily between the United States and India (Stephens 2008). This situation exemplifies an emerging awareness that the EU and the US have a common interest in managing the impact of the major new international economic actors, especially India and China but also others engaged in the G20 such as Brazil and South Africa, but it also shows the limitations of that common ground. There is also an emerging awareness of the ways in which processes of politicisation and securitisation impact on the Atlantic space, including but not restricted to energy, environment and related areas. But here again, the ability of energy-rich countries such as Russia to deploy the oil weapon in a process of divide and rule seems at least as important as the capacity of the EU and the US to develop some kind of co-ordinated positions.

As a result of these trends, the 2001–08 period can be characterised in terms of a search—incremental and often confused—for a form of ‘new new transatlanticism’ to underpin management of a rapidly shifting global balance of economic power, and to accommodate the increasing linkages of domestic and international forces that have accompanied the broader shifts of power and purpose. John Peterson (1996) identified a ‘new transatlanticism’ as characteristic of the mid-1990s in transatlantic relations, part of which drew upon the kinds of regulatory and broader commercial co-operation noted here, and part of which expressed the increasing economic integration of the Atlantic economic space, which brought a growing range of domestic and ‘intermestic’ forces into play, linking international and domestic policy processes. Despite the challenges posed by the George W. Bush administrations, the ‘new new transatlanticism’ of the early 21st century continues to express these forces. There is evidence of deepening in institutional and other forms of co-operation, but this is subject to extensive centrifugal forces reflecting the structural changes noted earlier in this article.

Values and Identities

In the late 1980s and early 1990s, it was fashionable to talk of the EC/EU and the US as if they represented different worlds of political economy (Smith and Woolcock 1993). On the one side there was the commitment to the social market economy (sometimes termed 'Rhineland capitalism') and on the other an equally robust commitment to the free market (sometimes termed 'Anglo-Saxon capitalism'). This was always a distinction made too sharply for the purposes of realistic analysis, but it served to identify the 'centre of gravity' of the transatlantic partners' economic philosophies. The George W. Bush administration, if it has had any explicit economic policy, has perpetuated the notion that the United States wishes to promote an open world economy, and has linked this with the pursuit of freedom and democracy (Mandelbaum 2005). At the same time, it appears that the EU has adopted important elements of the neo-liberal economic consensus, and that it has shifted at least some way from its traditions of state intervention in pursuit of economic and social consensus (Cafruny and Ryner 2003). This shift may have been intensified since 2004 by the accession to the Union of countries with a more neo-liberal position on economic management, especially in central and eastern Europe.

Does this mean that there is a process of convergence going on in transatlantic economic relations, not simply through institutions and procedures but also through ideas and values, assisted by the changing composition of the EU and by the spread within the Union of neo-liberal orthodoxy? The evidence is less than fully clear. First, while there has undoubtedly been a shift in the views of many policy elites within the EU, the centre of gravity remains clearly on the side of the social market and the 'regulatory state' in a number of important areas. For example, the dogged pursuit of the precautionary principle in areas of food safety, environmental regulation and the like seems to indicate that there is still a lot of force in the notion that the EU can form a bulwark against neo-liberalism. But there are admitted variations between national positions within the EU on a number of these issues, and also between the position of industrial groupings and non-governmental organisations.

By the same token, the picture in the US shows little move towards a more state-centred regulatory approach, and illustrates a continuing reliance on technologies and the market rather than on regulation to overcome issues of risk and potential cost—at least at the federal level under the George W. Bush administration. It is important to note, however, that on issues such as environmental regulation the role of sub-federal bodies such as state governments has often been at odds with stated federal priorities; thus, California under Arnold Schwarzenegger has pursued policies on emissions control that bear a distinct resemblance to those demanded by the Kyoto Protocol and pursued with such vigour by the EU. As in the EU, there are differences (not just nuances) between the positions of the federal authorities and the positions of those at regional and local levels of government, not to mention the positions of different producer and consumer groups. The result has been a lively and continuing debate in which even the federal government appears to have been persuaded that there is something to be said for human-induced processes of climate change.

In both the EU and the US there also appear to be important differences between specific sectors, not simply between levels and types of governmental and non-governmental bodies. The policy communities and policy influencers in trade, environment and energy, for example, can differ widely in terms not only of their pragmatic interests but also in terms of the normative or value-centred positions they espouse and the influence they can exert on the relevant policy-makers. And these differences are not merely confined to each end of the transatlantic partnership—they are transnational in their implications, given the deepening integration of the transatlantic economic space and the interpenetration of the EU and US economies. They are also affected by the kinds of broader global linkages described earlier, for example through the intersection of concerns about environmental regulation with the increased salience of energy security concerns.

This sketch of the position indicates that no clear and consistent distinction—after eight years of George W. Bush—can be made between a neo-liberal US and a social market EU. But it also seems that no clear and consistent pattern of convergence can be seen between them. In terms of values and identities, there is arguably a sense in which the EU and its member institutions see the need to differentiate themselves from the US in order to consolidate elements of a ‘European’ identity and to highlight the significance of specifically European values, and this is clear in areas such as environmental policy. This declaratory aspect of the problem can often mask a great deal of policy convergence and the pursuit of essentially pragmatic interests in a competitive Atlantic and global economy. Not least, it can mask the intensity of the transnational interactions, which means that EU and US companies are effectively operating in a common transatlantic (and beyond that, global) economic space, with common incentive structures and mechanisms of regulation (Hamilton and Quinlan 2004). While there may be extensive competition between regulatory structures—for example, in transatlantic competition policy (Damro 2004 and 2006), there is no escaping the mutual entanglements—and the mutual learning—that arise from intense interdependence and interpenetration.

Grand Strategy and Global Governance

Is it possible to discuss transatlantic economic relations in terms of ‘grand strategy’—the search by both the EU and the US for organising frameworks within which to pursue their collective interests, and by extension perhaps the development of a common transatlantic strategy for dealing with major changes in the global political economy? While it is possible to discuss ‘European’ and ‘American’ grand strategies, the terms are different in the EU and the US cases. For the EU, the grand strategy is preservation and enhancement of the integration process—the grand strategy of a ‘trading state’, focused on civilian power, multilateral co-operation and the search for a stable political/economic environment (Smith 2004). Arguably, this creates in the EU a predisposition towards essentially conservative, risk-averse policy in which the needs of the integration process subordinate the pursuit of more expensive political or diplomatic goals, and in which the ‘self-limiting’ nature of the interaction between ‘European’ and member state priorities is a powerful force. For the US, economic grand strategy is subsumed into the broader search for security and stability on a global scale, and plays an impor-

tant role in the generation of resources for the pursuit and achievement of broader aims (Kupchan 2002; Mandelbaum 2005). There is considerable debate to be had (and this has characterised both the EU and the US 'domestic' discourses for the past eight years) about whether either the EU or the US actually has a grand strategy at all—if by that is meant the bringing together of material and non-material resources to serve an agreed set of aims and priorities on a long-term basis. In the case of the EU, the 'capability–expectations gap' identified by Chris Hill (1993 and 1998) is accentuated by the clash of normative and declaratory policy with hard economic interests, while in the US the capacity of the government to continue to extract resources from the domestic economy and other sources to support an expansive global stance can be called into question.

Against this background, what might be the key elements of the EU and US search for a grand strategy in the area of political economy? In both cases, there is primacy of the domestic; in other words, both the George W. Bush administration and the EU since 2001 have been concerned—if not obsessed—with the need for international economic strategy to serve domestic purposes. In economic terms, a central preoccupation for both the EU and the US has been the need to safeguard resources, to respond to competitors and to promote the interests of European or American firms in a changing world economy. The dollar and the euro have been seen in this light, as essential props for domestic economic policies, although of course the resulting policy prescriptions have been very different on the two sides of the Atlantic. While in the EU the key role has been given to stability and to the maintenance of solidarity between the key economic actors (including those member states outside the Eurozone, in many respects), in the US the key concern has been the need to maintain economic growth and to avoid stagnation or recession, and this contrast has been thrown into stark relief by the differing responses on the two sides of the Atlantic to the 'credit crunch' that began in late 2007. While in the Eurozone the initial (and continuing) emphasis was on the need to contain inflation and maintain employment levels, in the US the key concern was to stimulate consumer spending and investment, through tax rebates and other devices, and ultimately to preserve the financial system that had evolved during the previous two or three decades.

For the Americans, as already indicated, there is the additional need to shape international economic strategy to the needs of the broader world order. The 'war on terror' has been a key shaper of economic priorities (and of course economic priorities have played their part in shaping parts of the 'war on terror', for example through the role of access to oil supplies); linked to this the identification of 'problem states' has shaped economic strategy and the allocation of resources. There has been a very large investment in trying to produce stable democracies in Iraq and Afghanistan—a process in which the national security aspects of US macroeconomic management have become increasingly apparent. For the Europeans, the international security order has also been a key shaping element—but it has arguably been in a different balance with the demands of commercial advantage, and of course has been shaped by the lack of tangible military resources available for deployment at the European level. Thus although certain EU member states have committed large resources to fighting the 'war on terror' and to processes of nation building in Iraq and Afghanistan, there have been tensions between

this process and the search for energy supplies or the need for a major input into economic and social reconstruction in these and other areas.

Linked to the above, there has been a continuing debate in both the EU and the US about what international economic strategy is for: whether it should serve broad world-order purposes or whether it should be strongly directed towards the pursuit of European or US domestic priorities. This debate has not been resolved. It has led to the intervention of private interests in the shaping of both EU and US strategies, and it has shaped the views that policy-makers both in the US and the EU have of the 'good world' (Smith (forthcoming)). In terms of global governance, the debates outlined above have clearly fed into the EU and US positions on the creation and maintenance of international economic institutions and the obligations they carry with them (Baldwin et al. 2003; Ortega 2007; McGuire and Smith 2008, ch. 9). The Bretton Woods (or successor) institutions have clearly felt the force of this set of tensions; attempts to establish or to elaborate regimes in new areas of the global political economy (climate change being a key example) have also been conditioned by such forces. Thus the attempt to pursue environmental regimes or energy regimes—or broader clusters of regimes and institutions linked to development—has been strongly influenced by the uncertainties of and differences between EU and US strategies. While there has been some impression of convergence in more recent years, it must not be forgotten that the divergent or competing positions of the EU and the US are not the product simply of rational calculation; they partly express underlying cultural and social differences that will not easily fade away.

The upshot of all this is that the EU and the US face major challenges of grand strategy, both at the level of European or national commitments and at the level of global governance. The world-order issues have not been resolved, despite (or is it because of?) the fact that in the global political economy the EU and the US operate on more level terms than in other areas of transatlantic relations.

Conclusion: Sustainable Convergence in the Transatlantic Political Economy?

This brings us to one of the key questions about the transatlantic economy at the end of the second Bush administration. To what extent is a transatlantic economy sustainable, and what forces have emerged to put it under pressure? We have seen that there seem to be forces working at one and the same time to produce greater policy convergence in the Atlantic economy, and to increase the likelihood of divergence and fragmentation. Among these forces are the persistence of domestic and parochial interests and the limits they impose on the capacity to co-operate. These interests are accompanied by pressures from the broader shifts in the global political economy, and the incentives thus created both for co-operation and for defection among Atlantic countries. Additional uncertainties are created by the rapid transmission of economic shocks and of changes in the structure of competitiveness at the global level. Finally, insecurities are created or exacerbated by the increasing politicisation or securitisation of economic policies on both sides of the Atlantic (but also on the broader global plane).

It might legitimately be asked in these circumstances how far a transatlantic political economy can persist in the face of destabilising and fragmenting forces; but it might

also be asked whether there are actually increased incentives to co-operate arising from precisely the circumstances that create risk and uncertainty. Both of these tendencies can be identified after (but not necessarily because of) eight years of George W. Bush. In order to move further down the road of transatlantic economic integration, there is much to be overcome, not least the apparent clash between EU versions of a sustainable international economic order (institutionalised, rule-based, post-sovereign) and US versions (power-based, hierarchical, sovereignist) (Smith (forthcoming)). The argument here is that this apparent clash is less real than it appears, and that the logic of increased global economic integration in an asymmetric power context might well lead to an increased tendency towards convergence between the EU and the US in the post-Bush era. Paradoxical as it may seem, the recent destabilisation created by the ripple effects of US domestic economic policies and by the simultaneous escalation of the pressures caused by economic growth in China and India could provide a firmer basis for this kind of convergence—not least by finally breaking the mould of relations between the dollar and the euro and forcing a reformulation of transatlantic currency management.

There is, though, a further paradox. If it is assumed that the conditions on balance support a more sustainable convergence between the EU and the US in terms of international 'grand strategy' for the world economy, it could be that this is emerging at precisely the time that joint EU–US leverage on global economic management is eroding. Although it is far too soon to draw definitive conclusions, the collapse of the Doha Development Round in mid-2008 may be a portent. Following growing difficulty during 2003–07, the DDR finally stalled because of irreconcilable differences between the US and India over protection for Indian agricultural producers against surges in imports. Although the EU presented itself as playing an 'honest broker' role in this confrontation, it was clear that European agricultural interests were by no means dismayed at the outcome, especially given the pressures on global food supplies created by a variety of forces such as growth in the BRICs and the conversion of agricultural production to bio-fuels. For the time being at least, the EU and the US are both on the defensive in the face of major shifts in international economic power. They may be recognising common interests and the reality of their growing transatlantic integration at the same time as their power over international outcomes is reduced. To use the analogy indicated in the title of this article, the two transatlantic powers may be moving closer together at the transatlantic level, but missing the bus on which the future of global governance may be decided.

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