

ISSUE BRIEF

Strengthening the Transatlantic-Pacific Partnership

Key to World Order

MAY 2017 ROBERT A. MANNING

If there ever was a time when Asian nations could ignore transatlantic affairs, or when Europe could proceed without considering Asian developments, those days are long gone.

Amidst brewing populist nationalism and a counter-globalization backlash in the West, the rise of an assertive China, and the resurgence of a meddlesome, authoritarian Russia, the future of the post-WWII open, rules-based global order is more uncertain and more challenged both from within and without than at any time since its inception. Recent trends show an international system at grave risk: China's a la carte approach to global rules and norms, predatory industrial policies, and maritime actions to change the status quo in the East and South China Seas; and Russia's hybrid warfare and reneging on the 1990 Paris Charter by changing borders by force in Ukraine.

In theory, the interests of US allies and partners in Europe and Asia should be aligned. On balance, all have a common stake in sustaining and adapting the current rules-based international order to an increasingly multipolar world. Whether the issue is the global trade and financial system, free access to the global commons—air, sea, space, cyber—or nuclear safety and nonproliferation, there is a shared interest and a pressing need to leverage the combined political weight of like-minded actors.

Cooperation Deficit

Yet there is a troubling deficit of cooperation among transatlantic and Pacific partners on regional as well as global issues. There is a compelling need to strengthen cooperation among like-minded democracies in the United States, Europe, and Asia lest current challenges continue to erode norms, rules, and institutions that have helped foster economic prosperity and stability for nearly seven decades.

For a variety of historical, cultural, and political reasons, there has been a tendency to consider transatlantic and transpacific issues separately. Europe has tended to see its Asian interests as mainly economic, with security viewed as something in America's realm. Though the United States has alliances in both the Atlantic and the Pacific, they have tended to operate on separate policy tracks. When US and European Union (EU)

This issue brief is the product of a pilot project of the Atlantic Council's efforts to establish an Asia-Pacific Center. It is drawn from a series of workshops exploring the key question of how to strengthen transatlantic-Pacific cooperation on regional and global issues. The core mission of the Council's planned Center is to create an Atlantic-Pacific Community that brings together the United States with its European and Asia-Pacific allies and partners to assess key aspects of the long-range trajectory of the region and to develop a strategic perspective for adapting and revitalizing the rules-based international order.

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leaders meet, at the annual US-EU Summit, agendas of trade, finance, Russia, Middle East, and climate usually crowd out focus on Asia. Similarly, EU-Asia meetings tend to focus on immediate issues. The result is a gap in consultation and coordination on important issues of mutual concern among Atlantic and Pacific actors.

Arguably, absent a well-coordinated approach to reinvigorating norms, rules, and institutions, the future of the current world order is in great jeopardy. The durability of the rules-based system depends in no small measure on renovating it. If emerging powers such as China (a major beneficiary of this system) have a voice in rule-making commensurate with their economic and political weight, then they are more likely to see themselves as having a stake in sustaining the system, albeit tilting it to serve their interests. To maximize the chance of achieving a balance of interests that preserves the principles underpinning the global order, a common approach on the part of like-minded transatlantic and pacific actors is essential.

Transatlantic-Transpacific Dialogue

In a series of off-the-record workshops and public events, the Atlantic Council brought together US, European, and Japanese experts to examine the challenges and explore ways and means that like-minded transatlantic and Asian allies and partners could strengthen the rules-based order. Both the challenges and opportunities were brought into sharp relief.

Trade and Finance

One common major economic challenge is the future of the world trading system. The Doha global round failed, and no new global trade accord is on the horizon. Instead, regional and cross-regional trade agreements are proliferating. China has become the world's number

one trading power. The US (\$579 billion), the EU (\$529 billion), and Japan (\$300 billion) are China's top three bilateral trading partners.¹ Yet China's predatory industrial policies and various tactics to keep out goods and outside investment in competitive sectors like information technology or autos with tariffs harm US, EU, and Asian interests alike.

Chinese President Xi Jinping may show up in Davos and champion globalization, but at home he is championing mercantilist, predatory, industrial policies. And China demands “market economy” status in the World Trade Organization even as it strengthens and subsidizes its state-owned enterprises. The US, EU, and Japan have rejected Beijing's claim in a rare exemplary pursuit of parallel policies. But Beijing is skilled at using the lure of its markets to divide competitors. The challenge ahead is for transatlantic-pacific cooperation to press China for reciprocal market access and to implement its planned market reforms that have stalled. The rise of China and its impact on the entire international system is a common challenge for the US, EU, and Asia alike. A comprehensive EU strategy on China was released in June 2016, reflecting a growing European awareness of its stake in the issues China raises and offering a guide for activist EU policies.²

Regional Issues

There are analogous Atlantic and Pacific challenges to regional stability—Russia's intervention in Ukraine and seizure of Crimea and China's assertive island building in disputed territories are both based on historic grievances. The common thread in both regions is adherence to norms in a rules-based system. Regardless of whether Russia's break with the 1990 Paris Charter is a greater breach than China's selective adherence to the UN Law of the Sea Treaty, both undermine global rules and norms.

- 1 Trade figures for 2016. For US, see “Trade in Goods with China,” United States Census Bureau, <https://www.census.gov/foreign-trade/balance/c5700.html#2016>; for the EU, see “International Trade in Goods in 2016: A Third of EU Trade with the United States and China,” Eurostat news release, March 29, 2017, <http://ec.europa.eu/eurostat/documents/2995521/7958465/6-29032017-AP-EN.pdf/6ab52f0c-de18-42c3-aa65-28e1a1675213>; for Japan, figures for 2015, see “JETRO Survey: Analysis of Japan-China Trade in 2015 (Based on Imports of Both Countries),” Japan External Trade Organization, February 17, 2016, <https://www.jetro.go.jp/en/news/releases/2016/c52b1f3efe0aa231.html>.
- 2 European Commission, *Elements for a New EU Strategy on China, June 22, 2016*, https://eeas.europa.eu/headquarters/headquarters-homepage/15397/elements-new-eu-strategy-china_en.



The largest cargo port in the world—Yangshan deep water port in Shanghai, China. *Photo credit: Marqureed/Wikimedia.*

The impact of multi-layered sectarian conflicts in the Middle East producing destabilizing terrorism and refugees is greater on Europe than Asia; Asia is more preoccupied with the growing nuclear and missile threat from North Korea. The Atlantic Council's discussions pointed to Taiwan (both in terms of trade relations and potential conflict) as one European blind spot. But threats from both are global in impact.

However, the growing Asia-Middle East economic nexus—with two-thirds of Gulf Cooperation Council nations' exports going to the Asia-Pacific—underscores how oil flows and terrorism are just as important to Asia as they are to the United States and Europe; potential conflict or instability in northeast Asia or over Taiwan could be disruptive to oil consumers and suppliers alike. In the Atlantic Council discussions, the potential role of UK and French naval forces in a Korean contingency were referenced as a possible contribution. One area in which there is a deficit of Atlantic-Pacific cooperation and EU focus is toward the Association of Southeast Asian Nations, an important piece of the Asia-Pacific puzzle.

Global Commons

Rules and norms governing the global commons—air, sea, cyber, and space—are yet another area of concern where transatlantic and pacific interests overlap and are at risk. Climate change is another common concern. Atlantic Council discussions suggested that regardless of the US role, the EU and Asia could continue to cooperate in implementing the 2016 Paris Agreement to address climate change. Both cyber and space are relatively new areas with less clearly defined rules and norms. Therein is an opportunity for transatlantic-pacific cooperation to play a critical role in shaping global rules for cybersecurity and protecting the peaceful use of outer space. Growing anti-satellite capabilities of China and Russia give the issue some urgency. The EU has proposed a code of conduct for space that could serve as the basis for discussion in formulating rules of the road.

Conclusion: What Is To Be Done?

Strengthening transatlantic-pacific cooperation with regard to Asian issues may be less a question of institutional means than of political will. The US-EU Summit, the annual EU-Asia meeting, and G-20 consultations, along with Track 1.5 meetings such as the D-10, among other fora, provide ample opportunity for policy consultation and coordination.

Europe, the United States, and the Asia-Pacific all stand to lose if they cannot form a shared approach with regard to sustaining and updating the rules-based international order based on the values that have led to the success of these institutions over the past

seven decades. The particular respective challenges from China and/or Russia, or from functional issues such as terrorism, cybersecurity, and space, may disproportionately impact Europe, the US, or Asia, but at the end of the day, the whole is greater than the sum of its parts. The question is whether, amid a fragmenting world order, these key players, stewards, and beneficiaries of this rules-based system can generate the political will to reverse the negative trends.

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