REGENT'S
UNIVERSITY LONDON

Transatlantic Relations: A European Perspective

The Regent's Report 2014

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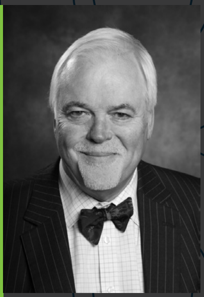
Preface

Professor Aldwyn Cooper

Vice Chancellor, Regent's University London

"Covers a lot of ground with its contributors presenting a number of compelling arguments across a range of themes which sit at the heart of the transatlantic relationship"

Aldwyn Cooper



As a truly international university committed to equipping all of our students with an international perspective, Regent's strives to contribute to current debates and topical issues.

Our annual Regent's Report is designed to address global challenges and stimulate debate within and beyond the academic community. This year's report focuses on the relationship between the European Union and the United States of America. It covers a lot of ground and the contributors present a number of compelling arguments across a range of themes that sit at the heart of the transatlantic relationship.

This relationship has an impact on all our lives and will shape the lives of future generations too. With new global powers emerging there are important decisions to be made around how the relationship will evolve. While the bond as trading partners is particularly topical, this Report steps further afield and considers a number of topics from security concerns and economic cooperation to human rights and education.

This year's theme stems from Regent's own strong transatlantic relationship. We are one of the largest providers of American degrees in the UK and have partnerships with nearly 70 universities in America. Every year we welcome many undergraduate and postgraduate students from across the Atlantic to Regent's as well as those who join us on study-abroad programmes for a single term.

Our European credentials are equally strong – over a third of our students at Regent's are from across the European Union (EU) and we have a thriving European Business School. Regent's Institute of Contemporary European Studies also organises a network of activities including the annual Europe in the World Lecture, which is a major event in the Regent's calendar.

Our reputation for contributing to European debates is well founded. Last year's Regent's Report, *The UK and Europe: Costs, Benefits, Options,* was particularly timely as the UK continues to consider its role in Europe and a referendum on EU membership looms ever closer. It was referred to during debates in the House of Lords and reported in the mainstream media. This Report is a worthy successor, with eminent contributors from the worlds of business, government and academia. Many of those who have written chapters enjoy strong connections with the University as either former staff or members of the Senior European Experts Group and the Ad Hoc Council, which convene regularly to discuss and debate European affairs.

The chapters are all written by leading experts who present their own views but draw upon robust research and experience. Regent's University London is grateful to them for their considerable contributions.

I hope that you find this Report insightful and that it informs your thinking over the coming years.

Professor Aldwyn Cooper
Vice Chancellor
Regent's University London

Foreword

Herman Van Rompuy

President of the European Council and former Prime Minister of Belgium

"A timely and wide-ranging picture of transatlantic relations as seen from Europe"

Herman Van Rompuy

The last few years have been trying times for both Europe and the United States. We are now moving steadily out of the economic and financial difficulties of recent years but still face serious challenges in many respects. Whether on job creation, global security challenges, energy or climate change, it is my firm belief that strong and effective transatlantic relations are essential for both the European Union (EU) and the United States' ability to address these issues effectively.

A timely and wide-ranging picture of transatlantic relations as seen from Europe, and it spotlights some of the key political, economic and social issues that concern European and American citizens today.

With the end of the Cold War, transatlantic relations entered a new phase and today, while strong and established, EU-US relations are in transition, reflecting global shifts at play but based as always on shared values.

Regardless of the rise of emerging economies, today nothing is larger or more dynamic than the transatlantic economy. But we can go further. The ongoing efforts to reach agreement on a Transatlantic Trade and Investment Partnership not only reflect a determination to strengthen our way of life but also represent a vote of confidence in the strategic importance of the transatlantic relationship.

Security concerns have always been at the heart of transatlantic relations, but over the last year developments in Ukraine have again brought this dimension visibly to the fore. Clearly, the role of the North Atlantic Treaty Organisation (NATO) remains vital for both Europe and the United States. However, it is important to underline that, individually and jointly as a union, EU member states are also developing their security and defence capabilities and cooperating increasingly in this domain with the United States and with NATO in Europe, Africa and elsewhere.

Our partnership is a truly strategic one, in which we work together at every level to address shared challenges to peace and prosperity. With the innovations of the Lisbon Treaty – including the establishment of a European External Action Service and the development of an effective diplomatic network of EU delegations around the world – the EU is a stronger partner than ever for the United States.

This report takes up these and many other key questions. I congratulate the editors and the authors for this valuable contribution to our understanding of Europe's special relationship with the United States.

Herman Van Rompuy,
President of the European Council and former Prime Minister of Belgium

Transatlantic Relations: A European Perspective

Editors' Introduction

Professor John Drew

Chancellor, Regent's University London. Professor of European Business and Management and Director, Institute of Contemporary European Studies

Dr Martyn Bond

Senior Honorary Fellow of Regent's University London

"Trade and investment issues are indeed of great importance in contemporary transatlantic relations, but they are very far from being the whole story"

John Drew and Martyn Bond

Henry James spent a lifetime writing novels to interpret Americans and Europeans to each other. This Report cannot lay claim to such a lofty or so broad an ambition, and it is very far from fiction. Yet it can hold a mirror up to readers on both sides of the Atlantic today, offering a snapshot of transatlantic relations in which some readers – particularly in diplomatic, political and academic circles – may recognise some aspects of the context within which they work.

The choice of this topic for the 2014 Regent's Report was triggered by the opening of negotiations between the European Union (EU) and the United States for a Transatlantic Trade and Investment Partnership (TTIP). But while trade and investment issues are indeed of great importance in contemporary transatlantic relations, they are very far from being the whole story. These negotiations need to be placed in context.

No single volume – not even one much larger than this – could do justice to the extensive and dense network of contemporary transatlantic relations that cover politics, economics, social and intellectual developments, and a host of private relations that escape public view. As editors we made the arbitrary decision to limit the scope of this volume to the context of public affairs relating to the TTIP negotiations, going beyond it only to illustrate the wealth of other topics that have a more tangential relationship with these negotiations.

We have included elements from the wider public sphere that seemed to us essential, such as the military and strategic context of the North Atlantic Treaty Organisation (NATO) and in particular relations with Russia; the development of a European identity in relations with other parts of the world; the broad picture of trade developments, including the rise of the BRICS (Brazil, Russia, India, China and South Africa) and other international groupings; the role of the EU in international fora, especially the United Nations (UN); the issue of migration, both in Europe and to a lesser extent in the US; the defence of privacy or data protection on either side of the Atlantic; and an outline of the financial framework, the relation between the established American currency and the growth of a common European currency over recent years. Just to illustrate the more tangential aspects of the relationship, we have also included a contribution comparing European and American approaches to education, and another considering the development of women's roles, in particular in business and public life, on the two continents.

Other contributions might have taken us further, looking for similarities and differences in the way that Americans and Europeans approach many aspects of life – personal, professional and social. Religion and the arts, for example, or approaches to taxation, philanthropy and the environment would be obvious and interesting examples when comparing contemporary practice on each side of the Atlantic and what they mean to Americans and to Europeans, but those aspects must remain for others to edit in another volume. As this volume presents a strictly 'European perspective', perhaps an American university will also take up the challenge of replying with a collection of essays offering an 'American perspective'.

As editors we have inevitably approached this topic influenced by our own backgrounds, which, despite extensive experience abroad, are essentially British. Several of our authors have Continental experience or backgrounds, several have also lived in the United States, but perhaps German, Italian, French or Spanish editors would have emphasised other issues or struck other accents. That must be for readers to decide.

Transatlantic relations are not limited simply to contemporary events. They have a history, and a timeline of key events over the past one hundred years relating to European and American affairs helps to illuminate this. Inevitably the selection of events captured here cannot be exhaustive, but it shows how out of the political cataclysm of the First World War a previously isolationist America emerged as a newly important member of the international community. In the Versailles settlement it assumed responsibilities that, although much contested over the following decades, ensured that the US was even more deeply involved in the second reshaping of Europe after the next great paroxysm in 1945. From then onwards the story is increasingly one of the US as a hegemonic superpower relating not only to the states of Western Europe bilaterally but increasingly multilaterally, through the UN, NATO and the ever more integrated EU. From 1989/1991, after the successful outcome of the Cold War, the US remained the single – if reluctant – hegemonic power, and it is only as geopolitical tectonic plates have shifted more recently, and the global limitations of this role have become apparent, that the negotiations for the TTIP have begun.

The general conclusions drawn from this selective survey are straightforward. The common interests, the common history and the common approaches of the two continents are clearly closer to each other than to any other part of the world. The volume of trade and investment between them is both a cause and a consequence of this. The political and ethical goals that each declares publicly are the same – democracy, human rights and the rule of law. Despite Churchill's dictum that Britain and America are two countries divided by a common language, on closer analysis it is clear that Europe and the United States – using that same common language – are singing from the same hymn sheet when it comes to what they stand for, what they do and what values they uphold.

That does not preclude differences of interpretation and quarrels aplenty over details, but the generalisation is such a truism that just five years ago Peter Baldwin, a professor at the University of California, could publish an analysis of extensive polling evidence of American and European attitudes entitled '*The Narcissism of Minor Differences: How America and Europe Are Alike*'. He finds variations of degree much more than principle in all areas surveyed: the economy, health and welfare, crime, education, environmental concerns, civil society, nationalism, religion and science, assimilation of migrants, and many more. His work underlines the risk for both sides of over-emphasising differences of detail to the detriment of the underlying commonalities of transatlantic relations. We are indeed often more alike than we like to think.

That the US and the EU can respond speedily and coherently to a common danger has been displayed during the period of this book's gestation. In response to Russian aggression in Ukraine, NATO has taken military decisions and the EU has agreed trade sanctions and increased cooperation on energy issues. These both raise the cost of further aggression and seek to persuade Russia to return to good neighbourly behaviour, as expected of a developed country with a European cultural tradition.

Does that mean that the US and the EU will likewise succeed in their TTIP negotiations? As the essay on that specific subject underlines, this question is still open. When it comes to the hard realities of business interests, who will blink first? Or, to use a more constructive image, will the negotiators succeed in joining the two sides of the trade and investment bridge across the Atlantic, finding acceptable compromises? This Report argues that they will have a better chance of doing so if, when considering the individual concerns that require mutual concessions in these negotiations, they bear in mind the bigger picture of transatlantic relations and their global implications.

Professor John Drew,
Chancellor, Regent's University London and Professor of European Business and Management and Director, Institute of Contemporary European Studies

Dr Martyn Bond,
Senior Honorary Fellow of Regent's University London

How Europe and the US Have Handled Post-Soviet Russia and its Sphere

Sir Anthony Brenton

Former UK Ambassador to the Russian Federation

"The break-up of the USSR in 1991 challenged the EU and the US differently"

Sir Anthony Brenton

'F*** the EU.' Thus spoke US Assistant Secretary of State Victoria Nuland earlier this year on European Union (EU) policy towards Ukraine. Her explosion nicely illuminated the gap between EU and US approaches to post-communist Eastern Europe. How in fact have these approaches developed since the collapse of the Soviet Union?

The break-up of the USSR in 1991 presented the EU and the US with different sets of problems. For the EU, it compounded the chaos already engulfing Eastern Europe. In addition to grappling with the economic bankruptcy and political fragility of a half dozen former East European satellites, Europe now found a score more countries at the poorhouse door, of which by far the least tractable was Russia. The US too had concerns about the dangers of half a continent collapsing into chaos, but it was not their continent. They were more focused on the geopolitical vacuum left by the dissolution of the other superpower and how best to handle the rump, resentful Russia.

One can identify a very natural, but never explicitly acknowledged, division of labour between Western Europe and the US in managing the post-Soviet mess. As befitted its dominant role in the North Atlantic Treaty Organisation (NATO), the US took the lead on security issues while the EU played a much larger role on economic matters. In practice this meant that for most of the time attention in all but one of the Eastern European capitals was focused on Brussels. The exception was Moscow. Despite its post-Soviet diminishment, and unlike any other Eastern European state, Russia even at its nadir retained great power pretensions, continued to regard the US as its natural peer in the international system, and looked to Washington.

Eastern Europe: Absorption by the West

The economic absorption of Eastern Europe into the West has been the single greatest success of the EU's slightly utopian approach to foreign policy. This was a problem perfectly suited to the EU's strengths. The objective – cementing democratic politics and market economics in the ex-communist states – precisely played to the EU's vision of itself as a values-driven 'civilian power'. And the EU had the right instruments to bring the project to success – real influence with the impoverished post-totalitarian nations of Eastern Europe, money, and the promise of Community membership for those who could effectively reform themselves. It was crucial that – while individual member states jostled for their particular clients (Germany for Poland, France for Romania, and so on) – the EU and its major member states were united on the strategic objective. This being Brussels, it took years of grinding negotiation. But, starting with the 'big bang' EU enlargement of 2004, the accession of (so far) 11 formerly communist countries, with a total population of over 100 million, has undoubtedly helped the region avoid the bloodstained fate of former Yugoslavia or the Caucasus.

The parallel operation on the security side was the expansion of NATO. On paper the results have been similar, with the same 11 states (plus Albania) added to NATO in a succession of enlargements from 1999 to 2009. In practice the arguments for enlargement were much more questionable. In the immediate aftermath of the collapse of communism, NATO looked close to irrelevant. Diminished Russia was not the threat the USSR had been (and indeed itself even contemplated joining NATO). But the West faced an awkward choice. Former Soviet satellites were pressing for admission to NATO to guarantee their security against any revived Russian threat. But their admission was likely to create precisely what they feared – Russian antagonism in the face of an expanding 'anti-Russian' NATO.

The US and key European states havered. In 1994 they introduced the 'Partnership for Peace' programme, intended as an extended waiting room for all Eastern Europeans (including Russia) before full membership could be contemplated. Nevertheless, the US (allegedly for 1996 presidential election reasons) swiftly swung over to pressing for the first enlargement (Poland, Hungary and the Czech Republic), which took place in 1999. This then made it very difficult to hold off the two subsequent enlargements – with exactly the effect on Russian attitudes that was feared.

So the vast majority of Eastern Europe has now been incorporated into Western economic and security structures. There are, however, some loose ends. The wars in Bosnia (1992-95) and Kosovo (1998-99) revealed the inadequacies of the EU's 'civilian' external policy when the knives came out. It took NATO (in effect, US) interventions to end the wars. This has also left the entities most directly involved – Serbia, Bosnia-Herzegovina and Kosovo – well behind their neighbours in linking themselves to the West.

The other loose end has been the long list of ex-Soviet European states (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) that have had the most difficulty coming out from under Russia's shadow. Some of them remain resolutely autocratic. Others are, in effect, partially occupied by the Russian army. These states have become key points of competition for influence between Russia and the West. Russia continues to regard them as part of its sphere of influence, while the US and EU have taken the view that as sovereign entities they should be able to choose their own course – with the implicit (and plausible) assumption that this would be westward.

The EU accordingly, and in line with its 'contractual' style of diplomacy, followed up its eastward expansion in 2009 by creating an 'Eastern Partnership' with these countries. Without promising eventual membership, since the EU was by then suffering from acute enlargement fatigue, the aim was to strengthen trade and other links and thereby also edge or nudge them towards 'European values'.

The US has been both more selective and more direct. While, for example, cold-shouldering Belarus as the 'last dictatorship in Europe', it enthusiastically seized on the outcome of Georgia's 'Rose Revolution' (2003), as well as Ukraine's 2004 and 2014 revolutions, to pour assistance into those countries and edge them towards NATO membership. We will see below the upshot of these policies.

Russia: The Background

The story of Western relations with Russia since 1991 has been much more complicated than those with Eastern Europe. The fissures, both between the EU and the US and within the EU, have been much deeper. Because the stakes with Russia are so much higher, individual states have been less willing to adjust their position to find common ground.

The US approach has been heavily focused on geopolitics. It has been bolstered by geographic remoteness, the relative weakness of economic links (US trade with Russia is about one-tenth that of the EU) and a strong hangover in Washington of the Cold War view of Russia. The key issues have been Russia's former sphere of influence, nuclear disarmament and regional problems such as Iran and Afghanistan.

For Europe, living a lot closer to Russia, the dominant concerns have been economic links and Russia's political evolution away from 'European values' and towards authoritarianism. The latter has, of course, cooled political relations, but the economic relationship has burgeoned. Russia is now the EU's third-largest trade partner, a crucial energy supplier accounting for 25% of Europe's gas consumption, and a major destination for European investment, notably in the energy sector.

These trends have produced complicated European dynamics with regard to Russia. Led by Germany and Italy, those countries with the strongest economic stakes have tended to press for an understanding approach on the values issue in the hope that Russia will eventually converge with European normality. Other member states, notably the UK, have pressed for a much harder line, and found their camp significantly reinforced after 2004 with the entry of new member states, such as Poland and Estonia, with good historical reasons for wanting to be tough on Russia.

From its side too, Russia conducts its relations with Europe and with the US in different contexts. Ask most educated Russians what they are beyond Russian and they will say 'European'. The economic, historic and social links go deep and give a 'family' texture to relations with the EU, even if not always a happy family. With the US on the other hand the relations are much more of one great power to another, calculated and transactional.

The historical unrolling of this complicated picture is perhaps best described in terms of three cycles of Russia's relations with the US – each one progressing from relative warmth to deep freeze. Relations with the EU and its member states provide a sometimes supporting and sometimes conflicting undercurrent.

The First Cycle: Yeltsin, 1991-99

The fall of communism in 1991 brought huge optimism about the future of Russia in both the US and Europe. The universal expectation was that Russia, like the other Eastern Europeans, would rapidly move towards secure democracy and market economics. Russia applied to join NATO and the World Trade Organisation (WTO), and worked closely with the US to remove nuclear weapons from Ukraine and Kazakhstan. Both the EU and the US established aid programmes, and the EU set about negotiating its 'contract' with Russia – the Partnership and Cooperation Agreement (PCA) – finally agreed in 1994. This provided for what were called 'shared democratic norms' and for policy convergence, and contained a lot of consultative machinery, including regular summits.

This vision rapidly went sour for three sets of reasons. The first was economic. The Russian economy was in chaos and needed huge quantities of international aid to pull it round. Partly motivated by residual Cold War hostility in the US Congress and fear that much aid would simply be wasted or stolen, neither the Europeans nor the US were willing to back International Monetary Fund packages of the size required. What was on offer instead was a lot of economic advice. The lack of financial support and the advice both contributed to a deeply corrupt privatisation process characterised by the emergence of oligarchs who dominated the Russian economy, the immiseration of the bulk of the population, and the disastrous Russian economic crash of 1998 when gross domestic product fell by 40%. Unsurprisingly, many Russians came to believe in a Western plot to destroy their economy.

Secondly, the economic pain also destabilised Russia's fragile democracy. Yeltsin was obliged to send tanks against the communist-dominated Duma in 1993, to buy the 1996 election with oligarch money to keep the communists out, and to brutally repress two insurrections in Chechnya (1994-96 and 1999) to prevent Russia falling apart. All of this did significant damage to the European and US popular view of the new Russia. Nevertheless, in a striking display of realpolitik, the US and major European governments firmly maintained their support for Yeltsin (including marginally increasing economic help, limiting their criticism of the Chechen wars and attending a specially staged G8 summit in Moscow) on the grounds that he was vastly preferable to the communist alternative.

The third poisonous issue was NATO expansion. Yeltsin's 1992 suggestion that Russia should join NATO was quietly set aside. Instead, the organisation found itself under rising pressure from the Poles and others for their countries to join, and, led by the US, gave way in 1994, leading to the first round of enlargement in 1999. Over the same period NATO fought its first two European wars in Bosnia (1995) and Kosovo (1998-99), in both cases against entities with historical links with Russia, and, in the second case, bypassing the UN Security Council (thus avoiding a certain Russian veto).

The effect on Western relations with Russia, despite palliatives such as including Russia in an expanded G7/G8, was disastrous. The Russian security establishment reverted to regarding NATO and the US as an encircling threat. Yeltsin claimed the West had broken a promise not to expand NATO, sacked his Western-leaning foreign minister, and instructed his next foreign minister to turn his plane around in mid-air during a crisis rather than continue his flight to the US. Finally, in late 1999, in search of a tough successor who would stand up to the West, he resigned the presidency in favour of a little-known ex-KGB Kremlin insider – Vladimir Putin.

The Second Cycle: Putin, 2000-2008

Despite his tough reputation, it was nevertheless Putin who engineered a significant improvement in relations over the next two years. The Russia he inherited was economically weak and in a bad state of domestic disorder. He did not need external conflict as well. And it is worth noting that at this stage, while relations with the US and NATO were cold, economic and other links with the EU were progressing steadily. Italian Prime Minister Berlusconi even predicted in 2002 that Russia might eventually join the EU.

So Putin saw his principal problem as being with the US and took a number of steps to mend fences. He talked again about Russia joining NATO and closed Russia's Cold War listening posts in Cuba and Vietnam. He entered into the negotiations that, in 2002, produced the Strategic Offensive Reduction Treaty. He was the first international leader to speak to US President Bush after the terrorist attack of 11 September 2001 – following which he acquiesced to the US opening bases in ex-Soviet Central Asia to pursue the war in Afghanistan.

But, as in the first cycle, US pursuit of its wider geopolitical agenda soon led to renewed tension. The George W. Bush presidency (2001-9) was even less inclined than its predecessor to take Russian concerns into account as it decided what was good for the United States. The unilateral US abandonment of the Anti-Ballistic Missile Treaty in 2002 was a major blow to Russia's security stance. The 2003 war in Iraq (one of Russia's key Arab partners) was launched over the most strenuous objections of Russia, and indeed provoked a major split in the Western (and European) camp, with France and Germany lining up with Russia in opposition to the US and its European allies, including the UK.

The Rose Revolution in Georgia in 2003 and the Orange Revolution in 2004 in Ukraine (described as 'Putin's worst foreign policy defeat') added fuel to the flames. Both saw pro-Russian presidents overthrown by more hostile regimes, both were firmly supported in the West, and both were seen by many in Russia as the product of Western subversion, quite possibly presaging a similar effort in Russia itself. The same year, 2004, also saw the second round of NATO enlargement (with growing talk of a further round to take in Georgia and Ukraine) and the very nasty Beslan terrorist incident, for which the Russians felt they received little Western support or sympathy.

Meanwhile, Putin completed his domestic political stabilisation, and a sharp rise in the oil price was bringing his dependence on Western financial support to an end. He accordingly felt free to become much tougher with the West. Already in 2003 Russia was transferring its diplomatic energies from its WTO application to developing a Eurasian economic union with Kazakhstan, Belarus and (so it hoped) Ukraine. Russia also now set about getting the US out of the Central Asian bases it had acquired in 2001. It briefly cut off the gas in 2006 to (now pro-Western) Ukraine and engaged in an escalating series of tit-for-tat political and military provocations with (even more Western-leaning) Georgia. It threatened forward siting of theatre nuclear weapons in Europe in response to US missile defence plans, which were viewed by the Russians as a direct military threat to their own deterrent. It launched a massive cyberattack against Estonia, a new NATO member, in 2007 and, by renationalising strategic sectors of the Russian economy, made life much harder for major Western investors in the Russian energy sector. After a long period of quiescence in the UN Security Council, Russia – usually in Chinese company – now also became much more ready to veto resolutions prompted by what it saw as excessive Western interventionism.

While much of this was principally directed against the US, it also contributed to a growing coolness in EU-Russian relations. European opinion, both political and popular, had turned sharply against the Putin regime in the light of murdered journalists, arrested opposition leaders and fixed elections. EU attempts in 2005 to inject some life into the contractual relationship through a diplomatic initiative, the 'Four Common Spaces', produced little more than unreadable paper. In 2006 Poland and Lithuania placed a block on negotiation of a successor to the PCA. Relations with the UK hit bottom in 2006 with the murder in London (with strong evidence of Russian complicity) of Russian exile Alexander Litvinenko.

Meanwhile, Putin was busily exploiting divisions in the Western camp. He gained German agreement to construction of the North Stream gas pipeline under the Baltic, which would bypass Poland, who described the project as 'comparable to the Molotov-Ribbentrop Pact'. The rhetorical climax of this phase was Putin's unprecedentedly tough speech in Munich in 2007 in which he attacked US 'recklessness and unilateralism' and called for European support in opposition to 'unipolarity'.

The low point in relations came in 2008. Strenuous US efforts to move Ukraine and Georgia towards NATO membership were firmly opposed by France and Germany who, rightly, feared the Russian reaction. Then, in the summer, Georgia, armed and at least rhetorically supported by the US, invaded South Ossetia, a separatist Georgian province under Russian protection. In response, Russia had no compunction about crushing the assault and briefly occupying most of Georgia. With the US at one point contemplating military involvement on the side of the Georgians, it took an EU-led peace mission to Moscow to get the Russians to withdraw.

The Third Cycle: Medvedev and Putin, 2008-14

The arrival of new presidents Obama and Medvedev offered the opportunity for a fresh start. This time it was the Americans who took the initiative with their 'reset' of early 2009. The US backed away from its European missile defence plans, a new round of negotiations on reduction of nuclear weapons was launched (leading to 'new START' in 2010), the way was clear (with EU support) to inject new momentum into Russia's negotiations to join the WTO (which finally took place in 2012), and Russia stepped up its quiet support for allied operations in Afghanistan. The improvement in the atmosphere also finally allowed the EU to launch the negotiation of a successor to the PCA. In a variation on an increasingly familiar theme, President Medvedev even proposed an all-European security treaty that would include both Russia and NATO.

But again things slid rapidly downhill. Part of the problem was that the growing 'values gap' between Russia and the West was suddenly thrust into the foreground. The 'Arab Spring' (2010-12) brought sharp disagreements about Western intervention in Libya (to which the Russians gave inadvertent, and swiftly regretted, consent in the Security Council) followed by a head-to-head standoff over Syria (where they didn't make the same mistake). The US Magnitsky Act of December 2012 infuriated the Russians by imposing penalties on a list of prominent individuals in Russia accused of major human rights abuses. And Western public sympathy for the popular demonstrations in Russia in 2011-12 against Putin resuming the presidency (which he nevertheless did in 2012) further soured the atmosphere by provoking a further round of repressive legislation from the regime.

But it wasn't all about values. The EU, hitherto the 'good cop' in Western relations with Russia, was itself taking an increasingly firm line. The EU's Eastern Partnership policy was re-launched in 2011, and was judged by the Kremlin to be an attempt to intervene in its own post-Soviet backyard and a threat to its own plans for a Eurasian Union. The EU made quite rapid progress towards association agreements (hitherto the preliminary to serious membership negotiations) with a range of ex-Soviet states, most notably Ukraine.

Energy, long an important economic bond between Russia and the EU, became a bone of contention. A second shut-off of gas to Ukraine in 2009 affected a number of EU states. This led the EU into a battle with Russia over rival gas pipeline projects, as well as interference in Ukraine's gas import arrangements. More generally, the EU passed legislation limiting Gazprom's ability to buy into the EU's gas distribution networks and went on to launch a major antitrust action against Gazprom.

The depth that relations had reached with both the US and the EU was underlined by the strikingly cold atmosphere of a visit to Moscow in November 2012 by Chancellor Merkel, who had been hitherto very measured in her approach to Russia, and by the unprecedented cancellation by President Obama of a planned US-Russia summit in summer 2013.

Matters now moved rapidly towards the deepest crisis between Russia and the West since the end of the Cold War. Ukraine has always been seen by Moscow as, in effect, an extension of Russia itself. So the overthrow in February 2014 of the Russian-backed Ukraine president, with the apparent connivance of the US and in support of an association agreement with the EU, brought back all Putin's worst memories of Georgian aggression and the earlier Orange Revolution in Kiev. He responded by seizing the most Russian-oriented part of Ukraine, Crimea (the first such annexation in Europe since 1945), and fomenting separationist disorder in other pro-Russian provinces.

The US and EU have maintained impressive unity in the face of this crisis, but the division of opinion behind the scenes has been familiar. The US and those close to it (led by the UK and Poland) have pressed for very tough sanctions and the international isolation of Russia. Other major European states, most notably Germany, have been much slower to support tough sanctions (only agreeing after the destruction of a Malaysian civil airliner with a large number of European passengers), and have worked to find a route of conciliation and compromise. At the time of writing, the situation in Ukraine remains deeply uncertain, but it is the Germans, not the Americans, who are talking to Putin.

Conclusion

In their dealings with Russia, the US has mostly come from Mars and the EU from Venus. And while the two have endeavoured to stay in close touch, not least so as to avoid Russia driving a wedge between them as it did over the Iraq War and the expansion of NATO, there have been some sharp divergences.

US policy towards Russia has been relatively unconstrained by the country's economic relationship (which is weak) and so has been driven by geopolitical considerations, with a substantial admixture of mutual post-Cold War suspicion. It has had its successes – some useful nuclear arms reduction agreements and a degree of cooperation on such key issues as the Iranian nuclear dossier and Afghanistan – but there have also been major failures. It may be that turning Russia into a normal member of the Western family of nations was always an impossible goal, but failure was made doubly certain by the lack of funding for newly independent Russia and, especially, by the expansion of NATO. Since then, what seems an almost aggressive US indifference to what Russia sees as its vital interests has produced dangerous crises in Georgia and Ukraine. That the US needs Russia in some ways (Afghanistan and Iran, for instance) while rejecting its whole approach in most others has produced the extremely bumpy relationship described above.

On the surface the EU does not have a lot more to show for its Russian policy than does the US. Russia has never really taken the EU seriously as a security interlocutor – not least because the EU has failed lamentably to show any real solidarity, for example with the UK over the Litvinenko affair or with Estonia over the cyberattack. The string of EU 'contracts' with Russia – the PCA, the Four Common Spaces and so on – has never generated the intensity and intimacy of dialogue intended, and indeed the blind pursuit of another such contract, the proposed association agreement with Ukraine, played a significant part in unleashing the crisis there. Meanwhile, the EU's efforts to edge Russia towards 'European values' have been a complete failure.

Nevertheless, the EU has been successful in two ways. First, Europe, led in particular by France and Germany, has been available as a moderating influence between the US and Russia at dangerous moments – most notably over the Georgian and Ukrainian crises. Indeed, European impact may well rise as Germany, the EU country with which Russia has its most important links, seems ready to raise its profile internationally.

And second, it is Europe's fast-growing economic engagement with Russia that holds the real key. Political relations with a resentful, imperfectly democratic ex-superpower will inevitably remain tetchy for years to come. What will change them will be the emergence of a richer, more self-confident, more 'European' Russian middle class. It is the EU and its member states, through the proliferation of business, educational and social links, that is doing the most to make that happen. It would be a tragedy if the aftermath of the Ukraine crisis became a permanent obstacle to this.

NATO: The Challenges of Being Back in Business

Dr Jamie Shea

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"To change Russian behaviour, NATO and the EU must work closely together on economic sanctions as well as military strategy"

Dr Jamie Shea

Following Russia's annexation of Crimea last March, many commentators have been proclaiming that 'NATO is back in business'. An alliance that was looking for a role after coming to the end of its 'age of interventions' (Afghanistan, Bosnia, Kosovo, Iraq and Libya) has once again found a strategic adversary on which to focus its attention. Indeed, given the widespread public scepticism regarding the usefulness – relative to the costs – of military forces in counter-insurgency and state-building operations, those same commentators were happy to see NATO return to its traditional business model: collective defence of territory back home on the European continent.

Here was a role where NATO's relevance and expertise were incontestable, based on four decades of experience (ultimately crowned by success) during the Cold War. I myself was reminded of an episode in 1989 when, after the fall of the Berlin Wall, the late Soviet academician, Gyorgy Arbatov, stalked the corridors of Allied chancelleries proclaiming, 'We have done something terrible to you. We have taken away your enemy.' Having spent the quarter century since the end of the Cold War trying to convince its public – and itself – that NATO does not need a fixed enemy to survive – and even thrive – as a security institution, the Alliance ultimately seems more comfortable when it can base its narrative once more on its core task of collective defence.

Reaction to the Crisis in Crimea

Certainly this perception has been borne out by NATO's immediate reaction to the crisis in Crimea. US leadership has been back in evidence, with Washington the first to deploy land, sea and air reinforcements to Poland, Romania and the Baltic States. President Obama in Warsaw pledged US$1 billion for a European Reinsurance Initiative to cover the costs of exercises, enhanced air patrolling and temporary troop and naval redeployments to the Eastern allies.

These allies, conscious of their history and of the long shadow that Russian military power still casts over them, are nervous about Russia's near-term intentions. They worry about the credibility of NATO's Article 5 security guarantee after decades when it has not been underwritten by a robust military infrastructure on their territories. To reassure them, other allies have joined the fray: Germany, France, Denmark, Canada and the UK have sent fighter aircraft, ships, and surveillance, intelligence and reconnaissance assets. Contingency plans for the defence of Poland and the Baltic States have been revised, and a plan for Bulgaria and Romania initiated. Pre-planned exercises have been brought forward, national exercises put under a NATO flag and for the first time a continuous rotational presence established in the Black Sea (currently standing at nine allied ships).

Deterrence, as a US Cold War strategist once pointed out, means being resolved in order to appear resolved. So it is as much about political will as military visibility. What the Alliance needed to avoid was a Libya scenario in which only a small group of allies (at that time only eight for the air campaign) actually executed a mission agreed unanimously by all. Although smaller coalitions of the willing are perhaps inevitable in out-of-area operations, reflecting different threat perceptions and priorities, collective defence requires the mobilisation of all available forces and concrete participation of all allies. Fortunately, by early June 2014, all 28 allies had allocated forces, or at least planning personnel, to NATO's immediate reassurance efforts. At the same time, the Alliance froze its relations with Russia (although keeping a channel for communication open through the NATO-Russia Council), and agreed to step up its defence-related assistance to its partner 'countries in between': Ukraine, Moldova and Georgia.

[1] The views expressed in this article are those of the author alone. They do not represent an official position of NATO.

Reassurance in the Face of a Changed Threat

Current reassurance efforts have built on plans that were already underway in the Alliance to refocus on Europe after eleven and a half years of the International Security Assistance Force (ISAF) in Afghanistan, the withdrawal from Iraq and the gradual winding down of missions in Kosovo and the Gulf of Aden. Indeed, even before Russia's annexation of Crimea, NATO had held its first major exercise in Eastern Europe for decades ('Steadfast Jazz') and devised a Connected Forces Initiative, which involves regular exercises, training and education in order to preserve the interoperability of its forces slowly acquired through ISAF experience. This initiative also aims to get its forces back into the culture and practice of major manoeuvre and force-on-force war fighting skills.

The return to collective defence and to more traditional notions of deterrence, containment and the balance of power, however, will inevitably raise questions as to whether the allies, and NATO, are up to the job. This question will be all the more pressing in a new security environment where everything NATO does henceforth will be tested. New adversaries have much greater strategic reach, resources and staying power than the Milosevics, Saddam Husseins and Gaddafis of the past. They cannot be neutralised through a swift and uneven military contest, and they are clearly investing in military power as their foremost instrument of diplomacy.

The shift in the pattern of global military spending in favour of Russia, the Middle East and Asia testifies to this. Over the past five years, allied defence budgets have declined by 20% on average while Russia's has increased by 50%. Consequently, security guarantees will be given in the future only to the extent that the Alliance is really ready to honour them. It is not that security in Europe is less achievable in the wake of Russia's new military assertiveness, nor that it is unaffordable for NATO democracies that are still relatively prosperous. But as war in Europe goes from the previously unthinkable to the possible and conceivable, the price that the allies will have to pay for their security is now much higher than before the Ukraine-Russia crisis.

This context poses a number of short-term and long-term challenges for the Alliance, the first of which is to decide what long-term military posture to adopt in Central and Eastern Europe. Currently there are two schools of thought among the allies.

Divided Views on Reassurance

One group (unsurprisingly from Central and Eastern Europe) would like to see the stationing of substantial combat forces in the East and to go back to a posture of forward defence along borders. As the Polish ex-foreign minister, Radek Sikorski, has often pointed out, Poland has been in NATO for 15 years but has only a virtual training centre in Bidgoscz to show for it. In his view, NATO's command structure and combat brigades are stationed in countries that face no threat instead of in the territories where the threat is much more real. In 1997, in the more optimistic days of the NATO-Russia strategic partnership, the Alliance gave an assurance to Russia as part of the NATO-Russia Founding Act that it would not station substantial combat forces, nuclear weapons or military infrastructure on the territories of its new member states.

However, many from these countries now argue that this assurance was conditional upon Russia also respecting international law and exercising restraint. As Russia has clearly violated these precepts, allies should no longer feel bound by their commitment and, in any case, would still be acting proportionately and defensively in reply. This wish to have a permanent and highly visible presence of NATO in Eastern Europe is also motivated by worries that NATO's forces, located hundreds of kilometres to the west, are not on sufficient alert or able to be transported rapidly to NATO's eastern borders, thereby giving Russia an advantage in terms of surprise and its greater capacity for rapid mobilisation under the guise of carrying out snap exercises. The current assessment is that Russia is able to mobilise 150,000 troops in just 72 hours. Thus, in the view of the Eastern allies, the easiest way to be responsive is to be just a few kilometres away from the places where Russian may probe or potential land grabs are most likely to occur.

Other allies are reticent about a major and permanent redeployment of forces from west to east. They prefer to occupy the moral high ground of sticking to the 'three nos' commitment in the hope that one day Russia will come to its senses and want to re-establish a strategic partnership with NATO. In their view, the more NATO sticks to its various commitments vis-à-vis Russia and refuses to engage in a new Cold War confrontation, the easier it could be for Russia to rethink its position. Moreover, the advantage of relying on rotations and exercises is that they are rapidly scalable, up or down, as befits the level of threat from Russia or the possibilities of cooperation. Pouring concrete into new headquarters and establishing new fixed command structures in the east would not only be expensive; it would also send a signal to Moscow regarding NATO's long-term readiness to regard Russia as an adversary.

The ability of these allies to persuade Poland or the Baltic States of the merits of this reinforcement strategy depends largely on their willingness to spend money on upgrading and improving the readiness of forces in the west so that they really are able to respond quickly. This will have to be demonstrated through constant high-intensity exercises, simulations, and education and training programmes. Allies will also have to invest in the necessary logistics to transport and sustain forces and demonstrate the political will to take decisions on deployment as soon as there are signs of a potential Russian land grab or fabricated border incident. A delay in reinforcement or a reaction by NATO that could be seen as disproportionately weak in the light of a Russian incursion could encourage escalation rather than serve to contain and de-escalate the crisis. So speed and political solidarity are absolutely essential elements of a reinforcement strategy.

A high-readiness, high-mobility reinforcement strategy will also allow the allies to deal with other crises, for instance an intervention in the Middle East or North Africa or the response to a major terrorist incident. A reinforcement strategy would be conditional on improved early warning, situational awareness and good intelligence. These assets could also be used to deal with threats from the south as well as from the east. Moreover, the larger allies with higher defence budgets are more likely to invest precious money in these multi-use flexible assets than in heavy armoured deterrence forces that, once deployed in the east, could not be moved around and would represent very much sunken investments.

It is a truism that the further east one goes the more tanks and heavy armour one finds in NATO's inventories – a reflection of different threat perceptions. Consequently, the challenge for NATO's long-term reassurance package for the Eastern European allies is to avoid a split into two NATO armies, one for territorial defence and one for expeditionary operations, but neither having the critical mass to be fully effective. Agreeing on a single-force structure as a component of a readiness action plan that deals primarily with Russia's current focus on large-scale conventional and nuclear operations, but also with the other threats in the European neighbourhood, is the key challenge in the months ahead.

Reconciling Differences

There is a way to reconcile these two visions of reassurance – and the recent NATO summit in Wales clearly moved NATO's future posture in this direction – and that is to increase NATO's presence in the new member states through the stationing of three or four air squadrons, a permanent naval task force in both the Baltic and Black seas, and a military headquarters in the region, for instance a specific headquarters for NATO's Rapid

Response Force. The allies also agreed to increase their fixed air defence assets and radars in this region and upgrade ports and airfields to function as reception facilities. During the Cold War, NATO stored significant amounts of military equipment in 'warehouses' (such as in Norway, where no permanent forces could be stationed in peacetime), and this idea is worth returning to. NATO could also deploy, as part of its next series of adaptation measures, a Special Forces headquarters to cope with ambiguous attacks and border incidents, as well as locate more information, surveillance and reconnaissance assets, such as observation drones, further east.

In addition, the Alliance could go back to standing defence plans where headquarters involved in collective defence could have forces already assigned to them in peacetime that they could train and exercise for specific roles. This would avoid the time-consuming process of generating forces from scratch once operational plans are approved by the North Atlantic Council.

Most immediately, NATO has revisited the earlier concept of the Allied Command Europe Mobile Force. This was a high-readiness force with a few thousand soldiers from several NATO countries that was permanently under the operational command of the Supreme Allied Commander Europe (SACEUR). It could be deployed immediately to demonstrate NATO's resolve, and the Wales summit decided to resurrect it as a NATO Very High Readiness Joint Task Force to be mobilised within 48 hours. Pre-delegating crisis response measures to SACEUR, to allow the commander to enhance situational awareness and to redeploy and rearrange forces to cope with an emerging crisis, will also speed up NATO's response and thus reinforce deterrence.

Revisiting Deterrence

Deterrence is a concept that needs to be rediscovered in the contemporary context. Will Russia be effectively deterred by a show of Alliance military strength, especially if the Russian strategy is more one of subversion, spreading Russian influence through energy deals, business contracts and Russian propaganda campaigns in the media more than seriously challenging NATO's Article 5 through a military attack? The countries attacked by Russia so far (Georgia in 2008 and Ukraine in 2014) are not members of NATO and not covered by Article 5. Moreover, Russia already, and for many years, had troops stationed on their territories and was able to deploy large Russian-speaking minorities or ethnic communities close to Russia within their borders. The degree of resilience in terms of robust democratic institutions and economies of Russia's immediate neighbours, such as Ukraine, Armenia, Moldova or Georgia, was and is much weaker than the situation prevailing today in the Eastern European NATO member states.

Yet once a need for military reassurance has been identified and loudly advertised, it has to be met or Article 5 really will be undermined. After Russia's annexation of Crimea, a failure by the Alliance to respond and to undergird Article 5 with real military forces and political will could only invite Putin to try his luck and probe NATO. Deterrence abhors a vacuum, so doing nothing is far too great a risk to take. How serious is the potential threat from Russia to a NATO ally? Is the existing Article 5 guarantee as shaky as some advocates of robust reassurance measures are today suggesting? This is not something that NATO will want to put to the test.

Deterrence is also about understanding how those we seek to deter understand our words and deeds. Europe today is much more interlinked with the Russian economy and investments than was ever the case with the Soviet Union. Many allies are dependent on Russia for energy supplies, others for arms sales linked to the survival of shipyards. A quarter century of post-Cold War Europe-Russia cooperation through the NATO-Russia Council or the European Union-Russia strategic partnership has arguably given Russia more leverage over the European allies than vice versa. Russia today is inside our system, with the result that punishments, such as sanctions or diplomatic isolation, carry a much higher domestic price than was ever the case with the Soviet

Union. In a similar vein, Russia has become adept at hybrid warfare using 'little green men' of the Special Forces (SPETSNAZ), sabotage, cyberattacks, economic embargoes, and intense media and social media campaigns to destabilise its targets. By taking lots of small, gradual steps below the threshold of all-out aggression, Russia is making it harder for NATO to decide collectively when and how to respond.

So far NATO has concentrated more on what will reassure its own members than on what will force Russia to change its strategic calculus. Moving on to this may necessitate what some strategists term 'active deterrence', for instance cutting off sales of technology to the Russian armed forces (as today's Russia uses far more Western technology than the Soviet Union), more actively countering Russian propaganda, and reducing economic vulnerabilities by diversifying energy supplies away from Gazprom and Rosneft, or subjecting Russian investments and stock market listings to much higher standards of transparency and anti-corruption standards. Active deterrence may also require a refocus on arms control, in both the conventional and nuclear areas, to foster more data exchanges, inspections and predictability in military activity, as well as limits on snap exercises close to borders.

In the final analysis, NATO's role in deterrence is inevitably limited. Some of the most effective tools for deterrence are economic, but NATO cannot apply economic pressure. Consequently, deterrence must involve other like-minded organisations that can complement NATO's largely military competences with a more diverse set of tools. The EU is an obvious partner. But depending on what or who is to be deterred, other Euro-Atlantic organisations will have a role to play, for example the Organisation for Security and Cooperation in Europe.

Actions and responses must be coordinated otherwise there is a risk of undermining or contradicting efforts. In some cases, a lack of coordination or common understanding can provoke a threat rather than deter it. Russia has seen the deepening of the relationship between the European Union (EU) and Ukraine as equally if not even less acceptable than the deepening of its relationship with NATO. In a new environment, where economic steps can produce major military repercussions and vice versa, NATO and the EU will have to coordinate their actions in a way they have never managed to do in the past.

Burden-sharing

As Europeans look to Americans to provide the bulk of reassurance, and vice versa, old NATO debates about transatlantic burden-sharing are bound to be revived. For Europeans, NATO will be about the Americans coming (once again) to the rescue, and for the Americans it will be about shifting the responsibility on to the allies so as not to hinder its pivot to the Asia-Pacific (where the Russian assertiveness in Crimea could encourage China to be similarly assertive in pressing its claims in the South China Sea).

Unsurprisingly at a time when it is spending 73% of the total NATO budget, the United States is pushing all its European allies to meet the target of 2% of gross domestic product devoted to defence, and the target of 20% of that devoted to modernisation and equipment. Indeed, at the Wales summit, the allies made a pledge to reach all these spending targets over the next decade and, at a minimum, to halt the decline in military budgets. In 2012, the Europeans spent on average US$473 per capita on defence while the Americans spent US$2,057. (Each European soldier costs €23,829 per annum, compared to €102,264 invested in each US soldier.) Yet even the shock of the Ukraine crisis may not be enough to push the majority of allies to respect this commitment to increase their military defence spending adequately. Only three European states meet the 2% target, and only five the 20% target. Fourteen currently spend below 1.5% and five even less than 1%. Yet if all allies met the 2% target, NATO would have an extra US$90 billion a year to spend on its armies.

Defence spending pressures on the Europeans will also increase from actions likely to be taken by the US Congress after President Obama pledged an extra US$1 billion for a European reassurance initiative. The Pentagon is currently looking at how this package will be made up, and it will have to be approved by Congress, which will be looking for a quid pro quo from the European side. With the overall US defence budget going down from around US$700 billion per year to around US$500 billion by the end of this decade, Congress will not want to see the US assume the burden of reassurance and conventional defence at the expense of the pivot to Asia or its US commitments in the Middle East, in particular Iraq in the wake of the Islamic State's disturbing advance.

To give two examples: after President Obama cancelled the fourth tier of the US ballistic missile defence system in Europe, many in Congress pointed out that this system henceforth benefits Europe far more than the United States and Europe should therefore pay a much greater share of the cost of the radars, interceptors and integrated command and control. A second example concerns the modernisation of the B-61 warhead for NATO's sub-strategic nuclear deterrent, the cost of which could run as high as US$8 billion. As this weapon largely benefits European deterrence and security (being based in five European countries), many in Congress will be calling for Europe, again, to pay the lion's share if it is not viewed as a US national priority.

Smart Defence/Pooling and Sharing

This conjunction of factors makes it all the more urgent to move ahead more boldly with multinational cooperation, known as 'smart defence' at NATO and 'pooling and sharing' at the EU. The idea is of course not new. For many years already, NATO has maintained a fleet of 17 AWAC aircraft, has procured three C-17 transport aircraft on a leasing basis and has rented Antonov AN-124s to deploy its forces in Afghanistan. Allies have also taken in turn the responsibility to provide air policing in the Baltic States, which means that the Balts themselves have been able to spend on expeditionary forces rather than on fighter jets and associated radar and air defence systems.

Now it is the pace as well as the number of multinational projects that has to increase. So far, six smart defence projects have been finalised, including the maintenance of helicopters in Afghanistan and the dismantling of surplus military equipment. Twenty-seven others are currently in the pipeline concerning such things as a universal system for carrying different munitions on aircraft, user groups for precision-guided munitions and Reaper drones, a pooling system for maritime patrol aircraft, and common software for the simulation of training. Getting some quick wins or exploiting the 'low-hanging fruit' of easily achievable projects can certainly do no harm in validating the smart defence multinational cooperation approach.

Public support for more military spending will only be forthcoming if the public has a clear idea of what the money will be spent on and how and why it will substantially improve the Alliance's military posture. Given the legacy of cost overruns, cancelled programmes and long delays in procurement in the defence sector, public scepticism about the rationale for a European rearmament programme in the wake of Crimea is at an all-time high. Moreover, many NATO countries see the future threats as coming more from the South (in the form of a reconstituted al-Qaeda network, the Islamic State running amok in Syria and Iraq, illegal immigrants, organised crime networks and failed states) and will want a NATO that is able to perform crisis management in the South as well as conventional defence in the East.

This will place limits on how far European armies will be able to replace personnel with technology, as the South will clearly require multiple long-term capacity building and security-sector reform missions, as well as deployments of forces to keep al-Qaeda and other insurgent groups at bay, as we have recently witnessed with the deployment of French forces in Mali. This will place pressure on Europe's capacity to sustain forces. For instance, at the beginning of the Iraq War in 2003 the UK was able to deploy and sustain one division in the Middle East. Today its capacity is just one combat brigade, or about one-third of the former division. A country such as the Netherlands can now deploy and sustain only a reinforced battalion, a maximum of five aircraft and a small naval task force.

In this environment of financial austerity, it will be essential for the allies to have a common view of what they need on a prioritised basis and then to be effectively organised in clusters of nations to deliver those capabilities. Instead of one European army, we are likely to see in future several European armies organised around lead nations or in regional groupings such as Benelux, the Visegrad nations or the Nordics.

NATO's two strategic commanders have recently come up with a list of 16 shortfalls, which also correspond to the vital enabling capacities for all modern multinational military operations. They concern the lack of joint information surveillance and reconnaissance capabilities, which limit NATO's strategic awareness at a time when early warning and good intelligence are becoming more important to anticipate crises and react in good time. Other gaps concern deployable headquarters and command and control for both ground and air operations, and the need to better integrate air defence and ballistic missile defence. At a time when major manoeuvre operations are becoming more important, these can be hindered through the lack of blue force tracking systems and the absence of heavy armour, as many allies have dramatically decreased their holdings of tanks and heavy fighting vehicles. There is also a lack of indirect fire support, ground-based air defence and combat engineering, as well as counter-rocket, artillery and mortar systems. Cyber defence also continues to be a concern, as allies try to keep pace with the fast-evolving technology and to develop more ambitious capability targets as part of the Alliance's defence planning process. Special operation forces will become more important both to prevent minor land grabs by Russian forces on NATO territory and to intervene against insurgent groups or in response to humanitarian crises in the South. But there is in the Alliance a lack of deployable air-lift for these Special Forces, as well as command and control. Finally, and at a time when the maritime dimension is becoming increasingly important to protect globalised supply chains, NATO needs more maritime patrol aircraft to enhance the situational awareness of its small naval task forces and anti-submarine warfare capability.

The Other Side of the Coin

But it is not all bleak news. The Europeans finally have the A-400M transport aircraft, more and better helicopters, considerable technological expertise in combating improvised explosive devices (IEDs) based on the ISAF experience, and air-to-air refuelling capacities based on the European Defence Agency pooling and sharing initiative. The procurement of Global Hawks by NATO and an EU common drone programme will also gradually improve Europe's intelligence, reconnaissance, and command and control capabilities. The key task for both NATO and the EU in the months ahead is to identify groupings to plug the 16 shortfalls. The initiatives by the Germans to form a Capability Development Group and by the UK to form a group to develop an expeditionary force represent the best way ahead as they offer the best chance for medium-sized and small countries to plug into a framework organised by a major country and thereby provide essential niche capabilities. Without this approach, the smaller allies would in a few years' time offer almost no capacity at all.

Yet as NATO draws up its defence package in the wake of its Wales summit, it needs to remember that partnerships and networks are just as important as capabilities. Threats such as IEDs in Afghanistan could not ultimately be defeated through equipment and technologies alone, whether in the form of jammers, route clearance vehicles or sensors. Success was based on human networks. One of these concerned intelligence gathering to identify the insurgents behind the production and placing of IEDs, and their command level and business interactions. A second task was to build a network between the intelligence services, Interpol, customs, industrial producers of ammonium nitrate and potassium chlorate, and legal and biometrics specialists to effectively dismantle or frustrate the jihadist networks. In a similar vein, NATO deployments in the years ahead will require not just a good mix of trained manpower and modern multi-use equipment but also such basic things as the early involvement of contributing partners, status of forces agreements, basing and over-flight rights, and intelligence-sharing arrangements. To bear their full fruit, the successful organisation of technological and capability clusters within the Alliance will ultimately rely on these broader political and diplomatic networks being well maintained.

In a more dangerous world, NATO will need as many friends and willing partners as it can persuade to work with it. Consequently, the 'interoperability platform', which brings the allies together with 24 of their most active partners and which NATO launched at the Wales summit, will also help preserve relationships, consolidated through operations such as ISAF, and increase the pool of capabilities NATO can draw on for its missions. In return for building their forces to NATO standards and training and exercising them with the Alliance, these most valuable partners can be granted special privileges such as early consultation, intelligence-sharing and liaison positions in the NATO command structure and operations and planning divisions. Partners can also be involved in NATO's efforts to build defence capacity and train local forces in North Africa, the Middle East and Eastern Europe as they have experience in these regions through their participation in similar EU Common Security and Defence Policy (CSDP) or UN programmes. They also possess national training facilities and centres of excellence. Such an evolution will almost inevitably lead to a two-tier structure in the Alliance's future partnership with the current 40-plus non-NATO countries across the globe. While menus of activities should be open to all, clearly NATO will want to build a new structure with a dozen or more of the most like-minded, capable and willing partners. Drawing these partners in while not downgrading or alienating the others will require deft political handling.

The Crystal Ball

There can be no Atlanticism without a strong leadership role from and by the United States. After the recent Economist headline asking 'What will America fight for?', Washington has to make clear through words and actions that security in Europe is still a tier-one US defence priority. When the US does less, Europeans do not do more. Any US ambiguity or distraction will only dishearten the Europeans and make a common European stance on Russia less likely.

Article 5 is too serious a contingency to be used as a pretext to delegate common security responsibilities to the European allies, as was tried in Libya, Mali and the Central African Republic (CAR). To say (as President Obama recently did in his speech at West Point) that the US cannot solve every problem or intervene everywhere (obviously true) is not to say that it can afford to take a back seat where its core Alliance commitments and security interests are at stake. In the case of Russia becoming a revisionist power or anti-US jihadists establishing a new Iraqi-Syrian caliphate, this is beyond dispute. As Robert Kagan has pointed out, superpowers do not get to retire. The US can certainly send forces from the continental US to buttress deterrence in Europe and not rely only on a small Europe-based expeditionary force (as in Asia before the outbreak of the Korean War). It does not need to station major US firepower in Eastern Europe but should choose those elements (big ships, US-based rotation forces, fighter aircraft) that carry the largest symbolic value.

Europeans have to use Ukraine as a wake-up call and be seen clearly in Washington to be doing so. Treating Ukraine as a specifically Ukrainian affair, with minimal links to Russia's more widespread aggressive behaviour, will not suffice. This is a sea change, not a thunderstorm that makes a lot of noise but passes over quickly. So

Europeans have to contribute to reassurance and develop a Russia policy that diverges as little as possible from that of the US (especially regarding further sanctions on Russia and the conditions for resuming dialogue). They have to show that they can put their long-term strategic interests before their short-term economic and business deals, and if pain is inevitable then it will be shared equitably. The EU has to be able to play its role in enforcing agreed rules (for instance on third-party access to Gazprom's South Stream gas pipelines) and in proposing EU solutions that will give Europe greater weight in negotiating with Russia (for instance on bulk EU gas purchases or policies on liquefied natural gas terminals and renewable energy).

Europeans also have to support each other, given their different security perceptions, and demonstrate the degree of solidarity in action that they have traditionally called on Washington to provide. A security deficit for one EU state automatically becomes a common EU concern. It was encouraging that France sent 2,000 soldiers in November 2013 to NATO's Steadfast Jazz exercise in Poland and Lithuania despite the demands on it to resource its missions in Mali and the CAR, as well as tensions in Paris over a new round of defence budget cuts. Similarly Estonia and Poland sent forces to Mali and the CAR despite their concerns over Russia. This is the model of mutual generosity in an indivisible security community that Europe needs to show more often. Why, for instance, are there common EU military responses (through EU CSDP missions) in the South but not (so far) in Eastern Europe?

Finally, the transatlantic allies need to pay more attention to the continuing health of their transatlantic community, not just relying on crises to re-heal wounds and bring everybody together. The Snowden affair and other incidents of spying among allies have soured the transatlantic relationship, especially for younger generations not weaned on the Cold War defence essentials. At the same time, the Snowden fall-out may have impacted on the capacity of politicians to deliver on the new long-term opportunities derived from the Transatlantic Trade and Investment Partnership. The US and Europe have so far not had a common strategic dialogue on the US pivot to Asia and Europe's potential contribution to the stability of an area that is also increasingly important for the EU's trade, investments and jobs. Good cooperation on the Iranian nuclear file or the Middle East peace process should not make us overlook those areas where the transatlantic partners are not working so well together.

At the very minimum, we are going to need common transatlantic definitions and therefore common red lines on the big conceptual issues: What is a threat? What is an attack or an act of war? What is an adequate level of attribution to be able to respond to cyber-aggression? For a long time already, defence has not been able to carry the full weight of the transatlantic relationship, especially in an age where intelligence cooperation and financial and economic steps are more important to successful diplomacy. Pointing to transatlantic economic interdependence and impressive trade flow statistics is all very well, but in an age of overall globalisation and interdependence they are less unique. It is policy and action that matters, and the sense that allies come first, rather than the bilateral management of big (but not necessarily friendly) players in a multipolar world. If the US is to look to Europe rather than to China, Brazil, India, Russia or Indonesia as its core diplomatic partners, then governments, parliaments and think tanks on both sides of the Atlantic are going to have to devote more time and effort to reinventing what it means in the 21st century to be a transatlantic ally.

The Viennese used to jibe that 'the situation is hopeless but not desperate'. NATO's situation is arguably much better than that, but it cannot simply rest on its laurels or rely on the heavy weight of its institutional legacy as it re-tools for the post-Crimea world.

The EU and the US – Global Trade or Regional Blocs?

Dr Nicholas Bowen

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"Will trade arrangements continue to be organized on a global basis or will global trade difficulties make regional deals more attractive?"

Dr Nicholas Bowen

In the world of international trade and economic development – with all the associated advances in greater prosperity they have brought for all humanity – there has been a long-standing debate. It concerns the choice between initiating steps towards the ultimate goal of a common and comprehensive global trading system on a regional or on a global basis. Is it more likely that regional trading blocs will eventually develop into a single, global system? Or is it more probable that regional trading groups will effectively block and prevent the growth of worldwide arrangements? If that is so, then should the start not be made with all interested countries at once?

The initial development and growth of regional and international institutions into political, economic and trading groups began in the 19th century and witnessed its main manifestations in the late 20th and early 21st centuries. Many of the original roots lay in rival colonial and imperial structures, such as the British-dominated systems of imperial preferences and the sterling zone, and the French franc zone in West Africa and its connected areas such as French Indochina. It became clear by the middle of the 20th century, however, that blocs of any kind founded on relationships imposed by a dominant power – such as the empires of the European powers – were unlikely to survive for much longer.

The Growth of the European Single Market

In the new situation created in Europe by the devastation of the Second World War, a core of six Western capitalist democracies agreed on cooperation leading eventually to the creation of the European Economic Community in 1958. In response, communist countries with collectivist economies in Eastern Europe, headed by the Soviet Union, set up the Council for Mutual Economic Assistance, thus creating rival trading blocs. These characterised the nature of East-West trade in Europe during the Cold War from the late 1950s to the fall of the Berlin Wall in 1989 and the dissolution of the Soviet Union in 1991. In military and political matters, this opposition was reflected in the alliances of the Warsaw Pact in the East and the North Atlantic Treaty Organisation (NATO) in the West. These relationships were called into question by the end of the Cold War and the collapse of the Soviet-dominated communist bloc. Despite certain moments of alarm, such as the break-up of the former Yugoslavia in the 1990s, the Russian-Georgian conflict in 2008 and Russian-Ukrainian conflict in 2014, the main feature of the European continent since 1990 has been its relative peace and stability, characterised by the expansion of that initial core of 6 Western states to 12 by the end of the Cold War, to 15 shortly afterwards, and then to 28 as former communist countries have introduced both capitalist economies and democratic politics in order to join the European Union (EU).

The medium- and long-term future of most of Europe will probably be defined essentially by its economic development into a larger trading area and single internal market. Thus the world's most extensive and heavily populated group of countries will be integrated economically (and to some extent monetarily) in some form of single economic regime, matching in size and strength the vast single-country markets of China, India, the US, Brazil, Russia, Japan and Indonesia.

The World Trade Organisation (WTO)

Currently, the main forum in which trading relations between economies are developed, regulated and controlled is the WTO. The likelihood of this more unified European economic future imposes on the EU the responsibility to establish a clear lead in developing ways in which the world economy should both grow and be regulated.

The WTO has developed a framework of rules for the way in which countries (and groups such as the EU) trade with each other, establishing rules governing varieties of permitted trade agreements for both goods and services, protection of intellectual property, and various safeguards within these systems. The most important feature, perhaps, is the system for dispute resolution and settlement, which permits the enforcement of the WTO rules. The major players within the dispute resolution system have traditionally been the US and the EU, although there has more recently been considerable and increasing involvement of China, India, Japan and others. These two main trading entities – the US and the EU – currently account for almost half of world trade and clearly have an interest in taking advantage of their dominant position, both in world trade and the WTO, and leading the way in setting the trade rules for the future. If they are successful, the EU and the US will have pre-empted the conclusion of the debate about developing a world trading system by concluding the Transatlantic Trade and Investment Partnership (TTIP), an inter-regional solution covering trade and investment that is so large and dominant that it will set the pattern for subsequent global developments.

Groupings of Emerging Economies

Other economies also play a role in the pattern of wider world trade, and several of these have also grouped together in trading blocs. Such 'emerging economies' – defined as such by their role in securing inward investment and for trading reasons – are grouped in various associations, sometimes formally and sometimes only informally, and of varying importance.

Most prominent among them are the BRICs, first described in the 2001 paper by Jim O'Neill of Goldman Sachs on 'Building Better Global Economic BRICs'. In this he created the term to describe Brazil, Russia, India and China. His central thesis was to forecast the growth of these four economies through different scenarios over varying time periods and to conclude that 'the weight of the BRICs and especially China in world GDP [gross domestic product] will grow, raising important issues about the global economic impact of fiscal and monetary policy in the BRICs … In line with these prospects, world policymaking forums should be re-organised and in particular, the G7 should be adjusted to incorporate BRIC representatives.'

Since the original BRICs paper, South Africa joined the group in 2010 and the BRICS have progressed, both collectively and individually. Indeed, by the middle of 2014, when the organisation held its sixth summit meeting in Brazil, it had reached a sufficient degree of mutual cooperation that it announced the establishment of an alternative Contingency Reserve Arrangement as a supplementary organisation (and possible rival) to the International Monetary Fund (IMF) and a New Development Bank to supplement the World Bank, both designed to favour emerging economies.

In addition to BRICS, there are now at least five other groupings:

- IBSA (India, Brazil and South Africa Dialogue Forum)
- CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa)
- Next 11/N-11 (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, Turkey, South Korea and Vietnam)
- MIKT (Mexico, Indonesia, South Korea and Turkey)
- MINT (Mexico, Indonesia, Nigeria and Turkey)

The creation of these groups of emerging economies is in some cases open to criticism as simply creating 'catchy acronyms' and appealing to 'acronym investment'. A Reuters report in January 2014 indicated the surfeit of such acronyms was leading to declining interest from investors and commentators alike as the artificiality of some of the constructs became more apparent.

IBSA is evidently seen by its three participants as an adjunct to their membership of other groupings, with its main emphasis on building a forum for political and economic dialogue on broad South-South issues. A paper by the Centre for European Policy Studies in April 2012 suggests that the three countries view themselves as constituting 'the "vibrant democracies" of all three continents – Africa, Asia and Latin America – of the developing world … (and) as clearly working for the cause of South-South cooperation.' But it questions whether the economic cooperation between countries as diverse as India, Brazil and South Africa is of any meaningful value.

In addition to the acronym groups mentioned above, there are groups of longer-standing and more founded substance, most of which have ambitions to form genuinely regional building blocks for economics and trade, and possibly greater social, cultural and political unity. These groups include:

- AEC (African Economic Community)
- APEC (Asian Pacific Economic Cooperation)
- ASEAN (Association of Southeast Asian Nations)
- CARICOM (Caribbean Community)
- ECOWAS (Economic Community of West African States)
- Mercosur (Brazil, Argentina, Uruguay and Paraguay)
- NAFTA (North American Free Trade Agreement)
- UNASUR/UNASUL (South American Community of Nations)

Some countries belong to several different groups as part of their involvement in the world's increasingly interconnected economic and trading structures.

A decade and a half beyond the coining of the term BRICs, it is unclear which of these many acronym or real organisations have the potential to become the future powerhouse (or powerhouses) of the world economy. Perhaps the only certainty from the world of emerging economies is that the sheer size of the populations and the economies of China and India means that they will catch up with and probably overtake the US and the EU in terms of GDP – and possibly even GDP per capita – at some stage in the future. In anticipation of this challenge, it is clear that now is the time for the EU and the US to strike a deal that will ensure that they are the global standard-setters for a future in which their economic weight will be – in relative terms – less important than it is now.

Setting Standards in Global Trade

The chief initial item in the US and EU's programme towards setting the future rules for world trade is the TTIP. The negotiations on the TTIP began in July 2013 and have continued intensively since then, alternating between Brussels and Washington. The importance of these discussions is illustrated by the estimated size of the outcome of any final deal. As the director general of the Confederation of British Industry commented in an article in The Observer in January 2014, 'The proposed EU-US trade deal could potentially bring together two markets that cover almost half the world's GDP'.

Side by side with the specific discussions about the TTIP there is a wider consideration of the Transatlantic Free Trade Agreement (TAFTA), in which the wider NAFTA principles and the EU regimes would be brought together. This could lead to a Canadian-EU trade agreement for which negotiations might begin this year.

As with most trade negotiations, so with the TTIP: there is a wide range of topics and themes that need to be dealt with, many of them extremely technical. Accordingly they are the subject of industry- and sector-specific definitions, detailed discussions and consequent regulations. Among the main issues, there are sanitary and phytosanitary measures (i.e. regimes related to food and agricultural products), raw materials and energy, technical agreements and barriers, matters relating to 'geographical indicator' products, issues related to public procurement, trade and sustainable development, intellectual property rights (IPR), tariff-rate quotas (TRQs) and tariffs overall, institutional provisions on regulatory issues, and the specific regime of investor-state dispute settlements (ISDS).

One of the controversies surrounding the TTIP/TAFTA discussions is the apparent lack of transparency in the negotiations, despite the frequently asserted view of the main negotiators that they want to negotiate more openly in order to ensure public acceptance of the outcomes of their work. This is/was perhaps a false promise, as such key negotiations must necessarily be conducted behind mostly closed doors to safeguard the specifics of commercial interests.

Irrespective of the detail, however, there are some crucial questions to ask about the TTIP process. Ben Chu, the economics editor of The Independent, put it clearly in an article at the beginning of 2014: 'While freer trade is worth having – it is not worth having at any price. So three questions are crucial: what rules, who enforces them and how transparent will decisions be?' These three questions are important enough to be examined in turn.

Three Questions

First, what rules will be established? Clearly the rules regime is at the heart of the TTIP negotiations, affecting business operators in the first instance. Extensive consultations between business representatives and the TTIP negotiators, including the creation of working parties (such as the high-level working group), have ensured that potential changes to trade rules and their implications have been considered widely. Both European and North American companies have in general applauded the relative transparency of the process of negotiation and welcomed the publicity given to the future rules and regulations. But until they are set out in full, it is hard for the general public to understand the full effect of the result of the negotiations and/or their implications.

The Brussels correspondent of the International New York Times reported in June this year that the most contentious areas appear to be food, farming, environmental standards, consumer protection, automobiles/cars, medicines and 'whether to include financial services in any deal'. As has been the case over the last couple of decades, a high-profile transatlantic issue relates to 'safety risks from using foods and feeds whose genetic makeup has been altered through bioengineering, whether to make them more resistant to pests or to fine-tune their content'. In these areas involving genetically modified organisms (GMOs), and that of Tariff-Rate Quotas (TRQs) and tariffs in general, it is clear that the issue has to be decided at a higher political level than even that of the main trade negotiators. The tariff regime and other politically sensitive issues such as GMOs can only be resolved by presidents and prime ministers, not by trade representatives.

Ben Chu's second question is, 'Who enforces the rules?' As we have seen, dispute settlement is a critical issue. If negotiators look for a precedent, the answer to this question will presumably follow something similar to the existing WTO dispute resolution and settlement system. The terminology within the TTIP negotiations is currently the 'ISDS regime'.

The main concern expressed both in media reports and by parts of civil society is that large and powerful multinational companies (MNCs), rather than governments (as the democratic representatives of the people), will largely dominate the devising of the rules and also their enforcement. Campaigns have been mounted by a large number of action-based international non-governmental organisations, including trade and labour unions, against the perceived supremacy of MNCs.

An article in The Independent in January 2014 revealed that 'more than 200 organisations across the EU, including the TUC [Trades Union Congress], Greenpeace and War on Want, have written a joint letter to European and American trade negotiators demanding the removal of the … ISDS process from the final treaty'. Their complaint is that 'ISDS is a one-way street by which corporations can challenge government policies, but neither governments nor individuals are granted comparable rights to hold corporations accountable'. From the perspective of US unions, the AFL-CIO (the largest federation of unions in the US) has commented online that there is concern that the ISDS system would be 'an unwarranted risk to domestic policymaking at the local, state and federal levels'.

The third question posed by Ben Chu is 'How transparent will decisions be?' There are in fact two transparency issues: how transparent will the negotiations leading to the agreement be, and how transparent will subsequent decisions reached within ISDS be. Both have become hot potatoes for the media, business and civil society. However, as has often been the case in international negotiations in the past, what we may have are negotiations for the TTIP that remain relatively confidential to allow compromises between different interests to be brokered, followed by much greater transparency in the processes of dispute settlement in the new trading and investment regime. It could well be a case of 'open covenants, secretly arrived at'.

Transparency and Tensions

Transparency within ISDS is clearly an issue that concerns business, government and civil society, though to different degrees. A BBC report in July 2014 suggested that the TTIP 'would enable foreign investors to go to arbitration if new regulations have an adverse impact on them. This type of arrangement already exists in many international trade and investment agreements, but opponents say it constrains democratic governments.'

Indeed, it raises questions of tension between the public interest and the commercial sector, the legislative and executive arms of government, and the judicial process. In particular, opponents of the ISDS solution under discussion cite the case of Philip Morris's challenge to the Australian government's legislation for plain packaging of tobacco products. The challenge was launched through its Hong Kong company as there is an arbitration provision in the agreement between Australia and Hong Kong. The EU has stressed, however, that such 'post-box-office' manoeuvres will not be permitted in the TTIP.

Whatever specific agreements are reached between the EU and the US/North America within the TTIP/TAFTA negotiations, the agreement as a whole represents a key opportunity for these two large economies to be the standard-setters for future global trade and investment regimes. It is likely that the agreement will set the pattern for worldwide systems covering inter alia the trading of products and services, the regime for IPR, the relationship between corporations and governments, and the structure and organisation of dispute settlement between countries and other parties (such as companies), together with exemplary regulations, processes and procedures that could determine the nature of international trade and investment for the rest of the 21st century.

A Model for a Global Trading Regime?

The TTIP raises wider questions for consideration for world trade as a whole. If it is a necessary precursor to the furtherance of a more global and closer economic and trading regime, does it offer the right model? Political and economic opinions are sharply divided as to whether the 'Anglo-Saxon' dominance of the business world is already too strong. Has the lead taken by the North Americans, the UK and the EU (originally just Western Europe) set such an outstanding example of the benefits of openness, free trade and a market economy that it will be copied with success throughout the world simply by virtue of its practical utility or even its moral superiority?

Contending politico-economic views on this can be traced back at least as far as the 19th-century disputes over capitalism and imperialism, to the creation at Bretton Woods in 1944-45 of the international economic and financial institutions (IMF and World Bank) and the General Agreement on Tariffs and Trade (GATT, the precursor to the WTO), and to the subsequent rise and decline of the Washington consensus. There is a range of increasingly critical literature on this subject that includes, among many others, the writings of Raul Prebisch, Celso Furtado, Susan Strange, Francis Fukuyama, Amartya Sen, Joseph Stiglitz, Jagdish Bhagwati, Partha Dasgupta and Alan Rugman.

The principal issues to be considered at the heart of the next steps to be taken on the journey towards a more unified global trading and investment regime are:

- The advantages and disadvantages of open trade versus protectionism, especially the issue of the protection of infant and strategic industries;
- The nature of the relationship between international companies and national governments;
- The relative stability or volatility of all markets, including those of emerging economies;
- The challenges related to the different levels of economic development between and within countries.

The first issue is the ongoing challenge to free (or open) trade posed by protectionism. This has been at the heart of the globalisation debate of the last five decades.

The more open the trading regime – so runs the theory and this argument – the greater the degree of specialisation, the larger the volume of trade, and the greater the level of prosperity for the majority of the people touched by globalisation. This argument was led by the 'Global North' and dominated by the US and the EU, supported by MNCs.

Proponents of this view come essentially from the free-market end of the spectrum of economic theory, stressing the beneficial effects of the 'hidden hand' and the trickle-down theory of increasing benefits that spread eventually throughout society. Opponents stress the asymmetry of trade and globalisation's benefits. They emphasise the hardship inflicted on the losers, often the poorest and least skilled members of the developed world, and/or the poorest countries themselves.

The second issue – relations between international corporations and national governments – lines up similarly diverse views. Advocates of giving a relatively free hand to the corporate sector point to the fact that global systems provide customers worldwide with a greater range of products at cheaper prices, while opponents focus on the impact on the 'Global South': exploitation of labour in the developing world, global products driving out local ones, and the alliance of governing elites and large corporations driving out smaller, local producers.

The third issue – volatility of markets, especially in emerging economies – has gained particular relevance since the banking/financial/economic crisis of 2008-2011 caused such a severe decline in confidence in all markets, whether financial or otherwise. The crisis impacted on both the developed markets of Europe and North America and the emerging markets of Asia, Latin America and Africa. Even the Chinese market, which had grown at an average of about 10% through the two decades since the mid-1980s, slowed dramatically. The crisis affected both the Global South and the Global North, and remains essentially unsolved.

The fourth issue – levels of economic development – is related to the third in the sense that supporters of globalisation have assumed that, in the medium or at least the long run, the worldwide economy would bring more evenly distributed economic benefits to all of humanity. The view suggests that all countries will develop the features of the industrialised world: greater GDP per capita, the elimination of poverty, the expansion of the 'middle class', access to consumer products, and an overall level of prosperity that will eliminate violent economic tensions within society.

These four big issues of principle and of practice are at the heart of the transatlantic development of a trading and investment regime applicable to the signatories' highly developed economies, which together encompass approximately one billion inhabitants. The TTIP commitments of principle will be to free and open trade, flexible labour markets, and greater internationalisation of finance, production and marketing. Its example should generate increased prosperity first for the two signatories – the US and the EU – and, through the influence both of their example and of the economic force of this arrangement, greater trade should generate similar benefits subsequently for the rest of the world's population of seven billion. How far and how fast remains to be seen.

Conclusion

The broad case for an EU-US agreement is that the time is now opportune for the two leading economic blocs in the world to set the standards for the future. For all their faults, the US (and its NAFTA partners) and the EU as a whole, together with those economies associated with it, have generally been on the side of liberalising trade regimes. This has been done historically when it was clearly in their own interests, but has also been conducted on the basis that open borders and free trade are, in the long run, of greater benefit to humanity than self-contained and/or autarchic regimes. The former encourages interdependence, and the benefits of international trade marginalise the risk of war; the latter encourages self-sufficiency, accentuates economic differences between nations, and creates no alternative interests to the use of force for one state to acquire the economic wealth of another.

The argument does not imply that free trade and 'Western' globalisation are initially equally beneficial to all; evidently, there have been and will be winners and losers in the short, medium and long term. Mankind has yet, however, to invent a better way of spreading the greatest material good to the greatest number of people than through some form of capitalist market economy associated with international free trade. Even if we are to conceive of better ways of measuring human happiness than through the crude device of GDP, there seems little doubt that free and open economies bring greater benefit to most people.

In securing this kind of liberal trade and investment regime across the Atlantic, the EU and the US may be setting a standard for the remainder of the world. In creating a closer transatlantic relationship and thus influencing the shape of global trade and investment, there are inevitably winners and losers. However, it is better for the Americans and the Europeans to create this structure now than to leave it to others later who do not share the same degree of commitment to open and free trade, nor a similar commitment to the democratic political forms and capitalist economic structures that create an open society.

The Transatlantic Trade and Investment Partnership: TTIP

Sanford Henry

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"The US and the EU are clearly deeply into each other's pockets already, but a comprehensive TTIP could offer each of them around 100 billion euros a year"

Sanford Henry

The history of transatlantic trade has a golden past and an even richer future. If the Transatlantic Trade and Investment Partnership (TTIP) is finally ratified by the United States and the European Union (EU), it could be a seminal deal enlarging not just transatlantic but also global trade. Should negotiations for this trade agreement succeed in the next couple of years, it will confirm the cultural and economic links between two great continents, strengthen international legal safeguards for trade and investment, and establish the global benchmark for regulating peaceful international coexistence through expanding commerce.

The Wide Historical Sweep

For Europeans, Atlantic trade began with the discovery of America. Crossing the vast Atlantic Ocean literally expanded European horizons. With fear of falling off the edge of the formerly flat earth eliminated, early explorers who followed in the wake of Christopher Columbus searched for the passage to the Indies and explored the Americas. Their search for riches – gold, silver, even the elixir of life – was the initial motive for exploration. Later they turned to more mundane, practical products – cod, tobacco, fur, rice, cotton – as conquest gave way to commerce. All the while these early seafaring men improved their technical skills – ship design and construction, navigation and location – improving the speed and capacity for carriage that made transportation and trade the subsequent cornerstone of transatlantic relations.

Financed by European capital, these early traders brought the fruits of new lands back to Europe and made themselves and their investors rich beyond belief. For the trading nations, in particular the Netherlands, Spain, Portugal, France and Britain, there emerged a transatlantic opportunity for capital accumulation and for colonisation. It allowed an economic rejuvenation of Europe and while each country's experience relating to transatlantic trade differed from that of the others, certain of their separate contributions have endured and provide building blocks for their contemporary appreciation of transatlantic trade.

Following their defeat of the Dutch, British colonial success in America enabled it to dominate transatlantic shipping routes and create additional trading opportunities as its colonies expanded down the Atlantic seaboard from Boston to Charleston. The story of how Britain then lost to the rebellious colonists is well known. Unjust taxes, specifically on trade and in particular on tea from India, triggered rebellion from Boston (origin of the 'tea party' lest US Republican right-wingers forget) to New York, and incompetent military repression consolidated the colonies into the new United States of America.

The loss of America left a residual populace of European immigrants from several countries, not just from Britain, looking for new freedoms and also for new economic opportunities, and these included foreign trade.

Despite conflicts in Europe and between European powers and the new United States, these opportunities continued to grow. Technological advances – especially improved shipping and accelerated communication – all contributed to increase Atlantic trade. What started with raw materials and basic commodities – gold and silver, cotton, furs and rice – increasingly were joined in the holds of merchant ships by marketable consumer goods – American tobacco, slave sugar, cotton and fur garments, molasses and rum. Initially raw exports fed finishing industries in Europe, then the development of finishing industries in America gradually rivalled and displaced them. Over time, more products contained more value added prior to shipment.

Industrialisation and improvements in transport both created and responded to the increasing sophistication of consumers in the developing transatlantic market. This growth, both in goods and services, created profit on both sides of the Atlantic.

After 1945: From Regional to Global Trade

In the wake of the destruction caused by the Second World War there was an evident need for reconstruction, particularly in Europe. Instead of rebuilding on the old basis of mercantilist competition – the 'winner takes all' paradigm – nations organised their trade relations in such a way as to benefit all, insisting on open markets and free trade to as great an extent as possible. The newly created United Nations, for instance, called for the creation of an International Trade Organisation (ITO) charter and the US Congress called for a renewal of its reciprocal trade agreement legislation. Investment in Europe was powerfully boosted by the US-inspired Marshall Plan for the reconstruction of Europe, and trade flourished in its wake, both within Western Europe and across the Atlantic.

The monetary and banking underpinning of the post-Second World War trading arrangements was provided by the 1944 Bretton Woods Agreement, which created the World Bank and the International Monetary Fund. Subsequently security issues in Western Europe were anchored in the North Atlantic Treaty Organisation, which bound the US and Western Europe in a mutual defence pact.

But trade issues were not part of these discussions. They were organised in a separate framework, an extension of the ITO, located in Geneva. Beginning in 1946, this dialogue took place in the Interim Commission, delivering the General Agreement on Tariffs and Trade (GATT) the following year.

GATT brought together a growing number of nations during its existence from 1947 to 1996. It was the platform on which they discussed the reduction of tariffs and – more tentatively – non-tariff barriers (NTBs). GATT was not a treaty itself but rather acted as a protocol, a basis or framework for negotiations. It was a platform intended to create greater liberalisation of global trade, including transatlantic trade, and, within certain limits, proved successful.

In the 1990s the US and the European Community (as it was then called) also negotiated a Transatlantic Free Trade Area. This included the Transatlantic Declaration, a far-reaching commitment to a future of greater interdependence. But this bilateral initiative remained largely rhetorical; it was overtaken by the creation of the successor to GATT, the World Trade Organisation (WTO). This body subsumed global or multilateral treaty negotiations, including not only the United States and the members of the European Community but also other independent states from all corners of the globe.

From then until today the WTO has been the locus for the global debate on trade, attempting to complete the unfinished work of GATT. Various rounds of negotiations – named after the cities or countries in which they primarily took place, or sometimes after a major figure who drove forward the debate – mark this itinerary: the Geneva, Annecy, Torquay and Tokyo rounds, the Kennedy and Dillon rounds, the Uruguay Round (actually signed in Marrakesh). It was often a long and slow process, with some talks continuing for years: the Uruguay Round ran for six years, and the Doha Round, which started in 2001, still continues today, 13 years later.

Contemporary Negotiations: From Global to Regional Focus

The difficulty of carrying forward negotiations on a global level with close to two hundred national delegations is clearly apparent in the way that the latest Doha Round remains unconcluded. Despite some partial results (for instance the Bali Agreement of 2013), the negotiations have dragged on without achieving the major breakthrough towards global free trade that had been expected of the 'Round' when it was announced. This failure at a global level has encouraged states to negotiate instead bilateral and regional trade agreements such as the TTIP.

The US successfully negotiated a trilateral trade agreement between the USA, Canada and Mexico, the North American Free Trade Agreement (NAFTA), which is now celebrating its twentieth year. The US has moved on to other bilateral and multilateral agreements, including the Trans-Pacific Partnership (TPP) currently under negotiation, which involves the US and 11 other partners around the Pacific: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

Likewise the European Union has concluded a number of separate agreements, such as one with South Korea, and is currently negotiating a Canadian-European Trade Agreement, which should conclude later this year after four years of negotiation.

Under the Skin of the TTIP

Mutual interpenetration of the economies of the EU and the United States is far advanced – more advanced than between any two other areas of the world. Ford Motor Company, which started in the United States before the First World War, for example, began production in England in 1920. BMW, Fiat and Volkswagen all have strong positions in the US market today. Pharmaceuticals are sold using the same type of product safety testing methods in both the US and Europe. In whatever sector you look, you can find companies from the US active in Europe, and from Europe active in the US.

Discussions concerning the TTIP began in 2012 between the US administration and the commission of the EU. Official negotiations began in July 2013. Authorities in both the US and the EU pin high hopes on the TTIP, a treaty that has been a long time coming but that many would argue is the natural culmination of the history of cultural and trade relations between Europe and the United States ever since the 16th century.

That common history of Atlantic trade between the two continents has built a wealth of common experience of industrial sectors, of trade procedures, of the rule of law, and of foreign direct investment in each other's economies. And all this conducted in the common language of transatlantic trade: English.

In trade matters the European Commission has authority to negotiate bilateral agreements such as the TTIP. Several specific issues have been addressed, with reports already on the table concerning chemicals, cosmetics, motor vehicles, pharmaceuticals, textiles and clothing. But the final text of the TTIP will require the approval of both the EU Parliament and EU Council, and in the US it will require the approval of Congress.

TTIP's Impressive Statistics

Taken together, the two partners' economies, measured by their combined gross domestic product (GDP) at purchasing power parity, make up well over a third of world GDP: $33 trillion from a total of $89 trillion (2013 figures). The European Commission estimates transatlantic trade in both goods and services at almost €2 billion a day, supporting about 5 million jobs in Europe. Total transatlantic trade in goods is worth €455 billion annually (2011 figures), with a positive balance for the EU of €72 billion. The US is the EU's third-largest supplier, selling it €192 billion worth of goods a year, roughly 11% of total EU imports, and the US is the EU's main export market, buying €264 billion worth of goods annually, which represents about 17% of total EU exports. The US exports 14.7% of its total exports to the EU, and imports 17% of its total imports from the EU.

A comprehensive TTIP, suggests the European Commission, could offer the EU gains worth as much as €119 billion a year, and the US as much as €95 billion, the equivalent of about €550 a year for a family of four in the EU. US estimates of additional annual growth in EU GDP offer a range of figures from €68 billion to €119 billion, while the figures could be between $50 billion and $95 billion in the US. Even sceptical US estimates suggest a prospective gain of about $600 (€450) per family per year.

Some US figures suggest an even higher volume and value for total commercial sales relating from trade between the two blocs. According to the Johns Hopkins Center for Transatlantic Relations, this trade generates $5.3 trillion in total commercial sales a year (2011 figures) and employs up to 15 million workers in mutual jobs 'on-shored' on both sides of the Atlantic.

Increased transatlantic trade would clearly bring considerable gains to both parties. Experts predict an increase in EU exports to the US and US exports to the EU (goods and services) by more than a quarter, worth roughly €200 billion a year for each of the parties. US and EU trade with the rest of the world would also increase as a result, expected to rise by over €33 billion, pushing up the GDP of other trade partners by a further €100 billion per year.

In the crucial field of foreign direct investment (FDI), their annual flow already represents 71% of inward FDI in the Atlantic area. Specifically, US companies invested around €150 billion in the EU in 2011, and EU companies invested around €123 billion in the US. For comparison, that is a sum going into productive investment roughly equal to the UK government expenditure on pensions and welfare every year. Total assets of European affiliates in the United States in 2012 were estimated to be $8.6 trillion, with the comparable figure for US investment assets in Europe at $12 trillion. For comparison, these figures together are well in excess of the annual GDP of the entire EU. The transatlantic proportion of total FDI placed anywhere in the world by the US and Europe continues to rise as they concentrate on each other's highly developed and specialised economies. The two partners are clearly deeply into each other's pockets.

Key Issues in the TTIP Negotiations

Negotiators have already had six rounds of formal discussions and have made considerable progress on several issues, as well as identifying problems that need more consideration. As with all such negotiations, nothing is settled until everything is finally agreed, but subject to that caveat, the broad outlines of a possible agreement can be seen already.

a. Direct economic benefits will result from levelling down and harmonising – or in many cases totally removing – tariffs on trade in products between the partners. Both sides will be making concessions in this, the US from a position where there are tariffs sometimes much higher and sometimes much lower than the more uniform level of EU protection, but the resulting benefits will be easily quantified for each side of the Atlantic and for each market sector, most advantageously for motor vehicles, metal products, processed foods, chemicals, manufactured goods and transport equipment. The potential gains are very large indeed. Motor vehicle exports (including parts) are expected to show the highest gains: exports from the EU to the US are estimated to increase by close to 150%, based on an increase in the sector's domestic production in the EU of at least 1.5%.

b. Trade in financial services is also an important area where mutual concessions are hotly contested on both sides of the Atlantic. The sector has seen considerable merger activity recently, with the emergence of Intercontinental Exchanges, owner of the New York Stock Exchange (NYSE) and Euronext (originally the combination of the stock exchanges of the Netherlands, Belgium, France and Portugal). The NYSE/Euronext exchange is a transatlantic creation with one of the largest market capitalisations in the world. The key issue for such a corporate construction is the variety of legal regulatory authorities to which it has to respond (i.e. the Securities and Exchange Commission in the US and several different national authorities in the EU). The issue of how to establish a common authority, or at least comparable conditions for the operation of various authorities, is one of the hardest issues under negotiation in the TTIP.

c. Instead of two regulatory systems and standards – one in the US and the other in the EU – mutual recognition (and where possible alignment of the specific requirements to the point of harmonisation) will simplify import and export procedures and dismantle NTBs in the two markets. The effects are harder to quantify, as much relies on the nature of the implementing regulation in the US and the EU, but over time any legal decisions resulting from commercial challenges in the courts will build up guidelines that will make a level playing field in practice on both sides of the Atlantic. Experts suggest that up to 80% of the gains to be had are not from tariff reduction but from less bureaucracy and common regulation, along with improvements in transatlantic public procurement.

d. There is also a saving in regulatory costs as texts can be aligned to reflect commonality in some sectors where interpenetration of the market is, or is expected to soon be, very far advanced. That is evident in questions of food safety, pharmaceuticals and auto parts in particular, and will benefit consumers in terms of lower costs while maintaining the high quality of products (and hence consumer protection) currently in existence on both sides of the Atlantic.

e. The US and the EU together will remain 'standard makers, rather than standard takers' by bringing their markets so much closer together. Their dominance in global production and trade will ensure that other players – BRICS (Brazil, Russia, India, China and South Africa) for instance – will find it in their interest to align their production and regulatory systems on the US-EU example in order to increase their export opportunities into this vast and highly developed market.

Agreement on a far-reaching TTIP will strengthen the competitiveness of both parties. Keener competition through lower or zero tariffs and the elimination of NTBs will result in a more efficient allocation of capital, greater specialisation and higher productivity. It is also likely to increase the attractiveness of both economies for FDI, promote greater protection of intellectual property and set international standards, or 'rules of the road', for other world trade partners.

Dissenting Voices, Outstanding Problems

While there are plenty of statistics and arguments supporting the benefits of the TTIP, they will remain speculative until the ink is dry on the signatures under the treaty. Some of the most optimistic views have come from two well-regarded foundations, Bertelsmann and Pew, but not surprisingly there are also opponents of the TTIP or, more accurately, those who oppose what they fear will be some of the negative effects of such a treaty.

Several trade unions have expressed their opposition to the reorganisation of production that is likely to be a consequence of the removal of tariffs and NTBs. Pressure will increase on less efficient producers and, as capital is reallocated to new investments, jobs will be lost in the less efficient industries and locations. Trade unions have a legitimate concern to defend the interests of their members, even if the wider benefits to the consumer are less well publicised.

Environmental groups have also expressed opposition to draft provisions that they consider too weak to maintain, let alone promote, environmental security. Opinions differ, but many consider EU provisions in this field more stringent than those in the US, and there is a strong body of opinion in Europe that opposes any watering down of this level of protection.

Another key issue that is proving difficult to resolve in the negotiations is the mechanism for solving investment disputes. The investor-state dispute settlement is essentially the manner in which commercial interests investing across the Atlantic resolve disputes in the courts, with the possibility of a state being the party with whom they are in conflict. This issue is essentially practical, but also touches on notions of sovereignty, which are both emotional and legally complex, especially for the Europeans. Stakeholders and lobbyists are in particular concerned that this aspect of the negotiations lacks transparency and they are demanding more openness from negotiators in telling the public just what they envisage.

There is continuing discussion in the TTIP negotiations on the issue of genetically modified crops (GMCs). The position paper on food and agriculture will certainly stress this topic. The French government, within the EU negotiating team, has raised strong objections to GMCs, but however the negotiators deal with the issue will be subject to close scrutiny during the ratification process. That will depend on the recently nominated EU parliamentary committee and on the forthcoming midterm elections to the US Congress.

Intellectual property protection is an equally important issue and will be addressed by negotiators against the background of the US National Intelligence Agency's activities and the Snowden revelations. Appropriate safeguards for consumers, notably the privacy of data and the protection of patents, will be high on the agenda. Germany is – for evident reasons given recent publicity – probably the most sensitive EU member state in this respect, but it also has much to gain from other aspects of the TTIP and may well find acceptable compromises in this area.

Energy is not among the issues specifically covered within the TTIP negotiations, but there are major divergences between the situation in the US and the situation in the EU on this that make it the uninvited guest at the feast. US energy costs for industry can be as low as a quarter of those for EU industry, and this tilt of the playing field weighs many other concessions heavily in favour of US stakeholders. The political risks of EU dependence on Russian gas and divergent views within EU states about the development of nuclear power complicate the process of establishing a common EU view. In the US the northern pipeline continues to bedevil political discussion, as does the long-term future of shale. As the overall outline of the TTIP agreement slowly takes shape, it may prove useful to enlarge the remit to aspects of energy to find the eventual balance required between the parties.

Timing

Given the high stakes of these negotiations, it comes as no surprise that they are being treated exceptionally thoroughly at the highest level by both sides – the European Commissioner Karel De Gucht and his US counterpart Michael Froman, the US Trade Representative, who has cabinet rank and reports directly to the president.

On the EU side, the expert opinions of the trade and sector specialists are supplemented by a 16-member advisory group that draws in expertise from a wide range of interested sectors, including finance and banking, the environment and various trade unions.

The TTIP process has been long in preparation, and negotiations may yet stretch out for another year or more, but when all is said and done and the TTIP is finally negotiated, it then faces the hurdles – both in the US and in the EU – of ratification.

The US midterm elections to be held in November 2014 could change the composition of the Senate, though probably not the House of Representatives. If the Republicans take control of the Senate, a trade promotion authority, or 'fast-track approval', could be presented to President Obama, which he has so far not been able to extract from the current Senate leadership. This could fast-track negotiations to the point where, if there are enough regulatory areas agreed by the parties over the next 18 months or so, it might be possible for a TTIP agreement to be ratified by the US before the next presidential elections in November 2016.

On the European side, it is still early days to assess the mood of the new parliament on this issue. Radical national parties such as the UK Independence Party and the Front National in France could have a delaying or frustrating impact, especially if the Socialists and Democrats do not wholeheartedly back the TTIP – which remains doubtful.

The TTIP remains a work in progress, a 'to be or not to be' question. It may be too early to tell what answer legislators will give, or even precisely when, but in the wider sweep of cultural and economic history there is what looks like an inevitability about the coming together of America and Europe, the strengthening of transatlantic relations. The TTIP presents the best and perhaps the biggest opportunity of recent years. Though the devil may well lie in the detail, the TTIP presents a historic opportunity not to be missed. Other nations of the world – China, India and Russia included – will be watching very closely.

Transatlantic Financial Services Regulation

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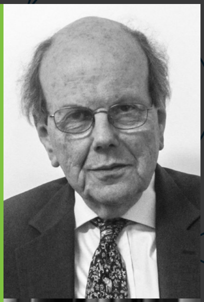
"TTIP aims to achieve greater openness, transparency and coherence in the regulatory approaches taken by the EU and the US. Together they currently enjoy a leadership in financial services"

John Cooke and David Green



The current European Union (EU)-US Transatlantic Trade and Investment Partnership (TTIP) negotiations have important implications for a potential joint EU-US approach to improving regulatory coherence for financial services. This chapter explores the features of the current TTIP negotiations, the regulatory issues for financial services, the current structures for regulatory cooperation, the case for using TTIP to address regulatory issues and the arguments against doing so. It concludes with a view of the prospects for TTIP and financial services regulatory coherence.

The TTIP Negotiations

The TTIP negotiations were launched in June 2013 during the G8 Summit at Lough Erne. The aim is to conclude a comprehensive agreement that addresses a broad range of bilateral trade and investment issues, including regulatory issues. In its regulatory objectives, TTIP's general objective is to achieve greater openness, transparency and coherence in the regulatory approaches taken by the EU and the US, to reduce duplicate burdensome testing and certification requirements, and to enhance cooperation on conformity assessment and standardisation issues globally. The term 'partnership' was carefully chosen: TTIP essentially goes beyond traditional trade agreements, with the key aim of making the EU and US regulatory systems more compatible and so, by reducing costs, deliver added benefits.

The groundwork for the negotiations was carefully prepared. A high-level working group (HLWG) reported in February 2013 on a range of potential options for expanding transatlantic trade and investment including but not limited to:

- Elimination or reduction of conventional trade barriers such as tariffs;
- Removal of barriers to trade in services and investment;
- Enhanced compatibility of regulations and standards;
- Elimination or reduction of unnecessary 'behind the border' non-tariff barriers.

The HLWG took it as axiomatic that no sector should be excluded, while recognising that progress in some sectors would be easier than in others.

The TTIP negotiations have made brisk progress and reached their seventh round by early October 2014. Inevitably in a negotiation of this scale, much time has been spent on the structure of any agreement and on identifying specific areas of promise. Regulation has been recognised by both sides as important: given that trade between the EU and the US is already very open, the remaining barriers – and therefore the opportunities for achieving greater openness – lie largely in the regulatory area. It has also been acknowledged that some regulatory areas may be easier to tackle than others. Both sides, for instance, already have comparable standards for automobile safety, which ought to be relatively easy to align. But others have proved more intractable, and financial services regulation, where views differ considerably on both its character and its reach, is among these. As a result, little progress has been made to date in discussions between the two sides on bringing greater coherence to transatlantic financial services regulation.

The Regulatory Issues for Financial Services

In assessing the regulatory issues that TTIP could address, it is worth taking a step back to before the financial crisis that started in 2008. The pre-crisis scenario was very different from the scenario that now affects regulation. It had its origins in post-war institution-building for the global economic framework, notably the Bretton Woods institutions, and heightened cooperation, particularly between central banks. Although these arrangements have undergone steady adaptation, some of the pre-crisis regulatory practices showed a strong degree of continuity. There were relatively slow and gradual processes of evolution – on the US side, from Glass-Steagall (1933) to Gramm-Leach-Bliley (1999), and on the EU side, consolidation of the single market preceded by major structural changes in individual member states – and progress on international collaboration was inevitably affected by significant national differences.

These processes had to take account of diverse constitutional arrangements for deciding on regulation, as well as constant concern about national prerogatives, with differences on the extra-territorial reach of regulation to the fore. There were also significant variations in approach, with US regulation depending on the implementation of rules while other countries tended to give greater weight to judgement. That said, accompanying consultative processes were not excessively demanding and worked reasonably well, with steady market-opening and an expansion of trust between regulators. And there was progress away from the Balkanisation of international capital markets and a gradual acceptance of the principle of internationally agreed standards, even if more remained to be done to make them a reality.

The crisis and its aftermath radically altered the challenges facing regulators. Essentially, it was a crisis of developed markets, with a consequent loss of prestige for the developed West, placing question marks over the West's regulatory leadership. For Western regulators, the crisis produced a radically different scenario from before: there was a dawning realisation that there could be an imminent global crisis of profound proportions, and that there needed to be a strong and necessary reaction from global leaders in the wider context of the G20, G8 and Financial Stability Board.

At the same time, there were some inevitable side effects producing a degree of post-crisis reversion to nationally determined regulation. Politicians were confronted with the existence of very real risks for their constituents, many of whom suffered direct financial losses or had to be taxed to make good other losses. Regulation became more politicised, with pressures to exert greater political control over financial markets. Regulation was introduced as a response to crisis – an essentially reactive agenda, justified as critically important, sometimes without regard to its cumulative impact. There was – there had to be – a race to implement in order to secure the system, with less time than previously for forethought, and less incentive to consult other regulatory authorities on consistency of regulation. This led to some loss of the previous implicit consensus on the balance between regulation and stability on the one hand and growth and competitiveness on the other.

Institutional questions also arose – typically over how far the balance between national and regional or international regulation could remain as before. In the EU this gave rise to the analyses in the Turner Review and the De Larosière Report, sharply exemplified in Lord Turner's question 'More Europe or less Europe?' and in the governor of the Bank of England's observation that 'International banks are international in life but national in death'. As the crisis developed, there was also some divergence between different countries' crisis experience. After 2009, for instance, the US experience began to diverge from that of the EU, which faced the EU-specific challenge of safeguarding the eurozone. Finally, there was some significant forfeiture of trust between regulators. Looking to the future, no regulator wished to be placed in any position open to subsequent accusations of having disadvantaged their own citizens to the advantage of foreigners.

Overall, post-crisis international regulation can be considered to have met its immediate goals. It has averted meltdown and set new rules in record time. In the EU, this has been achieved by the programme of legislation put though by Commissioner Barnier, together with action by member state governments, their central banks and the European Central Bank. In the US there have been corresponding measures, notably by the Federal Reserve and through the passage of the Dodd-Frank Act.

However, some key challenges remain, typified by, but not confined to, transatlantic regulation. These include regulatory divergence, and they carry various costs:

- Continued, indeed increased, preoccupation with extraterritoriality and conflicts of law, with consequent compliance costs and heightened business uncertainties;
- Continued regulatory arbitrage, leading to risks potentially being diverted to less secure providers of cover;
- Damage to the effectiveness and stability of the global financial system;
- Duplicate and inefficient practices for providers and users of capital, undermining growth.

All these features represent actual – if unintended – regulatory obstacles to financial services flows. They are particularly costly where they affect the availability or affordability of core financial services that are vital to business end-users for funding new projects or managing risks in the interests of greater growth and wealth creation in both the US and the EU. They potentially make it impossible for financial services providers to supply their products, or to do so at reasonable cost. Some of them are set out in the Atlantic Council's 2013 report, 'The Danger of Divergence: Transatlantic Financial Reform and the G20 Agenda'.

Newly salient regulatory divergences have combined with increased reluctance on the part of regulators to cede responsibility lest subsequently challenged, and indeed with reluctance to cede power more generally. All these factors have also highlighted the importance of questions of process and transparency, and how these may hamper regulatory cooperation. Chief among these are:

- Different administrative and political rule-making processes;
- Associated problems of transparency at different legislative and rule-making stages, with differing types of 'notice and comment' procedures.

And, finally, regulatory divergences have revealed substantive differences in regulatory approach on the two sides of the Atlantic, including:

- Failures in synchronising key measures, for example in the implementation of Basel III;
- Renewed differences over bank structure and in particular ring-fenced geographic requirements for capital;
- The consequent unlikelihood of implementing common rules for cross-border bank resolution;
- Important technical inconsistences in over-the-counter (OTC) derivatives regulation.

Current Structures

The US-EU Financial Markets Regulatory Dialogue (FMRD), led by the US Treasury and the European Commission's Directorate-General for Internal Market and Services, is currently the main forum for regulatory dialogue and coordination. It has obvious merits in that it is intended as a forum where regulators' views can be expressed and regulatory issues can be discussed in an expert way. It also aims at being a robust, efficient and flexible platform for mutual exchange of information, and to search for solutions to issues. But, in its current form, it also has serious disadvantages, including:

- It is a pre-crisis institution, set up in 2002, and not adapted to post-crisis circumstances;
- It is only in intermittent session and has not had a regular pattern of meetings;
- It does not seem to have proved equal to current pressures of work;

- It has few or no systems for reporting to market stakeholders, raising questions of transparency and accountability;
- It has not proved equal to solving inconsistencies in post-crisis regulatory programmes;
- Its processes appear to lack openness to information on market predicaments, or clear incentives to reach solutions before problems arise rather than afterwards;
- Its core participants may be unable to commit national decision makers not represented in the dialogue – a critical flaw in the context of making a contribution to the TTIP process.

For all these reasons, various financial services industry bodies on both sides of the Atlantic have pressed for a step change in the way that the dialogue between regulators works. They have found a strong degree of agreement on the guiding principles that ought to meet the challenges facing regulators and industry alike both now and in the future. In particular, they have identified the need for a consultative process between transatlantic regulators that:

- Is more disciplined and transparent;
- Is more timely and accountable;
- Reaches better-coordinated results by building consensus on agreed solutions rather than one side trying to impose preferred-national approaches on the other;
- Anticipates and solves regulatory problems in advance, rather than examining them after they have arisen – the ex-ante as well as the ex-post approach.

The Case for Using the TTIP to Address the Regulatory Issues

The case for achieving improvements in regulatory coherence within TTIP rests on the fact that the TTIP is being designed as a custom-built vehicle for tackling this kind of problem. The TTIP's proposed arrangements for regulatory coherence will likely cover a wide range of both EU and US measures affecting trade in goods and services. It is logical for them to extend to financial services regulation as much as to the regulation of any other sector. It would be perverse to exclude a sector such as financial services, which has a central role in investment, exports, growth, jobs and wealth creation. And this is why the business community throughout the EU and in the US strongly supports the idea that this step change should be accomplished and delivered within the current TTIP negotiations.

Proponents of integrating financial regulation into the TTIP contend that this can be done in the same way as regulatory cooperation in other fields and sectors is already being tackled in the TTIP negotiations. The central requirement would be to have an agreed framework for cooperation, with consensual agreement on its scope, the general principles that might guide it (mutual reliance and approaches to equivalence), joint bilateral mechanisms for consultation (and the governance that might apply to these), periodic review procedures, mediation, and reversion to national regulation if either side were dissatisfied with the other's measures or how they were enforced.

Any such framework would also require each side to accept the need to reach a unified internal negotiating position before embarking on consultations. In turn, the consultations would need to have agreed objectives, including:

- Achieving greater compatibility of regulatory measures when developing new legislation or regulation by providing periodic information on significant regulatory and legislative initiatives;

- Offering scope for effective and timely dialogue between regulators, with scope for comments and receiving feedback;
- Strengthened assessments of impacts on international and in particular transatlantic trade;
- Tackling legislative and rule-making issues, including transparency, accountability (where the EU and the US have different approaches at different legislative and rule-making stages) and deeper agreement by each side to consider the other's views;
- Securing agreement on comparability and mutual recognition, given that the most likely instrument for regulatory coherence is mutual recognition or some other consensually agreed definition of equivalence;
- Incorporating tests of regulatory comparability, with agreement as to how mutual recognition or equivalence under the TTIP might be implemented in practice.

Complex though all these issues undoubtedly are, they are hardly unique to financial services and already arise in other areas of the TTIP. If they are to be brought within the TTIP in relation to other sectors, the argument goes, there is no reason why this cannot be done in relation to financial services.

There is also the argument that the EU and the US should lead the way in promoting greater bilateral regulatory coherence rather than awaiting the emergence of a global regulatory dialogue. Central to this is the strength of their two markets in the global economy. The EU and the US account for only some 12% of the global population but nearly half of world gross domestic product (GDP) and 30% of world trade. In financial services their position is even more dominant, with the EU and US joint share of some subsectors of global financial markets reaching percentages in the mid-eighties:

% share (latest available data)	US	EU	EU & US	Rest of world
Banking sector assets	13	45	**58**	**42**
Insurance premium income	27	32	**59**	**41**
Funds under management	46	30	**76**	**24**
Equity market capitalisation	36	25	**61**	**39**
Domestic bond markets value outstanding	38	24	**62**	**38**
Foreign exchange trading	19	54	**73**	**27**
International bank lending	10	57	**67**	**33**
OTC derivatives trading	23	65	**88**	**12**
Hedge fund assets	65	21	**86**	**14**
Private equity investment value	46	25	**71**	**29**
Marine insurance premiums	6	35	**41**	**59**
Pension assets	56	23	**79**	**21**
GDP	25	21	**46**	**54**
Population	5	7	**12**	**88**

Source: TheCityUK estimates based on various sources

Two conclusions, it is argued, spring from this:

- The US and EU together currently enjoy a leadership in financial services that, while reducing as new markets emerge, is still enormously strong;
- This is probably the last best chance for both to influence a wider global dialogue, if the TTIP can enshrine a framework for standards that others are ready to follow.

This is not to say that there should not be a global dialogue. But establishing a global dialogue will be challenging. For the US and EU to set a joint template would be an example for others to build on and could help to rebuild the reputation of both as exemplars of good regulatory approaches and best practices to the rest of the world.

The Arguments Against Using the TTIP to Address the Regulatory Issues

Powerful though the arguments for using the TTIP may seem, they have not found joint favour across the two sides to the TTIP negotiation. There have been strong US official voices against them, most notably from the US Treasury. These counterarguments raise important questions and reveal some clearly heartfelt concerns. They centre on four interrelated questions:

- Whether placing financial services regulatory coherence within the TTIP would take the present US-EU FMRD out of the hands of regulators and put it in the hands of trade negotiators;
- Whether placing financial services regulatory coherence within the TTIP would curb US regulators' independence – a valued cornerstone of their standing and authority;
- Whether placing financial services regulatory coherence within the TTIP would undermine the US Dodd-Frank Act, mainly by giving US domestic opponents of the Act a fresh lever for seeking to overturn its provisions;
- Whether it would be right to create a precedent by setting up regulatory coherence mechanisms in a trade agreement, on the grounds that this has never been done before (for financial services) in a US trade agreement.

Although the first three of these are valid questions, it has to be said that – in the opinion of the authors of this chapter, at any rate – they do not seem conclusive arguments against including regulatory coherence for financial services within the TTIP. All three, so far as they are risks, can be solved by either or both of the two parties, and can in any case be guarded against by the terms in which any agreement within the TTIP is expressed. Indeed, the EU side has put forward proposals as to how they might be addressed, based in part on the EU's own experience of resolving its internal tensions between the different institutions involved, whether regulators, member states or parliaments.

And it is – or should be – attainable common ground between the two sides that financial services regulators are the only people capable of conducting a regulatory dialogue and cannot be supplanted by others without the necessary expertise. As for the independence of regulators, this is undoubtedly important for both sides. But their independence essentially relates to their decisions in individual cases. Their regulatory approaches – the subject matter of any TTIP discussions – are and should be a part of wider public policy. It ought to be possible to reconcile deference to regulators' professional judgement with processes to promote regulatory coherence within a mutually agreed administrative framework.

The fourth question raises rather different issues concerning the view taken of existing US trade agreements with other countries. Suffice it to say that some draft texts on regulatory coherence in the Trans-Pacific Partnership context have emerged, and these suggest that the US may indeed be ready to countenance regulatory coherence in trade agreements. The US-Korea Free Trade Agreement (FTA) chapter on dispute settlement and the US-Korea FTA annex on the US-Korea Financial Services Committee both carry the same general implication. All these suggest that the US does not, as a matter of settled policy, exclude financial services regulation, and consultation on it, from trade agreements. And indeed historically the US has not hesitated to link financial services demands with trade deals when it can see advantage in doing so.

Prospects for the TTIP and Financial Services Regulatory Coherence

The TTIP negotiations still have some way to run. The current plan is to conclude negotiations in 2016. Before that point is reached, there will need to be clear identification of issues to be included or excluded from the negotiations. There is to be a 'political stocktake' in October 2014 between Ambassador Froman (US Trade Representative) and Commissioner De Gucht (the departing EU Commissioner for Trade). The likely outcome is unclear at the time of writing, but for those who favour the inclusion of financial services regulatory coherence within the TTIP it will be important to make progress as the detailed issues will take time to discuss. Deferring that discussion risks letting the issue go by default.

There is much to play for in terms of heightened trade and prosperity if mutually successful outcomes can be achieved in the regulatory chapters of the TTIP, including financial services regulation. And there is the precedent that such success could set for wider global negotiations in the same or similar areas. Those not directly involved will find it difficult to understand if the semantics of whether financial services regulatory issues should or should not be regarded as trade issues are allowed to be an obstacle to making progress. It is vital for transatlantic industry and commerce – the end-users of financial services and the engines of economic growth – that both sides should make progress towards agreed arrangements for improving transatlantic regulation of financial services, where both together command such a large combined share of global service supply. It is to be profoundly hoped that, acting in good faith and with mutual understanding, they will do so.

The US Dollar and the Euro

Vicky Pryce

Chief Economic Adviser at the Centre for Economics and Business Research; Former Joint Head of the UK Government's Economic Service

"Requirements for success of an optimal currency zone are not yet fully assured. Until then the Euro will pose no serious challenge to the dollar"

Vicky Pryce

One of the grand designs behind the creation of the euro was the desire to create a reserve and transaction currency to rival the US dollar. After all, the European Union (EU) represents a market of some 500 million consumers, at least three times more numerous than the US and with a larger gross domestic product (GDP) overall – and the eurozone, created with its new currency in 1999, formed a very substantial part of that. As it has expanded with new countries joining the eurozone, its weight within the EU has grown. And although the EU represents just over 7% of the world's population, its wealth is such that it accounts for some 25% of world GDP, with an average GDP per head well above most of the rest of the world. Why not a currency to match?

If Only

No longer would the world financial order then be determined solely by the vagaries of the US economy, the printing (or otherwise) of money by the Federal Reserve and the size of the US current account balance. The Europeans had always looked with envy at the US government's ability to carry huge current account deficits for a long period and at very high levels in relation to its GDP without serious adverse effects on the exchange rate. Of course, in the case of the euro there might also be costs attached, such as greater currency volatility reflecting purely external demand for the currency, something that would be outside the central bank's control, and the fact that any loss of faith in the currency could lead to disproportionate effects on the inflation rate if commodities and trade transactions – denominated in the reserve currency – were adjusted upwards to make up for the loss of value due to the exchange rate's decline. But these could be managed – or accepted – if the euro really grew to rival the dollar and become a reserve currency.

At the launch of the euro – in 'wholesale' form in 1999 and with coins and notes in 'retail' circulation shortly afterwards – the currency accounted for some 18% of the world's foreign currency reserves, having hoovered up the combined 'reserve' roles played by the Deutschmark and to a lesser extent by the French franc. That made it at a stroke the second-largest reserve currency in the world. In late 2007, just before the onslaught of the financial crisis, there was a widespread perception that the euro was beginning to pose a serious threat to the US dollar's status as a reserve currency. The dollar had been volatile for some time and had been depreciating, thus undermining one of the main requirements of a reserve currency, namely that it should be a secure store of value. Although not many trades were denominated in euros at that stage, the consensus seemed to be that the currency was gaining status. This view was due to the size of the market that it represented, its openness, and a deep and liquid financial sector – though still over-dependent on the City of London, which was (perversely) not situated in the eurozone. The eurozone had shown strong and steady growth, the countries at the European periphery seemed to be catching up, and the rating agencies all agreed that the sovereign risk in the eurozone as a whole was low. Greek 10-year bond yields had fallen to almost the same level as German bunds. The euro might soon enjoy the same privileges at the US dollar.

If your foreign debt is denominated mostly – or even to a considerable extent – in your own currency, devaluations that may be decided as necessary to help the economy do not affect the value of the debt, a consequence known as the 'exorbitant privilege' enjoyed by issuers of a reserve currency. And in the case of the euro, were it to become a reserve currency, the issuer would enjoy the massive seignorage effect of a central bank that could issue cheap loans to eurozone countries that needed them. As Simon Tilford of the Centre for European Reform remarked at the time, the European Central Bank (ECB) enjoyed a 'good dose of credibility'. The continuing cautious influence of the conservative German central bank was clear for all to see in the way that it was run.

What Went Wrong?

But then – like so many of the best laid plans – it all went spectacularly wrong. After a period of steady growth that required very little action by central banks and governments as the world was enjoying low inflation as a result of increasing globalisation with cheap imported goods from China and other emerging markets, the ECB missed the warning signs of the impending crisis. Just as the eurozone was entering recession in 2008, the ECB raised interest rates instead of reducing them, a move that arguably precipitated the crisis. As the recession gathered pace and governments were obliged to step in and support their banking systems and their economies as best they could, with the ECB also finally slashing interest rates in 2009, the extent of the inherent instability of the eurozone started to become clearer. It became increasingly obvious that the eurozone countries were not 'as one' but were affected very differently by the financial crisis. Their ability to react also varied markedly. They were revealed as a collection of nation states united by a common currency but with no central support mechanism to come to their rescue when they found themselves in deep water.

So the markets started to mistrust the new creation, the euro, and to question its future. Investors fled the eurozone. Yields for periphery countries such as Greece, Ireland and Portugal rose sharply. In the case of Greece, yields for 10-year bonds reached 30% at one stage; shorter-term yields were even higher. All three countries had to be bailed out – but only after a lot of soul-searching that delayed the effectiveness and raised the cost of the rescue operations. The stumbling block was the 'no bailout clause' inserted at the insistence of Germany in the Maastricht Treaty of 1992, which set up the single currency. It required a diplomatic fudge to ensure that the bailout operations undertaken were not really bailouts as forbidden in the treaty.

The malaise then spread to larger countries hitherto considered more 'core' to the eurozone and somehow therefore safer. Worries increased as the deficits and debts of Italy and Spain rose through 2011 and 2012. A technocratic government was installed in Italy, as was also the case in Greece, under economist and former European Commissioner Mario Monti. Even so, Italian yields rose to levels that threatened to trigger a bailout and Spain had to negotiate extra support to recapitalise its banks and protect its financial system from collapse.

Turning Point?

It was only when Mario Draghi, the new President of the ECB and the former head of the Italian central bank, said in a speech in July 2012 that he would do 'whatever it takes to save the euro' that markets started to relax and yields to fall. But the process was not without its reverses, for in the spring of 2013 Cyprus needed a bailout, disturbing the markets again for some weeks before relative calm was restored in the summer. In late 2013 and early 2014, Ireland and Portugal were able to exit the conditions imposed on them by the troika of the International Monetary Fund (IMF), the ECB and the European Commission that granted and then administered the countries' bailouts. Even Greece, still under its second bailout conditions, was able to tap the market again in the spring of 2014 for the first time since the crisis began, and paid yields of only around 6% – higher than those of Germany, but a far cry from what it would have had to pay just a couple of years earlier.

Credibility Now?

But what has all this done to the credibility of the euro? It is obviously still an important currency, accounting in the first quarter of 2014 for some 24% of world foreign currency reserves, 6% more than when it was launched. But the financial crisis and the poor handling of the response to it exposed major flaws in its construction and affected its credibility. It was evident that the institutional framework required to support such a major currency was simply not there. And despite attempts since to stick those institutions into the framework retrospectively, the overall construct remains weak and confidence has been shaken. In particular, the role of the ECB has been critical. It took until July 2012 and the famous speech of Mario Draghi for the ECB to become the de facto lender of last resort for the eurozone, something that is a necessary requirement for the maintenance of confidence in any currency, let alone one with aspirations to being a reserve currency.

Even now, with the eurozone economy currently stagnating due to imposed austerity measures, the ECB has been too hesitant in relaxing monetary policy sufficiently to prevent the eurozone from sinking back into recession. The ECB's remit is to maintain currency stability, implying an inflation target of close to 2%. It is far from achieving this target. Instead of liberating the euro and facilitating all sorts of opportunities for rebalancing the world monetary order, the ECB's policy in fact constrains the currency and is holding the eurozone (as well as closely associated economies) down. The most apt description of the eurozone is that given by John Peet and Anton La Guardia in their insightful book Unhappy Union, which refers to its workings as 'like the gold standard, only worse'.

Faith in the ability of eurozone politicians to manage the economy to achieve sustainable growth and balanced progress has evaporated. As a result, faith in the continued existence of the currency in its present form has been shaken as well. There has been talk of a break-up, of Grexit, of Italexit, of Spanexit and even Francexit, all of which has understandably and inevitably worried the markets. Will the euro still exist in a year's time as currently constituted, or will it be a different euro with a completely different value? Will it be strong or will it be weak? Which countries will be in it? Will Greece be the first to exit? Will it split into a northern and a southern euro? Would a northern euro still have the increasingly troubled France inside it? Would a northern euro be dominated by Germany and therefore be so strong as to make the economy it represents uncompetitive in export markets? Would that condemn Germany and other member states to a prolonged period of stagnation or low growth? What would the euro look like if the UK exited the EU and contagion spread to the single market? At present London operates as a vital centre allowing the euro global reach through the City of London, even though the UK decided early on that it would not participate in the new currency. What if that were denied it, or if eurozone politicians prevented it? So many problems, perhaps hypothetical, but all potentially shaking the foundations.

But as politicians seem incapable of solving the problem except by putting a sticking plaster on the wound, all eyes have once again turned to Draghi. With eurozone inflation barely above zero, well below the ECB's 2% target, he has finally bowed to the inevitable. In early September 2014 he announced that the ECB would be buying asset-backed securities and covered bonds, injecting some €700 billion into the eurozone economy. The announcement was widely seen as heralding the arrival at last of proper quantitative easing, which will, if it comes, also involve buying up sovereign bonds issued by governments of member states in the eurozone, something that the Germans have until now objected to. But will Draghi singlehandedly manage to save the eurozone, already battling serious problems in its banking system and chronic lack of lending to businesses, from stagnation and deflation in a sustainable way? No one knows.

Back to Basics

It is worth therefore going back to basics and reviewing the creation of the euro to trace the source of the fundamental problems that threaten it. The essential problem is that it was a political more than an economic project. The Bretton Woods Conference of 1944, which established the IMF and the World Bank and settled the post-war financial structure of the West, left the US dollar in supremacy without sorting out the internal divisions with a Europe whose economy had been ravaged by war and was to be divided subsequently by the Cold War. Closer economic cooperation among the Western European democracies was seen as a means of preventing another European war, even though it raised misgivings about the role of Germany. Despite its division between a capitalist West and communist East, its potential economic might continued to cause disquiet, especially in France.

The first economic manifestations of this drive for closer integration came with the creation of the European Coal and Steel Community in 1952 and the signing of the Treaty of Rome in 1958. This integrated the coal and steel industries of six nations and added a common market, a customs union and a common agricultural policy. Very soon – by 1962 in fact – the European Commission made proposals for a common currency, but the negotiations never really engaged until the US dollar de-linked from gold in 1971 and the Bretton Woods system collapsed. Then discussion centred around the Werner Plan, named after a Luxembourg prime minister, which called for the establishment of a common European currency by 1980. The plan was endorsed by all the leaders of the six as well as the nations that were to join the EU in 1973: the UK, Ireland and Denmark.

Interestingly the current president of the Commission, Jean-Claude Juncker, is also a former Luxembourg prime minister, whose appointment was hotly contested by the UK prime minister, David Cameron. Indeed, Cameron went out on a limb to vote against him in the European Council, supported only by Hungary, on the basis that he was too much of an integrationist. Certainly he comes from such a stable, to judge by his predecessor's proposals.

But all did not go well for the many European currencies when the US dollar broke the link to gold. The collapse of the Bretton Woods system considerably unsettled the markets, driving the Deutschmark up and allowing most other currencies to gain a competitive advantage by devaluing against it. In an attempt to gain some control of this disordered process, the German government introduced the concept of a 'currency snake', where bilateral fluctuations would be limited. The UK pound joined the snake in 1972, only to be forced out within six weeks by the financial markets. Other countries, including France and Italy, found it hard work too, and some had to exit and re-enter a number of times after devaluations. The upshot was that the snake offered only a limited means to control the general drifting upwards of the Deutschmark against all European competitors.

The quest for currency stability continued. The snake was replaced in 1979 by the European Monetary System (EMS), the brainchild of the French president, Valery Giscard d'Estaing, and the German chancellor, Willy Brandt, designed to keep nine currencies (not including the pound sterling) within limited fluctuations around a central rate. Stronger currencies were permitted a 2.25% fluctuation and weaker currencies a 6% fluctuation bandwidth, but economic fundamentals still forced some countries to devalue or revalue repeatedly, and the EMS could not boast that it had proved the most stable of currency blocs.

A New Start or the Final Act?

The arrival of Jacques Delors, the former French finance minister, as president of the Commission in 1985 led to a renewed effort to bring stability to the European currency markets. As a consequence of completing the single market following the coming into force of the Single European Act in 1987, the Delors Report outlined the contours of a completed single market in goods and services followed by the creation of a central bank and the introduction of a common currency. These plans were formalised in the Maastricht Treaty of 1992, which ensured the completion of the single market and laid the groundwork for establishing the euro.

Member states were united in signing it as the reasons for doing so went beyond just achieving currency stability and avoiding competitive devaluations. There would be benefits from lower transaction costs, lower prices and transparent comparisons across national markets, efficiency gains from stronger competition, a large market with economies of scale, and a currency to match the market with a single rate of interest and a single exchange rate with the rest of the world, removing much of the previous uncertainty of fractured currency markets. There were many persuasive financial and economic arguments, but they could not conceal the fact that introducing a single currency was essentially a political act.

The main aim was political. The Berlin Wall had fallen, the Soviet Union had been dissolved, the Cold War was over. Germany had been permitted to reunify and, despite the cost of absorbing the former East Germany being astronomic (some estimates suggest as much as $1.5 trillion over ten years), it was clear that in the longer term Germany would become the dominant power on the continent, both in terms of population and of economic strength. The markets accepted this prognosis and reunification resulted in a sharp rise in the value of the Deutschmark, which not only hit German export competitiveness but also made it difficult for other countries – including the UK, France and Italy – to function within a system that required them to keep their rates in line with the Deutschmark. A single currency and a single central bank and other European institutions would, so it was thought, bind Germany to Europe inexorably and reduce the chances of an intolerable imbalance ever building up in its favour in the future.

The UK signed the Maastricht Treaty and also joined what was meant to be the precursor of the single currency, namely the European Exchange Rate Mechanism (ERM), the latest manifestation of the EMS. But the omens were not good. The experience of the UK during that period, which resulted in its ignominious exit from the ERM in September 1992, put the UK forever against the idea of joining any mechanism that limited its ability to adjust the exchange rate and conduct its own monetary policy with domestic considerations mainly in mind. Other countries had difficulties too. Currencies again, as with the snake earlier, exited and re-entered the ERM a few times after devaluations; bands were also widened to allow fluctuations as high as 15% either way. But the economic and political havoc this was both creating and reflecting persuaded many governments that a single currency was the best way forward. The European Monetary Union started in 1999 as a 'shadowing' system, with currencies pegged to the euro at an agreed rate before euro notes and coins were introduced in 2002. Originally 11 states were joined in the euro, then 12 when Greece joined in 2002. There are now 18 currencies in the euro , and others from former Eastern Europe are also queuing up to join, though unsurprisingly they don't seem to be in a hurry to do so at present. The UK has stayed resolutely outside the system.

Essential Requirements for Success

Given the experience of the financial crisis, it has become blatantly obvious that the main problem of the eurozone is that under no circumstances could an objective observer legitimately argue that the euro area is an optimal currency area. There are five main reasons why the system does not work adequately at the moment, and the first is that an optimal currency system has to either have achieved economic convergence already or be moving towards it: in other words, the business cycles of the member states should not be too far apart from each other. This is important for a currency area that has a single monetary policy and a uniform interest rate, as the impact of changes can be very different if the countries involved are different in structure and hence differently affected by rate changes. What the crisis showed was that this sort of convergence was lacking; indeed, following the crisis it could be argued that countries involved have moved even further apart.

The second missing requirement is a mechanism that allows transfers to take place from the larger and richer states to the smaller and poorer ones within the euro, a so-called 'risk-sharing mechanism'. However, apart from a small budget amounting to no more than 1% of GDP from which there is a disbursement of no more than a third under the heading of 'structural funds' to the less developed regions of the EU, there is no proper system of transfers as this is anathema to the German government. They consider that if weaker performing states were compensated, this would simply encourage 'moral hazard', more of the same behaviour requiring ever more transfers.

The third requirement – also largely missing – is labour mobility. To function well a currency zone must make it easy for workers to move from one country to another with a minimum of administrative barriers. Yet professional and educational qualifications are not fully recognised across borders. Differing national insurance schemes, pension entitlements and benefit systems still constrain free movement. What is more, some countries are now erecting further barriers in the form of restricted access to health and other social benefits to prevent 'benefit tourism', thereby solving a minor issue with a broad measure that resonates with increasingly xenophobic national audiences. And finally, as they always have, languages also still act as barriers to mobility in Europe.

A fourth requirement is freedom of capital movements. What the crisis revealed was the inadequate harmonisation of the banking systems in member states. This is leading to a progressive establishment of a 'banking union' within the eurozone and across the whole of the EU, with the ECB assuming the role of the single regulator, and the adoption of a single bank resolution regime, though still not a central deposit insurance scheme. Perversely, capital controls were (re)introduced in Cyprus as one of the accompanying measures to the bailout in early 2013.

The final requirement is that wage and price flexibility operates effectively across the single currency area so that economies can easily adjust to the shocks that are part of the creative destruction of the capital system, reflected in the often rough working of markets. What the crisis exposed was that across many countries wages were rigid as whole chunks of the economy had not been opened up to competition and were in need of urgent reform. That meant that the impact of the recession was felt more strongly in the southern European countries that had done little during the preceding years of plenty to reform their internal markets and improve their productivity and competitiveness.

The Benefit of Hindsight

So how did the architects of the eurozone envisage that the currency union could survive in the absence of so many conditions for it to match a sustainable optimal currency area? In retrospect it seems doomed from the start, without proper transfers and with a 'no bailout' clause. The answer seems to be – at least in part – that they believed that, having lost the power to manipulate exchange rates, governments would be forced to become fiscally prudent. The other half of the answer seems to be that they would adhere strictly to the stability and growth pact for fear of the penalty of being placed under 'excessive deficit procedures', with the possibility of being fined if they did not. The rules stipulated that the deficit limit should be no more than 3% of GDP, and the debt-to-GDP ratio should not exceed 60%. As Peet and La Guardia remind us, Romano Prodi, when president of the European Commission, described these rules as 'stupid', and in 2003 both France and Germany managed to ignore with impunity a reprimand from the Commission for exceeding the deficit limits. Even during the early years these rules proved unenforceable.

In truth, both targets are meaningless, arbitrary figures. The debt figure was already exceeded by several member states when they joined the euro – in particular Italy, whose ratio stood at over 100%. The wording of the relevant article was interpreted to allow them in as long as they could demonstrate that they were 'striving to reduce the ratio progressively to 60%'. Of course, that has not happened and the Italian figure is now close to 130%. Greek debt-to-GDP ratio is now around 175% and other countries that were supported with bailouts but have now exited the adjustment conditions imposed on them still have ratios above 100%.

So what was the point of them? They were perhaps the window dressing of a project that was essentially political. It appeared to bind countries closer together, part of the 'ever-closer union of the peoples of Europe' that was in the preamble to the Treaty of Rome. Nor was it necessarily fiscal profligacy that was at the root of the eurozone's problems. In at least one case, statistics were falsified to allow a state to comply with entry requirements, creative accounting made the best of impressions, and the Brussels authorities – and perhaps the other member states – turned a blind eye to potential problems. Peet and La Guardia show how most of the countries that had been subject to excessive deficit procedures soon after the launch of the euro had exited this supervision well before the 2008 crisis hit.

The euro did well for a while, as did the member states of the eurozone, enjoying the benign economic climate of the early 2000s. Cheap credit initially helped Italy, Spain and Greece cope with their fiscal needs and keep their deficits under control. But it also led to major spending sprees in both the public and private sectors in countries that previously had been obliged to cope with more realistic interest rate demands in the market to keep their balance of payments and exchange rates under better control. At the other end of the spectrum Germany benefitted hugely. Not only did German banks lend to a much larger market, giving them plentiful new opportunities, but attractive terms of trade gave German producers an entrée into wider markets in the eurozone. By the time the crisis hit, many countries' economies were off balance and getting them back to reasonable levels of growth has proved particularly difficult.

And Next?

What does it all mean for the euro and the eurozone in the future? The most positive conclusion is that the eurozone's political leaders, after fumbling the ball on several occasions, have eventually shown their determination to maintain the euro. The political will is there, but the leaders will have to deliver more than they have so far for the currency to seem as secure and familiar to Europeans as the dollar is to Americans. Of course, no currency arrangement is absolutely bulletproof, as overseas holders of dollars have learned when the US puts domestic above international interests. But the issues of the euro are more fundamental and more persistent than those faced by the dollar and will be troublesome for some time. As Martin Wolf writes in his recently published book The Shifts and the Shocks: What we've learned – and have still to learn – from the financial crisis, 'A small eurozone that contained Germany and its long-standing partners, together possibly with France, would have surely worked'. But as it is, the rest of the world is still eyeing, at times with disbelief, a dysfunctional eurozone that seems to be dividing Europe rather than uniting it. The prospects for the euro as it currently stands in this environment are hard to gauge with any certainty. But what one can say with some conviction is that the supremacy of the US dollar is unlikely to be shattered any time soon, at least not by the euro.

The International Role of the EU in Multilateral Fora

Lord Hannay of Chiswick

Former UK Ambassador to the European Union and to the United Nations

"developing the external role of the EU requires unity of purpose inside the EU. It also requires harmony between the EU and the US"

Lord Hannay of Chiswick

It is often thought, incorrectly, that when the European Economic Community (EEC) was first set up in 1957 its energies and efforts were almost exclusively directed towards the establishment of an internal market and a customs union, accompanied by the negotiation of a common agricultural policy and the budgetary arrangements underpinning it. But in fact the Treaty of Rome in its preamble also contained important pointers towards the pursuit of an active multilateral trade policy as well.

This aimed at the progressive abolition of restrictions on international trade and towards confirming the solidarity that bound Europe to many overseas countries, with a view to ensuring the development of their prosperity in accordance with the principles of the United Nations (UN) Charter. Nor did these formulas remain empty aspirations. Within a few years the EEC, as such, was involved as one of three key players – with the US and Japan – in the Kennedy Round of negotiations for the liberalisation of world trade. It had also agreed a complex set of association agreements, covering aid, trade and the stabilisation of export receipts from primary commodities, with the newly independent former colonies of the six original member states.

At the outset, however, the broader sphere of foreign policy remained outside the scope of the founding treaties. Nevertheless, after the initial failure of the Fouchet Plan (a French proposal for purely intergovernmental cooperation on foreign policy), incremental progress began to be made in the late 1970s in this sphere as well. First a small secretariat to service such cooperation was established (1980), then the first treaty base for intensified foreign policy cooperation in the Single European Act was signed (1986), and then provisions for the establishment of a Common Foreign and Security Policy (CFSP) were put in place in the Maastricht Treaty (1992). The Lisbon Treaty (2009) established a worldwide network of diplomatic missions – the European External Action Service (EEAS) – based on the pre-existing network of Commission offices with trade and development policy functions designed to enable the European Union (EU) to execute its CFSP more coherently and more effectively. These institutional developments were matched in time by the development of a more active European role in the shaping of policy in a whole range of multilateral fora, the UN and its agencies prominent among them.

New areas of multilateral cooperation, negotiation and action, such as addressing the challenge of climate change, came within the scope of the EU's external policies. In a rather more hesitant and piecemeal way some elements of a common security and defence policy also began to take shape, involving coordination with the North Atlantic Treaty Organisation, to which most of the EU's members belonged, and with the UN and regional organisations such as the African Union, when peacekeeping, peacemaking and conflict-prevention operations were undertaken.

Trade Policy

From the very beginning trade policy was at the heart of Europe's involvement in multilateral fora. The Rome Treaty provisions giving the Commission exclusive competence in the negotiation of trade policy issues catapulted Europe, as one of the three principal players in world trade – the US and Japan being the other two – immediately into a seat at the top table of world trade negotiations at what was then called the General Agreement on Tariffs and Trade (GATT). In the 1990s GATT metamorphosed into the World Trade Organisation (WTO). Throughout a series of global trade negotiations – the Kennedy Round, the Tokyo Round, the Uruguay Round and, since 2004, the as yet uncompleted Doha Round – Europe has taken a strong lead in rolling back the wave of protectionist policies in the form of higher tariffs and a multiplicity of non-tariff barriers that contributed so disastrously to the economic slump of the period between the two world wars.

In many ways Europe gave a steadier and more consistent sense of direction than either of the other two leading players. The United States was often hampered by the vagaries of Congressional politics generating protectionist pressures over textiles and steel, and Japan was traditionally more passive and, if anything, even more restrictive than Europe over liberalising agricultural trade. For all its problems over agriculture, by the time the Doha Round was temporarily stopped in its tracks by a spat over provisions on food security between the US and India, Europe had committed itself to completely phasing out its trade-distorting subsidies in the agricultural sector.

Moreover, when the WTO was set up in the 1990s, Europe was able to secure American and wider acceptance within the new organisation for a binding trade dispute settlement procedure that precluded the taking of unilateral action by one of the parties. This global, rules-based system for settling trade disputes remains unique to this day in the international community, and with the accession to WTO membership of countries such as China and Russia, it has a genuinely worldwide outreach.

Europe's multilateral trade policy has also over the years developed a series of regional dimensions that have been negotiated in ways that ensure that they are complementary, and not an alternative, to further global progress at the GATT/WTO level.

Following Britain's accession in 1973, free-trade area agreements were negotiated with those members of the European Free Trade Association that were not joining the EEC. Subsequently those agreements were developed into the European Economic Area agreement, which gave non-member European states what amounted to membership of the single market in return for accepting (but not deciding) its rules and also making a significant budgetary contribution.

Agreements with most of the countries of the southern and eastern Mediterranean, a customs union with Turkey, a network of agreements with the countries in the Balkans as part of their approach to EU membership and, most recently, association agreements concluded with Ukraine, Moldova and Georgia within the wider framework of the Eastern Partnership, have removed most trade barriers between Europe and the countries in its immediate neighbourhood.

Now major trade and investment agreements have also been concluded with South Korea and Canada and negotiations are under way with the United States for a Transatlantic Trade and Investment Partnership (TTIP) and with Japan and India for free trade. The TTIP in particular, which involves partners – the US and the EU – that together account for nearly half the world's gross domestic product, could be of major significance, not least as a possible template for future international moves to deal with issues wider and more complex than the mere removal of tariff barriers.

Throughout this lengthy and complex process of establishing Europe's worldwide trade policies, Europe and the United States have been both partners and rivals. There have been plenty of disagreements and tensions between them, but neither side has, for reasons of enlightened self-interest, ever allowed sectoral disputes to escalate out of control or to endanger the wider cooperative relationship. Despite the rise of China, they remain the two indispensable actors in world trade negotiations.

Development

Europe's first steps into multilateral development policy began early and were directed towards the recently independent former colonies of its six original member states. The UK's accession in 1973 brought a major increase in the number, economic weight and geographical spread of those developing countries linked to Europe by an association agreement that provided for free trade, substantial aid and the stabilisation of export receipts for primary commodities. Then Spanish and Portuguese accession brought new members into the association, which now includes virtually every country in Africa and many in the Caribbean and Pacific regions.

In the early days the creation of this worldwide network created some tension with the United States, which objected to the extension of what were called 'reverse preferences' for Europe in the markets of its developing-country associates. But the obligation to grant preferences to Europe in developing markets was soon dropped and it came to be recognised on both sides of the Atlantic that Europe was making a major contribution to the development and stability of many small, fragile economies. Indeed, the US much later adopted some features of the European policy when it granted trade preferences to a range of developing countries and negotiated free trade agreements with some Latin American countries.

Europe's development policies outside this large group of African, Caribbean and Pacific associates gradually took shape too, boosted insofar as Latin America was concerned by the accession of Spain and Portugal. The Generalised System of Preferences, which was first established in the 1960s with the EEC as very much one of its main progenitors, provided opportunities for duty-free trade with all developing countries. Europe, together with its member states, gradually became far and away the largest donor of official development aid in the world, which it remains to this day. And Europe's contribution to the handling of major humanitarian disasters, both man-made and natural, together with improving technical expertise in managing such operations, has made it an increasingly important player in crises as far apart as the recent Syrian refugee exodus and the Philippine typhoon disaster. Given the often inadequate US contribution to aid and trade policies resulting from Congressional obstacles to such policies, the European contribution has over time assumed greater prominence in such multilateral initiatives as the UN's Millennium Development Goals (MDGs). The European share of the support of the overwhelming majority of UN agencies, whose work depends almost exclusively on voluntary contributions, has often been close to, or even exceeded, 50%.

The EU and the UN

I have dealt with Europe's involvement with the UN more fully in a recent book (The EU, the UN and Collective Security: Making multilateralism effective, published by Routledge in 2012), and in summary I conclude that Europe's involvement with the UN, like its emerging system of foreign policy cooperation, lagged far behind its involvement in multilateral trade and development policies. Indeed, when the Cold War ended in the late 1980s, the UN and the EU might as well have been living on separate planets so far as effective cooperation and a proper understanding of the way the two organisations shared objectives and depended on each other were concerned.

Some modest progress had been made in achieving concerted action by the member states of the European Community in UN General Assembly votes, but the far more important Security Council remained largely off-limits for EU activity, jealously guarded by the two European permanent members, Britain and France. Cooperation between the UN Secretariat and the Commission in Brussels was vestigial at best, often bedevilled by turf wars and natural suspicion. But all that changed as the post-Cold War UN was liberated from many of the taboos that had paralysed it for the first 45 years of its existence and as the development of a CFSP within the EU encouraged joint action aimed at securing a more rules-based international community.

Europe's role in the fields of peacekeeping, peacemaking and conflict prevention has expanded greatly and has brought it into a much closer and more effective cooperative relationship with the UN. There have been plenty of setbacks, both in the Security Council and in the General Assembly, when it has come to handling foreign policy challenges and emergencies, for example in Bosnia and in several African operations. The Bosnian crisis in particular, but also the more recent crisis over Iraq in 2003, revealed splits between the European member states and also open disagreements with the United States. The Europeans have often been divided in their attitude towards human rights issues internationally, and also towards such matters as advancing Palestinian status at the UN. But on other important issues – over a whole range of peacekeeping operations, over the handling of Kosovo in 1999 and over, most recently, the Russian seizure of the Crimea – they have been united among themselves and have seen broadly eye to eye with the United States. The best that can be said is that this is still a work in progress, and that when the European member states fall out among themselves or are at cross purposes with the Americans, the most usual result is deadlock and policy paralysis, which advances none of the policy objectives of either of the participants.

The post-Cold War period has, moreover, seen a remarkable advance towards the European objective of a more rules-based international community. The setting up of international tribunals to try war crimes in the former Yugoslavia and Rwanda was followed by the establishment of an International Criminal Court. The UN Convention on the Law of the Sea came into effect and even the US, which has never ratified it, accepts it as customary international law. The Nuclear Non-Proliferation Treaty was prolonged indefinitely instead of relying on five-yearly renewals. A convention banning chemical weapons was brought into effect with an international organisation to implement it. The Comprehensive Test Ban Treaty was negotiated. Conventions banning land mines and cluster munitions were signed by a large majority of UN members and all EU member states, as was an arms trade treaty designed to bring transparency to arms transfers and limit them in areas of conflict or human rights abuse. The emerging norm of the 'responsibility to protect' populations whose governments were unable or unwilling to protect their own citizens was endorsed at a UN summit in 2005. A UN Peacebuilding Commission and a new Human Rights Council were established.

Every single one of these initiatives was supported, and indeed promoted vigorously, by all the members of the EU, and they are being ratified by all of them. In many cases the US has dragged its feet, most often because of Congressional reluctance to ratify the requisite legal instruments, but in no case has this led to a prolonged transatlantic disagreement. Taken together these developments constitute a remarkable transformation of the international landscape, even if it is one that is far from being firmly and durably established and even further from being effectively implemented.

Climate Change

The EU did not play a major role in facing up to the challenge of climate change until after the agenda was set at the Rio Earth Summit in 1992, with the signing of the climate change and biodiversity conventions. Thereafter, however, in the negotiation of the Kyoto Protocol, which set carbon emission limits for developed countries, and through the long series of preparatory conferences that led up to the Copenhagen meeting in 2009, it established itself as the world leader, willing to set a whole range of binding targets and offering to make a serious contribution to their attainment itself.

The relative failure of the negotiations at Copenhagen was a serious setback, not only to the objective of limiting carbon emissions worldwide but also to Europe's aspirations to lead by example when its diplomatic outreach was still fairly weak. Some lessons clearly needed to be learned. One was that it was futile to hope that substantive agreements could be snatched from the chaos of a final conference of more than 190 participants. A much more serious preparatory process needed to be put in place and more progress needed to be made in smaller groups, such as the G7 and the G20, where most of the main polluters and thus those who would have to make the main commitments were present. Another lesson was that setting a lead was not enough to secure success. Success would require a more effective harnessing of the EU's economic diplomacy to a clear set of realistic objectives.

The International Financial Institutions (IFIs)

None of the original European treaties and the successive amendments to them, not even the Maastricht Treaty on Economic and Monetary Union of 1992, gave the EU a clear role and a mandate to negotiate on behalf of its members in the IFIs – the International Monetary Fund (IMF) and the World Bank. This lack of a mandate – and of the powers to implement it – has hamstrung wider European cooperation in the IFIs and continues to do so to this day despite the fact that the euro has now been in existence for 15 years and that the eurozone countries take more and more economic policy decisions in concert.

A limited number of European member states enjoy a disproportionately large role in the governance of these institutions, the result of their establishment among a completely differently weighted world economy in the aftermath of the Second World War. The extreme reluctance of these European member states to countenance any rebalancing of their role in the governance of the IFIs has limited their capacity to influence the views of the major emerging powers, which are looking for a greater say in policy formulation in the IMF and the World Bank. And the euro crisis has, since 2008, proved a further handicap. Looking across the whole range of multilateral organisations, the IFIs are the ones that stand out as examples of Europe as a whole punching well below its weight.

The Way Ahead

The EU has chalked up a considerable number of successes through its involvement in multilateral fora in recent years – by freeing up trade restrictions leading to a massive increase in world trade, by making a major contribution to development aid and policies in the poorest countries, by its proactive involvement in peacekeeping and conflict prevention both in its own region and more widely, and by the leadership role it has played on climate change. But they are certainly no cause for complacency.

It is completely contrary to historical experience to assume a straight-line projection of further progress towards the sort of rules-based international community the EU would like to see, and which would be in its interest. There are also plenty of worrying signals of a regression towards nationalist assertion of interests backed by the threat, or even the use, of force. And there are signs of unwillingness on the part of the key world players to supply the political will and resources needed if collective responses to the main challenges the world faces are to be successfully mounted. In the emerging multipolar world we now live in there are just too many signs of take and not enough signs of give for comfort.

As the tectonic plates of power relationships shift at a faster rate than they have done in peacetime for a hundred years, some of the same signs as preceded the catastrophe of two world wars – insecurity, risky pre-emptive moves both by players in relative decline and by those on the way up, possible isolationism and inadequate collective leadership – are again becoming visible. So, if the EU is to succeed in strengthening multilateral disciplines and the positive outcomes that they bring, it is going to have to work hard for that and not just expect them to drop effortlessly into its lap.

In trade policy the direction of travel remains clear enough but difficult to achieve. The gains made in successive rounds of GATT/WTO global trade negotiations must be consolidated and further extended. The modest success in Bali at the end of 2013 – agreeing a trade facilitation package – could provide a launch pad for reviving the Doha Round of trade negotiations, though it has been frustrated – at least temporarily – by India. And the plurilateral approach to liberalising trade in services – establishing a coalition of the willing – should be vigorously pursued, with the principal emerging powers such as China, India and Brazil being encouraged to participate. At the same time, and in parallel, the EU's negotiations for a transatlantic trade and investment pact and for free trade with Japan and India should be brought to a successful conclusion.

There is no necessary contradiction in these twin strategies, neither of which is sufficient on its own. But careful fine-tuning is needed if they are not to create new complexities and confusion. The biggest obstacle to achieving this agenda is public and parliamentary scepticism about the benefits of freer trade as the world, and Europe in particular, emerges slowly from a period of recession and austerity. The return of economic growth should help to mitigate that scepticism, but it will require a major effort by European governments and politicians if it is to be overcome.

The UN's MDGs will be reviewed in 2015 and, it is to be hoped, renewed and updated. Here too the EU could play a major role. The effort by developed countries to reach the target of 0.7% of gross national income in official development aid has faltered badly in the aftermath of the 2008 economic crisis, and only a very few countries, Britain commendably among them, have achieved that objective. Progress needs to be resumed. And any updated MDGs need to be less broad-brush than their predecessors, which saw many people lifted out of poverty but in too few countries. New goals need in particular to address the needs of the 'bottom billion' as well as issues such as gender equality and the problems of the disabled. They could also do much to bring the benefits of the digital revolution to wider groups. And they should seek to ensure that commitments entered into when the MDGs are updated are effectively implemented by both donors and recipients, with much stronger measures than in the past against corruption and tax evasion.

The UN is going through a testing time and it will be looking for steady support from the EU, whose member states provide almost half of its resources and have traditionally given it more consistent backing than others states, such as China, Russia or the US. On peacekeeping in particular the European contribution has tended to be weakened in recent years by the demands of operations in Iraq and Afghanistan. The challenges being faced in Mali, in South Sudan, in the Central African Republic, and still too in Somalia and in the Congo demonstrate how essential these efforts to stabilise fragile states are going to be if Africa is to fulfil its promise to become a region of economic growth and security.

In 2016 a new Secretary General of the UN will be appointed and, if the unwritten system of rotating that office between the different geographical regions of the world is observed, the person appointed will very likely be a European. Previous European Secretary Generals have been at opposite ends of the spectrum of achievement: Dag Hammarskjöld is widely considered the best Secretary General the UN has had and Kurt Waldheim the worst. It is important therefore that the European field of candidates contains people of outstanding qualities and potential. Better still if Europe does not simply claim the post as of right but encourages the submission of candidates from every region of the world, so that the election becomes a genuine test of quality and not just an exercise in 'Buggins' turn'. It would be good too if all the candidates were asked to set out in advance their aspirations and programme for the post, thus increasing the transparency of the whole process and ensuring that whoever is chosen would have some kind of mandate for the challenging task they will be undertaking.

It is not easy at this point in time to be very optimistic about the outcome of the Paris conference on climate change set for the end of 2015. The scientific evidence on global warming does not change. Indeed, it has been strengthened as the ice in the Arctic continues to melt at an unprecedented rate and carbon emissions continue to rise even in a period of relatively slow economic growth. The political will and resources to mount a serious global effort at mitigation and adaptation have been sapped by the world economic crisis that began in 2008 and is only now slowly and painfully drawing to a close.

Leading from the front, as the EU did in the run-up to the Copenhagen conference in 2009, is clearly not going to be sufficient to guarantee success, although it remains a necessary ingredient. What will be needed on this occasion is a much more purposeful and systematic diplomatic campaign to persuade other regions of the world, and in particular the principal emerging economies, to move ahead together, with a better-than-before use of technological advances linked to the setting of appropriate targets for the medium- and long-term future. Above all, firming up the main commitments must not be left, as previously, to the last moment in a chaotic assembly of 190 or more countries. It needs to be shaped in advance by those whose control of carbon emissions will make the difference between success and failure at a global level, among whom the EU will certainly figure prominently.

There is an inbuilt tension between the disproportionate role that a few European countries still play in the governance of the IFIs and Europe's wider interest in persuading the main emerging economies of the developing world to become active and constructive stakeholders in the system of multilateral economic institutions. It will be important that both European countries and the US concede a larger role in the governance of those institutions, that they do so less grudgingly than they have done in the past, and that they cease to insist on holding between them the two top jobs at the IFIs. If the continuing development of the eurozone countries' economic and monetary union leads to a need and a demand that they act in a more united manner at the IFIs, as it is likely to do, then that may facilitate a process of making space for the developing-country economies to also play a larger role.

None of the policy prescriptions suggested for the future in this final section will be easy to achieve and none will be achievable without a considerable investment of political will and material resources. And none will be achievable by a passive policy of drift, encouraged by internal dissension, which has too often characterised the EU's performance on the world stage in recent years. All will require a basic minimum of harmony between the EU and the United States if they are not to undermine and to cancel out each other's efforts. The alternative – allowing the recent advances towards a more rules-based international community, working through multilateral institutions, to unravel gradually in the face of the challenges faced and the attrition of events – would be fundamentally contrary to the interests of both the EU and the United States.

Approaches to Migration Both in Europe and in the United States

Nick Kent

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"The EU and the US have both sought to meet key skills shortages by consciously attracting highly qualified migrants"

Nick Kent

Migration has been a fact of history for millennia as populations have moved in search of food and water, security and employment. Large movements of people have become more problematic as nation states with fixed borders have developed. Governments or citizens may not welcome all those who wish to move into their country, or its borders may divide ethnic groups who have lived in that part of the world for generations.

The scale of migration today reflects forces in different societies and in the global economy that governments struggle to control. The ubiquity of information and the growing ease of long-distance travel make it easier to migrate great distances. Economic factors encourage large movements of people: ageing populations moving to more desirable retirement zones, or younger people in poorer countries moving to wealthier ones in search of work

But the scale of contemporary cross-border migration, both legal and illegal, is considerable. The United Nations Population Fund estimates that, in 2010, 214 million people lived outside their country of origin – 3% of the world's population. Most migrants seek better economic opportunities for themselves but some are fleeing violence, natural disasters and/or persecution. Since 2011, when about 10.5 million migrants globally were refugees, the situation has worsened; in Syria alone, according to the UN High Commissioner for Refugees, some 6.5 million people had been displaced from their homes and nearly three million were refugees in the region by August 2014.

The developed world is feeling the pressure created by these global forces, particularly in the countries of the European Union (EU) and in the United States of America. On both continents governments are struggling to deal with the political consequences of these pressures, often caught between the demands of business for labour and the public belief that immigration is bad for the employment opportunities of native-born citizens. Public debate has often ranged wider than economic issues, with the social and cultural impacts of migration commonly to the fore.

The Migration Situation in the EU

Migration regulation in the EU is highly complex, a result of the three separate (but interrelated) regulatory systems operated by the EU: the first, for free movement of persons; the second, for the 23 EU member states who are in the borderless Schengen Area; and the third, the common immigration policy for third-country nationals. In addition, several member states have complex national immigration policies reflecting their history as colonial powers, notably the UK and France. Combined with the growing pressures from irregular migration, particularly from Africa, the Balkans and the Middle East, these various elements create a challenging policy and political environment characterised by contentious debate in which mainstream politicians are increasingly under pressure from populist parties.

Free Movement

The free movement of persons within the EU was one of the four founding freedoms of the single market in the 1957 Treaty of Rome – those of capital, of goods and of services complete the quartet. Initially restricted to people engaged in an economic activity, it was later widened to others. Free movement of people has become intimately bound up with the other freedoms. For example, in exercising the freedom to trade in goods without internal tariff barriers, companies in the EU will often post staff to another member state to represent them. Or a service company might provide a service in one member state using staff based in a second member state but who are citizens of a third member state.

In 2012, 13.6 million EU citizens lived in another member state – 2.7% of the EU's population. According to Eurostat, the populations with the highest proportions of foreign EU citizens were to be found in Luxembourg (38%), Cyprus (13%) and the Republic of Ireland (9%). The number of foreign-born EU citizens living in Britain has increased from 1.1 million in 2001 to 2.3 million in 2012, with the bulk of the increase coming from member states who joined in 2004. The numbers of UK citizens living elsewhere in the EU is less precisely estimated by the government in its 'Review of the Balance of Competences between the United Kingdom and the European Union' at between 1.4 million and 2.2 million.

Free movement of people is not unqualified: there are restrictions on the ability of EU migrants to claim on welfare systems, to use public health services or to claim other benefits, such as access to social housing. Nonetheless, the broad principle of non-discrimination applies to all EU citizens, meaning that an EU citizen from another member state should be treated in the same way as a citizen of the host country in similar circumstances.

The 23 states of the Schengen Area (Bulgaria, Croatia and Romania are not in the area yet but are expected to join, while Cyprus has not joined essentially because of its internal division) take free movement one stage further. The Schengen states (including Iceland, Liechtenstein, Norway and Switzerland) operate on the basis of open borders. They issue common short-stay visas, operate external border controls on behalf of all the Schengen Area states, and pool intelligence and other information for border security.

The Schengen countries have faced a sharp increase in irregular migration in recent years. According to the European Commission, there was a 96% increase in the number of detections of irregular migrants at the border between 2012/13 and 2013/14, for example.

Britain

Free movement has become very controversial in some member states because of the large numbers of migrants from the Central and Eastern European countries that joined the EU a decade ago. The UK, Ireland and Sweden chose to open their borders to all citizens of the 10 new member states in May 2004. Government figures suggest that approximately a million people have come to the UK from those countries since, provoking a backlash. Certainly the 2004 enlargement did radically change the character of free movement in the EU. As a study by the Migration Policy Institute Europe reveals, prior to that date immigration from within the EU had involved smaller numbers and mostly had a regional or local impact. In numbers for the UK, however, immigration from outside the EU was still greater.

The economic impact of migration in Britain is hotly disputed. The overwhelming evidence from economists, and from the British government's Migration Advisory Committee's report from July 2014, is that immigration has not caused unemployment or generally driven down wages, but instead has been positive for the economy. Nor is it characterised by EU migrants taking advantage of the non-discrimination rules in order to claim social security in the UK. Public opinion in the UK, however, has proved impervious to evidence such as that produced by the Office for Budget Responsibility in its 'Fiscal Sustainability' report for 2014, which demonstrates, for example, that EU migrants to the UK have contributed 35% more in taxes than they have received in benefits.

The speed of the movement of people from Eastern Europe to western EU countries – Poles to the UK, Romanians to Italy – has had obvious social effects. Polish was the second-most commonly spoken language in England in 2011, while it was not in the top 12 a decade earlier. Such a noticeable change has had a significant impact on the public debate about immigration. This is not surprising in a country where the overwhelming view of the public since the 1960s – as noted by the Oxford Migration Observatory – has been that there are too many immigrants in Britain. The fall in the level of immigration from the 1980s until the early 2000s may have contributed to a decline in the salience of the issue during that period, with as few as 5% of respondents in 1999 naming immigration or race relations as one of the most important issues. But concern about the issue peaked (according to polls conducted by Ipsos Mori) in 2007 at 46% and it remains among the top five issues of concern in 2014.

Such polling, of course, conflates – as indeed the wider discourse does – immigration into the UK from inside and from outside the EU, although the issues involved are very different. It is true that the share of all immigration into the UK from the EU has risen from roughly 10% in the period from 1975 to 1990 to 38% in 2013, but these proportions are affected by the reduction in non-EU immigration after the 2010 coalition government tightened the immigration rules for migrants from outside the EU. And even now – as the 2013 figure shows – EU migration is still dwarfed by non-EU migration.

Impact on Exporting Countries

The impact on member states that are net exporters of migrants is less often considered than the impact on the receiving countries.

For example, an estimated 2.1 million Polish citizens now live abroad and the exodus has been so great that schools have closed as the population in some communities, notably in eastern Poland, has declined sharply. Although remittances from Poles working abroad have contributed to economic growth, the disparity between wages in Poland and those in Western Europe means that the number of Poles emigrating is still rising, with – as The Economist pointed out in November 2013 – considerable uncertainty about the long-term economic and social effects.

Another example is in Romania, where leaders of the medical profession claim that their country is exporting doctors to other EU member states with adverse consequences for its health service. In 2011 Romania had 21,400 hospital doctors; by 2013 the figure was down to 14,400. As reported in The Guardian in February 2014, pay differentials between the Romanian health service and those of Western European health services meant that some specialists could earn in the West 30 times the salary that they would receive in Romania.

EU Migration Policy

Quite distinct from the policy of free movement of EU citizens, EU migration policy is limited because most migration policy – that referring to migrants from outside the EU – is reserved for member states to decide nationally. They have agreed that certain issues will be dealt with at EU level because of the cross-border nature of the problem, for instance when migrants wish to move from one member state to another.

Article 79 of the Treaty on the Functioning of the EU requires the EU to develop an immigration policy to deal with 'the efficient management of migration flows' and the fair treatment of third-country nationals legally residing in member states, and to tackle illegal migration, including human trafficking. Although subsequent articles set this out in greater detail, the EU is only involved in this area to the extent that member states permit it to act. Member states remain in charge, for example, of deciding how many work permits to issue to third-country nationals.

The EU has what it calls its 'global approach to migration and mobility', which has brought together the various elements of its policies. A key element in the development of this policy has been the Dublin Convention, which enables irregular migrants to be returned to the country where they first entered the EU. Much of the EU's focus has been on tackling irregular migration and on building better relationships with countries in its neighbourhood, for whom the visa policies of EU member states are an issue of great importance.

The reality is that the demand to enter the EU by migrants seeking both personal and economic security far exceeds either the ability of EU countries to absorb them in useful economic activity or the willingness of EU citizens to accept them. The EU mechanisms for tackling illegal migration and assuring border security, including the Frontex border agency, are struggling to cope with the pressures. Each year for over a decade, as spring turns into summer in the Mediterranean, desperate migrants travel in every available craft from North Africa to Europe, often trying to reach the Italian island of Lampedusa, which lies just over 60 miles north of Tunisia. The sharp increase in the number of refugees that it then falls to Italy (and also Malta) to cope with has triggered disagreements among the members of the Schengen Area over the admission of migrants, and publicity for their plight has caused both sympathy and outrage in European public opinion.

The incoming president of the European Commission, Jean-Claude Juncker, has made migration one of his priorities for the 2014-19 Commission term of office. He suggests in his July 2014 'Political Guidelines for the next European Commission' that there should be a single Commissioner responsible for the issue, a common approach to legal migration to improve the blue card scheme (an EU imitation of America's green card introduced in 2011) and a bigger budget for Frontex. The details of Juncker's proposals may be of less importance than his decision to make it a priority area of activity for the new Commission, but he will not find it easy to persuade some of the national governments to follow his lead, such is the importance domestically of the politics of migration in many member states.

The Politics of Migration in Europe

The May 2014 European Parliament elections were the latest indicator of the rise of the Europhobic and anti-immigrant right in Europe. Immigration issues in key member states, particularly Denmark, France and the UK, produced victories for anti-immigration parties. The argument of populist parties (such as the UK Independence Party in Britain) is often that a country cannot control its borders while it remains in the EU. This argument, which focuses on the atypical experience of free movement since 2004, ignores the reality that free movement for EU citizens is part of the single market and would be extremely difficult to dismantle. It also ignores the immigration pressures driven by conflicts in the European neighbourhood and the desire of people in the Global South to take advantage of greater opportunities in Europe. It is noticeable that concerns about immigration in Europe are particularly high in France and the UK, both of which have substantial non-European minority populations as a result of post-war immigration from former colonies.

Whatever the explanations for the rise of populist and anti-immigrant parties, they are now a factor in the political equation in several EU member states. In France, for example, the increase in Front National Members of the European Parliament from 3 to 24, a result that meant they topped the polls, could well have implications for public policy on migration. But the long-term impact of the shift in public sentiment in some (but not all) EU member states is hard to assess; current concerns may well reflect the insecurities arising from the global financial crisis and the subsequent recession and eurozone crisis. In more benign economic times immigration may prove easier to handle, not least because the 2004 expansion of the EU (when ten new member states joined on the same day) is unlikely ever to be repeated.

The Migration Situation in the US

Across the Atlantic, the picture shows some similarities but also many differences.

The US census in 2012 showed that almost 40 million of the US population of 308 million were foreign born. No less than 22 million of this group had not been naturalised and therefore were not US citizens (although legally present in the US). Children born in the US are automatically US citizens, as are abandoned children under five, provided it cannot be shown – before they reach the age of 21 – that they were foreign-born.

These census figures do not include those illegally resident in the US – an estimated 11.4 million in January 2012. The number of illegal migrants rose sharply after 1980 (it was then between two and four million) and peaked between 11.8 and 12 million in 2007. High unemployment in the US and improved economic conditions in Mexico are thought to be the main reasons for it having drifted downwards slightly since then. Mexicans constitute 6.7 million of the current 11.4 million, and almost 3 million of them are resident in California, with the next largest group living in Texas.

US immigration policy revolves around strict numerical limits on the number of work permits issued and a complex procedure that makes achieving permanent residence difficult. A joint study by the Robert Schuman Centre, the European University Institute and the Migration Policy Centre in 2011 suggested this system was good at enabling US employers to fill vacancies for highly skilled roles but less flexible than the systems adopted by key European states (including the UK). Crucially, the US approach to low-skilled migrants, which has involved numerical limits combined with strict border controls, has now lost the support of many of the American people because it is perceived to have failed.

It is often observed that the US is a country created by immigrants, but that has not made the debate about immigration easier. What to do about those who are illegally present in the US and how to stop the continuing flow of new illegal (low-skilled) migrants from south of the US is one of the most persistent and divisive issues of contemporary US politics. The issue has risen in salience because the drug 'wars' in Mexico and the scale of poverty and violence in many South and Central American countries have triggered a renewed surge of migrants crossing the Rio Grande and entering the US illegally. Apprehensions by the US Border Patrol are now less than a quarter of their most recent peak (of 1.6 million in 2000), but monitoring the border between the US and Mexico, which stretches almost 2,000 miles, remains expensive and is clearly only partially effective.

While the percentage of Americans who believe that the number of immigrants should decrease peaked – according to Gallup Polls – at 65% in 1993, it remains over 40% today and is still greater than the number who think the present level should stay the same (33%) or be increased (22%). These divisions pose a real challenge to US politicians as they wrestle with the question of what to do about illegal migrants.

Since 1986 there have been seven amnesties for illegal migrants and President Obama in 2010 proposed a fresh one, recognising, in his words that:

> …if the majority of Americans are sceptical of a blanket amnesty, they are also sceptical that it is possible to round up and deport 11 million people. They know it's not possible. Such an effort would be logistically impossible and wildly expensive. Moreover, it would tear at the very fabric of this nation – because immigrants who are here illegally are now intricately woven into that fabric.

Despite the attitude of the president, and a degree of bipartisan support that led to the passing of an immigration reform bill by the Senate in 2013, no such amnesty has been approved by the House of Representatives. Indeed, the president has been contemplating extending existing executive measures in order to grant a partial amnesty, given this political stalemate, not least because of the 57,000 unaccompanied child migrants from Central America who arrived in 2013/14.

There are considerable tensions between some US states and the federal government over the roles of each in regulating migration. The US Supreme Court reserved most immigration and nationality matters to the federal government in a 1941 judgement, but there is some room for state action, particularly around the regulation of employment and enforcement. Arizona passed a law in 2010 that mandated police officers to ascertain a person's immigration status if they suspected the person was in the US illegally. The legislation was a response to public concern about the rise in the number of illegal immigrants in the state since the 1990s. It was immediately controversial, provoking calls for boycotts of Arizona, and many of its provisions were struck out by the Supreme Court in June 2012.

While some critics of US policy point to the stalemate in Washington over domestic legislation, the UN Special Representative on Migration, speaking recently at Regent's University London, noted a change in approach by the US with, for example, a greater willingness to debate migration issues at the United Nations.

The EU and US Situations Compared

On both sides of the Atlantic countries have sought to meet key skills shortages by consciously attracting highly qualified migrants. They have shared a similar, and more hostile, approach to low-skilled migrants – seeking to restrict their number. On both sides of the Atlantic policymakers (and increasingly voters) have been frustrated by the inability to manage low-skilled migration.

There is, too, a common recognition that migration can have a range of benefits, including cultural and social benefits as well as economic ones. Ageing populations will increase the need for immigration to meet skill shortfalls, but despite this both the US and EU have large numbers of voters who are hostile to lower-skilled migrants and see them as a cause of unemployment rather than as an economic boon.

The need to address migration issues is certainly present in both the US and the EU, but in both of them there is also uncertainty over the level at which these challenges should be addressed. In the US, the conflict is between state and federal authorities, with the federal government able to rely on the Supreme Court's decisions to protect its overall responsibility for migration policy. In the EU, member states remain in control of most migration policy and show little enthusiasm for ceding it to the centre. Migration policy is certainly affected (and some critics would say hampered) by the absence of a single authority to take overall charge.

Some EU member states have joined the US and issued amnesties; Spain, Italy and Greece have all granted amnesties to illegal migrants. Spain, for example, did so in 2005, granting work permits (but not residence) to 700,000 illegal migrants in order to draw them into the tax net. But other EU member states are reluctant to issue amnesties because of their political unpopularity, and this Spanish unilateral amnesty was strongly criticised by France.

After the 9/11 terrorist attacks in 2001, much of the debate in the US on immigration has been influenced by security concerns, but, until recently, in Europe the issue has primarily been immigrants' integration into society rather than their potential security risk. It is only with the development of jihadist participation by some younger Muslims that this issue has gained traction in the European debate.

The key difference across the Atlantic remains a constitutional contrast. The United States is a sovereign state with – essentially – a single centre for policymaking, while the EU is a supranational organisation where the member states jealously guard their sovereignty and only share it when they can be sure it brings them benefits that they could not achieve or maintain separately. Denmark, the Republic of Ireland and the UK, for example, are – by virtue of protocols negotiated when the treaties were agreed – exempt from participating in immigration and asylum policies if they wish. The EU is not a federal state and the European Parliament is not a federal parliament that can impose a solution in the EU; member states remain in charge of the process, agreeing legislation in Council and negotiating the approval of the European Parliament.

Although there has been a degree of integration in the EU on immigration and asylum policy – greater in the Schengen Area than outside it – it is still possible for there to be 28 different sets of rules for certain issues. This situation seems unlikely to change significantly, at least in the short term, because of the political forces at work in some member states. Increased migration has few supporters in the EU today.

Conclusion

Migration continues to be major challenge for both the USA and the EU. The growth of secondary and further education in Africa, for example, is generating increased demand for opportunities from a better-educated and mobile population who will naturally look to Europe and the United States. Poor governance, poverty and an absence of security combined with the demand for labour in the US will continue to propel people to move from countries south of the US. The fall-out from the Arab spring and the large movements of population that upheaval has stimulated will continue to pose a considerable challenge for Europe.

To cope with these pressures both Europe and the United States are going to need strong political leadership that can reassure indigenous populations while adapting policy to cope with global conditions. The absence of strong leadership on this issue has led to a continuing failure to resolve the position of illegal migrants in the US and to decide the conditions under which unskilled or low-skilled migrants should be admitted to the EU. Within the EU this is complicated by competing national responsibility for decisions about admitting third-country nationals, but it is also a consequence of a failure at the centre to implement effective relationships with neighbouring states, whether source or transit countries.

Cooperation between the US and the EU on immigration has up to now largely been confined to border security, an issue made highly controversial within the EU by the one-sided nature of the exchange of passenger data with the US authorities. Further cooperation might well prove beneficial to both parties and may be a necessity in future if the Transatlantic Trade and Investment Partnership now being negotiated is finally agreed. But EU countries will need to agree a joint approach on migration issues between themselves first, and the US will need to show that it can make a reality of any agreement, given the fraught nature of the debate about immigration on Capitol Hill.

Energy Security on Both Sides of the Atlantic: One Concept – Different Meanings

Cornelia Meyer

Senior Honorary Fellow of Regent's University London, Chairman, MRL Corporation and Independent Energy Expert

"The US and the EU are economically interdependent but their energy policies are at variance. The transatlantic market has abundant and cheap supplies in one half and increasingly insecure and expensive energy in the other"

Cornelia Meyer

Energy Security means different things in different countries depending on their economic circumstances, their geopolitical environment and on whether they are energy producers or not. The US and Europe look at many dimensions of energy security differently. The US and Canada are homogeneous in terms of outlook, history and economic realities. This means that they share a common narrative. This does not hold true for Europe. Europe is constituted of many countries with different histories, economic realities and geopolitical circumstances. They also are subject to varied degrees of grass-roots democratic pressure.

A general definition of energy security can be based on five pillars. Four of them are relevant for consumers or producers or both. They are capacity, diversity, sustainability (environmental and economic) and physical security. They broadly reflect the imperatives of availability, reliability and affordability of energy. The fifth defining pillar is security of demand, which is relevant to producing nations for reasons of asset allocation and for employment considerations. It is also relevant for countries with corporations in the business of equipment supply, who are relevant players on the local stock and employment markets – and that means in particular the US, France, Germany, Norway, Sweden and Switzerland.

	Consumer	Producer	Universal
Capacity	✓	✓	
Diversity	✓	✓	
Demand		✓	
Sustainability (Enviromental & Social			✓
Physical Security			✓

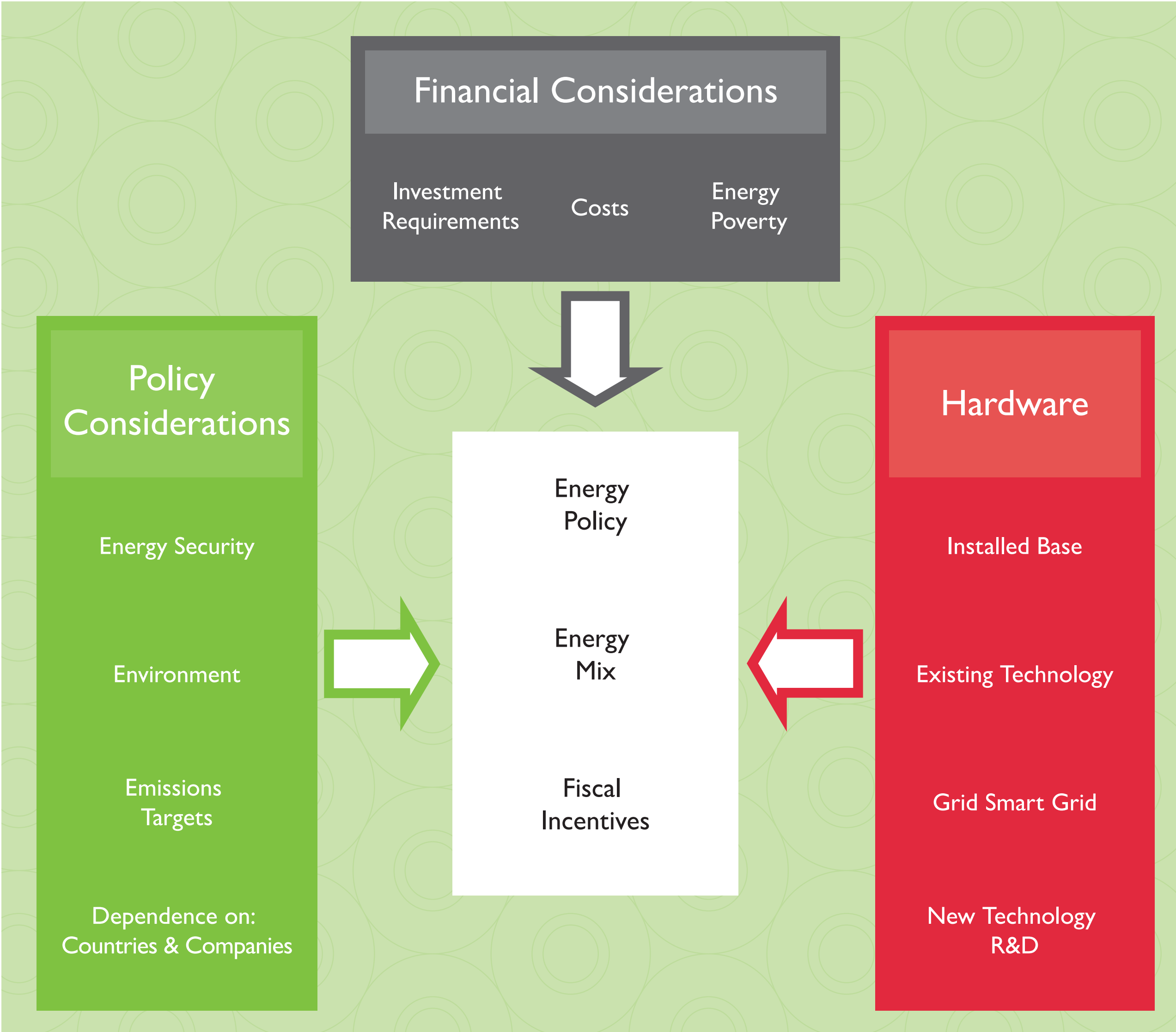
The Policy Grid

Countries have the right to define what energy security means to them. Their governments have an obligation to come up with a vision and roadmap for providing energy security to their people. In all cases the roadmap will entail a prioritisation of economic considerations, realities such as installed base, existing technology, geopolitical realities, availability of funds, and so on, and policy considerations, such as emissions targets and other public goods. These considerations will result in an energy policy, a desired energy mix and – in all probability – fiscal incentives.

How countries prioritise inputs into their decision-making processes differs: energy policy, energy mix and fiscal architecture pertaining to energy depend on how the decision-makers triangulate between factors such as financial considerations and policy considerations as well as existing and future physical infrastructure and technology.

Countries on either side of the Atlantic tend to look differently at these various factors.

Europe tends to be more dependent on geopolitical vagaries for its supply in hydrocarbons. The US gives this credence in its foreign policy. The North Atlantic Treaty Organisation's eastward expansion and US policy in the Middle East, while not purely driven by energy considerations, are still partially informed by their allies' strategic needs, both concerning energy and other issues.



Europe is not a homogeneous bloc. The countries depend on very different sources of energy: Poland on coal, France on nuclear energy, Ukraine on gas and coal, and so forth. This means that their governments and peoples have different priorities. This being said, the European Union (EU) has over the past two decades been more driven by environmental concerns than the US, which is reflected in the EU's target to have 30% of electricity generated from renewable sources by 2030. Several European countries are also more prone to grass-roots political pressures than would ever be possible in the US. The 'Energiewende' (abolishing nuclear power generation over the next few decades) in Switzerland and Germany are a case in point.

The Global View

Energy security remains an important topic as long as global demand for primary energy grows (1.8% in 2012) in line with population growth. Economic growth in developing nations leads to increased energy use and demand (+4.2% in 2012 in emerging markets). Ninety per cent of the demand increase in emerging markets originates from China and India. Fast economic growth in the Middle East and Africa will change the relative weight of demand growth over the next decade. Demand for primary energy fell by 1.2% in member countries of the Organisation for Economic Cooperation and Development (OECD) in line with lagging economic growth and better demand-side management. But demand growth is likely to pick up in line with future economic development.

As far as primary energy demand is concerned, oil – the fuel of choice for transport – still holds the largest share with 33.1%, followed by coal (29.9%), gas (23.9%), and electricity from hydro (6.7%), from nuclear (4.5%) and from other renewables (1.9%). The consumption pattern and composition clearly varies by region and continent. The balance will shift away from carbon-based fuels towards renewables.

Paradigm Shifts

This is the present state of affairs, the status quo. However, over the last ten to fifteen years there have been several seismic shifts in the energy landscape. They have had their effect on North America and Europe in different ways and have affected how they relate to each other.

The following factors have influenced how we look at energy security on both sides of the Atlantic: they have technological, societal, events drive and geopolitical dimensions and relate to the shale revolution, climate change, renewables targets, the role of nuclear energy, and developments in geopolitics.

Shale Oil and Gas

The biggest technological change to consider is the issue of shale oil and gas. The shale oil and gas revolution in North America not only has huge significance for North America, it also has global ramifications. US oil reserves grew by 4 billion barrels or 12% from 2002 as a direct effect of exploiting shale oil. In 2012 oil production was up 14% on the previous year.

The effects of the shale revolution on the gas sector are even more pronounced: gas reserves are up 3.2 trillion cubic metres since 2002, or 60%. Production has grown 4.7% year on year and is now 32 billion cubic feet. The 'shale revolution' enabled the United States' industrial sector to regain global competitiveness. At the same time this new production redirected oil and gas trade flows from Africa and, to a lesser degree, from the Middle East, away from the western hemisphere and more towards Asia.

The US has traditionally defined energy security as security of supply primarily for the US itself and secondarily for its allies. To that effect the developments of shale hydrocarbons have emboldened foreign policy hardliners who feel that America has become self-sufficient. Yet the rhetoric around independence from 'hostile nations' – notably Russia and in the Middle East – is misleading. Some 40% or more of US oil imports came from Canada, Mexico and Venezuela and about 14 % from Africa. Only about 15% hailed from Arab OPEC (Organisation of Petroleum Exporting Countries) nations and only 3% from Russia.

There is a lot of intellectual debate around how shale oil and gas could render Europe (especially the EU) more self-sufficient and less dependent on Russian and Middle Eastern imports. Whereas shale may seem to be an option in several countries – notably in the UK, Poland and Ukraine – it will likely not develop into a revolution for the following reasons:

- In the US minerals (including hydrocarbons) in the ground are owned by the landowner, not by the country. The economic benefits accrue to the owner, which in turn results in a more risk-friendly attitude on his part. The owner is less worried about the environmental effects of drilling for shale reserves as he weighs assured economic benefits against only potential environmental damage. In Europe the minerals in the ground are in all instances owned by the country (or the crown), resulting in a more risk-averse attitude of landowners and the population at large. Environmental concerns largely outweigh economic rationale.

- The US and Canada have highly deregulated markets and a pipeline network with many interconnectors penetrating the whole North American continent, which allows for switching fuel flows easily. The only country in Europe with a highly deregulated market and a similarly extensive pipeline is the United Kingdom. Change in other countries implies both deregulation and massive infrastructural investment.
- The shale revolution in North America was started by junior companies with access to risk capital. The only country in Europe with a comparable attitude towards risk capital and junior companies is – again – the United Kingdom with its Alternative Investment Market. Other states are ill-equipped to develop potential hydrocarbon assets as the US has done.
- Lastly, and most importantly, the US has a breadth and depth of equipment and oil-field service personnel that Europe does not have. The profile of shale wells is short-lived, which means that new wells need to be drilled frequently, requiring a multitude of 'fracking' rigs and experienced crews compared with conventional oil and gas reserves which have larger but longer-lasting rigs.

The economy and public sentiment in the US were geared towards allowing for the shale revolution, but Europeans are simply not used to seeing 'nodding donkeys' in their backyards.

Climate Change/Renewables Targets

A broad-based consensus about the importance of reducing CO2 emissions has emerged in Europe and, to a much lesser extent, in the United States. The EU has adopted stringent guidelines stipulating that the share of renewable energy needs to reach 30% by 2030. According to the latest report from the Intergovernmental Panel on Climate Change (IPCC) entitled 'Climate Change 2014, Impacts Adaptation and Vulnerability', even these guidelines may not suffice. The report emphasises the need to shift to cleaner sources of energy on an accelerated timetable and strongly advocates a tripling of the share of renewable energy, nuclear energy and energy sources that use carbon capture technology in order to accelerate the reduction of Greenhouse Gases (GHGs). The EU is more likely to follow the road recommended by the IPPC than the United States under any foreseeable administration.

Supply-side considerations are only part of the equation. GHG emissions also have to be tackled from the demand side; energy conservation/demand-side management measures are equally important and more easily achievable. They constitute low-hanging fruit and permeate throughout all economic and personal activities, such as buildings, lighting, appliances, telecommunications, transport and so on. According to the Institute of Economic Affairs, easy measures of energy conservation could reduce the yearly demand for primary energy by 10%. The McKinsey Global Institute has estimated that savings could be as great as 20%. The world (especially OECD counties) has made great strides with regard to these measures, partly induced by conservation goals and partly to reduce costs. There is a chance for both the EU and the US and Canada to share ambitious targets in the field of energy conservation.

Fukushima/Nuclear Energy

The meltdown of the Fukushima nuclear reactor shifted perceptions of the role of nuclear energy in Japan and elsewhere. Europe is split between France, where 75% of the installed base is nuclear, and the UK, which wants to build more nuclear power stations, on one hand, and some other countries – such as Germany and Switzerland – who want move away from nuclear electricity altogether under pressure from public opinion, on the other.

Germany and Switzerland viewed the danger of a meltdown in a nuclear plant as sufficiently threatening to initiate a phase-out of all nuclear power. In Germany and Switzerland – both countries with strong grass-roots democracies – parliament and government bowed to public sentiment and voter pressure rather than an analysis of scientific facts. In 2011 nuclear power plants provided base-load capacity to the tune of 16% in Germany and 35% in Switzerland. The trade-off was between physical safety on one hand and uninterrupted access to electricity, affordability and environmental sustainability on the other. Germany and Switzerland's drastic measures envisage disconnecting all their reactors from the grid by 2021 and 2035 respectively.

Restructuring the installed base to accommodate these goals will be expensive. The environmental agenda may also suffer. In Europe the shift in policy occurred while the EU directive to achieve a 30% share of renewable energy by 2030 was left in place – necessitating a swift substitution of base-load plants. This has led to an increased construction of coal-fired power plants in Germany. Consequently CO2 emissions in Germany have gone up, which stands in stark contrast to the EU's agenda of reducing GHG emissions. In other words, the imperative of physical safety triumphed over environmental and economic concerns.

The United Kingdom puts more weight on economic imperatives than on physical safety. It views a diversified stable base-load supply as pivotal. Consequently it plans to build five new nuclear power plants. The debate around safety versus environmental concerns has never really taken place in France to the degree it has in its neighbours. France has always viewed nuclear power as a safe and reliable source of base-load electricity. Nuclear power plants constitute in excess of 75% of installed capacity there, a proportion that is not about to change significantly over the next few years, irrespective of the rumblings in the current government.

Russia and the Middle East

The recent turmoil regarding Ukraine and the ensuing EU/US sanctions against Russia highlighted Europe's dependence on Russian gas. Russia supplies 23% of Europe's gas imports. The UK, the Netherlands and Spain import close to no gas from Russia, but Germany receives 40% and Poland 60% of their gas from Russia. Ukraine and some south European nations – Bosnia Herzegovina, for instance – receive 100% of their gas from Russia.

If Europe finds itself too dependent on Russian gas, it is partly to blame itself. Germany and several other European nations vetoed the Nabucco project, which was designed to bring Azeri gas to Europe in order to reduce European dependence on Russian gas. Instead, Germany built the South Stream and Blue Stream pipelines specifically to bring Russian gas to Germany, as well as to Turkey and Italy. These pipelines were explicitly built in order to bypass Ukraine.

Geopolitical turmoil in the Middle East, with Syria, Iraq and Libya quickly descending into failed states, is of great concern to Europe, and also to Asia. In 2013 the EU imported 30% of its crude from the Middle East, 24% from Africa and 40% from the former Soviet Union. In 2012 Asia imported more than 60% of its crude oil from the Middle East.

On the grounds of its domestic energy security situation, however, the US could potentially ignore these geopolitical tensions. But Ukraine is geopolitically too important to do so. Likewise, the Middle East may not be important to North America in terms of crude oil imports, but the region is of huge geopolitical significance. As the US is obliged to take a keen interest in the security of energy supplies to its allies in both Europe and Asia, it will remain Europe and Asia's keeper for the foreseeable future as far as geopolitical threats are concerned.

Conclusion

Europe and the US look at energy security differently. They have distinctive policy considerations and weigh the various aspects pertaining to issues of diversity and capacity in accordance with their geopolitical and economic parameters.

The US considers independence from foreign energy imports an important element of national strength. The country can to a certain degree maintain that position because of the sheer size of its economy and the emergence of shale hydrocarbons. The US will still need to import some oil and gas from its near and friendly neighbours, however, and as an open trading society will depend on finance and technological innovations from the rest of the world. But essentially it remains in command of its energy supplies.

Europe, on the other hand, is more fragmented and realities on the ground differ considerably from country to country. The various nations face very different geopolitical, economic and societal realities. Hence European states will also always be more dependent on external sources of energy, and the EU as a whole in this respect is no more than the sum of its parts. It has not developed a policy that reduces overall dependence on foreign sources of energy supply.

A consensus giving environmental concerns priority has emerged among the EU member states over the last two decades, but this policy agenda has so far not been taken up to the same degree by the US.

The US and the EU are now so economically interdependent that it may come as something of a surprise to see their energy policies so much at variance. They are closely aligned in terms of their common geopolitical concerns, but Europe has to rely on the US's geopolitical influence to bring stability to regions that are vital for its supply of energy. The US needs its European allies to prosper as part of an increasingly integrated transatlantic market, but it is a market where energy is abundant and cheap in one half and increasingly scarce and expensive in the other.

A Clash of Cultures? Differences of Approach to Privacy in Europe and the US

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"Access to personal data and the likes and dislikes, interests and activities of consumers is essential for many online businesses… But on different sides of the Atlantic access to data is governed by different rules."

William Long and Tim Cowen

On both sides of the Atlantic data protection is frequently a matter of public comment and has even become an issue of public trust in our institutions. From the hacking scandals that brought down the News of the World through the Snowden and Leveson enquiries, revelations abound about the involvement of the state in allowing individual's personal information to be misused. A wave of stories continues to feature in the media concerning misuse of personal information, whether for commercial gain, or because of data breaches (losses of NHS data in the UK or the Target case in the US). It can be fairly said that 'data protection' to use the EU term, or 'privacy', to use the US description, is now a major bone of public contention.

Personal data in the digital age

In our information age, data is the raw material of modern commerce. It is constantly being gathered in various ways. Access to personal data and the detailed knowledge of the likes and dislikes, interests and activities of consumers is essential for many online businesses. It is the fuel for advertising and almost all parts of the economy have an interest in its exploitation. For businesses advertising products and services on line, advertisements need no longer be 'generic'. They can be targeted at groups of users who have already indicated a preference or an interest. Many companies, from banks to telecommunication companies, hold enormous amounts of personal data about the likes and dislikes, preferences and activities of their customers and users. Data protection or privacy laws govern how these companies are required to hold that information - securely and safely - and how they may use it in their business operations.

Different legal regimes govern access to personal data in different ways, based on different legal and cultural traditions concerning the privacy and security of the individual, as well as different assessments of the balance of interests to be struck. Should the interests of business in using and exploiting personal data trump the interests of the individual in protecting and controlling that personal information? As paraphrased by CNN/Money, "there has to be a trade-off between privacy concerns and functionality".

When looked at from the perspective of the individual vs business the position may look polarised, with users being exploited for commercial gain. However, considering a third dimension – looking at these issues from the perspective of society more generally – allows us to recognise competing moral, social, economic and cultural interests in helping us to decide where the line should be drawn for the future.

At the Techonomy conference in 2010, Eric Schmidt, CEO of Google suggested that "true transparency and no anonymity" is the way forward for the internet: "In a world of asynchronous threats it is too dangerous for there not to be some way to identify you. We need a [verified] name service for people. Governments will demand it." He also said that "If I look at enough of your messaging and your location, and use artificial intelligence, we can predict where you are going to go. Show us 14 photos of yourself and we can identify who you are. You think you don't have 14 photos of yourself on the internet? You've got Facebook photos!"

On different sides of the Atlantic access to data is governed by different rules. This chapter examines the EU position and some of the differences, suggesting that there are sufficient similarities to build a common approach for the future, but that some compromise will be needed on both sides before this can be achieved. A common approach, or the lack of it, will affect the development of the Information Age we all live in, particularly as regards the development of trade, economic development and prosperity, and in the longer term our societies more generally on both sides of the Atlantic.

The EU view of data protection

A casual observer might think that increasing levels of public concern mean that political positions are hardening and becoming more entrenched. These perceptions have perhaps been driven by the increasing controversy around the proposed EU Data Protection Regulation which seeks to build a single and coherent system of cross-border protection suitable to increasingly cross-border digital businesses.

Vivian Reding, former EU Commissioner responsible for proposing the legislation, and recently elected Member of the European Parliament, recognized this when commenting in March this year: "On territorial scope, I recall the broad support that was voiced for making sure that non-European companies, when offering services to European consumers, apply the same rules and adhere to the same levels of protection of personal data as European companies. This is about creating a level playing-field between European and non-European businesses. About fair competition in a globalised world."

Also, Jean Claude Junker, newly appointed President of the European Commission, has indicated that personal data issues are non-negotiable: "I will not sacrifice Europe's safety, health, social and data protection standards or our cultural diversity on the altar of free trade. Notably, the safety of the food we eat and the protection of Europeans' personal data will be non-negotiable for me as Commission President."

The proposed EU data protection legislation intentionally sets a high standard for compliance and contains a multitude of new data protection obligations on businesses and new rights for individuals, building on the now famous "right to be forgotten", recognized in the May 2014 decision of the European Court of Justice' in the González case. That decision required Google to delete references to Mr González in search engine results and confirmed that such a right already exists under current EU Data Protection Directive 95/46/EC. In the first three months since the decision over 250,000 requests were made to Google asking for links to be removed from its European site.

Proposed EU Data Protection Regulation

The European Commission published its proposal for a new EU Data Protection Regulation in January 2012 and it may be finally adopted in 2015. The Regulation has been the subject of intense discussion over the last two years with the Parliament receiving over 4,000 amendments as well as comments from US and EU industry and Parliamentary committees, testimony to the importance attached to the effect it could have on businesses on both sides of the Atlantic.

Some of the key elements of the proposed Regulation include among others:

- Fines of up to 5% of annual worldwide turnover or €100 million, whichever is the greater, and a strengthening of the position on collective redress so that a body or association which is acting in the public interest may lodge a complaint and go to court on behalf of data subjects to seek damages.
- Data protection policies are to be communicated using multi-layered formats and icons with full information available on request. Data subjects have a right to be informed about the disclosure of their personal data to a public authority and should also be informed as to the recipients of their personal data.
- The Right to be Forgotten, which allows individuals to have their personal data erased in certain circumstances, such as where the data are no longer necessary or where consent is withdrawn -

subject to certain exceptions, such as where the processing of the data is necessary to exercise the right of freedom of expression and for reasons of public interest.

- In the case of a security breach, an obligation to notify the data protection authority without undue delay, and an obligation to notify data subjects where they may be adversely affected.
- An obligation to appoint a Data Protection Officer, where (under the European Parliament's draft) a legal entity processes personal data on more than 5,000 persons in a twelve month period, or (under the Commission's proposal) 250 or more persons are employed by the business.
- Transfers of personal data from the EU to countries that are not deemed to provide an adequate level of protection (such as the US) should be on the basis of binding European legal instruments (such as Binding Corporate Rules or the EU's standard contractual clauses).
- Where a court, tribunal or authority in a country outside the EU requests disclosure of personal data, the relevant European Data Protection Authority must be informed and authorisation for the transfer obtained.

The intensity of debate on the proposed Regulation and the level of lobbying underline the fundamental importance of this legislation not only to European business and society but also to the relationship between Europe and the US.

In dealing with issues of data protection, the EU system places the individual at the centre of the story; the right to protect personal data being a human right enshrined most recently in the Charter of fundamental rights of the European Union, adopted in December 2000. Article 8 recognises the right to respect for one's private and family life, home and correspondence. With the entry into force of the Lisbon Treaty, the Charter became part of the EU legal framework and this attribution of a fundamental right confirms the importance of privacy for European society.

The US narrative, by contrast, recognizes that privacy is a consumer protection issue, essentially seen in an economic context, and that different and competing interests need to be resolved in their respective contexts with that in mind. This means that 'privacy' rights in the US vary depending on the different legislative trade-offs that have been struck in relation to different sectors, whether health or other sector specific regulation.

In simple terms, the US system allows businesses the freedom to use personal data unless specifically prohibited, while the EU tradition is about protecting the individual's personal data against all actors, including the state and businesses.

Different philosophies on either side of the Atlantic?

The differences between Europe and the US on privacy derive more fundamentally from differences in understanding of the concepts of dignity and liberty. According to James Whitman, writing in the Yale Law Journal in April 2004, US law shows a greater sensitivity to intrusions on the part of the State, while continental law shows a far greater sensitivity to the protection of an individual's public face.

According to Whitman, European privacy protections are, at their core, a form of protection of the right to respect and personal dignity for one's image, name and reputation and what Germans call the right to 'informational self-determination', that is the right to control the sorts of information disclosed about oneself. It is this right to informational self-determination that is at the heart of the right to be forgotten. By contrast, in the US there is more focus towards liberty of the individual against the state, especially in his or her home.

Some commentators have referred to these differences as reflecting different views stemming from the rationalist philosophers, such as Descartes in Europe, compared with empiricists, such as Hume and Locke, who are central to the British and American traditions. This can be seen with EU data protection laws based on normative values of reason and deduction, while US privacy laws are based more on empirical evidence drawn from experience. With Europe applying a more conceptual approach which gives much less consideration to the practicalities or economic costs of the rules, the legal and economic approach to privacy prevalent in the US is less well known in the EU and less well understood,

This analysis could also be used to explain why the approach of the UK, on some of these issues, is closer to that of the US rather than Europe. Different customs and traditions are reflected in different legal regimes, particularly the difference between the common law tradition in the UK and Ireland and the continental system for the rest of Europe. Perhaps one of the building blocks to developing a common approach would be to recognise these different philosophical bases and build a common framework to capture them.

Right to be Forgotten and the Mario González v Google Case

One of the clearest demonstrations of the differences to privacy between Europe and the US, which perhaps also highlights Whitman's comments on philosophical differences, is the recent ruling of the Court of Justice of the European Union (the "CJEU") in the Spanish Google case involving Mr González.

The case arose in 2012, when the Spanish National High Court referred a series of questions to the CJEU on the interpretation of articles of the European Data Protection, specifically, on its material and territorial scope, data subject rights, and Articles 7 and 8 of the EU Charter of Fundamental Rights.

This request was made in the context of a case initiated by a Spanish citizen against Google Inc. and Google Spain SL, relating to his request for deletion of information about him displayed in Google results. The information at issue was an announcement of the Spanish citizen's name in connection with a real-estate auction of a property seized for non-payment of social security contributions that was published in a Spanish newspaper in 1998. His complaint was that the information should now be removed from the Google search result links because the debts had been satisfied and reference to them was no longer relevant.

The CJEU issued its judgment on May 13, 2014. The Court found that:

- The activity of a search engine is the processing of personal data within the meaning of the Directive. To be specific, search engines automatically, constantly and systematically search for information published on the internet by third parties, index it automatically, save it temporarily and make it available in a specific order. The Court held that these actions are "processing personal data" within the meaning of the Directive when that information contains personal data.
- The operator of a search engine is a "controller" of that data within the meaning of the Directive regarding such processing of personal data.
- Processing personal data "in the context of the activities of an establishment" of a data controller on the territory of an EU Member State subjects it to EU jurisdiction under the Directive. That is, the search engine's operation of a branch or subsidiary intended to promote and sell advertising space offered by that engine, with activity oriented towards the inhabitants of that Member State results in the processing of personal data by the search engine operator acting as a controller in the context of the activities of an establishment in a Member State. Even if Google were processing data outside the EU such processing should therefore fall under the scope of the Directive.

- The Directive must not be "interpreted restrictively" in the light of its objective to ensure effective and complete protection of the fundamental rights of persons, in particular their right to privacy.
- Individuals have a right "to be forgotten." The Court founded this right on the basis of the rights of individuals under the Directive to obtain, as appropriate, the rectification, erasure or blocking of data which do not comply with the provisions of the Data Protection Directive, in particular because of the incomplete or inaccurate nature of the data, and the right to object to the processing of their personal data.

In its judgment, the CJEU also referred to the right of individuals to respect for private and family life, home and communications and a right to the protection of personal data, under Article 7 and 8 of the Charter, and observed that in the light of these rights, individuals may request that information about them should no longer be made available. The CJEU held, however, that a "fair balance" should be sought between the legitimate interest of internet users in having access to that information, and the data subject's fundamental rights. The court held, "the data subject's rights…override, as a general rule, that interest of internet users [to access information]."

In addition, the CJEU noted that there could be a preponderant interest of the public in having access to the information that could justify the retention of that link, for instance if the data subject is a public figure.

Interestingly, the judgment does not discuss the fundamental right to freedom of expression under Article 11 of the Charter and Article 9 of the Directive under which Member States shall provide for "exemptions or derogations" from the Directive "for the processing of personal data carried out solely for journalistic purposes or the purpose of artistic or literary expression only if they are necessary to reconcile the right to privacy with the rules governing freedom of expression." This provision is cited only once in the decision and is the sole reference to the right to freedom of expression.

Sharp Contrast with the United States' Approach

The decision contrasts significantly with the US approach where freedom of speech, including corporate communications, would weigh much more heavily against privacy concerns, as national legislation and precedent at the Supreme Court demonstrates. For example, Congress insulated internet operators in the Communications Decency Act Section 230 from responsibility for the content others posted on their web pages. The Act, one of the most seminal protections for the Internet, was passed to enhance Internet service providers' ability to delete or otherwise monitor online content without thus becoming publishers, and thereby subjecting themselves to heightened liability. This law reflects the significant weight accorded to free speech in the United States, and the importance of intermediary immunity to the development of the Internet.

Similarly, the Supreme Court held in Sorrell v. IMS Health (131 S. Ct. 2653) in 2011 that a Vermont statute that restricted the sale, disclosure and use of records that revealed the prescribing practices of individual doctors violated the First Amendment. The Supreme Court held that companies' First Amendment right to speech – including the corporate right to communicate with potential customers – trumped Vermont's claim that the law was necessary to protect doctors' privacy.

Significance of the Decision in the González v Google case

As mentioned above, since the decision it has been reported that in just over three months 250,000 requests have been made to Google asking for links to be removed from its European site. The most individual requests have come from France, with Germany in second and the UK in third place.

The decision is arguably the starkest conflict yet between privacy efforts in the United States and the European Union, and will likely have a deep impact on search, advertising, credit, and Internet intermediary industries, as well as many other industries such as financial services and life sciences.

The decision may also constitute the high water mark of the application of current EU data protection law and it remains to be seen whether the decision will really change how major players such as Google and its competitors operate in the US and globally.

In terms of European law, it certainly raises a significant issue for the future application of the fundamental right of freedom of expression, including the fundamental right of Internet users to receive a free flow of information (Article 11). While the Court indicated that some balancing of individual privacy and the rights of Internet users was appropriate, it provided little guidance on how or when to strike that balance, and that generally it would give preference to the rights of the individual over competing interests. The Court was entirely dismissive of Google's economic interests, notwithstanding the fundamental rights expressed in Articles 16 (right to conduct a business) and 17 (protection of property). Perhaps a more meritorious claim where another fundamental right, such as if the liberty of the individual, were at stake would fare differently on a future occasion.

More generally, it may prove difficult to reconcile this decision with general expectations in the Information Age, and it may make it more difficult to reach consensus on the final text of the proposed EU Regulation. It will be interesting to see whether this decision will be acceptable to technology companies and the general public in Europe. The Court's judgment has been seen by some commentators as likely to encourage censorship of the Internet by self-interested individuals who would prefer that truthful, public information be edited out of the historical record. Given that the case related to the non-payment of apparently justly-owed debts, it could also impact the ability of companies to "remember" customers in their records, such as in a case where a particular customer failed to pay them previously, or to share such information with other companies through credit reports.

In sum, the decision stands as the most striking point of difference yet between the EU and US over data protection, raising not only fundamental privacy issues but also concerns as to freedom of expression, the right to communicate, and the right to remember and record historical facts.

The framework for a common future?

Philosophical and historical differences may still lie at the core of the transatlantic differences of approach to privacy today. For Whitman, the sensibilities on either side of the Atlantic remain different, whatever logic might dictate. "Privacy law is not the product of logic…it is the product of local social anxieties and local ideals. In the United States those anxieties and ideals focus principally on the police and other officials, and around the ambition to secure the "blessings of liberty", while on the Continent they focus on the ambition to guarantee everyone's position in society, to guarantee everyone's honor. This was already true in 1791, in the French Revolution of Jerome Petion, and it remains true today."

Perhaps it was with these thoughts in mind that the Obama White House called recently (February 2012) for the enactment of a "consumer privacy bill of rights". It seems to have been inspired in part by the status of data protection as a fundamental right in EU law. Europeans would certainly have no difficulty in agreeing with the following, as stated in the President's forward: "Americans have always cherished our privacy. From the birth of our republic, we assured ourselves protection against unlawful intrusion into our homes and our personal papers. At the same time, we set up a postal system to enable citizens all over the new nation to engage in commerce and political discourse. Soon after, Congress made it a crime to invade the privacy of the mails. And later we extended privacy protections to new modes of communications such as the telephone, the computer, and eventually email. Justice Brandeis taught us that privacy is the "right to be let alone," but we also know that privacy is about much more than just solitude or secrecy."

Are there really significant differences between the 'right to be let alone' and the 'right to be forgotten' (or at least to correct private information so that it remains relevant over time)? An individual's personal freedom is necessarily bounded by similar contemporary societal constraints on both sides of the Atlantic and competing interests do need to be balanced in the interests of society as a whole. Society does need economic progress, and that means promoting the information society which uses information as its raw material. The essential policy issue may be less about the current law or the political will to find common ground and more about the economic necessity of driving growth and employment for all in Western society. To achieve economic progress, a degree of agreement will be needed on the extent of the rights of companies to intrude on the rights of individuals; a delicate subject to be sure, but one that will not disappear by wishing it away.

In this regard, and despite the campaigning statements of European politicians such as Jean Claude Junker (quoted earlier in this chapter), a further Obama White House initiative may still be the vehicle for resolving differences over data protection between the EU and the US. Within the Transatlantic Trade and Investment Partnership (TTIP) which is negotiating the reduction of trade barriers, including regulatory differences, which could include data protection, in order to promote transatlantic trade and economic development, regional interests can be examined in the light of a broader common good. In principle a trade treaty might be a sensible route through which to resolve the entrenched differences that have grown up over time between different regulators concerned about the way the law works in their own jurisdictions.

As Commissioner Reding, in her previous role as the European Commissioner responsible for the proposed data protection Regulation, ruled out a German initiative in November 2013 to include data protection rules into the proposed trade negotiations: "The Commission's view and the position taken by all leaders at the recent European Council is clear: let's not mix up the phone tapping issue with the ongoing trade talks.... Including data protection in the trade talks is like opening Pandora's box. The EU is not ready to lower its own standards ....That is why the free trade agreement negotiations are not going to include privacy standards."

If a week is a long time in politics, then a year may be ample time enough to allow tempers to cool over the phone tapping issue and provide time enough for wiser counsel to prevail and change perspectives. A new EU Parliament has now been elected and much has changed on the wider political stage. The economic outlook may not be much brighter and stimulating the digital economy is more important, but that does not have to allow non-compliant companies to continue to do business by breaking the rules.

New and stricter rules based on stricter sanctions look likely to be passed into law in the EU with the finalization of the Data Protection Regulation. Once finalized, the issue of how they work on a global basis will have to be faced. If those rules were agreed on a common basis within a common framework, they could take account of the fact that other rules also apply in other jurisdictions, and that might avoid unnecessary conflicts and disputes. In the absence of any initiative to resolve differences, however, they are likely to make global compliance less likely, undermining the purpose of the new legislation. Today, it has to be admitted that the prospects for data protection to be included in the TTIP negotiations are not particularly positive, but a new proposal remains possible, and, if delivered, could be a basis for greater cooperation, involving continuing dialogue and a perhaps a mechanism for resolution of such issues between our the interdependent transatlantic systems.

There is no valid reason why today's generation of politicians, lawyers, business leaders and society cannot create their own history. This is only likely to be achieved by working together to narrow any gaps between Europe and the US, and remembering that we may be seeking to achieve similar ends even when we are using different means.

The Alarming Situation of Press Freedom in Europe

Nils Muižnieks

Council of Europe Commissioner for Human Rights

"Governments should do more to preserve press freedom by acknowledging the critical situation and monitoring violence against journalists"

Nils Muižnieks

A free, diverse and responsible press is a core element of any functioning democracy. The 'fourth estate' is in fact a bulwark of the rule of law and a key source of information necessary for citizens' effective participation in a democratic society. The press also sustains democracy by bringing to light human rights violations, such as torture, discrimination, corruption or the misuse of power. Truth-telling is often the first essential step to redressing human rights violations and holding governments accountable.

This is why press freedom is protected by both national and international law, in particular the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the European Convention on Human Rights (ECHR). In more recent times, the Charter of Fundamental Rights of the European Union (EU) further established the duty of EU institutions to protect media freedom and pluralism.

It is particularly within the 47-member Council of Europe that legal norms governing freedom of the press have been elaborated in the 'hard law' of the jurisprudence of the European Court of Human Rights, and also in the 'soft law' of political recommendations and resolutions. The existing standards put both negative and positive obligations on countries, which means that they have to refrain from unduly interfering with journalists' work while also ensuring pluralism and media diversity. These rights go hand in hand with responsibilities. Irresponsible media coverage or journalists' unethical or illegal behaviour can seriously harm the profession's credibility and undermine its ability to serve the common good.

This may sound obvious, but translating principles into reality remains problematic. Press freedom across the world has been deteriorating in recent years, with a clear acceleration over the last 12 months during which hundreds of journalists, photographers and camera operators have been killed, injured, kidnapped, threatened or sued.

Europe is no exception. Worrying patterns are eroding press freedom here too, where violence against journalists, repressive legislation and ownership concentration put a strain on the safety, freedom and independence of journalism.

An Unsafe Environment

Among the most widespread threats to journalists' safety in Europe today is police violence against journalists covering demonstrations. I raised this issue with the Turkish government right after the Gezi events, when the police used excessive force against demonstrators and journalists, some of whom were injured or had their equipment damaged.

In Ukraine, with tensions heightening during the demonstrations in February, more than one hundred journalists were attacked, including by the use of stun grenades and rubber bullets. While there, I heard stories of severe violence against journalists who had been shot in the eye or face and beaten. Most tragically, a journalist of Vesti newspaper was lethally shot in the chest by unknown thugs during the demonstrations, while in May a photographer was killed.

With them, five journalists have been killed in Europe since February 2013.

In Bosnia, too, some journalists and TV operators covering the demonstrations against corruption and austerity have been treated violently by the police.

Policing of demonstrations has also sometimes impinged on press freedom in Spain. At the end of March this year, for example, a group of journalists and photographers were beaten by the police in spite of having identified themselves as members of the press.

As well as the police, journalists are also frequently targeted by non-state actors. As I was told by Ossigeno per l'Informazione, an observatory that carries out valuable awareness-raising work on press freedom in Italy, 1,900 journalists in the country have been victims of some sort of violence, including arson and threats, since 2006. In the first three months of 2014, 200 cases have been reported, well above the average of previous years.

Lack of journalists' safety and impunity for crimes committed against journalists remain a serious problem in Montenegro, too, as I observed during my visit to the country last March. While several past cases remain unsolved new ones are occurring, such as the recent brutal assault on a journalist by masked assailants wielding a baseball bat.

In Bulgaria at the beginning of April, journalists organised a protest in solidarity with a bTV journalist whose company car was set on fire outside her home. Her personal car suffered the same fate in September last year.

Conflicts zones also remain dangerous places for journalists. The case of Crimea is emblematic: press members have been kidnapped, intimidated and denied access, and had their material confiscated by armed people. Tensions between Russia and Ukraine have had further repercussions on the media in both countries. Pressures on independent journalists in Russia have increased, while Ukraine has prevented some Russian journalists from entering the country, thus sparking new tensions after its decision to block a number of Russian television broadcasters. In the east of Ukraine, journalists have recently been detained, ill-treated, threatened and harassed and are increasingly coming under attack from all the sides involved in the tensions.

Muzzling Legislation

Streets are not the sole battleground where press freedom is undermined. Courts are too. In the majority of European countries, defamation or libel are still part of criminal law, a fact that is hardly reconcilable with international standards.

In Azerbaijan, where journalists expressing critical views are often harassed with legal challenges, ten journalists are in prison because of their reporting. Many more are behind bars in Turkey, two in the Russian Federation, while in the Former Yugoslav Republic of Macedonia the detention of Tomsilav Kezarovski, from the newspaper Nova Makedonija, has more than other cases exposed the extent of political interference with press freedom.

Lawsuits against journalists are common practice in Italy, too, where defamation is governed by harsh legal provisions, some of which were introduced by the fascist regime more than 70 years ago. It is under this legal framework that many journalists are sued today and sometimes condemned to prison terms.

In Slovenia, another country where defamation is a criminal offence, in April the prosecutors' office indicted a journalist from the newspaper Delo for publishing allegedly classified material in 2011 while researching the rise of extremist groups in the country and uncovering the involvement of army and police members with these groups' activities. She may pay with up to three years in prison.

The Greek criminal code also allows the arrest of journalists in cases of libel. Though guidelines require police officers to inform the prosecutor before arresting a journalist for libel, evidence shows that the police often disregard this requirement. Just recently, after a member of parliament sued several journalists for criticising her statements, the police went to their newsrooms to arrest them without prior consent of the prosecutor. The police found only one journalist, but he was kept overnight in police custody before being freed by a judge the following day.

Another EU country where inadequate legislation threatens press freedom is Croatia. Under the country's new penal code, anybody, including journalists, can be convicted for causing humiliation even if what they report is true. This was the case of a journalist for Jutarnji list who has been fined €4,000 by a first instance court for disclosing the mishandling of public funds by a private healthcare company.

Such monetary fines, very often disproportionate, are another widespread threat to press freedom. Excessive damages awarded in civil defamation cases have put some European media and journalists under heavy pressure, or even threatened their economic survival.

Troubles do not end here. Legislation on state secrets or terrorism are in fact often used as a sort of overriding legislation invoked to justify pressure on journalists to disclose sources or to hand material to the authorities. This problem came up again in the summer of 2013, when the UK's Government Communications Headquarters ordered The Guardian to destroy hard drives containing copies of intelligence files unveiling the National Security Agency's (NSA) snooping programme. Just a few days later, David Miranda, the partner of Glenn Greenwald – the former Guardian journalist who revealed the NSA snooping scandal – was detained under counter-terrorism powers at London's Heathrow Airport and had his computer material seized.

A similar case occurred in May this year when two French journalists were detained at the airport in Baku, Azerbaijan, and had their notes and memory cards containing interviews with dissenters confiscated by the authorities.

Oligopolistic Powers

A more subtle threat comes from the concentration of ownership of media companies. When few big and powerful holdings or oligarchs own them, media diversity and pluralism are at risk. This is not a new phenomenon, but has been accelerated further by the economic crisis.

In spite of international standards established to limit this phenomenon, ownership of media companies is highly concentrated in several European countries. The frequent lack of transparency about the different layers of ownership makes it difficult to disentangle the opaque intersection of politics, business and media ownership and discern the influence it exerts on editorial choices.

In addition to this problem, the control of advertising and distribution represents a further constraint on press freedom, as it can be used to prevent competitors investing in a market or to stifle media opponents.

Ethical Journalism

As well as these external threats, there exists a threat from within the press that journalists and their regulatory bodies have to stem. If the press wants to preserve its ability to play its crucial democratic role, it has to counter unethical or illegal journalistic behaviour better. Regrettably, some media outlets have engaged in illegal activities while others have turned into propaganda megaphones for those in power, or into channels propagating xenophobic stereotypes against minorities and other vulnerable groups of people. This may lead to nefarious political and societal consequences.

In October last year, for example, I felt compelled to publish an open letter to media professionals calling on them to stop irresponsible media reporting on Roma. Back then, the long-standing problem of stereotyped media reporting on minorities vehemently re-emerged with the cases of children found in Roma families in Greece and Ireland whose kinship was questioned. By concentrating on the ethnicity of the families from which the children had been taken by the police, most news reports, all over the world, propagated age-old myths portraying Roma as child-abductors.

Such reporting was not just false but also dangerous as it risked heightening the already tense relations between Roma and the majority population all over Europe.

It also happens that journalists purposely ignore the duty to strike a balance between the right to privacy and the right of the press to investigate and publish. As the News of the World phone-hacking scandal in the United Kingdom revealed, the search for sensationalism can lead to illegal and unethical activity in the newsroom. This is harmful both for people's privacy and for press freedom because it can encourage increased government intrusion in media regulation. This case in fact clearly exposes the failure of self-regulatory bodies to enforce ethical codes of conduct for journalists.

Eight Steps to Preserve Press Freedom

Although press freedom is an acknowledged human right protected by law, the reality, even in Europe, raises serious concerns about the way states uphold it and journalists use it. Violence, repressive legislation, opaque ownership, and pressures of various natures are all factors undermining press freedom. In addition, unethical and illegal behaviour has caused profound harm to the credibility of the profession, thus limiting its ability to perform its necessary democratic function.

If we want to ensure that the press continues playing its crucial role of democracy watchdog, practical, normative and behavioural changes are necessary:

- First of all, governments have to break out of the state of denial behind which they hide the problems faced by the press. Acknowledging the critical situation is a precondition for any solution. I also think that reliable information is needed to assess the state of the press and that the establishment of a pan-European network of national observatories on violence against journalists would greatly help moving forward.
- Another urgent step is to free all journalists imprisoned because of the views they have expressed and to clear the criminal records of those who have been condemned for their reports. This present situation is in fact incompatible with human rights and the rule of law.
- It is also particularly important to eradicate impunity by effectively investigating all cases of violence against journalists, including those involving state actors such as law enforcement officials. Such a move should be reinforced by specific instructions and training for the police on the protection of journalists.
- In addition, legislation must change. Defamation and libel must be fully decriminalised and dealt with by proportionate civil sanctions only. Moreover, anti-terror and security laws should not unduly interfere with the right of the press to impart information of public interest and the right of people to receive it.
- Protection of sources must also be better ensured. Though this is not an absolute right, the ECHR clearly accords 'the broadest scope of protection' to the press. Interference with this right must therefore be narrowly defined and 'justified by an overriding requirement in the public interest'.

- More efforts have to be made to preserve media diversity and pluralism. This includes providing adequate public resources to support media outlets without compromising editorial independence, and enforcing laws and transparency regulations on media ownership.
- Political attitudes towards journalists must also change. Policy- and opinion-makers, as well as public personalities, must always condemn violence against journalists and accept a higher degree of public criticism and scrutiny, refraining from violent or intimidating reactions. This is crucial to help the press operate freely.
- Finally, the press has to do its bit too. It has to ensure accountability and stamp out unethical and illegal journalistic behaviour. If the press wants to remain free and avoid undue state interference, it has to produce the necessary antidote to media abuses itself, in particular concerning hate speech and violation of privacy. To get there, self-regulatory bodies can build on the different codes of conduct established in almost all countries, but also on the case law of the European Court of Human Rights, which establishes that freedom of expression is not an absolute right and comes with limits.

It is dismaying that 21st-century Europe still needs such recommendations. However, this deplorable situation should not weaken our determination to defend a free press. By defending journalists' safety and preserving a free, diverse and responsible press we make democracy stronger.

The First Amendment: Strongly protected free speaking but dangerously closed ears

Hal W Fuson Jr

Editor, media lawyer and newspaper executive

"A major problem for the media now is that, while ever more information is available, is anyone seriously reading, listening or viewing it?"

Hal W Fuson Jr

By almost any measure, media organisations in the United States are more free than ever from traditional forms of oppression:

- Libel law is moribund as a means of recovery for defamation, and all but dead as a criminal matter.
- Prior restraints blocking media organisations from publishing are occasionally approved by over-cautious or overly dim judges, but such orders seldom stand.
- The torts of invasion of privacy are rarely invoked and even more rarely result in damage awards against media organisations.
- Reporters are sometimes pressed to testify, but with no more vigour than at any other time in the four decades since press lawyers first succeeded in making a federal case, if a dodgy one, out of the right to remain silent.
- Laws requiring public agencies to open their records and proceedings are stronger than most public officials like, if not enforced as rigorously as reporters and government watchdogs would prefer.

Improvements are always possible. Passage of a federal shield law to protect journalists' sources would be an important step forward. Much work could be done to adjust legal protections to blogging and other digitally driven tools that enable everyone to communicate in ways previously reserved to media organisations. Still, most improvements are minor compared to the general level of speech protection that now prevails in the US.

None of this is to say that in a globalising world the US is unaffected by obstacles to free expression in other countries – the long-term well-being of the planet depends on sunlight reaching into its darkest corners. The US itself experiences occasional aberrations in otherwise favourable trends – the federal government's feckless effort to compel national security reporter James Risen to reveal his sources, for example, or forays such as former Minnesota governor Jesse Ventura's libel claim against the estate of a deceased writer. Painful and costly to the individuals involved (the Ventura jury returned a verdict against the writer's estate of $1.8 million), they are the exceptions to the general rule that US media and individual speakers are little fettered by traditional legal constraints.

And yet, Americans are a fretful lot, and we have much to fret about in the operation of what teacher and scholar Thomas I. Emerson in 1970 called 'the system of freedom of expression'. Many Americans today are uncomfortable with the state of Emerson's system, not so much because of direct government-sponsored restrictions but because the system fails to effectively support self-government and other social structures that depend on free expression. Even as I write this, a municipal police force, operating out of its depth in a racially charged Missouri suburb, assaulted and briefly detained two US reporters and dropped tear gas in front of an Al Jazeera camera crew.

The First Amendment

Freedom of speech in US history is primarily about freedom from government restraint. The notion that government should be proactive in enhancing the quality of expression is to many Americans as foreign as haggis. In that respect, freedom of speech is often among the mantras of the Tea Party right, though it may be more associated in the public mind with the left, especially the purported leftist tendencies of many newspaper editors and reporters, who, unlike newspaper owners, are relatively low paid and sometimes unionised. The underlying justification of free speech in political philosophy, however, is about preserving the 'marketplace of ideas', as captured in John Milton's statement, written before he went into the business of serving as a censor for Cromwell: 'Let her and Falsehood grapple; who ever knew Truth put to the worse in a free and open encounter?'

Milton's Areopagetica essay was smack in the mainstream of anti-government railing, being aimed at crown practices of prior censorship, but his words about the grappling of truth and falsehood can be read to imply a need for action to balance the information market's playing field. Whatever role the government should have in adjusting the market's imbalances, much of American fretfulness is tied to the fear that the playing field is out of whack and, in the popular perception, more out of whack than in simpler times.

The First Amendment is the scripture that underlies any discussion of expression rights in the US. The amendment's status as first among the ten amendments to the US Constitution known as the 'Bill of Rights' did not reflect any priority in what was a random list of proscriptions against the most reviled British behaviours that preceded the revolution. The words 'Congress shall make no law … abridging freedom of speech, or of the press' are all it says about speech and press.

Until the 1868 adoption of the Fourteenth Amendment with its Due Process clause providing that no state shall abridge the rights of US citizenship, no one could contend that the First Amendment limited state legislatures. Not until 1931 did the Supreme Court conclude in Near v Minnesota that the 'liberty of the press, and of speech' is within the rights the Fourteenth Amendment protects from invasion by state as well as Congressional action. Even after Near, the boundaries of protected speech remained vague and there were many exceptions, including libel.

More than 50 years now have passed since the Supreme Court held in New York Times v Sullivan that libel law was not a blanket exception to the First Amendment but a much narrower one limited by the nation's commitment to 'the principle that debate on public issues should be uninhibited, robust, and wide-open'. In subsequent decisions the Supreme Court hummed and hawed over the application of Sullivan's principles in different contexts, ultimately leaving them solidly in place.

The Supreme Court has had few recent occasions to contemplate the scope of the First Amendment's protection of the traditional press, although its rulings in cases such as 2008's Citizens United v Federal Election Commission greatly expanded the protected range of corporate sponsored speech, itself the font of much of our present fretfulness. Other causes of our fretting are the collapse of business models supporting the traditional press and the related technological advances that have abetted everything from the ubiquity of social media to the disclosures of Edward Snowden.

Big Money in Politics

We should not forget that Thomas Jefferson arranged payment of scandalmongers to dig up dirt on Alexander Hamilton, or that for long after the Constitution was enacted white male suffrage implied that only the right sort of people were fit for participation in democracy. Still, the Supreme Court's pronouncement in Citizens United that the First Amendment treats the rights of corporations the same as those of humans, both being 'citizens' for Fourteenth Amendment purposes, allowing both to spend gobs of money promoting candidates or issues as they see fit, does change the playing field.

Whether this is a distortion of the marketplace of ideas or a useful correction is in the eye of the beholder. The consequences of Citizens United are yet to be fully felt, but they are real and result in an undeniable shift in the weight of public expression towards those with the money to spend. However, First Amendment absolutists would argue, the consequences of limiting money's role in speech by putting the government's regulatory hand on the scale are difficult to square with the First Amendment phrase, 'no law … abridging freedom of speech, or of the press'.

Collapsing Business Models

The collapse of business models supporting traditional mainstream media shattered a key component of the system of free expression on which public dialogue in the US hinged for many decades. The problem is relatively recent and is starkly captured by two numbers. Combined US daily and Sunday newspaper advertising revenues in 2006 were just over $49 billion. By 2012, that figure had dropped by over half, to just $22.3 billion.

Advertising was the lifeblood of 20th-century journalism. The loss of nearly $27 billion in revenue inevitably means a huge reduction in support for journalistic activity. There are almost as many daily newspapers published today as in 2006, but all but a handful of them, especially among metropolitan dailies, are journalistic shadows of their former selves, employing 30 per cent fewer reporters in 2012 than in 2003. Newspapers today engage in little of the immersive reporting that leads to major shifts in public opinion and thus play a much less significant role in debates about public issues, especially at the state and local levels. One example: from 2003 to 2014 the number of full-time newspaper reporters assigned to coverage of the 50 US state capitols declined by 35%, from 483 to 319. Similar changes have occurred at every level of state and local coverage.

In addition to producing journalism, newspapers were principal funders of the litigation and political action that led to many of the positive developments in First Amendment law. Despite the huge profits rung up by primarily digital enterprises like Google, these new corporations have yet to make up the slack in support for protecting freedom of expression.

Meanwhile television news, for decades the leader in polls asking US citizens to name the source relied on most for news (much of which the broadcasters acquire by reading local newspapers), has undergone a different transformation over a longer period of time. Television stations and networks have seen their once small set of direct competitors expand to a sea of video options, delivered by cable, satellite, the internet and even the US Post Office, greatly fragmenting markets and encouraging narrowly segmented programming. Where once Walter Cronkite might have held half or more of the entire national television audience, today's anchors are lucky to command more than a few percentage points of that audience. Networks like Fox, with its narrow political focus, have sizable clout while reaching only a fraction of Cronkite's audience.

Should we conclude from these trends in newspaper and broadcasting business models that the sky has fallen and drastic action must be taken to resuscitate the system of free expression? Well, no.

For one thing it is too early to know how these trends will play out. It is also the case that the models that collapsed only began to coalesce after the Second World War. Prior to that time, US towns frequently had multiple competing newspapers with limited resources and often with political agendas as sharply focused as any driven by Fox News founder Roger Ailes. Television had yet to make its commercial debut. The microchip had not been invented. Politics occurred on a retail scale, backed by machines that ran on patronage not by massive infusions of outside cash from billionaire donors. If a billionaire wanted something from government, it was usually obvious to him just which individual he had to pay to get it, not the general public.

Meanwhile, the economic and technological forces squeezing the advertising lifeblood out of the traditional press also contribute to a glut of new sources of information that on average are at least as reliable as the traditional press. These sources are sometimes complex and sometimes more difficult perhaps for the average user seeking sports scores or weather forecasts to find and use than older models, but not always. Confirming that the capital of Afghanistan is Kabul takes just a few pokes on a smartphone; no need to consult a thick and outdated reference book. Also, the new digital sources of information often target very narrow constituencies or come with a sharply defined ideological focus. For example, according to one study, those 164 newspaper reporters no longer engaged in state capitol coverage have been offset by 126 new reporters employed by digital news organisations, ideological outlets and high-priced niche publications aimed at insiders.

Information Oceans

Information is powerful stuff. Advanced possession of basic facts can lead to large fortunes. Tapping email or telephone calls can thwart conspiracies or foment revolutions. A pervasive aspect of the growth of digital technology is its accumulation of information into a vast ocean of difficult to confine, undifferentiated data. Whether by the US National Security Agency or a bond trader on Wall Street, tapping into the informational ocean or cabining off some part of it from access by others can be the key to great influence. The digital tricks of an Edward Snowden or a Julian Assange, or even tin-pot phone tapping by a few employees of the UK's News of the World, may presage an era in which nothing is secret, or they may signal only that those who want to confine and control the data ocean need to work just a little harder to ensure that their data monopoly is secure. Either way, the impact on the system of freedom of expression will be profound.

Perhaps the greatest reason to fret is evidence that a side effect of these trends seems to be an almost wilful refusal of a broad swathe of the US public to participate in the dialogue that is the heart of the marketplace of ideas and to leave the grappling for truth to the extremists of right and left. For example, much was made in June 2014 of the failure of US House Majority Leader Eric Cantor to win re-election in his Seventh Virginia Congressional District. It is tempting to say that Cantor lost because his constituents rejected his policies. But let's look at this more carefully. There are over 700,000 citizens in the Seventh District, of which about 500,000 are of voting age. Over 220,000 of those citizens voted resoundingly in the 2012 general election to send Eric Cantor back to Congress. In June 2014, 65,000 voters showed up for the Republican primary, 36,000 of whom voted for Cantor's opponent, about 16% of Cantor's 2012 support and maybe 7% of the district's citizens of voting age. Eric Cantor lost not because the citizens of his district didn't want him in Congress. He lost because only a handful of those citizens, a group dominated by the angry right, bothered to vote.

Twentieth-century mainstream media were imperfect and inferior in important respects to the digital systems that inform us today, but at least in hindsight they were accessible and inclusive in ways that today's system of freedom of expression may fail to achieve. If broad segments of the citizenry simply disconnect from the marketplace of ideas and leave the grappling to a self-selected few, any notion that political systems are fully and fairly accountable to the people is delusional. Without such accountability, the task of building popular consensus for needed social change is made immeasurably more difficult. One might conclude that the right to speak freely in the US today is strong, but the capacity of the audience to hear is dangerously deficient.

The Hand that Rocks the Cradle: Women's Liberation from Traditional Roles in the United States and Europe

Inge Relph

Senior Policy Adviser for The Elders, Former Chair of the London Chamber of Commerce Women in Business Group

"A common feature of contemporary society on both sides of the Atlantic is gender equality … could well be one of the most powerful cultural exports of the transatlantic world"

Inge Relph

'The hand that rocks the cradle is the hand that rules the world.' William Ross Morris' famous line, written in 1865, was the motion for the finals of the debating society in my graduation year. Thirty years on this seems quaint, as in executive suites across Europe and the USA female hands increasingly eschew rocking the cradle for rocking the corporate boat.

Then the debate centred largely on the power of maternal nurturing as the basis from which women drew their value and added value to society. Although well educated, often to degree level and beyond, the horizons of a successful career for the majority extended only to suitable 'female jobs' – perhaps as doctors, pharmacists, lawyers, academics, civil servants, nurses, schoolteachers or secretaries – until such time as marriage and motherhood took precedence. This went largely unquestioned by society, as illustrated by a marriage bar for teachers, office workers and civil servants that actually prevented married women from working. Such bars were in force in both the UK and USA until the 1950s when they were finally abandoned, but not until 1973 in Ireland.

Gaining a Voice

Looking at the trajectory of professional women through the lens of careers in the legal profession is helpful, not only to benchmark progress but also because of the impact that having more women in the legal field has on enshrining rights in law for women in the long term.

In 1870, a few years after William Ross Morris wrote his poem, there were, according to the US census, only three female lawyers in the entire USA and no female judges or magistrates. Even as late as 1970, 95% of practising lawyers in the USA were men. A hundred years earlier Myra Bradwell, America's pioneering woman lawyer, founded the Chicago Legal News and, together with other women activists, lobbied for a bill that was passed in 1869 giving married women the right to their own earnings and also to an interest in the estate of their husband. In a landmark Supreme Court case, Bradwell won the argument that the Fourteenth Amendment prevented any state interference with an individual's right to pursue a vocation or calling, resisting the judge's opinion that 'the harmony of the family institution was threatened by the idea of a woman adopting a distinct and independent career'.

Emulating women in the UK and Europe, American activists usefully deployed their legal skills in pursuing women's rights and suffrage, and, among others, prominent activist Frances Wright came from Scotland in 1826 and lectured extensively on the issues. In the early 1900s the influx of immigrant women, especially Yankee and Quaker women, together with the progressive Scandinavian Women's Suffrage Association (Finland being the first country in Europe to introduce suffrage for women, in 1906) brought fresh impetus to the campaign. Taking their cue from the UK suffragettes, in 1907 the National Women's Party in America – comprised of activists who frequently took to the streets – made the passage of a constitutional amendment ensuring women's right to vote a priority. Ten years later Ernestine Rose, a Pole, succeeded in getting a personal hearing before the New York legislature on equal rights. The First World War proved catalytic as protests at the hypocrisy of President Woodrow Wilson declaring it a war for democracy when 20 million women at home were denied the right to vote finally led Congress to pass the Nineteenth Amendment in 1920.

Transatlantic influence also flowed from east to west, notably in the form of American socialite Nancy Astor who came to England as the spouse of Lord Astor and became the first woman to sit as a member of parliament in the British House of Commons.

Equal But Not Equally So

In Europe, the notion of citizenship that emerged from the French Revolution of 1798 was to have a strong influence on the women's suffrage movement. Despite drawing on a common ideology, distinctive conditions shaped the debates and outcomes. In Germany, for example, initial efforts were largely about participation in educational, civic and charitable spheres, and women gained the vote in 1918. In much of southern and eastern Europe, where the Catholic Church dominated society, more conservative views meant that women there were among the last in Europe to be enfranchised. Surprisingly, a royal decree in Spain as early as 1784 allowed women to accept any profession 'compatible with her sex, dignity and strength', but Spanish women had to wait until 1931 to vote. French women did not gain the vote until 1944, and Swiss and Portuguese women as late as 1971 and 1974 respectively.

The Scandinavians reputation for equality started as early as 1778 in Sweden, when unmarried women were permitted to register a birth anonymously and not be stigmatised by their unmarried status. In 1810 unmarried women were granted legal majority, and businesswomen were allowed to make decisions about their own affairs without their husband's consent. In 1842 elementary education became compulsory for both sexes. By the late 1800s women in Sweden, Finland, Norway and Denmark had gained equal inheritance rights and were beginning to enjoy access to higher education institutions, whereas in France in 1850 girls were allowed to be tutored only by teachers from the church. Ireland and Italy were still some years away from adopting similar freedoms. Germany too gave legal majority to unmarried women only in 1884, and it was almost the turn of the century before Greek, German, Swiss and Portuguese women could attend university. Women under communism were expected to play their part in the new society and some of the former communist countries of Europe – such as Latvia, Croatia and Estonia – were early adopters of women's franchise, with the Socialist Republic of Croatia (then part of the Yugoslav Federation) producing Europe's first female prime minister, Savka Dabčević-Kučar, in 1967.

Free to Choose

In Europe, professional women were also breaking new ground. In Britain, having won a qualified extension of the franchise in 1918, women benefitted from new enabling legislation such as the Sex Discrimination Act of 1919 that meant that they could no longer be barred from qualifying in professions, including as solicitors and barristers. In 1922, four women passed the British Law Society's exams, and in that year the first woman solicitor, Carrie Morrison, was admitted. She and Maud Crofts, another of the four, had graduated from Girton College, Cambridge, with first-class honours but had been refused degrees because they were women. Even in 1957, less than 2% of lawyers in the UK were female, far fewer than women doctors or even women architects.

Of more general application, but often overlooked, the expansion of electricity in the 1930s helped emancipation considerably at a practical level. In that decade 70% of homes in Britain were wired for electricity, which facilitated the introduction of labour-saving devices such as fridges, irons, cookers and vacuum cleaners. Freeing women from the excessive burden of domesticity did as much to help their emancipation as the greater mobility that came with car ownership and the expansion of public transport.

The two world wars had a profound influence on the role of women in society. The International Labour Organisation (ILO), which emerged out of a joint US/European Commission peace conference at the end of the First World War, reflected the belief – shared across the Atlantic – that lasting peace needed to be based on social justice. Its founding principles included the regulation of employment, equal pay and worker protection, and it also recommended the regulation of working conditions for women and children, who –

particularly in Europe – had played a major supportive role in releasing men from industrial work to join the armed forces. The Second World War had an even greater impact on women's employment as, of necessity on both sides of the Atlantic, they had to take on hitherto male roles. Doing so also served to foster solidarity among women. The slaughter of so many men, especially in the First World War, left as a legacy many more women than men in post-war society. Across Europe in particular, women's identity and experience began to shift ever further as their social, political and economic contexts altered.

The Council of Europe, established in 1949, was founded on universally applicable human rights, democracy and the rule of law, values that then became the basis of the European Union (EU). The European Parliament elected Simone Veil its first president in 1979, underlining these values. Both the Council of Europe and the EU have continued in that vein, most recently with the Council of Europe's 2014 Convention combating violence against women. Equality between men and women is enshrined in various EU treaties, and EU directives have provided a constant stream of equality legislation, raising standards among the member states. Women across Europe have, as a consequence, been able to obtain high public office as prime ministers, presidents, EU commissioners, national and European parliamentarians, and members of European courts and agencies, as well as senior roles in many influential multilateral institutions, such as the World Trade Organisation and the ILO.

A century after being the first in Europe to bring in voting rights for women, Finland continued to blaze a trail, electing their first female president in 2000 and a female prime minister in 2003. In 2007 the Finnish cabinet had more women than men. The picture now is radically transformed from what it was for the previous generation, let alone a century ago. Overall, women in Europe may remain quantitatively under-represented in many branches of activity, as they still are in the USA, but they are approaching equality, while – ironically – it is not in the developed democracies of Europe or the USA that electoral equality of representation has first been achieved but in Rwanda, the first country to have a majority of elected women in its legislature.

On the employment front, expansion of and the change in the nature of work, especially in the service industries, contributed to the percentage of working married women rising from 14% in 1911 to 43% in 1951, and above 64% by 2000. Many of these women were doubtless employed in part-time jobs, but the raw figures demonstrate the speed of change in the composition of the workforce. Other contributing factors were perhaps as much psychological as social and economic. The spirit of the age was marked in the democracies by a growth of individualism and a focus on free will, self-fulfilment and consumerism. Despite these enabling forces, women continued to face discrimination, frequently experiencing the proverbial 'glass ceiling' blocking their formal achievements on the basis of gender, childbearing and elder-care duties, as well as entrenched masculine powerbases in decision-making hierarchies. Broad cultural shifts of attitude were slower to spread, and slower still to become mainstream.

It was not until the mid-1950s that the first paid maternity leave for women was introduced and the right to abortion was secured in some European countries as well as in the USA. The introduction of the contraceptive pill 50 years ago also revolutionised women's sexual lives. By the close of the century, the liberation of women had truly become a liberation of choice, including a choice to have children or not, and if so, whether it was her hand or another's – a partner's, a nanny's, an au-pair's – that would rock the cradle.

Contemporary Trends

The current generation of women are no longer defined by gender in the workplace in the same way as their mothers and grandmothers. While they stand on the achievements of their campaigning predecessors and enjoy legal protection from gender discrimination that was earned for them by their efforts, the shift is far more profound and is accelerating.

Professional and managerial workplaces are increasingly gender integrated. In almost all major European countries women's participation in the workplace has grown – to as much as 87.5% in Sweden, 81.3% in Germany, 78.8% in the UK, 83.3% in France, 71% in Italy and 78.3% in Spain.

In the USA the slower growth in the participation of women in the economy has been attributed – according to the World Economic Forum's gender equality report – to the stinginess of family leave and part-time work policies. Nevertheless, the additional productive power of women entering the workforce since 1970 accounts – according to a 2012 McKinsey Report – for about one quarter of the current gross domestic product of the USA. Birth rates in the USA and Western Europe are now at historic lows, fewer women marry and there has been a significant increase in single-parent – usually female – households.

The proportionate growth in women's employment is seen across many professions. Again, by way of illustration, let's take the legal profession, where there are more women lawyers than men. In Paris, in 2012, there were 11,892 women bar members, 7% more than men. The same dramatic rise has occurred in the UK where 60% of new entrants to the profession are women. In the USA, numbers of practising women lawyers accelerated from the low base of under 5% in 1970 to 40% in 2002, but numbers began to decline as women experienced the effects of the proverbial 'glass ceiling', finding they were not advancing as much as they had expected.

When it comes to the top ranks in law firms, the proportion of women partners still lags behind men, with only one French firm approaching anything like parity. Salaries for women lawyers (and many other professions), despite European equality legislation, are on average still a third lower than for men. Diversity initiatives are now increasingly commonplace and women lawyers in Europe, the UK and the USA benefit from targets for women equity partners, retention measures and leadership training geared at countering a discriminatory workplace culture. Law firms are becoming global and the transatlantic 'influencers' shuttle in aeroplanes between continents, women included. A vocal supporter of these initiatives and an embodiment of this mobility is Christine Largarde, now managing director of the International Monetary Fund, who was previously chair of the executive committee of a multinational law firm.

Change on a Global Scale

Perhaps the most profound changes can be seen among an elite group of women of whom Mme Largarde is but one of a growing number. Professor Alison Wolf in her superb book The XX Factor describes it thus:

> Today, for the first time ever, tens of millions of professional women occupy the top end of the labour market. The more highly educated a wife is, the more likely she is to work. Highly educated and ambitious, they do jobs once reserved for their fathers, husbands and sons. This is change on a global scale.

She goes on to describe the growing divide in the traditional 'sisterhood' whereby highly educated, successful women have fewer interests in common with other women than ever before and are more distinctive in their patterns of marriage, childbearing and rearing than ever before. Their careers more closely resemble those of the men they work alongside or who work for them.

Women on Boards

Women at the top of this pyramid – such as American born Marjorie Scardino who became the first female chief executive officer (CEO) of a FTSE 100 company; Angela Ahrendts, now with Apple, who ran iconic British brand Burberry; Isabelle Ealet, global head of securities at Goldman Sachs; Ana Patricia Botin, Spanish chair of Santander; Irene Rosenfeld, American CEO of Kraft Foods Europe; Moya Greene, CEO of Royal Mail; Ginni Rometty, chairman and CEO of IBM; and Sheryl Sandberg, chief operating officer of Facebook – will typically, like Scardino, have held executive roles and board directorships on both sides of the Atlantic. The top 28 most powerful CEOs on the 2014 Forbes Women Power List control over $1.7 trillion in revenues. Earning salaries inconceivable even a short while ago, they see themselves as role models with a responsibility to mentor the next generation of women. This upcoming generation of women, enabled by education, technology and cheap travel, are increasingly global in outlook and much more savvy about plotting careers that will get them to the top than the more serendipitous happenstance of their mothers and grandmothers.

Millennial women are also more likely to get onto boards and executive committees than even their mentors. Much greater attention is being paid now to the low percentage of women in the boardrooms of FTSE 100 and European companies and of US corporations. In 2011, responding to pressure from Europe for a mandated quota for women on boards, the UK established the Davies Commission, which set a voluntary 25% target for women on boards by 2015. Progress has been made, with all of the FTSE 100 now having at least one woman on their board of directors. A McKinsey report in 2013 entitled 'Women Matter' shows how attention is also being given to changing corporate culture to enable women to break through the 'glass ceiling' and allow them to progress through organisations and achieve these positions. The UK target of just a quarter is seen as low when compared to many European countries, which have taken the legislative route and introduced what has been dubbed the 'quota rosa'. There, 40% is the average benchmark, well ahead of the USA, where progress has been glacial, with only 15.7% of Fortune 500 board positions currently held by women.

The Vast Majority

However, these top-level women represent only a fifth of the workforce. In the other four-fifths of the labour market, occupations are mostly still divided along traditional lines, with women concentrated in female-dominated, lower-paid occupations such as secretaries, nursing, education, housekeeping and home health aides. Men still dominate construction, manufacturing and engineering. This holds true in Scandinavia, the UK, wider Europe and the USA. These occupations represent very large numbers, a quarter of the US workforce, and in practical terms the concentration on promoting 'high-skill future' jobs may do little for female employment growth numerically. The US Department of Labor estimates that a 72% increase in biomedical engineers, for instance, would generate 11,500 jobs, whereas 50% growth in home health aides over the same period would yield 500,000 jobs. In the UK, employment for care assistants has grown quickly in recent years, creating 156,000 jobs, and those jobs were – predictably – mostly taken by women.

Work patterns are changing rapidly, enabling women to bring their creativity and innovative skills to the workplace. This has helped to generate an encouraging growth in entrepreneurship, both private and social, in both Europe and the USA. If current trends continue, the next generation of women are not only less likely to marry but also more likely to start an entrepreneurial venture, to be and become their own boss – championed, one hopes, by men as well as by women.

Why This Matters

Another McKinsey study – 'The Business of Empowering Women' (2010) – found that across all industry sectors, companies with the most women directors consistently outperform those with no female representation. This was quantified in 2010 as a 41% improvement in return on investment and 55% improvement in terms of operational outcomes. The lack of gender diversity in a company's management is increasingly seen as a negative signal and an indicator that the company will be less able than others to adapt to market trends.

But there are much bigger trends afoot that make gender diversity compelling and critical to the future. Over the next five years working women will drive a $6 trillion increase in earned income globally. The number of women in marketing is an indicator and reflection of the growing influence of the female consumer both in Europe and the USA. A report by Boston Consulting – 'Women Want More' (2013) – describes it as an economic and social revolution of, by and for women, where women are using their $29 trillion spending power to vote 'no' to large sectors of the economy including financial services, healthcare and consumer durables. Women control 64% of all household spending and are driven by a desire for better education, to nurture themselves and their families, and to reduce demands on their time. Women in the US still earn on average only $0.57 for every dollar earned by men. A smaller wage gap exists in the UK and Europe, but closing that gender income gap on both sides of the Atlantic will have a further significant impact on women's influence in the marketplace.

The Operating System of the 21st Century

Pulitzer Prize-winner Michael d'Antonio and social data guru John Gerzema surveyed 64,000 people on both sides of the Atlantic and concluded that, 'Women don't yet rule the world, but people around globe wish women had more influence on business, government and almost every aspect of life'. The overwhelming sentiment was that the masculine 'winner takes all' approach is no longer viable.

After the financial crisis and consequent recessions, the 'Lehman Sisters' factor has become the subject of a great deal of research. A CERAM Business School study found that, as well as stronger organisational and financial performance, a key benefit of having women in leadership positions is better corporate governance and less corruption. A number of global banks are working to ensure more women are in management positions as a way to mitigate moral failures and to embed integrity, ethics and values in their corporate practice as well as their philosophy. Attitudes are changing even in traditionally male bastions such as central banks, where following in the footsteps of Austria, Finland and Poland (which have all had women at the helm), the European Central Bank has introduced gender targets – even if it has as yet no women on its executive board. In America, on the other hand, one of the most powerful roles in banking, the chair of the US Federal Reserve Bank, is now filled by a woman, Janet Yellen, and recently Nemat Shafik crossed the Atlantic to take up her new appointment as head of markets at the Bank of England.

Collaborative, Inclusive and Interdependent Leadership

In a globalised world that is increasingly interdependent and connected, where the distance between London, Washington and Brussels is bridged in a nanosecond by new technology, and where cooperation, communication, nurturing collaboration and inclusiveness are the currency, feminine values come to the fore. In The Athena Doctrine, Gerzema and D'Antonio conclude from their research that 'feminine values are the operating system of 21st-century progress'.

They suggest that men and women, in a process of rebalancing, can challenge the incumbency of masculine structures and in doing so restore trust and find collaborative solutions to some of the intractable problems of our time. This is paralleled in another great transatlantic exchange, that of a long tradition of soft diplomacy by women leaders in the political world, such as Madeleine Albright, Hillary Clinton, Angela Merkel, Mary Robinson, Christine Lagarde, Gro Brundtland, Michelle Obama, Swanee Hunt and Catherine Ashton. That these roles now embrace not only foreign policy but also security policy reflects an increasingly unstable world. Women's priorities for peace and security may well offer more sustainable outcomes for the future of international relations than those traditionally pursued by men.

Melanne Verveer, as US Ambassador-at-Large for Global Women's Issues, stated that:

> The major economic, security, governance and environmental challenges of our time cannot be solved without the participation of women at all levels of society. No country can prosper if half its people are left behind. Economically empowered women create healthier and more productive societies and more peaceful ones.

European and US women and men, understanding this co-dependency and building on the advances and advantages women have gained in their own countries, are supporting women around the world to realise their capacities. Goldman Sachs estimates (Global economics paper 164) that closing the gender gap in the BRICS (Brazil, Russia, India, China and South Africa) could push per capita incomes up by as much as 20% by 2030. Many European and US corporations provide business support and education to emerging economies: the Coca-Cola and Nike foundations, the Sainsbury Trust in the UK, Bertelsmann Foundation in Europe, L'Oréal promoting women in science and PwC enhancing the management skills of women in the Middle East are all playing a vital part in promoting women's economic and social inclusion.

Nancy Astor, an exemplar of transatlantic exchange in this field of female achievement, said, 'real education should educate us out of self into something finer; into a selflessness which links us to all humanity'.

Because of the significant gains and the now indisputable benefit to society and the global economy of having women fully engaged in all spheres of life, some will say that equality has been reached to the degree where it is no longer an issue. Alas, the experience of women and the statistics don't support this. True equality recognises and respects difference and it is not in the least discriminatory to mention the differing needs women have and the unique contribution they make, albeit often unsung and invisible.

The debating society motion in which I took part on 'the hand that rocks the cradle' was carried. The wider debate, however, continues.

Secondary and Higher Education Systems in Europe and the United States

Robert A. Spencer

Director General Emeritus, Webster University in Europe

"Secondary and higher education in Europe favours achievement over access, while in the US it favours access over achievement"

Robert A. Spencer

I intend to approach this all-encompassing topic through the relevant economic and social contexts, and with a particular emphasis on access and achievement, but first I need to place myself in context. I have been asked to discuss European education systems when my primary experience is in American education systems. I hold three degrees, all of them from American universities, and I have spent 40 years of my career working in American higher education. But what undoubtedly qualifies me for the task at hand in the eyes of my editors is the fact that I have spent the last 18 years serving as the Director General of Webster University in Europe. As a result I have first-hand experience of educational systems in Austria, the Netherlands, the UK and Switzerland where Webster University operates bachelor's and master's degree programmes. So while I have spent nearly half of my higher education career working in the European context, I need to be clear that I have done so working for an American university. I write therefore not without bias.

That said, I have had significant interaction with European institutions and systems, including secondary schools where Webster has recruited students, universities from which we have received students in transfer and to which we refer our graduates for ongoing study, and national accrediting agencies from which we have endeavoured to receive European recognition of our degrees. Other examples abound, but I think the aforementioned are the most important.

What will emerge from this discussion is an acknowledgment that European systems generally favour achievement and with it exclusion. American systems favour access and with it inclusion. Europeans have built systems that identify the best students and provide pathways to excellence. American systems have developed the means for providing the greatest good for the greatest number.

Public v Private Institutions and Systems

What distinguishes European education institutions and systems from their American counterparts? While there are certainly many differences from country to country, several characteristics stand out. First and foremost, European education systems, both secondary and tertiary, are largely state run. To be sure, private secondary schools do exist, notably in the UK and Switzerland, but in nowhere near the number that they do in the United States. As for universities, private institutions are the exception and public ones the rule. There were, for example, no private universities at all in Austria prior to the establishment of a Webster University campus in Vienna in 1981. In the United States, by contrast, there were almost no public universities established before the middle of the 19th century. Beginning with the founding of Harvard College in Massachusetts in 1636, virtually every tertiary institution established during the first 200 years of American history was chartered as a private entity. While there are now well-established and excellent public university systems in every state of the Union, the private and independent tradition is deeply rooted and respected in America. For the most part private education has gained little traction in Europe (outside the UK) and is often viewed with suspicion.

In my European experience, I have often detected a not-so-subtle bias that private schools, both secondary and tertiary, are somehow substandard. The concept of 'buying one's education' has a distasteful ring to it, and one assumes that private schools are in business to make a profit more than to educate. State-run schools are seen as more reliable and trustworthy, having no ulterior motive other than to undertake the best research and educate the best students, or to provide the best training for the professions and the trades. The fact that my former institution is private, independent and not-for-profit proved a moderating factor in the minds of pro-public advocates, but by no means did that provide an unassailable seal of quality. We had to work hard for recognition in Europe.

Schools as Proving Grounds for Later Life

Another important characteristic distinguishing education systems in Europe and America is the manner in which they are organised to move students through the educational process. Again speaking generally (as there are country-to-country differences), in Europe the rule tends to be that students are tracked as they reach secondary school, with the more academically successful students going into university-preparatory curricula at the end of which they take externally administered examinations. If they pass with prescribed scores or better, they receive a leaving certificate that virtually assures university admission. They go by such names as the Baccalaureate in France, the Maturité in Switzerland, the Matura in Italy, the Abitur in Germany, or A-levels in the UK. Depending on the country, secondary school admission to these academically challenging programmes can be downright exclusive. With the exception of the UK, students who do not meet the academic qualification are tracked into secondary programmes with vocational aims. Upon graduation, such students either go to work or continue on in a post-secondary institution that trains them more deeply for a specific profession or trade. It is unusual if not impossible for such students to be admitted to an academic university. On the other hand, post-secondary vocational training is rigorous in its own right and produces people of high achievement who are ready to work in trades and professions.

A graphic example occurred just last week when my barber, whom I have known for 18 years, was bemoaning the fact that his 15-year-old daughter had tired of school and was planning to drop out and find a job. He noted poignantly that in the Swiss system, where the girl is currently being educated, she would lose any future chance of attending a university and with no secondary school leaving certificate employment is likely to be marginal at best. That is not the case in the United States.

In the United States schooling is the responsibility of the individual states (not the federal government) and most state systems are organised into local school districts where public education is funded through the levying of property taxes. It takes little imagination to understand that districts with expensive and well-maintained properties raise considerably more funds to support education than districts with a poor housing and commercial building stock. Thus, the quality of education can vary widely between districts as a function of the tax base. It follows that richly funded school districts have a substantially higher rate of admission to universities than poorly funded school districts, and the latter tend to favour vocational training as a better alternative.

As in Europe, many US school districts track students into academic or vocational programmes based upon performance and aptitude; but unlike Europe, a secondary school diploma is in itself a credential that is a potential ticket to a university education. Thus, a student who excels in a vocationally oriented curriculum is not barred from applying to universities. Conversely, a student who underperforms in an academic curriculum may find university admission difficult. There is nothing about the credential that assures admission, as is the case in European systems with their academic qualifying examinations. Moreover, a student who drops out of secondary school before receiving a diploma is able at a later date, when a certain level of maturity and motivation develops, to sit the General Equivalency Diploma (GED) examination and earn a secondary school diploma at the age of, say, 25. Armed with the GED, the student is able to apply for university admission. Many American universities find such ‘late bloomers’ to be among their most industrious and successful students. The UK provides this option as well, but it is not common on the Continent.

Admission and Continuation

University admission and continuation are significantly different between Europe and America. In Europe, holding the secondary school academic credential may guarantee admission to public universities but it is by no means a guarantee of continuation. In many higher education institutions there is an explicit policy of weeding out the less able or less motivated students. For example, in some faculties at the University of Geneva the expected elimination rate is 70% of those entering at the beginning of the programme armed with the Maturité. It is a matter of sink or swim. Classes consist of lectures in large halls where there is no personal interaction between professor and student. Exams happen at the end of the academic year when an entire year of knowledge is tested. If you pass, you move on to year two. If you fail, you are out, and there is no recourse.

In American universities, admission tends to be more or less individualised, especially in private higher education. Universities generally aim to educate 'the whole person', so the admission process looks not only at the secondary school academic record but also interests and activities outside the classroom such as sport, civic involvement, music, art and travel. A student with nothing but a good academic record may lose out to one who is active in student government, plays basketball, sings in a choir or plays in a band. State universities are closer to the European system in that they admit students from their own state who meet academic entrance criteria, but they are also looking for students who meet non-academic criteria to fill places on athletic teams, debating societies or musical groups. Most therefore actively recruit out of state to broaden the base of the student body. They also charge private school rates of tuition for students from another state.

As for continuation, the watchword in American higher education is 'retention'. It is a badge of honour for an American university to have a high retention rate, and all of them keep track of this statistic. Classes are often smaller than their European counterparts, with quizzes, midterm exams, term papers, class attendance and final exams all going into the calculation of a grade. Someone who starts out poorly can recoup and finish a course with a decent grade. There are academic advisers to keep tabs on the progress of their charges and to offer advice and encouragement if needed. Failing one course does not spell doom. Failing many does; but as a goal, most American universities want and try to steer as many students to graduation as possible.

Breadth and Depth of Study

Another major difference between European and American education is the sequencing of the transition from the secondary to the university level. The typical European pattern is that those in the university-preparatory track undertake a 13-year elementary-secondary curriculum culminating in examinations in a range of subjects at the end of their secondary school studies. At this point the student who passes the subject-matter examinations is deemed liberally educated and upon entering university chooses a specific area of study to pursue going forward. Hence, at the age of 19 the student enters the faculty of medicine or law or social sciences, for example, and studies just that subject for usually three years before receiving a bachelor's degree. Master's or doctoral level study, if undertaken, is usually in the same subject matter. There is little or no switching to another subject-matter area without simply starting from scratch. Academic credit earned in the faculty of law does not transfer, for example, to the faculty of social sciences, nor physical sciences to the faculty of medicine. You simply leave one faculty and go on to another where you begin again at square one.

A former colleague earned a bachelor's and a master's degree from American universities in international relations. He married a Swiss, settled in Zurich and was working in the financial sector when he decided he wanted to pursue a doctorate in business. The University of Zurich would not admit him to the faculty of business because he had no prior degree in the area. They were, however, willing to admit him into an international relations doctoral programme. His tactic for studying as much business as possible was to steer his research in international relations towards business-related themes.

In the American system, the elementary-secondary sequence is generally 12 years. There are no comprehensive examinations that the university-bound student is expected to pass. Upon entering most universities, the student is expected to meet certain 'general education requirements' (GERs), usually taken during the first two years of a four-year course of study. Many students know when they are admitted what subject matter they wish to pursue as their major or speciality so they mix GERs with subject-specific requirements for their major from the start. Other students have little or no idea what they wish to pursue as a major, and some who thought they did find out through taking GERs that another speciality is of more interest. In the United States students can change majors without losing ground.

Your author fell into that category. Arriving with the intention of majoring in economics, I found it boring and took up art history in my second year only to find after five courses in the subject that I had learned as much as I wanted. In my third year I switched majors again to philosophy and religion with a heavy dose of history and graduated with a degree in that area.

It is worth noting that many American universities award university-level credit to European students graduating from secondary school with the academic leaving certificate. Such students are effectively admitted into the second year of a four-year course of study. American universities will likewise accept credit earned in European universities in transfer. So the Swiss student, for example, who can transfer nothing from one faculty to another in a Swiss university can, in an American university, transfer courses earned with a passing grade and thereby not lose ground and keep moving forward.

In proceeding to postgraduate study, a student educated in an American university can go on to further study in another discipline. A history major can go to law school, a physics major can go to business school, and a music major can go on to study psychology. One is not stuck in the same subject matter through subsequent degrees. There are some exceptions, notably medicine, architecture and engineering, where postgraduate study presumes an undergraduate degree in the same area. But medical doctors have been known to enrol in Masters of Business Administration (MBA) programmes and engineers in law programmes later in life without finding the door shut.

Europeans believe that Americans are not properly educated for university study after only 12 years of schooling. The liberal arts (or GERs) are best done in their view at the secondary level so that specialisation can begin at the bachelor's level. Europeans believe that the American bachelor's degree is not concentrated enough, and although a year longer than the European undergraduate degree, it contains courses that are irrelevant to the subject of primary concern.

Hence, in Switzerland, for example, an American-educated student wanting to enter a Swiss master's degree programme in the same subject as his or her undergraduate major (let's say psychology) is usually deemed not sufficiently prepared and may be denied admission or, if admitted, may be required to take additional bachelor's-level psychology courses before starting the master's degree. The same holds true for an undergraduate business major wanting to pursue a Swiss MBA programme. As the leader of an American university based in Geneva, I found myself constantly making phone calls or writing letters on behalf of our students who were turned down for Swiss master's or doctoral programmes on the grounds that their US bachelor's degree was not equivalent to the Swiss counterpart. In some instances, a case could be made that a high-achieving student was bright enough and committed enough that it was worth the risk of admitting him or her in spite of the contention that the two bachelors' degrees were not equivalent. I cannot think of an instance where a student so admitted proved a liability to the Swiss master's programme.

In this light, I had a particularly pointed conversation some years ago with the president of the Conference of Rectors of Swiss Universities (CRUS), who was at the time also the rector of the University of Bern. After hearing my best arguments for recognising American bachelors' degrees as every bit the equivalent of their Swiss counterparts, the rector stated politely but in no uncertain terms that they were not equivalent because the level of concentration in the major subject was insufficient to qualify an American-educated bachelor's candidate for postgraduate study in Switzerland. He made perfectly clear that he was not picking on my institution, noting that our US regional accreditation is indeed recognised as a seal of quality and that our degrees are recognised by CRUS, but he also noted that all US bachelors' degrees, even those of such renowned institutions as Harvard and Stanford, are considered non-equivalent by the Swiss.

He went on to tell a bizarre story of equivalency issues among the Swiss universities themselves that were not always resolvable by CRUS. It seems that the University of Geneva had initiated an exceptional policy whereby a graduate of a Geneva cantonal secondary school who did not earn the Maturité at the conclusion of study could, under special circumstances, be admitted at the age of 25 to the first degree level at the University of Geneva. He told of an exceptionally talented young man who completed the first degree with distinction and then went on to earn his master's with equal distinction. He applied to a doctoral programme in the same subject at the University of Zurich but was denied admission because he lacked the Maturité. It seems that the good burghers of Zurich were not ready for Geneva's attempt to liberalise university access.

University Accreditation

University-level accreditation is in its infancy in Europe, having been spawned with the cross-border initiatives arising from the Bologna Accords. It draws much of its inspiration from the processes and procedures of the American regional accreditation model, which dates from the late 19th century. But an important distinction separates the European adaptation. To Europeans, research above all defines the university. If it is not a place where research is undertaken intentionally and systematically, it is not a university.

Within the context of the six American regional institutional accrediting agencies, the emphasis is on mission and outcomes. Hence, some institutions define themselves as valuing teaching above other priorities while others place a high value on research. Both are considered valid mission-defining characteristics. The job of the accreditor is to determine how well the institution fulfils its mission and to make recommendations about how to do better.

In Europe, teaching is assumed to follow from good research and is defined as the transmission of new knowledge arising from research. Without the latter, teaching is the transmission other people's knowledge. What results is something of a multi-tiered system of post-secondary education ranging from research universities to universities of applied science and to vocational schools. In some countries several different agencies accredit each type of school. In others one agency accredits all of them.

In the Netherlands, for example, accreditation is by programme and is done by a single agency. In my former institution, the international relations programme at our Leiden campus is accredited as a university research programme, and the business curriculum is accredited as a university of applied science programme. By contrast, in Switzerland different agencies currently evaluate research universities and universities of applied science. The institution is evaluated as a whole rather than by programme, so you cannot be one and the other at the same time. Under a new higher education law one agency will accredit both, but even so one must choose which sort of accreditation best fits one's institution. The Geneva campus of my former institution is from a curricular perspective virtually identical to the Dutch campus mentioned above, but it does not have the luxury of choosing research for one programme and applied science for another. It must choose either research or applied science and pursue institutional accreditation according to standards set forth for the chosen type. A case can be made for both.

Accreditation processes and procedures are continually evolving on both sides of the Atlantic, but they will probably be in greater flux in Europe in the near future because the practice is newer and is still taking shape. Nevertheless, the emerging pattern in Europe is clearly towards distinguishing between different types of institutions and/or programmes and setting evaluation standards catered to each. In America the practice is to evaluate all institutions regardless of type as having intrinsic value defined by the school's mission. The same accreditation standards are applied to all institutions based on the mission.

Conclusions

This discussion has admittedly been a broad-brush approach to a complicated subject that, if addressed country by country, would produce far more variation than I have presented here. Nevertheless, I trust I have described a sufficient number of policies and practices to make the case that Europeans aim at mastery and achievement in a chosen field, whether it is academic, professional or vocational. They place less value on access as, after all, the system and its institutions will sort everyone out, and all will have access to an education, a livelihood and a place in society that best suits the talents and abilities of the citizenry.

Americans, believing they live in the 'land of opportunity', provide access all across the system. In fact the system itself is less ordered than in Europe. One can change subjects, jobs and places in the social order through schooling. This is not to say that Americans do not value mastery and achievement. They do, and they reward it. The system and its institutions, however, are organised in a fashion that is more fluid and fungible than its European counterparts. The system beckons but it does not direct.

Both systems have value. It is not my aim to tap one or the other as better or more valuable. I probably favour the American model because I have grown up in it and worked in it for an entire career. But I certainly recognise the value of European models as contributing to an orderly society rather than the individualistic, opportunistic and sometimes disorderly society in America.

The European Social Model and the American Way of Life

Martina Bianchini

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"Any model of the future must balance the competing economic, social and environmental forces that shape economies. If we combine the entrepreneurial spirit of the US model with the higher safety net of the EU Social Model, we should be able to shape sustainable economic development"

Martina Bianchini

The European social model and the American way of life are two concepts that have completely different foundations, history and development. But reconciling them might open a new perspective on transatlantic relations that combines the best of both worlds in a future the two sides of the Atlantic are now trying to build.

Where did the American way of life come from?

The American Way of Life is based on the concept of the American dream, which was formally adopted in the United States' Declaration of Independence in July 1776. It is based on the belief: "that all Men are created equal, that they are endowed by their Creator with certain unalienable rights and that among these are life, liberty and the pursuit of happiness."

The Declaration states "Governments are instituted among Men, deriving their just powers from the consent of the governed." The Declaration also assumes that there should not be excessive taxation, as it would reduce people's self reliance and entrepreneurial drive. It promotes faith in private free enterprise as a way to pursue happiness. It also assumes that elected leaders, rather than kings or military leaders should govern society. Elected officials must abide by the rule of law, and a jury, not the will of the leader, must settle any legal disputes.

The guiding principle is thus an underlying personal value that no one is legally prevented from achieving his or her potential, and that protecting people's right to improve their own lives is the best way to ensure national progress. By legally protecting the value of individualism, the Founding Fathers laid the basis for what has become a very successful society.

Referred to as 'the charm of anticipated success', the American dream attracted and continues to attract millions of immigrants into the US and became a compelling vision for other nations. Sociologist Emily Rosenberg, in her work Spreading the American Dream: American Economic and Cultural Expansion 1890–1945, identified five key underlying values that have characterised countries all around the world inspired by the American dream:

- Belief that other nations should replicate America's development;
- Faith in a free market economy;
- Support for free trade and acceptance of foreign investment (FDI);
- Promotion of the free flow of information and cultural exchange;
- Acceptance of government protection of private enterprise.

Where is the American way of life today?

The American way of life is shaped by striving, self-belief and hard work leading to personal advancement. Happiness and success are largely defined by ownership of material goods and financial wealth. Particularly, the post-World War II economic boom enabled the achievement of unprecedented material wealth and associated financial gains created from an abundance of natural resources, enjoyed by large proportion of American society. .

The US still presents extraordinary opportunities for skilled individuals with an entrepreneurial mind, but with material markets growing saturated and a burgeoning awareness that natural resources are finite, possibilities are no longer open for everyone. With fewer opportunities for fewer people, achieving wealth to the extent it was possible for the baby boom generation is no longer taken for granted.

The middle class in the USA is shrinking and income gaps are widening as a whole working class of low-wage people has emerged, where some work even two jobs concurrently to make ends meet. Underlying inequalities rooted in class, race, religion and ethnicity suggest that the achievement of the American dream may no longer be attainable for everyone. President Obama in a speech in December 2013 argued that rising income inequality and the resulting social disparities pose a 'fundamental threat' to the American dream, and he urged Congress to adopt policies to address the economic divide. He called for a number of measures such as a higher minimum wage, stronger labor laws and a budget which promotes both education and social safety programs. That, he said, would provide better economic stability for families in the aftermath of the recession resulting from the 2008 financial crisis.

With redefined globalization, increasing international competition and mounting environmental pressures, spreading the American dream is becoming more challenging and the long-term sustainability of the American way of life is starting to be questioned.

What is the European Social Model?

The idea of the European social model first emerged after World War II when Europe wanted to build a strong market economy to keep up with the US and protect itself in the hostile climate of the Cold War, but also to avoid the social conflict of the pre-war years that had fuelled the rise of Fascism and of Communism.

European leaders put their faith in the possibility of reconciling the efficiency of markets with social solidarity expressed in legislative protection for the weaker elements in society. Their philosophy was based on the understanding that economic and social progress are inseparable, and that social protection and solidarity should be taken into account when pursuing economic growth in order to achieve a cohesive society.

The main pillars of the European social model feature in the 1993 Treaty of the Functioning of the European Union which states that the Union, in all its activities "*shall aim to eliminate inequalities, and to promote equality, between men and women, a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health and a good quality of the environment*".

The legal base of the EU Social Model was further elaborated in the 2007 Charter of Fundamental Rights of the European Union with European labor law establishing a general framework for improving information and consultation rights in the Member States. European Works Councils involving employers and trade unions are legal instruments with decision-making power, and the social dialogue between employers and organized labour is a key tool for coordinated policy-making through collective agreements between them.

In its strategy Europe 2020, the EU reiterated its commitment to the European social model by stating that it seeks to create smart, sustainable and inclusive economic growth and deliver high levels of employment, productivity and social cohesion. It set clear objectives in five areas: employment, innovation, education, social inclusion and environment/energy/climate.

Although the term 'EU social model' is an integral part of the political rhetoric, in reality, there is no one single European social model as both the historic developments and institutional structures in the EU member states differ significantly. Each state has to translate this framework into its respective national context and act according to its own particular circumstances.

Different versions of the model

Since different EU countries focus on different aspects of the model, there are four distinct social models in Europe which have developed over recent years. Bertholdt and Brunner, two academic researchers at Freiburg University, suggested in 2009 (discussion paper 09/5) that it could be summarized under four headings: the Nordic, the Anglo-Saxon, the Continental and the Mediterranean Model.

The Nordic model is represented by Denmark, Finland, Norway and Sweden. The Anglo-Saxon model encompasses Ireland and the United Kingdom. The Continental model embraces Austria, Belgium, France, Germany, Luxembourg and the Netherlands, and the Mediterranean model includes Greece, Italy, Portugal and Spain.

The Nordic Model is generally characterized by high levels of social protection and active labour policies to re-deploy people fast if they become unemployed, but it requires a high level of taxation to finance it.

The Continental model foresees a stronger role for trade unions and somewhat more emphasis on pensions and long-term support for disabled workers. It relies on high social security charges to finance its pay-and-go pension schemes.

The Anglo-Saxon model is characterized by active labour market policy but less power for trade unions, resulting in higher wage disparities and a higher number of low and part-time wage-earners. It gives more freedom of choice to the more affluent part of society and shows generally lower spending on pensions.

The Mediterranean model has developed most recently with more rigid labour policies, a high participation of trade unions and a greater tendency to use early retirement as a means to combat unemployment, or at least to lower official unemployment figures.

Central and Eastern European countries that have more recently joined the European Union are not included in this classification. With a history of communist-controlled trade unions, the adjustment from command economies to free markets resulted in major labour dislocation and very high unemployment. Their integration into the EU led to capital transfers to increase local employment but also to large migrations of workers to the more developed economies of Western Europe.

The shift from communism to democracy opened the possibility of the introduction of the European social model into their economies, and major political forces in all those countries have embraced the concept. But the transition has been a bumpy ride for many of them, and the journey is not yet over.

The EU Social Model sets the overarching framework in which governments attempt to balance three aspects of a social market economy: 1) dealing with economic uncertainty, 2) providing social security and 3) ensuring social justice.

The EU Social model seeks to create a guarantee of a 'social safety net' that acts as a shock absorber for the inevitability of uncertainty and risk. The safety net aims to deliver social security via the employee's health and retirement insurance, justified (and motivated) by a political concept of social justice which addresses the inequality between rich and the poor, legislating some element of redistribution of wealth. Social justice measures seek to avoid poverty, which is seen as part of the public good. However, such systemic action comes at a cost, especially in terms of economic efficiency, both for the donors and the recipients.

If 'efficiency' and 'equity' are used as indicators, the best performance is achieved by the Nordic model, while the Continental model needs to improve its efficiency and the Anglo-Saxon model its equity. Sadly, the Mediterranean model under-performs on both criteria. Any single EU social model needs to consider member state particularities to avoid unintended consequences of policy measures across the countries of Europe as a whole.

Where is the European Social Model today?

Implementing the EU Social Model, even in its lightest version, requires considerable finance. With persistent unemployment on the one hand and an aging population on the other hand, and the effects of the recession still weighing heavily on member states finances, the key question now is what level of adequate social protection can the EU model afford?

If social benefits are too generous, they have a disincentive effect on the population. Key questions are what benefits need to be shortened or dropped, what can European states afford to maintain, and how will it be financed?

In 2013, EU Commissioner for Employment cited the EU Social Model '*as a great asset that has achieved social cohesion between the member states and protected people from the adverse consequences of the financial turmoil triggered by the 2008 global economic crisis'. He also cited the model 'as a key driver for Europe's competitiveness*'.

The European Parliament is perhaps the over-arching political locus for debates about workable social policies and about the need to ensure Europe's competitiveness in the world. While some Euro-sceptic Members of the 2014-2019 EU Parliament are of the opinion that the EU has become too big and is doing too much, others are unhappy that the EU is not doing enough in this field. Vested interests and received opinion show resistance to change, particularly in France, where there is still some prevailing perception that making profits, earning money and being successful should be penalized.

Similarities and Differences

Just as there are significant differences within Europe between member states, so there are significant differences within the US between states. The so-called single market is deficient on both sides, so generalizations at US federal and pan-European level need to be considered with these variations in mind.

In March 2014, US president Obama visited the European Union in Brussels for the first time. In a public speech, he alluded to the shared values that bind the EU and US together. In his remarks, addressed to European Youth in particular, he recalled European history that led – by reaction - to the American dream. Both societies, he argued, share a strong Intolerance of corruption and deceit and emphasize the importance of rule of law. "*And it was here in Europe, through centuries of struggle -- through war and enlightenment, repression and revolution -- that a particular set of ideals began to emerge: The belief that through conscience and free will, each of us has the right to live as we choose.... Of course, neither the United States nor Europe are perfect in adherence to our ideals... But part of what makes us different is that we welcome criticism, just as we welcome the responsibilities that come with global leadership... The policies of your government, the principles of your European Union, will make a critical difference in whether or not the international order that so many generations before you have strived to create continues to move forward, or whether it retreats.*"

Behind the broad assertions of what we – Americans and European - have in common, those involved in making a reality of transatlantic relations have to work also with the differences. A shared history, but also divergent narratives, and shared as well as varying values; the willingness to accept responsibility for leadership, but some more than others. As so often, the devil lies in the detail, and that bears on the interpretation of the Dream and of the Model as well.

Demographics is typically the first economic indicator for any study of society. In the EU, the overall population is relatively stable. According to Eurostat figures, it stood in 2013 at close to 505 million inhabitants with only marginal increases, 0.4 per thousand from natural population growth and 1.7 per thousand from immigration. According to US Census figures for the same year, the US population stood at 318.6 million, but is growing faster, with increases also coming from immigration more than from the indigenous population.

Both EU and US figures show that the population is also aging. The economy slows down when the population ages. In Europe this puts an extra administrative burden on the social model in terms of replenishing retirement pension schemes, while in the US older people stay longer in the workforce, causing less of a retirement/ pension burden. When combined with the growing population, this may give the US a competitive edge, while population deficits in Europe may prolong its economic stagnation.

Employment is usually the second economic indicator. Whilst the European social model aspires to full employment, it is in the middle of an employment crisis with currently (in 2013) 11.6% unemployed. Youth unemployment (age 15 to 24) is at a record high at 27.06% across the EU, although massive differences exist between member states with Germany showing the lowest youth unemployment rate of 7.9% and Greece the highest of 58.3%.

The US also sees persistent high youth unemployment with 15% unemployed (age 16 to 24) compared to 7.3 % of total unemployment. But it is a smaller problem than that posed in the EU. With such high numbers of jobless youth on both sides of the Atlantic, the cost for taxpayers will be heavy, but less heavy in the US. A comparative advantage of the US is that unemployment typically lasts for a shorter period, while Europe faces more long-term unemployment with some people being out of the workforce for several years, not only causing higher support costs but also impacting on their future employability.

In Europe, the social security charges to employ people are high when compared to the US, resulting in an inbuilt hesitation in the system to employ people, particularly in small and medium size enterprises (SMEs). SMEs either do not dare to take the responsibility or cannot afford to employ more people when there is high economic uncertainty in the market. Hence the guarantee of the social safety net by the state reinforces an aversion of risk by individual employers. The EU model with high taxes to ensure state support for unemployment may hamper innovation and dampen economic growth. This can present an inherent risk to the long-term affordability of the model.

Another factor in the EU employment strategy is the role of the social dialogue, which is an institutional element of the EU social model. Trade unions or works councils actively shape labour law in the EU by negotiating the terms and conditions of employment.

One positive impact of trade unions, when compared to the US, is the lower wage inequality in Europe resulting in less income disparity, lower social inequality and ultimately lower poverty levels than in the US. A negative impact of trade unions is that they adversely impact competitiveness by raising the cost of labour and slowing down the speed of economic change. Although there is a steady decline in trade union membership across the EU, it remains twice as high as in the US, around 24%, according to the European Commission's 2010 figures, compared to 12% in the US and 18% in Japan.

Poverty reduction and the fight against social exclusion are components of the EU model and fall within the remit of public sector agencies. In the EU, there is a prevailing perception that it is the government's responsibility to protect the weak, while in the US model inequalities between the rich and poor and poverty are accepted as part of the natural order. In the US, philanthropy is called on to play an important role in poverty alleviation, as the official system relies on private generosity of those people able and willing to help others.

There is a correlation between social inequality, poverty and the crime rate. According to Eurostat figures, the incarceration rate in the US in 2009 was at 784 prisoners per 100,000 population, while the rate in the EU was about 129 prisoners per 100,000. The EU average is more than 6 times lower than the US; indeed in Sweden, it is 10 times lower. Here the costs involved in maintaining such a large prison population give the EU a clear "competitive edge" and helps complete the picture of social cohesion. For Europeans some of the problem of poverty and maladjustment to society's norms is solved via the expenditure that maintains the social model rather than maintains a larger prison system.

There are rigidities in the European social model – both inherent and man-made – that both differentiate it from the American way of life and make in some ways less satisfactory.

For example, the inherent divisions of a market and a social space divided among more than 20 official languages limits personal mobility in Europe, while mobility in the US is linguistically and culturally easier and remains high. Another barrier to mobility is the limited portability of health and pension schemes – for administrative reasons - across EU member states. A third is the administrative culture that characterizes much of European life. Although a great place for diversity of thought and idea generation, this burden entails a rigidity that hampers entrepreneurs from turning great ideas into global business success.

For those with a free entrepreneurial spirit and a strong business mind often orient themselves towards the US system, which provides a dynamic environment where innovation is encouraged, venture capital is more easily available, and the beacon of success is not extinguished by initial failure. Despite the absence of a social safety net in the US, the 'charm of anticipated success' acts as a major attraction for people fired by ambition and with a mindset that does not shirk work hard.

The path forward – how to define success?

In both societies there are tensions between fundamental libertarians and those at the other end of the political spectrum who stress the strengths of community and solidarity, reducing the role of the individual. The key questions for the future relate to just where on this philosophical spectrum the models currently lie and whether they are converging or diverging. Where to draw the boundaries between social state and free market economy? What features of either system should be maintained or enhanced to encourage this convergence? And as we head towards a crowded world with multi-polar values and diverging interests, will our approximating sets of social values help determine how other parts of the world will evolve, recognizing, respecting and perhaps sharing the values we embrace on both sides of the Atlantic as we seek social structures that are sustainable in the long term?

Once there is more clarity on the direction, the next question is what can we afford?

As the US model fosters business entrepreneurship and private investment for the free market economy, it relies on the power of the individual and personal leadership to thrive. This structure allows exceptional individuals to generate enormous financial wealth. It can also afford to tolerate failure and see it as a learning experience, a source of innovation and no barrier on the route to business success. Such freedom of vision enabled by private investments can afford unprecedented new business opportunities, with particularly strong examples in the technology and communication field. Companies like Apple, Microsoft, Yahoo, Amazon, Facebook or Google were all founded by visionary entrepreneurs who set up their companies initially in their garages, then searched for and found private investors. In creating value for everyone involved, they became not only the wealthiest global companies but also agents of social change. While there are also excellent inventions in Europe, (eg, MP3 in Germany, Skype in Luxembourg or Uber taxi in Paris), it takes an American mindset, and the associated substantial financial resources, to turn such inventions into global businesses.

Innovative companies in the US set a new standard by providing generous social benefits to their employees, such as daycare or health management, that in Europe would be provided by the state.

Although business contributes significantly to the wealth, happiness and also the social safety of its workers, it will not fill all the gaps for the rest of society. President Obama, at the pinnacle of the political process, seeks to fill these gaps by calling for higher minimum wages, stronger labor laws and more education. Such measures would provide more social safety in the US and set the system at a higher level closer to the EU. Whilst some think such measures are urgently needed, others dismiss them as idealistic or overly socialist, and those cleavages of opinion are reflected in Congress as in public opinion.

The EU system fosters more public sector investment for the social market economy. It relies on solidarity among the member states to institute an embryonic redistribution of resources across its membership. Faith in private enterprise is not seen by all as the unique way to pursue happiness, and business failure is still generally seen as bad, rather than as creative destruction or as a step on the path of business learning. Increasingly, the EU pulls in the private sector and promotes public-private partnerships as a move towards potential innovation and long-term competitiveness. Steps are taken in the right direction through programs like Horizon 2020, Erasmus, or Youth on the Move, yet the EU could still benefit more from the empowerment of individuals that results from the US approach.

Until the 2008 financial crisis, the US system allowed ultimate freedom in the creation and management of a financial system for a free market economy. But that crisis showed the disastrous impact an unchecked free market economy can have on social development. It demanded a new look at the role of the state versus the market as mechanisms for economic development, not only in America but also in Europe.

Following the crisis, both member states and the EU itself have taken additional steps to strengthen control of the exhuberance of the free market, especially in the financial sector. As it is closely concerned with the development of the Single Currency, the EU has moved to the creation of a banking union as a central supervisory control mechanism for European banks, with special concern for the Eurozone.

The US model rewards the people who are entrepreneurial as long as they generate money and profit. This is how success is defined in the US model. Undoubtedly, private investment will continue to be the prime driver shaping the US model in the future. Leading business will fill some gaps and drive social change, initially for their employees and the communities where they are situated, but they are unlikely to narrow the increasing economic divide across the whole nation. From a state and public investment perspective, clearly defining affordability factors will help to define how best to cost social and environmental externalities such as employment, healthcare and natural capital limitations into the system so that economic stability can be achieved.

The common good?

Our world is at a turning point, and that affects both Europe and the United States. Both the American dream and the EU social model pre-date globalization. With the rise of emerging economies, in particular the BRICS, the interconnectedness of our various economies increasingly influences the political and economic models of the future. The US has been a leader in globalization, while Europe has been happy to follow the same path. Both consequently pursued a strategy of economic liberalization, one predominantly through the free market economy, the other through a social market economy and welfare state. In the context of historic globalization, both systems have been highly successful.

In the past, globalization was seen as an opportunity rather than a threat. Today, globalization is being redefined, particularly in light of global demographic shifts and the growing awareness of social and environmental boundaries. This means more economic uncertainty and more unpredictable political risks impacting both models. Both systems need to adapt their efficiency, effectiveness and governance structures to cope with this uncertainty and avoid economic instability that could further increase the economic divide in their societies, particularly in the US.

It appears that the American Way of life 'sells' better to those outside the US just as the EU Social Model 'sells' better to those outside the EU rather than to those within it. Witness the pressures of migration, with "huddled masses" pressing from around the globe to come to one or other haven of prosperity and peace.

But the aspect of Europe that appeals most to the outside world is probably its 'social model'. Europe is a soft power where states have raised the bar for a common social safety net, thereby creating a region with a decent quality of life available to all who live there. If one wants to sell the US to the world, it is more likely to be on its hard power role and the possibility it affords for any individual to fulfill his own personal aspirations through an attitude of 'succeed or perish'. The comparison between a socio-political cohesion model and individual freedom in a free market economy is both challenging and inviting. Just how far can they be complementary rather than competitive?

All people would like to capitalize on an '*unalienable right to pursue happiness*', In this regard, the attraction of the American dream is universal, yet the definition of happiness and success may vary from person to person. The relationship of states with private enterprises – some of them already larger and richer than many small states around the world - and the balance between government protection of private enterprise on the one hand and social protection of citizens on the other will continue to determine the shape of our societies. Economic and social progress are inseparable, but the balance between them will play out in different ways.

The youth of today - the leaders of tomorrow - will both reshape the American way of life and take the EU social model to the next level. Skilled in the use of Internet technology, their comfort zone is a global on-line community. This new sense of belonging may create new business opportunities for niche players, well beyond the geographic borders of either Europe or the United States – but it will not of interest resolve the issue of how best to define and defend the "common interest". That will be their generation's task as much as it is ours.

Timeline Following the Development of Transatlantic Relations Over the Past 100 Years

Dr Neven Andjelic

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"The great powers of Europe moved like sleepwalkers into war in 1914, little imagining that by the end of the conflict America would be the arbiter of the peace that shaped the future of the old continent"

This selective timeline illustrates Transatlantic Relations over the past century and was researched and compiled by Dr. Neven Andjelic of Regent's University London, who wishes to thank Daniel Erhardt, currently a student at the university, for his helpful assistance.

Europe

1914 Assassination of Archduke Ferdinand, heir to Austro-Hungarian empire, in Sarajevo. Austro-Hungary, allied with Germany, declares war on Serbia. Russia declares war on Austro-Hungary, France sides with Russia, Great Britain sides with France. Ottoman empire and Italy drawn into conflict. War rages on eastern, western and southern fronts in Europe.

1915 Western Front established; defensive trench lines from English Channel to Swiss border.

British, Australian and New Zealand landing at Gallipoli repulsed by Ottoman forces.

1916 High casualties and food shortages lead to social unrest. Conscription imposed in all belligerent states.

Easter Rising in Ireland crushed by British troops.

1917 February Revolution in Russia. Tsar Nicholas abdicates.

October Revolution brings Lenin and Bolsheviks to power.

December armistice (Brest-Litovsk) ends German/Russian hostilities.

1918 German offensive on Western Front fails. Austro-Hungarian losses in northern Italy.

Austrian Emperor abdicates. Austro-Hungary signs armistice with Italy. Ottoman Empire collapses.

EUROPE

America

1914 Woodrow Wilson, Democratic president (elected 1913), inclined to Allied cause but reluctant to drag US into European quarrels.

Ford Motor company announces eight hour working day and $5 minimum wage.

New York stock exchange closes for four months due to war in Europe.

1915 Transatlantic liner Lusitania torpedoed by German submarine with more than 100 US casualties. US public opinion shifts in favour of Allies.

1916 US increases loans to Allies: $10 billion by end of hostilities. Large trade increases with Allies while trade with Central Powers falls to zero.

1917 German offer of alliance with Mexico against US (Zimmermann telegram) made public.

US declares war on Germany (April) and US forces land in France (June).

US buys Danish West Indies (American Virgin Islands) for $25 million in gold.

1918 Woodrow Wilson's Fourteen Points – including free trade, no secret negotiations or treaties, democracy and self-determination for the peoples of Central and Eastern Europe – become US aims at Paris Peace Conference.

AMERICA

German kaiser abdicates. Social Democratic government signs armistice with Great Britain and France.

War casualties: 10 million military and 6 million civilians dead with 20 million wounded. Allies lose about 6 million military personnel; Central Powers lose about 4 million. Spanish flu epidemic follows war and kills a further 50 million worldwide over three years, many in Europe. US casualties amount to over 100,000 killed and a further 200,000 wounded.

1919 At Paris Peace Conference intransigent French delegation insists on German war guilt. Reparations fixed at 226 billion gold marks ($846 billion at 2014 prices).

Treaties of Versailles and Trianon redraw European borders, carving independent states from now defunct Austro-Hungarian, Russian and Ottoman empires.

GB fights independence war in Ireland and unsuccessfully supports White faction against Red Army in Russian Civil War. Poland invades Ukraine, one of several border wars after Versailles settlement.

1920 Great Britain becomes 'debtor nation' with negative balance of payments for first time in a hundred years.

League of Nations formally begins work on issues agreed at Paris Peace Conference.

1921 Anglo-Irish Treaty concedes Irish independence.

Allies occupy Constantinople and Smyrna. Greek and Turkish border revisions and population exchange following Turkish war of independence displace over 2 million people by 1923, with many massacred.

First case of Spanish flu detected in Kansas: subsequent worldwide pandemic kills millions.

Anti-German sentiment leads to lunching of miner in Illinois.

Woodrow Wilson attends Paris Peace Conference, first US President to visit Europe in office.

1919 Treaty of Versailles confirms Wilson's Fourteen Points, plus war guilt and reparations. Creates new states – Poland, Czechoslovakia, Estonia, Latvia, Lithuania, Romania, Bulgaria and the South Slav state of Yugoslavia – from former Austro-Hungarian Empire and parts of Russian and Ottoman empires.

League of Nations established to structure future relations between states.

Fear of Bolshevism – Red Scare – leads to deportation of 249 people from US.

1920 US becomes major creditor nation with strong balance of payments surplus.

Isolationist public opinion in US, supported by German, Italian and Irish immigrants, leads Congress to block US participation in League of Nations.

1921 Warren Harding (Rep) new president.

Congress passes Emergency Quota Act restricting immigration.

Congress grants female suffrage. Also introduces 'prohibition', banning sale of alcohol.

EUROPE

Allies agree to reduce German reparations to 132 billion gold marks.

1922 Mussolini's Fascist movement seizes power in Italy.

BBC makes first public radio transmissions.

1923 Treaty of Lausanne: Sultan deposed and Turkish Republic established under Ataturk with secular, democratic constitution.

PanEuropa movement for united Europe launched: calls for single market, single currency, one army and one parliament. Gains popular support but little political backing.

French army occupies Ruhr when Germany fails to pay (reduced) reparations.

British Fascist movement founded.

1924 Height of German hyperinflation. Attempts to stabilise currency fail.

Labour minority government in Great Britain (Feb to Nov) under MacDonald succeeded by Conservatives under Baldwin, with protectionist tariff policy.

1925 Mussolini takes dictatorial powers in Italy. French evacuate Ruhr region of Germany.

Great Britain returns to gold standard.

1926 General Strike in Great Britain. Army deployed to run essential services and maintain order.

Scottish engineer (Baird) demonstrates first television signal.

AMERICA

Council on Foreign Relations (think tank) founded in New York.

1922 Washington Disarmament Conference leads to five-power treaty limiting naval tonnage for US, Great Britain, Japan, France and Italy. China, Belgium, the Netherlands and Portugal join arrangement.

1923 Calvin Coolidge (Rep) new president after death of Warren Harding.

Time magazine founded in New York.

First anti-Darwinian legislation in US signed by Governor of Oklahoma.

Iconic Hollywood sign constructed in hills in California.

1924 US tightens immigration quotas – aimed at eastern and southern Europeans and Jews. Also prohibits immigration of Arabs, East Asians and Indians.

Dawes Plan (later amended by Young Plan in 1929) alleviates reparations burden for Germany through improved credit facilities.

1925 Butler Act signed by Tennessee governor prohibits teaching evolution in state schools.

Ku Klux Klan has estimated 5,000,000 members. Forty thousand parade in Washington DC.

1926 Fox Film buys the patents for recording sound onto film: 'talkies'.

Air Commerce Act passed by Congress, first licensing of planes and pilots.

EUROPE

Dictatorships declared in Greece and in Portugal.

Germany joins the League of Nations.

1927 Great Britain renamed United Kingdom of Great Britain and Northern Ireland.

First Volvo automobile leaves production plant in Sweden.

"Black Friday" on Berlin stock exchange triggers collapse of German economic system and threatens world financial system.

1928 Serbian member of parliament shoots three members of Yugoslav parliament including Croatian leader.

Alexander Fleming discovers penicillin. Coca-Cola sponsors Olympic Games in Amsterdam.

1929 Majority Labour government elected for first time in UK.

1930 Beginning of Great Depression: stock market failures, bankruptcies, unemployment.

London Treaty modifies 1925 Washington Treaty limiting naval arms race of five leading powers: US, UK, Japan, France and Italy.

1931 King Alfonso XIII abdicates. Spain becomes a republic.

Bankruptcy of Austria's largest bank, Creditanstalt, starts banking collapse leading to worldwide financial meltdown. UK abandons gold standard.

AMERICA

Transcontinental Route 66 established between Chicago and Los Angeles.

1927 Last Model T Ford produced.

First transatlantic telephone call made via radio between New York and London.

Charles Lindbergh makes the first solo non-stop transatlantic flight from New York to Paris.

Great Mississippi Flood – most destructive river flood in America – renders 700,000 homeless.

1928 Kellogg-Briand Pact renounces war as instrument of foreign policy. Fifteen states sign initially, including US; sixty before outbreak of Second World War.

1929 Herbert Hoover (Rep) new president. Wall Street Crash (Oct) ushers in decade-long Great Depression on both sides of Atlantic. Signals end of economic excesses and financial instability of 'roaring twenties'.

1930 First diesel-engine automobile completes trip from Indianapolis to New York.

Mickey Mouse comic makes first appearance.

1931 'The Star-Spangled Banner' becomes official US anthem.

Nevada legalises gambling. New York's Empire State Building becomes world's tallest skyscraper.

Hoover Moratorium suspends reparation payments to dampen European banking crisis.

EUROPE

1932 Elections return Adolf Hitler's Nazis as largest party in Reichstag.

French President Paul Doumer assassinated in Paris.

Soviet and Polish governments sign non-aggression pact.

Denmark, Norway and Sweden join Belgium, Luxembourg and the Netherlands in economic cooperation plan.

1933 Hitler invited by President Hindenburg to become chancellor: introduces totalitarian measures, opposition interned in concentration camps, mass book burnings, one-party rule imposed.

Germany leaves League of Nations.

Geneva Disarmament Conference collapses when Germany refuses offer from leading powers.

Italian arms shipment to Hungary intercepted.

1934 Collapse of left-wing government in France. Soviet Union joins League of Nations.

Assassination of King Alexander of Yugoslavia and French Foreign Minister in Marseilles.

Start of Stalin's Great Purge (Terror) in Soviet Union. At its height (1937/38) more than 1,000 executions a day.

1935 German rearmament – breaching Treaty of Versailles limits – boosts German economy.

Nuremburg Racial Laws exclude Jews from public life and subject them to serious discrimination.

Italy defies League of Nations and invades Abyssinia.

AMERICA

1932 Stimson Doctrine – non-recognition of territorial changes made by force – is adopted by US.

Hattie W. Caraway becomes first woman elected to the US Senate.

Treaty of Lausanne (US, UK, France) annuls reparations from First World War.

Dow Jones Industrial Average for July – lowest level of Great Depression.

1933 Franklin D. Roosevelt (Dem) elected president and introduces 'New Deal' with Keynesian economic stimulus through an active policy to end Great Depression through state investment and public works.

US leaves gold standard. Dow Jones Industrial Average rises 15.34% – largest single-day percentage rise.

Congress repeals 'prohibition' legislation.

Newsweek magazine published for first time.

1934 Johnson Act bans American loans to countries that defaulted on previous loans.

President Roosevelt establishes US Securities and Exchange Commission to protect investors and regulate financial markets.

Bank robbers Bonnie and Clyde killed in police ambush in Louisiana.

1935 Congress introduces annual Neutrality Act, banning trade and assistance to belligerents in any foreign war.

Aeroplanes banned from flying over the White House.

EUROPE

1936 Civil War in Spain as General Franco defies Popular Front government.

Nazi Germany reoccupies de-militarised Rhineland and supports Franco in Spanish Civil War.

Fascist Italy also supports Franco and withdraws from League of Nations.

1937 Public works programme builds German infrastructure (autobahns and railways) to ensure full employment.

1938 Germany annexes Austria (Anschluss). PanEuropa leader escapes via Switzerland to US.

Munich Agreement: UK and France accept German annexation of part of Czechoslovakia (Sudetenland).

Kristallnacht in Germany and Austria as Nazis loot, burn and destroy Jewish property.

Volkswagen produces first Beetle car, even more popular than Ford Model T.

1939 Collapse of last Republican resistance in Spanish Civil War.

Germany occupies rest of Czechoslovakia. Italy invades Albania.

Molotov-Ribbentrop Non-Aggression Pact (August) preludes German and Russian invasions of Poland (Sept) from both west and east.

UK and France, allied with Poland, declare war on Germany. Start of Second World War.

1940 Germany invades Denmark, Norway, Netherlands, Belgium, Luxembourg and France.

AMERICA

1936 Construction of Hoover Dam completed.

President Roosevelt re-elected to second term in landslide victory.

Black American athlete Jesse Owen wins four gold medals in Berlin Olympics.

1937 Golden Gate Bridge opened in San Francisco.

1938 Congress passes Fair Labor Standards Act – improved work conditions and minimum wage.

Superman appears for first time in Action Comics.

President Roosevelt states US will remain neutral if Germany attacks Czechoslovakia: "not going to join a stop Hitler bloc".

Orson Wells radio play "The War of the Worlds" causes mass panic across US.

1939 US officially remains neutral despite start of European hostilities.

President Roosevelt orders cash-and-carry arrangements to supply weapons to non-belligerents.

Sit-down strikes outlawed by Supreme Court.

Pan-Am Airways starts transatlantic "Clipper" service.

US declares neutrality at outbreak of war in Europe.

1940 Selective Training and Service Act creates first peacetime draft in US history.

EUROPE

Withdrawal of British Expeditionary Force from Dunkirk.

Churchill becomes prime minister of all-party wartime government in UK.

UK offers political union to French government. Rejected days before capitulation to Germany.

Polish and Czech pilots in exile help UK win Battle of Britain and deter German invasion.

Hungary joins Germany and Italy (Axis Powers). Axis invasion of Romania and Greece.

Russia annexes Baltic States (Estonia, Latvia and Lithuania).

1941 U-boats sink up to 500,000 tonnes of Allied shipping a month in Battle of the Atlantic.

Severe food and raw material shortages in UK.

Germany dismembers Yugoslavia after democratic coup ousts pro-Nazi regime.

Germany turns on its temporary ally and invades Russia. Germany declares war on the US.

Twenty-six Allies (including USSR) sign the Atlantic Charter, setting out war aims.

1942 Wannsee Conference in Berlin decides ‘Final Solution’ of extermination of all Jews in German-controlled Europe.

Allied military victories at El Alamein stop German forces reaching Egypt.

Soviet Winter Offensive leads Red Army to Kursk and recaptures Kharkov.

Hitler and Mussolini meet in Salzburg to discuss progress of the war.

AMERICA

Leon Trotsky assassinated in Mexico by a Soviet agent.

First McDonald’s restaurant is opened in California.

First appearance of comic superhero Batman.

General Pershing’s broadcast appeal for aid to Britain as part of “defence of the USA”.

Charles Lindbergh addresses pro-German mass rally in Chicago for isolationist position.

President Roosevelt declares US has to become a “great arsenal of democracy”.

1941 President Roosevelt begins his third term in office.

$50 billion ‘lend-lease’ arrangement to boost Allied armaments agreed by Congress.

U-boat sinking of USS Reuben and Japanese surprise attack on Pearl Harbor leads to US declaration of war on Axis states.

Arcadia Conference: Churchill and Roosevelt in Washington agree ‘Europe First’ strategy for winning war and create uniquely close military command structure. Atlantic Declaration.

1942 United Nations Declaration signed in Washington by Big Four (US, UK, China and Soviet Union) agreeing not to make separate peace with the Axis powers. First American forces arrive in Europe.

Coudenhove Kalergi sets up American Committee for a United States of Europe.

Japanese Americans interned and their property seized by the US government.

EUROPE

1943 Russian forces defeat Germans in Battle of Stalingrad.

Allied invasion of Sicily opens second front in west. Italian government switches sides to join Allies. German forces occupy northern half of Italy.

1944 Russians relieve besieged city of Leningrad (St Petersburg) after 900-day siege.

Allied (Anglo-American) landings on Normandy coast lead to liberation of Paris.

German Ardennes winter offensive delays Allied advance to the Rhine.

Allied forces capture Rome.

Iceland declares independence from Denmark.

1945 Polish rising in Warsaw brutally suppressed by Germans while Red Army waits nearby.

Red Army captures Berlin. Hitler commits suicide.

German representatives sign unconditional surrender: 8 May – end of war in Europe.

Clement Attlee replaces Winston Churchill as UK prime minister after July elections.

Potsdam Conference with Truman, Attlee and Stalin defines responsibilities in occupied Germany.

War Crimes Tribunal in Nuremburg condemns leading Nazis to death or long prison terms.

AMERICA

1943 Casablanca Conference: Roosevelt, Churchill and de Gaulle discuss progress of war.

Teheran Conference: Roosevelt, Churchill and Stalin plan peace settlement.

Cairo Conference: Roosevelt, Churchill and Chiang Kai-shek discuss ways to defeat Japan.

1944 Bretton Woods agreement settles financial structure of post-war world, with International Monetary Fund (IMF) ensuring developed states financial stability and International Bank for Reconstruction and Development (World Bank from 1945) ensuring developing economies financial assistance.

Dumbarton Oaks Conference: US, UK, China and USSR agree on establishment of United Nations to maintain world peace and security.

President Roosevelt wins re-election, only US president ever elected to a fourth term.

1945 Yalta Conference: Roosevelt, Churchill and Stalin divide Europe into Soviet (Russian) and Western spheres of interest.

President Roosevelt dies (April). Vice President Harry Truman becomes president.

Atomic bombs dropped on Hiroshima and Nagasaki (Aug) to accelerate Japanese surrender. Japan offers unconditional surrender on 14 August. End of the war in the Far East (Pacific War).

The United Nations (UN), established by 50 states in San Francisco (June), operational by October.

War Casualties: at least 20 million military and 40 million civilians. Russian military dead between 8 and 13 million and between 7 and 12 million civilians. German military dead close to 5 million plus 1 million civilians. Polish military dead approximately 250,000 and over 5 million civilians. Yugoslavs, military and civilian, between 800,000 and 2 million. Romanians likewise close to 800,000. Hungarians, Italians, French, British and US close to 500,000 each, both military and civilian. Over 20 million displaced persons in Europe at war end, including many Germans. Malnutrition, disease and famine widespread.

EUROPE

1946 Civil war in Greece between royalists/democrats and communists.

UK Labour government introduces National Health Service, nationalises Bank of England and mines.

1947 In retreat from empire, UK grants independence to India and Pakistan.

Churchill declines leadership of federalist PanEuropa; establishes European Movement instead.

Kalashnikov AK-47 standard assault rifle of Soviet army.

1948 Currency stabilisation with Deutschmark in western zones of Germany.

Soviets blockade West Berlin (June) in an attempt to drive out Allies.

Communist takeover in Czechoslovakia.

Belgium, Netherlands, Luxembourg, France and UK sign West European Union Defence Pact.

European Movement Hague Congress chaired by Churchill proposes integrated Western Europe.

AMERICA

1946 Churchill speech in March at Fulton, Missouri: 'From Stettin in the Baltic to Trieste in the Adriatic, an Iron Curtain has descended across the Continent.' US supports early efforts at greater European integration on democratic basis.

First meeting of UN General Assembly. World Bank begins operation.

1947 US declares Truman doctrine of support for anti-communist/pro-democracy movements worldwide. US takes over support for Greece and Turkey from the UK.

Voice of America begins broadcasts to Europe, East and West, including USSR.

IMF begins operation. Central Intelligence Agency (CIA) established.

1948 US offers Marshall Aid for Europe: accepted by Western democracies, refused by communist states. Over four years it amounts to $13 billion. Organisation for European Economic Coordination established to administer it.

US and UK sign security agreement confirming 'special relationship' in intelligence, military, nuclear and economic affairs.

Universal Declaration of Human Rights adopted by General Assembly of UN.

EUROPE

1949 Defeat of communists in Greek civil war. Communists remain largest parties in France and Italy.

Berlin blockade lifted (May) when communists take power in Hungary.

Council of Europe with ten West European states sponsors democracy, human rights and rule of law.

West German Bundesrepublik (BRD) founded in September; East German Democratic Republic (GDR) in October.

George Orwell publishes novel 1984.

1950 Schuman Declaration leading to European Coal and Steel Community (ECSC), with Belgium, Netherlands, Luxembourg, France, BRD and Italy as members. UK declines to join.

1951 Churchill elected prime minister in UK despite age and poor health.

1952 UK becomes nuclear power with atomic bomb.

Greece and Turkey join NATO. GDR army established.

1953 Death of Stalin (March). Nikita Khrushchev new general secretary of Communist Party. European Convention on Human Rights (Council of Europe) enters into force.

Soviet Union develops hydrogen bomb.

AMERICA

1949 US establishes North Atlantic Treaty Organisation (NATO) to manage defence of Western Europe. Article 5 declares that an attack on any member will be treated as an attack on all.

USSR establishes Warsaw Pact as counterbalance in defence of Eastern Europe.

First Soviet atomic bomb tested.

President Truman announces "Fair Deal" programme.

First year in which no African American was lynched in US.

1950 Senator McCarthy's anti-communist campaign: Committee for Un-American Activities.

Outbreak of Korean War. UN sends forces to defend the south, led by US with UK, Belgium, France, Luxembourg, Greece, Netherlands, Denmark, Norway, Sweden and Italy contributing.

1951 US, Australia and New Zealand sign mutual defence pact.

Constitutional amendment limits presidential mandates to two terms.

1952 Dwight Eisenhower (Rep), Second World War commander, elected president.

First US hydrogen bomb tested. Long-range B-52 bomber test flight.

1953 End of Korean War. US Senate rejects Chinese People's Republic's admission to UN.

First Soviet hydrogen bomb tested. Julius and Ethel Rosenberg, Soviet spies, executed.

US returns 382 captured German naval vessels to West Germany.

EUROPE

1954 French forces defeated in Vietnam at Dien Ben Phu (May). Begins retreat from empire.

Soviet Union opens world's first atomic power station near Moscow.

Food rationing ends in UK.

1955 US, UK and France end military occupation of BRD. BRD fully independent.

Eden succeeds Churchill as Conservative UK prime minister. BRD joins NATO.

Eight Communist states led by Soviet Union sign Warsaw Pact defence treaty.

US, USSR, UK and France sign Austrian independence treaty on condition of neutrality.

1956 Suez Canal crisis: US forces UK and France to retreat from armed intervention in Egypt.

Krushchev exposes Stalin's crimes in secret speech to Central Committee.

USSR military intervention in Hungary suppresses democratic revolution.

1957 Six members of ECSC open negotiations for common market. UK declines to participate.

USSR launches first satellite into space: Sputnik 1. Start of Space Race with US.

1958 European Economic Community (EEC or Common Market) established: goal of free movement of goods, services, capital and labour.

De Gaulle assumes power in France as prime minister (June) and as president (Dec).

AMERICA

1954 Communist Control Act outlaws Communist Party in US.

Eisenhower's 'domino theory' speech, asserting US will stop first signs of communist subversion in other states.

Supreme Court rules segregated schools are unconstitutional.

1955 Beginning of Vietnam War.

First nuclear-powered submarine, Nautilus, in service.

Bus boycotts strengthen civil rights movement.

Disneyland opens in California.

1956 US threatens financial sanctions forcing UK and France to withdraw from Suez Canal.

Eisenhower re-elected president.

Close to one hundred Congressmen protest Supreme Court desegregation rulings on education and public transport.

1957 Desegregation riots in Little Rock. Federal troops provide safe passage for children to school.

Eisenhower doctrine of assistance to threatened foreign regimes approved by Congress.

1958 National Aeronautics and Space Administration launches first US space satellite.

High unemployment (20% in Detroit) reflects depth of US recession.

EUROPE

Nordic Passport Union links Finland, Sweden, Norway, Denmark and Iceland.

1959 UK and six other states (Austria, Sweden, Norway, Denmark, Switzerland and Iceland) form Free Trade Area to rival EEC.

1960 France becomes nuclear power with atomic bomb.

Start of major insurrection in Algeria against French colonial rule in North Africa.

USSR shoots down American U2 spy plane flying over its territory. Puts pilot on trial.

1961 USSR first to put man in space: Yuri Gagarin.

East German authorities build Berlin Wall to keep population within their borders.

Failed assassination attempt on French President de Gaulle.

Yougoslavia founds Non-Aligned Movement.

1962 France progressively reduces dollar reserves in favour of gold throughout de Gaulle's presidency.

France withdraws from Algeria and recognises Algerian independence.

UK and US sign Nassau agreement, supplying Polaris nuclear missiles for UK submarines in exchange for lease on Scottish deep-water naval base.

1963 De Gaulle vetoes first British application to join EEC in the same month that he signs Franco-German Friendship Treaty (Elysée Treaty).

AMERICA

First successful US satellite launched into orbit.

1959 USSR leader Nikita Khrushchev visits US.

Alaska and Hawaii join USA as 49th and 50th states.

1960 Martin Luther King leads civil rights movement for desegregation and equal opportunities.

Nikita Khrushchev aggressive 'We will bury you' speech at UN.

In parting address, Eisenhower warns of growing power of 'military industrial complex'.

1961 President Kennedy (Dem) succeeds Eisenhower.

US tests first intercontinental ballistic missile.

Aborted invasion of Cuba: Bay of Pigs incident.

Freedom Riders test civil rights, especially desegregation, in practice. Riots and arrests in Alabama lead to declaration of martial law.

1962 Cuban Missile Crisis: US faces down USSR's attempt to locate missiles on Cuba within short range of US targets. Risk of third world war averted.

US embargo of Cuba announced.

Winston Churchill made an honorary citizen of the US.

1963 President Kennedy broadcasts civil rights address promising civil rights bill.

Civil rights march on Washington: Martin Luther King's speech – 'I have a dream.'

EUROPE

President Kennedy visits West Berlin: 'Ich bin ein Berliner'. Konrad Adenauer, BRD's first chancellor, retires.

US, UK and USSR sign Partial Nuclear Test Ban Treaty.

1964 Brezhnev replaces Khrushchev as first secretary of Communist Party of USSR.

British Leyland Motor Corp. sells 450 buses to Cuba, challenging US blockade of the country.

1965 UK Prime Minister Wilson rejects US requests for UK armed forces to be sent to Vietnam.

UK adopts Race Relations Act to address racial discrimination.

Soviet cosmonaut Alexey Leonov first man to walk in space.

West Germany and Israel establish diplomatic relations.

1966 De Gaulle vetoes majority voting in EEC.

France withdraws from NATO. NATO moves headquarters from Paris to Brussels. De Gaulle visits USSR.

Labour wins UK election. Prime Minister Harold Wilson visits USSR.

1967 Military coup in Greece overthrows democratic government, putting colonels in power.

De Gaulle again vetoes UK application to join European Community (EC, formerly EEC).

USSR forbids satellite states from opening diplomatic relations with BRD.

AMERICA

Moscow–Washington hotline (Red Telephone) established.

President Kennedy assassinated in Dallas. Succeeded by Vice President Lyndon Johnson.

1964 Civil Rights Act bans discrimination in public places.

Lyndon Johnson re-elected president.

1965 First US combat troops land in Vietnam.

Immigration Bill abolishes quotas based on national origin.

Voting Rights Act bans racial discrimination in electoral matters.

US troops in Dominican Republic to stop spread of communism in Caribbean.

1966 US Freedom of Information Act for public disclosure of government-held information.

First African American elected to US Senate.

President Johnson states US troops will stay in Vietnam until "communist aggression ends".

1967 US, UK and USSR sign Outer Space Treaty banning military use of outer space.

President Johnson discussions with USSR Premier Kosygin on US visit.

US Supreme Court declares laws prohibiting interracial marriage unconstitutional.

Hundred-thousand-strong protests in San Francisco and New York against war in Vietnam.

EUROPE

1968 EC abolishes all tariffs on goods in its internal market.

Violent student protests in France are mirrored in several Continental states.

USSR leads Warsaw Pact intervention to crush Czechoslovak democratic rising (Prague Spring).

1969 British troops sent to Northern Ireland to quell growing Irish Republican Army (IRA) terrorism.

De Gaulle resigns as president of France. Willy Brandt becomes chancellor of BRD.

Violent crackdown on protestors in Czechoslovakia marks end of Prague Spring.

1970 Chancellor Brandt kneels at the Jewish ghetto in Warsaw.

Spanish government declares martial law in Basque Country in response to growing terrorism.

1971 Violent labour unrest in Poland forces resignation of interior minister

UK government nationalises bankrupt Rolls-Royce. Decimalisation of UK currency.

1972 Norway rejects membership of EC in a national referendum.

Palestinian terrorists kill 11 Israeli athletes at Munich Olympics.

British army shoots 14 nationalist civil rights protestors on 'Bloody Sunday' in Northern Ireland.

AMERICA

1968 Martin Luther King assassinated. Senator Robert Kennedy assassinated.

Fair Housing Act bans discrimination in housing.

Congress repeals requirement for gold reserves to support US dollar.

1969 Neil Armstrong – first man on the moon – restores US lead in space technology.

Woodstock rock festival: apogee of the hippie movement.

Stonewall riots in New York draw attention to anti-gay discrimination and gender issues.

Richard Nixon wins presidential election.

1970 President Nixon amends Voting Rights Act to lower voting age to 18.

US extends Vietnam War to Cambodia in pursuit of Viet Cong military.

Public Broadcasting Service begins broadcasting in US.

1971 President Nixon declares end of dollar convertibility to gold, ending Bretton Woods system.

Mass protests against Vietnam war.

1972 Nixon visits People's Republic of China and furthers détente with USSR.

Anti-Ballistic Missile Treaty (SALT 1) signed by US and USSR.

Equal Rights Amendment passed, promoting women's rights.

EUROPE

Swedish PM Olaf Palme likens US bombing in Vietnam to Nazi massacres. US withdraws ambassador.

To normalise relations, West and East German states recognise each other diplomatically.

1973 UK, Denmark and Ireland join the EC.

Spanish Prime Minister Admiral Blanco assassinated in Madrid by Basque terrorists (ETA).

Energy shortages throughout EC following OPEC oil price rise. Three-day working week.

First – still illegal - coffee shop selling cannabis opened in Amsterdam.

1974 Military junta in Greece collapses; return to democratic civilian government.

Carnation Revolution in Portugal ends 48 years of dictatorship.

OPEC oil price rise seriously depresses European gross domestic product. Rising unemployment.

Helmut Schmidt is West German chancellor; Harold Wilson is UK prime minister; Valéry Giscard d'Estaing is French president.

Turkish invasion of Cyprus conquers northern part of the island.

Pepsi-Cola Inc. sells the first American consumer product in the Soviet Union.

1975 East-West European conference ends with Helsinki Final Act covering disarmament, economic cooperation, respect of borders and human rights issues.

Official relations established between EC and People's Republic of China.

AMERICA

President Nixon re-elected despite start of Watergate burglary/surveillance scandal.

US and USSR sign Biological Weapons Convention.

1973 Paris Peace Accords signed, ending unpopular war in Vietnam.

Supreme Court overturns ban on abortion.

World Trade Center (Twin Towers) opens in New York.

1974 President Nixon impeached. Vice President Ford succeeds him.

Oil price rises – aimed at the US, Europe and Japan – ended by most OPEC countries (Organisation of Petroleum Exporting Countries).

First universal product code (barcode) scanned in US (on Wrigley's chewing gum).

Energy crisis brings in daylight saving time four months early.

Forty-year old restrictions on private holding of gold removed.

1975 Communist forces take Saigon. South Vietnam surrenders. Vietnam War ends.

Microsoft founded in Albuquerque, New Mexico.

Construction of the Trans-Alaska Pipeline System begins.

EUROPE

General Franco dies. Transition to multi-party democracy in Spain.

UK votes yes in a referendum to stay in the EC.

G6 meeting of richest economies: US, France, West Germany, Italy, UK and Japan.

1976 Northern Ireland parliament dissolved: direct rule from London.

Anglo-French supersonic airliner Concorde enters transatlantic service.

1977 Baader-Meinhof Group/Red Army Faction active in Germany: far-left terrorism leads to repressive legislation of 'German autumn'.

Brezhnev becomes first secretary of USSR Communist Party.

1978 Red Brigades in Italy assassinate former Prime Minister Aldo Moro.

European Court of Human Rights finds UK guilty of mistreating prisoners in Northern Ireland but not guilty of torture.

Polish Cardinal Karol Wojtyla becomes Pope John Paul II.

1979 Margaret Thatcher elected UK prime minister; introduces radical neo-liberal economic agenda.

Provisional IRA assassinates Lord Mountbatten, former Chief of Defence Staff and chairman of NATO Military Committee, cousin of Queen Elizabeth.

Soviet Union invades Afghanistan.

First direct Europe-wide elections to the European Parliament.

AMERICA

New York City bailout of $2.3 billion each year through to 1978.

Space cooperation: US Apollo and Soviet Soyuz dock in orbit.

Metrification Act encouraging – but not mandating – metric conversion.

1976 Apple Computer Company formed by Steve Jobs and Steve Wozniak.

G6 becomes G7 when Canada joins group.

1977 Jimmy Carter (Dem) elected president: pardons Vietnam War draft evaders.

Nuclear non-proliferation pact signed by 15 countries, including US and USSR.

1978 US Senate first broadcast on radio. BBC follows with broadcasts of UK parliament.

Volkswagen opens first production plant in US.

USSR nuclear stockpile exceeds US for first time.

1979 US establishes full diplomatic relations with People's Republic of China, pursuing economic reform under Deng Xiaoping.

Islamic revolutionaries take US diplomats hostage in Tehran.

American ambassador kidnapped and murdered in Kabul.

Strategic Arms Limitation Treaty (SALT II) agreed with Soviet Union.

Successful European Ariane rocket launched from Guiana space centre.

1980 Boycott of Moscow summer Olympics in response to invasion of Afghanistan.

Solidarity trade union organises opposition to communist regime in Poland.

Terrorist bombing of Bologna train station.

1981 Greece joins EC.

François Mitterrand elected president of France.

General Jaruzelski declares martial law in Poland to pre-empt Russian invasion.

Pope Jean Paul II receives Solidarity delegation led by Lech Walesa.

1982 Spain joins NATO, ending years of neutrality.

Helmut Kohl elected chancellor of West Germany.

Death of Brezhnev; succeeded by Andropov, former head of KGB.

UK naval task force defeats Argentina to recapture Falkland Islands.

1983 Thatcher and UK Conservative government re-elected by landslide majority.

Turkish (northern) part of Cyprus declares independence.

USSR shoots down Korean plane killing 269 passengers, including a US congressman.

Bombing of French and US army barracks in Beirut by Islamic Jihad terrorist group.

EUROPE

1980 Supported by European Union (EU), President Carter proclaims grain embargo against USSR.

Six US diplomats, posing as Canadians, escape from Iran to Switzerland.

US team boycotts Olympic Games in Moscow.

1981 Ronald Reagan (Rep) elected president. Pursues foreign policy of 'peace through strength'.

American diplomatic hostages released in Tehran.

US assistance to UK in Falklands conflict.

President Reagan wounded in assassination attempt in Washington DC.

1982 Economic recession in US.

G8 Williamsburg Declaration on economic growth and monetary cooperation.

First operational flight of space shuttle. Programme ends in 2011 after 135 flights.

1983 US unemployment remains high at over 10%

American forces intervene in Grenada.

US launches 'Star Wars' intercontinental ballistic missile plan.

Bombings of US embassy and barracks in Beirut kill over 300 US personnel.

AMERICA

EUROPE

1984 Death of Andropov; succeeded by Chernenko.

Provisional IRA bombs Brighton hotel in attempt to assassinate Margaret Thatcher.

1985 Death of Chernenko; succeeded by Mikhail Gorbachev, reforming first secretary who introduces policies of glasnost (openness) and perestroika (restructuring).

France, West Germany, Belgium, the Netherlands and Luxembourg sign open borders Schengen Agreement. Later enlarged to most EU states and includes common visa policy.

1986 Spain and Portugal join EC.

Swedish Prime Minister Olaf Palme assassinated.

Meltdown disaster in Chernobyl nuclear power plant (Ukraine, then part of USSR).

1987 Single European Act enters into force, with qualified majority voting in Council of Ministers of EC and more power to European Parliament.

Mathias Rust, young German pilot, lands small Cessna plane in Moscow's Red Square.

1988 Beginning of widespread demonstrations against one-party rule and local conditions in USSR republics and in Soviet-controlled states in Europe.

Soviet Union begins withdrawal of forces from Afghanistan.

1989 Hungary cuts barbed wire at border with Austria, opening Iron Curtain. Fall of Berlin

AMERICA

1984 US and Vatican resume full diplomatic relations

US Marine Corps pulls out of Beirut.

USSR and its allies boycott Olympic Games in Los Angeles.

1985 President Reagan starts second term of office.

Live Aid pop concert in London and Philadelphia for victims of famine in Ethiopia.

AIDS tests introduced, leading to screening of all blood donations.

President Reagan and Soviet leader Mikhail Gorbachev meet in Geneva.

Microsoft releases first version of Windows.

1986 Irangate scandal: President denies involvement in unauthorised support for Contra rebels in Nicaragua.

US withdraws from SALT II.

1987 US signs Intermediate Nuclear Forces Treaty with Soviet Union.

Black Monday triggers second largest ever share price fall on New York stock exchange.

1988 Death penalty introduced for drug traffickers who murder in US.

Transatlantic PanAm flight blown up over Lockerbie in Scotland by Libyan agents.

1989 George Bush senior (Rep) becomes president.

Wall. Democratic change in Poland, Hungary, Czechoslovakia, Bulgaria and Romania.

Thirty-five nations agree in Vienna to strengthen human rights and East-West trade.

Contested elections for Soviet parliament. Ethnic tensions in several republics.

Ethnic disturbances in Yugoslav (Serbian) province of Kosovo; curfew imposed.

UK computer scientist Tim Berners-Lee creates World Wide Web communication.

1990 Charter of Paris signed by presidents Bush and Gorbachev at 'peace conference for the Cold War'. Expands Helsinki Agreement of 1975, sets up Conflict Resolution Centre and Office for Free Elections. Signed by nearly 50 states but criticised later by USSR (in 1999) as a Western instrument for 'forced democratisation'.

European Bank for Reconstruction and Development: half funded by European states, half by US.

West Germany absorbs East Germany in reunification of Germany.

1991 Break-up of Yugoslavia; wars of succession as Slovenia and Croatia secede, followed by Bosnia-Herzegovina, Former Yugoslav Republic of Macedonia and Montenegro.

Break-up of USSR; replaced by loose Community of Independent States including Russian Federation, Belarus, Ukraine, Moldova, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan and Uzbekistan. Georgia joins in 1993. Estonia, Latvia and Lithuania decline to join.

EUROPE

President Bush sends US troops to Panama to protect US citizens and control canal.

Presidents Bush and Gorbachev declare Cold War over at Summit in Malta.1990
Bush and Gorbachev sign Charter of Paris establishing Organisation for Security and Cooperation in Europe.

Transatlantic Declaration on EU-US Relations signed, pledging common goals of democracy, rule of law and respect for human rights and individual liberty; also economic, educational, scientific and cultural cooperation.

McDonald's opens first restaurant in Moscow.

1990 President George W Bush proposes US and Soviet deep military cuts in Europe.

1991 Mikhail Gorbachev resigns as USSR collapses. Boris Yeltsin elected president of Russia.

US-led coalition wins first Gulf War to reverse Iraq's annexation of Kuwait.

Queen Elizabeth II first British monarch to address Congress.

US and Soviet Union sign START I treaty limiting nuclear weapons (START II follows in 1993).

AMERICA

1992 Maastricht Treaty on European Union (EU) preparing for Economic and Monetary Union.

Sterling forced out of European Reserve Mechanism and devalued.

Euro Disney theme park opened near Paris.

1993 Czech Republic and Slovakia established as separate nations: 'velvet divorce'.

Polls suggest high point of popular support for the EU.

Norway rejects membership of EU in referendum.

1994 In first combat action in its history NATO jets shoot down Bosnian Serb planes.

Moldova referendum against unification with Romania.

Silvio Berlusconi elected Italian Prime Minister.

1995 Austria, Sweden and Finland join EU.

British investment bank Barings collapses after rogue trading.

Schengen Agreement on "open borders" takes effect in core European states.

1996 France ends atomic bomb tests.

Polish Premier Józef Oleksy resigns, suspected of spying for Moscow. He is replaced by Włodzimierz Cimoszewicz.

1997 All EU states except UK and Ireland sign Schengen open borders agreement.

EUROPE

1992 Bush and Yeltsin formally end Cold War.

US troops lead UN-sanctioned intervention in Somalia.

1993 Bill Clinton (Dem) succeeds Bush as president.

World Trade Center terrorist explosion kills six, injures hundreds.

Holocaust Memorial Museum opened in Washington D.C.

1994 Clinton and Yeltsin sign Kremlin Accords outlawing targeting nuclear missiles at each other and agreeing to dismantle nuclear weapons in Ukraine.

US troops restore legitimate elected leader, Jean-Bertrand Aristide, to power in Haiti.

1995 Transatlantic Business Dialogue (high-level pressure group) established.

UN forces, including significant US presence, intervene in Bosnia.

US-led peace talks produce Dayton Agreements to end Bosnian war.

1996 US-EU Transatlantic Summit held in Washington.

1997 President Clinton re-elected for second term.

1998 EU-US Transatlantic Economic Partnership established, setting timetable for common

AMERICA

1998 With rising oil and gas exports, Russia joins group of world's richest economies: G8.

Nineteen European nations agree to forbid human cloning.

Massacre of ethnic Albanians and attacks on Serbian forces trigger Kosovo War.

1999 Introduction of 'wholesale' euro for interbank operations by eurozone states.

EU Commission led by Jacques Santer resigns before European Parliament vote of censure.

NATO air strikes against Serbia, operating for first time without UN mandate. Bombing of Belgrade forces separation of Kosovo from Serbia.

2000 Former President Milosevic of Serbia indicted for war crimes before international tribunal in The Hague.

EU legislates ban on discrimination in employment for lesbian, gay, bisexual and transgendered people.

2001 Netherlands becomes first European state to legalise same-sex marriage.

2002 Euro becomes legal tender for transactions in 12 eurozone states: Portugal, Spain, Italy, Austria, Germany, Luxembourg, France, Belgium, Netherlands, Finland, Ireland and Greece.

2003 First EU Police mission – to Bosnia-Herzegovina – under Common Foreign and Security Policy auspices.

actions and foreshadowing Transatlantic Trade and Investment Partnership (TTIP) issues: tariffs, services, establishment, procurement, investment, competition, electronic trading, core labour standards and dispute resolution.

Clinton administration signs (but never ratifies) Kyoto Protocol on climate change.

1999 US leads NATO intervention against Serbia to protect Kosovo population.

2000 NASDAQ index doubles in 12 months to March. Dot-com bubble bursts. Index loses 20% in one month.

Vermont first state to legalize civic unions between same sex couples.

President Clinton signs Rome Statute creating International Criminal Court.

2001 George Bush junior becomes president.

Al-Qaeda 9/11 attacks on World Trade Center: Bush declares 'war on terror'.

UN-sanctioned intervention in Afghanistan.

2002 Former President Carter visits Fidel Castro in Cuba, first high-level US visit since Castro's 1959 revolution.

2003 US-led invasion of Iraq to remove Saddam Hussein. Half of EU member states, led by France and Germany, decline to join interventionist 'coalition of the willing'.

EUROPE

2004 Al-Quaeda attacks on commuter trains in Madrid.

Major EU expansion with 10 new states joining: Slovenia, Hungary, Czech Republic, Slovakia, Poland, Lithuania, Latvia, Estonia, Malta and Cyprus.

2005 Al-Quaeda bombings on London transport targets.

France and Netherlands reject proposed EU Constitutional Treaty in referendums.

2006 European Common Health Insurance Card introduced.

German Chancellor Angela Merkel proposes Transatlantic Free Trade Area.

Montenegro declares independence from Serbia following referendum.

2007 Romania and Bulgaria join EU.

Lisbon Treaty (modified Constitutional Treaty) signed by all member states of EU.

Nine new states – Estonia, Czech Republic, Slovakia, Slovenia, Latvia, Lithuania, Poland, Malta and Hungary – join Schengen Agreement.

Slovenia joins eurozone.

2008 Ireland rejects Lisbon Treaty in national referendum.

First effects of financial crisis felt in EU following collapse of Lehman Brothers bank.

Switzerland joins Schengen Agreement.

Kosovo declares unilateral independence from

AMERICA

US-EU Summit agrees to sharing of data on suspected terrorists.

2004 CIA admits there was no imminent threat from weapons of mass destruction before the 2003 invasion of Iraq.

TV broadcasts Abu Ghraib (Iraq) prison abuse shots by US soldiers.

2005 President Bush junior makes first official visit to EU in Brussels.

US administration declines to ratify Kyoto Protocol on climate change.

2006 Latino protests across the US against immigration restrictions and weak protection of human rights.

Digital consolidation: Google purchases YouTube for $1.65 billion.

2007 Transatlantic Business Council established to advise governments: voice of business on trade and investment issues, representing 70 global companies with headquarters in EU and US, responsible for more than 5 million jobs.

Sub-prime mortgage crisis. Collapse of Lehman Brothers bank. Start of 'Great Recession'.

2008 EU and US 'open skies' agreement enters into force, liberalising air traffic by creating a free market both for passenger and cargo services.

Collapse of Lehman Brothers investment bank.

US government takes control of major mortgage corporations.

EUROPE

Serbia. Recognised by many European states and by US, but not by Serbia or Russia.

Cyprus and Malta join the eurozone.

2009 Claiming unpaid debts, Russia turns off gas supply, affecting 18 European countries supplied through Ukraine.

Second Irish referendum approves Lisbon Treaty, reversing previous decision.

Lisbon Treaty enables new European External Action (diplomatic) Service, widens scope of qualified majority voting and vests more power in European Parliament.

Slovakia joins eurozone.

2010 High unemployment rates and wide disparities in government borrowing rates.

Eurozone crisis as Greece, Portugal and Ireland require financial bailouts.

2011 High-level expert group recommends opening of TTIP negotiations between EU and US.

Spain and Italy require financial help. Second Greek bailout. 78 billion euros bailout for Portugal.

Estonia joins eurozone.

Basque separatist organization ETA ends 43 year terror campaign against Spanish state.

AMERICA

President Bush signs Emergency Economic Stabilization Act with $700 billion fund to purchase failing bank assets.

Two million jobs lost in last four months of year.

2009 Barack Obama takes office: first non-white president and defends bailouts as necessary for economic recovery.

Widespread protests by right-wing Republican Tea Party activists.

World Health Organization declares swine flu outbreak as "public health emergency of international concern".

Digital switchover from analog TV completed.

President Obama wins Nobel Peace Prize.

2010 ObamaCare – Patient Protection and Affordable Care Act – passed by Congress to improve quality and affordability of healthcare by increasing public and private insurance coverage.

Fed expands money supply by programme of quantitative easing to stimulate economy.

2011 Osama bin Laden, leader of al-Qaeda and most-wanted fugitive, killed in Pakistan by US special services.

'Occupy Wall Street' movement marches to protest against high unemployment, record executive bonuses and bailouts of the financial system.

Last American troops withdrawn from Iraq, ending Iraq War. Syrian uprising against President Assad divides opinion as Islamist extremists gain strong position in opposition movement.

EUROPE

2012 Commission President Barroso suggests EU move to a federation of nation states.

EU awarded Nobel Peace Prize for its contribution to peace, reconciliation, democracy and human rights.

Three year switchover to digital television target in EU countries.

2013 Cyprus requires financial bailout.

Croatia joins EU as 28th member state.

TTIP negotiations open with negotiations alternately in Brussels and Washington.

Protests in Kiev as President Yanukovich switches foreign policy to pro-Russian direction.

2014 Latvia joins eurozone as 18th member state.

European Parliament elections: mainstream Christian Democrats, Social Democrats and Liberals suffer losses. One in four Members of the European Parliament represents Eurosceptic nationalist parties.

Ukraine President Victor Yanukovich resigns; elections bring pro-Western groups to power.

Russia organises Crimea vote for secession and annexes the region. Subsequent war between Russian-supported rebels and Ukrainian forces in eastern Ukraine (Donbas).

EU and US impose economic sanctions on Russia. NATO revises forward defensive strategy in Eastern Europe. Russia continues rebel support in Ukraine, instigates border incidents elsewhere (Baltic States) and responds with counter-sanctions.

AMERICA

2012 Barack Obama first president to announce support for gay marriage.

Islamic fundamentalists attack US embassy in Egypt and consulate in Libya, killing ambassador – first serving ambassador killed in office since 1979 killing in Kabul.

2013 President Obama starts second term of office. Calls for TTIP negotiations.

Extremist movement Islamic State (IS) gains territory in Syria and Iraq.

John Kerry replaces Hilary Clinton as Secretary of State.

2014 Following Russian involvement in Ukraine, US with EU support applies economic sanctions targeting companies and individuals close to Russian President Vladimir Putin.

US conducts airstrikes on IS militants in Iraq to prevent invasion of Iraqi Kurdistan. President Obama concedes no US troops will be sent to Iraq.

NATO summit in Wales: US and allies agree to 'degrade and destroy' IS threat in Iraq and Syria and strengthen defence of Eastern Europe.

Numerous provision of Obamacare health provision in effect.

Colorado permits sale of recreational cannabis by licensed retailers.

US-led airstrikes against Islamic State (IS) in Iraq and Syria.

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