ATLANTIC FUTURE

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The Future Pan-Atlantic Economy

Daniel S. Hamilton
Austrian Marshall Plan Foundation Professor and Executive Director, Center for Transatlantic Relations, Johns Hopkins University School of Advanced International Studies

ABSTRACT

Is a new system of economic and commercial relations emerging across the wider Atlantic space? This article explores this question by identifying factors and actors likely to shape economic trends over the next decade; illuminating key dimensions the main 'tracks' along which change may be assessed; and combining these factors and trends to project key dimensions and over-the-horizon narratives of change for the evolving pan-Atlantic commercial space in a world of more diffuse power and interdependence in 2025.

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1. The Setting

More commerce flows within the Atlantic basin than any other. Never have so many workers and consumers entered the Atlantic economy as quickly or as suddenly as in the past fifteen years. Most trendlines indicate that pan-Atlantic economic connections will continue to deepen in a number of significant ways.

Despite the rise of other powers and recent economic turbulence, North America and Europe remain the fulcrum of the world economy, each other's most important and profitable market and largest source of onshored jobs. No other commercial artery is as integrated. By almost any measure of economic interaction, the North American and European economies have become more, not less, integrated than during the Cold War. Should the CETA deal between the EU and Canada, and the TTIP between the EU and the United States go forward over the next number of years, these linkages will be even further enhanced. North-South American commercial ties are burgeoning, and Europe's commercial ties to both Latin America and Africa are substantial. The weakest links are those between Latin America and Africa, but those connections are also the most dynamic and growing most quickly. Moreover, today's value chains, geared to trade in tasks, hold potential for less developed southern Atlantic countries, since it is much easier to develop capabilities in a narrow range of tasks than in integrated production of an entire product (Collier and Venables, 2007). Pan-Atlantic developments in energy and transportation are likely to facilitate additional commercial connections.

Nonetheless, while overall prospects are positive, performance is likely to vary widely across countries and regions.

Growth projections for North America appear strong over the coming decade, propelled by rising employment levels and private capital investment and falling energy prices and debt levels. Central American and Caribbean economies are expected to benefit from these trends as well, although fiscal and financial vulnerabilities persist in some countries.

The key North American and global economy, the United States, continues to suffer the economic consequences of political polarization. Infrastructure challenges are mounting. Growth is being driven less by investment than by consumption. Income inequality has increased substantially, rivaling the extreme level that prevailed prior to the Great Depression. So while the country has emerged stronger from the 2008-09 financial crisis, challenges abound.

Meanwhile, many European economies are still struggling. Across most of the continent, growth remains anemic, deflationary fears continue to mount, and unemployment and debt levels are uncomfortably high. Europe's political leaders continue to squabble over ways out of the crisis. High-debt countries are in no position to cut taxes, increase spending, or borrow more money; low-debt countries are not investing or borrowing to spark region-wide growth. The eurozone will continue its preoccupation with Greece's continued economic turbulence, even as the EU as a whole comes to terms with a British referendum signalling at minimum a renegotiation of the terms of Britain's EU membership, or perhaps even British withdrawal from the EU itself. And all of this comes on top of continued violence and turbulence on the EU's southern and eastern perimeters, regions that are likely to demand further economic assistance, yet with little prospect of stability or self-sustaining growth returning anytime soon.

Overall, Africa's medium-term growth prospects generally look good. Parts of Africa are already among the fastest growing regions of the world. According to Credit Suisse and

the IMF, on several indicators Africa is better positioned than the Asian Tigers before their explosive growth in the 1980s and 1990s. Poverty is gradually decreasing, education and health care are advancing, and manufacturing is expanding (United Nations, 2014). Yet thirty-four of the world's forty-eight poorest countries lie in Sub-Saharan Africa, along with a majority of the poorer countries, and Africa has been making the slowest headway on the UN's Millennium Development Goals (MDGs). Africa's exports remained dominated by primary commodities. Low-income countries continue to struggle as widespread energy poverty persists. Social exclusion, income inequality, and vulnerability to economic, social and environmental risks continue to threaten large parts of the continent, even as continued intra-state and inter-state conflicts mar efforts to chart economic progress.

South America has registered declining growth for the past five years. After riding a boom in commodity prices tied in particular to surging demand from China and other fast-growing economies, a number of South American economies are now suffering from China's downturn in growth and weaker commodity prices. Financial risks have also grown. Growth prospects among the region's financially integrated economies—Brazil, Chile, Colombia, Peru, and Uruguay—are expected to diverge over the period ahead, reflecting differentiated exposures to global commodity markets and other country-specific factors. Brazil is experiencing its most serious economic downturn in more than two decades, and has been rocked by a series of political scandals and demonstrations. Chile, Colombia, and Peru are all facing headwinds from lower commodity export prices and related cuts to corporate investment, although strong macroeconomic fundamentals provide important buffers. Less-integrated South American economies face challenging times. Venezuela slid into recession in early 2014, is likely to contract further in 2015, amidst continued political turbulence. In Argentina, exchange rate pressures have eased, but output is still projected to decline modestly in 2015. In addition, the fiscal position of most countries in the region has weakend, depriving governments of tools to boost growth. Across the region, policymakers are challenged to tackle long-standing structural problems to raise investment, improve education, boost productivity, and improve business environments (IMF 2014).

Beyond these dynamics, the economies of the Atlantic space, as well as those beyond, are facing relentless and often revolutionary technological innovations; massive and often instantaneous movements of capital; and globalization of production, even as the global trading system copes with continued deadlock in the 15-year-old multilateral negotiation at the World Trade Organization (WTO); the multiplication of preferential trade agreements (PTAs); and the need to reinvent trade rules to accommodate the shifting realities of global value chains (Thorstensen and Ferraz 2015).

2. Shaping Factors, Shaping Actors

With this setting in mind, a number of key factors will shape pan-Atlantic commercial interactions and developments. This section reviews these factors, and the actors that will shape them, with a view to both their potential impact, and the likelihood of such impact, on evolving commercial interactions across the Atlantic space.

Each of these shaping factors, in turn, is likely to be conditioned to some degree by a number of broader dynamics. One is the extent to which material power itself may shift both across the Atlantic space, among sub-regions within it, and between the Atlantic

and Asian Hemipheres.[1] Aging and shrinking populations in Europe, for example, are likely to challenge Europe's ability to maintain its generous social welfare provisions, even as it confronts the political and economic dynamics associated with greater numbers of migrants and resulting stress on integration mechanisms in various European socities. Africa's youth bulge, in contrast, is likely to add tremendous new dynamism while posing severe challenges for social services, infrastructure, access to education and energy, and job-generating growth. Other indicators of material power, such as levels of well-being, economic growth, natural resources or military capabilities, do not seem likely to shift radically among the four Atlantic continents, but growth in southeast Asia is likely to outpace that in Europe and South America.

Pan-Atlantic arteries carrying people, ideas, money, energy, goods and services are of course also susceptible to intentional or accidental disruption. The mutual vulnerabilities of interconnected societies can amplify the cascading effects of such disruptions, further impairing the ability of our societies to function. Mother Nature has been a perennial disruptor, and rising sea levels related to climate change are already causing both public and private actors to reconsider coastal management and infrastructure planning. But criminal gangs, extremist groups, and state actors intentionally employing tools of hybrid warfare have all demonstrated their capacity to disrupt key economic linkages binding societies, economies and governments within and across the Atlantic continents.

These developments suggest that over the next decade and more both public and private actors across the entire Atlantic space will recognize the growing need for greater resilience -- the ability to anticipate, prevent, respond to and recover from disruptions to critical societal functions.

With these broader dynamics in mind, the future Atlantic space is likely to be shaped by number of key economic factors, and each of them in turn driven by different actors. In this article we focus on a baker's dozen:

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- Portfolio Flows
- The Role of the Dollar
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- Intra-Regional vs. Inter-regional Connectedness
- Global Value Chains
- Energy
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2.1 Goods Trade

Merchandise trade among the four Atlantic Basin continents accounts for half the global total, and more than doubled over the last decade to $2.14 trillion in 2012. The NAFTA countries export more to their Atlantic partners than to the rest of the world. The EU sells the United States nearly twice the goods it sells China and nearly 7 times

[1] Kishore Mahbubani's assertion (Mahbubani 2008) that there is an "Asian Hemisphere" means by definition that there is also an Atlantic Hemisphere.

what it sells to India. Latin American and Caribbean countries export more than twice as much to their Atlantic partners as to the rest of the world. Latin America exports 40% more to the eurozone than to China. Brazil is the single biggest exporter of agricultural products to the EU. And over half of Africa's merchandise exports go to Atlantic destinations (Ruano 2015).

A review of goods trade in the Atlantic leads to several conclusions. First, exchange among the developed regions is the most important part of merchandise trade within the Atlantic Basin, while exchanges among the developing regions are rather marginal. A related point is that the developing regions of the Atlantic Basin, that is, Central and South America and Africa, have extremely concentrated trade relationships with their respective “Northern partners,” that is, North America and Europe respectively, while they trade marginally with each other.

Another important trend is that, overall, the Atlantic Basin’s share of world merchandise trade is decreasing: from nearly 80% at the beginning of the 1970s to over 60% in 2010. This is mainly due to the spectacular rise of Asia, and particularly of China, Japan and the Six East Asian traders (Ruano 2015). Asia is likely to become an increasingly important player in Atlantic commercial relations, a point discussed in more detail later. It is important to note, however, that while there is a relative decline in the Atlantic's share of overall goods trade, in absolute terms global goods trade has been growing exponentially in recent decades, and so the Atlantic may have a smaller piece of the pie, but the pie itself has grown much larger -- and most of the world’s merchandise trade is still carried out by countries situated in the Atlantic Basin. Moreocer, this relative decline does not apply to all Atlantic countries. Brazil and Mexico, for instance, have actually increased their share of world merchandise trade in the last four decades.

Another key trend is that while intra-regional, continental-centered merchandise trade is of remarkable importance for both Europe and North America (71% for Europe; 49% for NAFTA), ocean-centered merchandise trade with both Atlantic and Pacific is more important than continental-centered merchandise trade for South and Central America and for Africa. Of the four Atlantic continents, Africa registers the lowest degree of intra-regional merchandise trade and is the region most dependent on Atlantic trade, with 53% of its merchandise exports going to Atlantic partners, notably Europe. It is also the most dependent on trade with the rest of the world -- notably Asia, which absorbs 34% of its goods exports.

Africa's goods exports are also shifting. By 2013 Asia was taking the largest single share (34%) of Africa's goods exports, having already surpassed the EU as Africa's largest trading partner in 2009. The EU’s share fell from 36% of sub-Saharan Africa’s exports in 2000 to 25% in 2013. The U.S. share more than halved from 22% to 10% over the same period. Regional trade within sub-Saharan Africa accounts for 16% of the region's exports (Ruano 2015).

The rise of the Pacific is also raising and altering the Atlantic's trade profile in at least three additional ways.

First, trade between Atlantic and non-Atlantic markets has boomed. China in particular has become an important trading partner for all Atlantic continents, and China's trade with Africa and Latin America has grown faster than with North America and Europe. Yet the trade of both southern Atlantic continents with China resembles traditional colonial patterns. For instance, 90% of Brazilian exports to China consists of commodities, while 90% of Brazilian imports from China consists of manufactured goods. The pattern is similar throughout Africa. South-North Atlantic trade, in contrast, is far more complementary; Brazil's merchandise trade with the United States is evenly

balanced between commodities and manufactured goods. Such imbalances are provoking questions on both southern continents about the value of becoming locked into colonial-style trading relationships at a time when countries on each continent are working to diversify their respective economies.

Second, booming Atlantic-Pacific sea trade has created new port facilities throughout the Atlantic Basin, especially along its southern shores, and more are coming. The Panama Canal is doubling its capacity, expanding ocean-to-ocean connections and altering global shipping patterns. Large new deepwater port facilities are being developed in Santos, Suape, and Açu in Brazil; at Lobito in Angola; and at Walvis Bay in Namibia. Spain's Algeciras and Morocco's massive Tanger-Med complex are growing in importance. And existing port cities along the Gulf of Mexico and the U.S. east coast are scrambling to revamp their infrastructure to berth megaships coming from and going to the Pacific and other Atlantic destinations (Atlantic Basin Initiative 2014; Kaplan 2012).

Third, melting ice in the Arctic Ocean is opening new and shorter shipping routes from East Asia to and from Eastern North America and Europe. The U.S. government estimates that cargo transport via the Northern Sea Route alone will increase from 1.8 million tons in 2010 to 64 million tons by as soon as 2020, as ice cover declines. This is already changing commercial shipping patterns and has boosted both Atlantic and Pacific attention to Arctic issues. Chinese analysts predict that by 2020 up to 15% of China’s foreign trade between will be transported through the Northern Sea Route. South Korea’s Vice Minister for Foreign Affairs has estimated that travel time and distance between the shipping hubs of Busan and Rotterdam will reduced by about 30%, referring to the new route as the “Silk Road of the Twenty-First Century” (Petterson 2014; Wilson 2013).

2.2 Investment

Goods trade paints a partial commercial picture of the Atlantic. But the truly dynamic and distinctive nature of pan-Atlantic commerce is only apparent when other commercial flows are included.

It is the dynamic interaction between investment and trade that distinguishes the pan-Atlantic economy from all others. Foreign investment and affiliate sales power pan-Atlantic commerce and provide millions of jobs. Affiliate sales on either side of the Atlantic are more than double comparable sales in the entire Asia/Pacific. Much of this is driven by foreign direct investment (FDI) ties between the United States and Europe which, with combined annual sales exceeding $4 trillion, dwarf any other bilateral trade or trade/investment relationship in the world. Yet European and North American companies are active investors througout the Atlantic South (Hamilton and Quinlan 2015a and b).

FDI ties between South and Central America and Africa are weak. Africa invests relatively little in South and Central America. The most important African investor in the region is South Africa, especially in Brazil. South and Central America invested $37 billion in Africa in 2012, a relatively low amount, yet approaching the levels invested by North America in Africa. While South Atlantic multinationals prefer to invest in major developed economies, primarily in the North Atlantic, Brazilian firms are investing billions in Africa’s resource-related industries. Unlike resource-hungry China, resource-rich Brazil is investing in Africa to diversify its export markets and internationalize the production of its big companies.

A review of investment flows in the Atlantic leads to several conclusions.

First, investment ties across the Atlantic North[2] are likely to remain the most significant between any two continents for the foreseeable future. U.S. companies will continue to be the most important source of investment and onshored jobs across the EU, and European companies will cotninue to be the most important source of investment and onshored jobs across the United States. Moreover, these investments are likely to increase even further should the TTIP come into force. There are no signs that either European or U.S. companies are shifting their investments away from the other, yet American companies are shifting their investments from some European countries to others within the EU single market, just as European companies continue to shift their investments across the 50 U.S. states -- trends that underscore the continuing need for localities to remain attractive for outside investment.

Second, while U.S companies currently invest more in South and Central America than in Asia, over the next decade or those investment levels are likely to become more balanced. EU companies already invest slightly more in Asia than in South and Central America, and the trend favoring Asia is likely to continue.

Third, U.S. investments in Africa seem unlikely to increase significantly from their relatively low levels, in large part because North America's own energy dynamics are turning attention away from Africa. EU investments in Africa, in contrast, are likely to remain significant, but the more dynamic investors in Africa are likely to come from Asia, which has eclipsed the U.S. as a source of investment. Brazil is also likely to boost investment in Africa.

Finally, FDI from the Atlantic South to the Atlantic North is likely to remain somewhat marginal, although more international companies --multilatinas -- are emerging in South and Central America, and looking for good returns on investments in both the Atlantic South and the Atlantic North.

2.3 Portfolio Flows

The Atlantic economies are connected in substantial, if uneven, ways with regard to portfolio flows and assets. The 2008 global financial crisis and attendant recession abruptly halted nearly three decades of rapid expansion for international capital markets, and also disrupted financial connections across the wider Atlantic. As capital flows slowly revive and adapt, new patterns are developing.

First, over the next decade Asia could emerge as the largest holder of portfolio assets in Africa. Currently, Asia and the EU are roughly equal as portfolio asset holders in Africa, each accounting for roughly 3 times greater assets than those held by North America in Africa. Yet Asian portfolio holdings in Africa are growing much faster than European holdings. The Atlantic Hemisphere’s share overall in Africa fell from 88.7% in 2001 to 61.8% in 2012, reflecting the ascendancy of Asia in Africa (Hamilton and Quinlan 2015a).

Second, North America is likely to retain its role as the most significant external holder of portfolio assets in both Europe and South and Central America, even as its role as a holder of portfolio assets in Africa is likely to decline in relative importance. North America accounts for about one-third of portfolio assets within the EU; Asia accounts for less than one-sixth. South and Central American and African portfolio assets in the EU have each grown rapidly over the past decade, but from a low base. North America increased its portfolio holdings in South and Central America four-fold between 2001

[2] In the Atlantic Future project we use the term "Atlantic North" to encompass North America and Europe, and "Atlantic South" to encompass South and Central America and Africa. We do this to avoid geographic confusion, since parts of South and Central America and Africa are part of the North Atlantic Ocean littoral.

and 2011, accounting for over half of the region's assets. The EU was the only other major asset holder. The region's own holdings are modest, and both Asia and Africa are marginal players.

Third, the EU is likely to remain the largest holder of portfolio assets in North America, in fact the EU holds twice the value of North American portfolio assets that North Americans hold of each other's assets. South and Central American portfolio assets in North America have also grown rapidly so that they now roughly equal North American cross-border portfolio assets in North America. Africa's assets in North America grew rapidly over this period, but from a low base. Portfolio assets in North America grew from $2.405 trillion in 2001 to $8.050 trillion in 2012.

Fourth, portfolio flows across the Atlantic South are likely to move primarily from South and Central America to Africa. South and Central American portfolio assets in Africa have grown to about half of North American assets held in Africa.

2.4 The Role of the Dollar

The U.S. dollar remains the preeminent global currency, accounting for about 85% of all trading in the world's foreign exchange markets. The euro is the second most traded currency; its share of all foreign exchange trades typically hovers between 33% - 39%. The turnover of the yen rose from 19% in 2010 to 23% in 2013. After the U.S. dollar, euro and yen, the most popular currencies are the British pound, Australian dollar, Swiss franc, and Canadian dollar.

Barring unforeseen disruptions, the global monetary order is likely to become gradually more diffuse in the decades ahead, with the United States, Europe and China at the forefront of this monetary system. A more diffuse financial world is likely to evolve between now and 2030. The U.S. dollar is likely to remain first among equals, but the euro and China's renminbi (RMB) are poised to become alternative reserve currencies, while a host of other currencies increase in importance. This factor is likely to reinforce stability across the full Atlantic space and facilitate deeper financial and trade connections being forged among Atlantic continents (Quinlan 2014; Jong-Wha 2015).

2.5 Services

Services is the sleeping giant of the pan-Atlantic economy. The Atlantic is home to the world's major services economies, and Atlantic economies are each other's most important services markets. Global trade in services is still less important than trade in goods, since many service activities require a local presence and many countries impose restrictions on services trade. Nonetheless, services trade has intensified and is set to expand rapidly, and Atlantic economies are poised to be major beneficiaries and drivers of the growth in global services.

The United States is the largest single country trader in services, while the EU is the largest trader in services among all world regions. Most American and European jobs are in the services economy, which accounts for over 70% of U.S. and EU GDP. Over half of U.S. and EU services exports go to Atlantic Basin countries, and each is seeing an increasing share of its services trade conducted with South America and Africa. Moreover, the delivery of services by foreign affiliates -- driven by pan-Atlantic investments -- has exploded over the past decade and is far more significant than services trade. The United States and the EU each owe a good part of their competitive position in services globally to deep Atlantic connections in services industries provided by mutual investment flows. A good share of U.S. services exports to the world are generated by U.S. affiliates of European multinationals, just as a good

share of EU services exports to the world are generated by European affiliates of U.S. multinationals (Hamilton 2011).

Services are not just a North Atlantic story. Services are far more important to Atlantic economies such as Brazil, South Africa, Mexico and Colombia than to non-Atlantic economies such as Russia, India or China. Brazil's expanding services industry contributes about two-thirds of its total GDP and employs about 70% of its labor force. Services account for more than 50% of GDP in Africa's 36 non-resource-rich economies and for more than 40% of GDP -- more than industry's share -- in the continent's resource-rich economies. As income per capita in Latin America and Africa grows, and as governments seek to diversify their economies away from commodity production, demand will grow for such services as health care, education, entertainment, insurance, telecommunications and finance. Moreover, services is a growing area of commercial activity among Southern Atlantic countries, particularly in energy-related services; engineering and construction services; and education and managerial services (Dardush and Shaw 2012).

A related factor is the high and still-growing importance of services in global foreign direct investment flows. Services have come to dominate global foreign direct investment over the past decade, and Europe is driving this process. Today, services represent nearly two-thirds of global FDI stock, up from a 49% share in 1990. Whereas services FDI used to be strongly related to trade and trade-supporting services for manufacturing multinationals, over the past decade more services FDI has been directed at such activities as hotels, restaurants, and financial services. Electricity, water, telecommunications and other infrastructure-related activities have also been receiving more foreign direct investment. This trend is likely to continue, with particular focus on the Atlantic Hemisphere.

2.6 Preferential Trade Agreements

Proliferating preferential trade agreements (PTAs), which already govern over 50% of world trade, will also shape the nature of commercial connections across the Atlantic and around the world in the coming decades. Particularly important will be a number of mega-regional trade agreements such as the U.S.-EU TTIP (Transatlantic Trade and Investment Partnership), the 12-nation TPP (Trans-Pacific Partnership) and the Regional Economic Comprehensive Partnership (RECP) involving more than 20 countries in Asia. Negotiations to establish a preferential Trade Agreement in Services (TISA) currently involve 50 countries accounting for over 68% of global trade in services, including such Atlantic actors as the United States, the EU, Canada, Mexico, Colombia, Peru, Paraguay, Costa Rica and Panama.

These mega-regional arrangements and a number of other "deep-integration" PTAs seek to go beyond tariff reductions to to define new structures and modalities for all sorts of nontariff barriers to trade, along with new rules for important trade-related issues such as investment and competition, and new concerns as environment, climate, labor, food scarcity, animal welfare, privacy standards and mounting consumer pressure (Herfkens and Michalopoulos 2015; Thorstensen and Ferraz 2015).

A review of proliferating trade agreements in the Atlantic leads to several conclusions.

First, regional agreements opening trade are far more advanced in the Atlantic Hemisphere than in the Asian Hemisphere. The Atlantic space is likely to see additional bilateral and interregional trade agreements, in addition to those currently existing among the countries of North America, between Chile and the MERCOSUR countries, between the United States and Morocco, Chile, Colombia, Peru and Panama, and between the EU and Central America. The EU-Canada CETA agreement is moving

towards parliamentary ratification, and the EU and Mexico have announced their intention to upgrade their current free trade agreement. The EU—itself a customs union -- has concluded preferential trade agreements with a very large number of countries in the Mediterranean, Africa as well as Asia and Latin America. Africa is full of overlapping preferential arrangements: some involve francophone West Africa (ECOWAS); some East Africa (the East Africa Community—EAC); some such as SADC and COMESA involve 26 East and Southern African countries.

Second, while these arrangements are likely to benefit their signatories, they generate uncertainty for all others, since it is unclear to what extent such agreements will be open to additional partners, and some are likely to set new rules in such WTO areas as services and intellectual property (WTO-plus), but also generate new rules in areas not yet covered by the WTO, such as environment, climate change, labor, investment and competition (WTO-extra) (Schmieg 2015; Herfkens and Michalopoulos 2015; Thorstensen and Ferraz 2015).

Third, much will turn on the success or failure of the EU-US TTIP. A successful TTIP will not only open opportunity across the North Atlantic, it will reposition the EU and US to continue to be rule-makers rather than rule-takers for the global system. Their leverage would be further enhanced if they are prepared to devise mechanisms by which third countries can align or accede to the TTIP once negotiated. If TTIP were to fail, the political fallout would harm EU-US relations across the board and chill prospects for more dynamic North Atlantic trade and investment. The EU and the US would each face continued erosion of their respective consumer, labor and environmental standards as each finds itself with far less leverage in a world of diffuse economic power.

Fourth, such agreements have proliferated in part because multilateral efforts at trade liberalization through the Doha Round have gotten stuck. Over the next decade or more some multilateral deal may be struck via Doha, but it is unlikely to keep pace with bilateral and regional arrangements.

Fourth, if there are to be breakthroughs at the multilateral level, they are likely to come because a significant number of countries currently considered to be "developing" agree to graduate to a new status. This will have particular importance for a fundamental principle of the WTO known as "special and differential treatment" (SDT) for developing countries. The SDT principle was established on the premise that countries would eventually 'graduate' to a new categorgy, but on that there has been little agreement. As disparities widen over the coming decades, pressure may grow for Special and Differential Treatment in fact to be differentiated (Herfkens and Michalopoulos 2015). This could open new possibilities for multilateral arrangements, but progress is likely to be slow.

2.7 Intra-Regional vs. Inter-Regional Connectedness

A related shaping factor will be the degree to which a number of regional arrangements underway on each of the four Atlantic continents move beyond preferential trade to encompass other elements of regional integration, and to what extent maritime-centered inter-regional arrangements may complement traditional land-based intra-regional initiatives.

African countries are far more connected commercially with partners across the Atlantic, Pacific and Indian Ocean basins than they are to each other, and this is likely to remain the case over the coming decade and more. The question for Africa is whether the continent can complement its maritime-based commerical connections with greater intra-regional connections on the continent itself. While commerce in Africa

has developed especially dynamically within sub-regional arrangements such as COMESA or EAC, as a whole Africa has suffered from multiple overlapping agreements that have proven difficult to implement and have led to distortions, inefficiencies and corruption. This has been recognized by African leaders and has led to their June 2015 agreement to gradually integrate COMESA, SADC and EAC into the Tripartite Free Trade Area. The 26 member states of the Tripartite account for 57% of the population of the African Union and 58% of its GDP. The Tripartite is potentially a step toward the planned African Continental Free Trade Area (CFTA). Progress has been slow and deadlines are unlikely to be met, but pressures will continue to build toward simplification and rationalization, stimulating trade in finished goods as opposed to trade in commodities; boosting intra-regional trade beyond its current meagre level of only 7% (the global "continental" average of such trade is 33%); and perhaps rudiments of a more integrated Sub-Saharan common market (Isbell and Nolan Garcia 2015; Schmieg 2015).

The EU remains the most prominent example of deep regional integration. Most EU member states are more deeply connected to each other than to non-EU member states. Efforts to further deepen or widen European integration seem likely to progress slowly and unevenly, however, amidst continued economic turbulence within much of the EU, uncertain British and Greek relationships with their European partners, widespread popular skepticism about EU institutions, and grave concerns about turmoil across the EU's southern and eastern peripheries. More progress may be anticipated in the EU's inter-regional initiatives via TTIP and other bilateral trade initiatives.

NAFTA in North America has never aspired to the type of deep regional integration embodied by the EU, yet a host of informal and formal inter-regional mechanisms are being forged and could deepen over time. However, greater dynamism is apparent in efforts to forge new inter-regional arrangements across the Pacific through TPP and across the Atlantic through CETA and TTIP. Mexico’s intra-regional trade share is higher for its ‘continental’ region (NAFTA) than for its two maritime basin regions, yet TPP and a potentially new trade arrangement with the EU are also likely to enhance Mexico's role as a two-basin country.

While some regional integration accords have registered relative success, such efforts in South and Central America have largely failed -- except for CARICOM, a maritime-centered initiative. And while South and Central America's traditional, land-based intra-regional commercial connections have been relatively low and are declining, the region's inter-regional connections across both the Atlantic and Pacific are strong and growing. In fact, inter-regional interconnectedness in terms of the density of trade is now higher in the Atlantic and Pacific Basin regions for most South and Central American countries than their traditional land-based intra-regional interconnectedness. For instance, nearly 60% of Argentina’s merchandise trade is within the Atlantic Basin, compared to only one third of its trade that takes place with countries of the ‘continentally-constructed’ Western Hemisphere. Uruguay registers 15% more trade with the Atlantic Basin than with ‘the continental region’ of the Americas. Even land-locked Paraguay and Bolivia are more connected with the Atlantic than with either the Pacific Basin or their respective land-based regions. Half of Brazil’s trade is intra-regional Atlantic Basin trade, while again only one-third – the global ‘continental average’ – is intra-regional ‘continental trade’ within the Western Hemisphere. Moreover, despite attention to the Pacific, absolute growth in Brazil's intra-basin Atlantic trade is still greater than its inter-basin trade with the Pacific (Isbell and Nolan Garcia 2015; Moreira et. al 2007; Kaltenthaler and Mora 2002).

The Pacific Alliance joining Mexico with the Andean states of Colombia, Peru, and Chile is particularly innovative because it is simultaneously regional and inter-regional. The four partners not only seek to eliminate 92% of tariffs among them; their

participation in the TPP is extending this vector of open inter-regionalism across the Pacific Basin to Asia, setting the stage for new types of maritime-centered, ocean-basin regionalism (IISS 2014; Isbell and Nolan Garcia 2015).

In short, there is potential across all Atlantic continents for countries to pursue 'maritime-centered, ocean basin-based 'inter-regionalism' in both the Atlantic or Pacific Basins as either complements or alternatives to the traditional, land-based, sub-continental and continental regionalisms of the past.

2.8 Global Value Chains

Global value chains (GVCs) are likely to continue to revolutionize trade in both goods and services, although their nature and character is likely to evolve over the coming decade, with potential significant implications for pan-Atlantic commercial connections, particularly with regard to Africa.

Despite their name, global value chains exhibit high regional concentration, and have been predominantly a Northern Hemisphere phenomenon; about 85% of GVCs' added-value trade takes place in and around the three hubs of East Asia, Europe and North America. Other regions remain marginal; their share increased from only 10% in 1995 to 15% in 2011 (Baldwin 2013; Magaldi de Sousa and Gonzalez Cubria 2014).

Africa's share in GVC participation increased from 1.4% to 2.2% during the same time. This represents an increase of almost 60%, whereas the established GVC regions in America, Asia and Europe saw a relative decline in their shares. Africa's growth was also higher than that of Latin America and the Middle East (African Economic Outlook 2015).

World Bank economists and other analysts point out that GVCs now represent a new path for development by helping developing countries accelerate industrialization and the "servicification" of their economies (Taglioni and Winkler 2014; Cattaneo et. al 2013; Gereffi and Lee 2012). There is potential for global value chains to offer new opportunities for structural transformation in Africa over the coming decade for a number of reasons.

First, services are becoming an increasingly important part of GVCs. For many African states, participation in the services sector is particularly important since this sector is less capital intensive than manufacturing, thus allowing for potentially greater participation in global markets and offering an alternative route to economic development via the traditional paths of agriculture and manufacturing. In value added terms, services now account for nearly half of world trade, and developing countries' share in world services exports experiencing a nearly 20% increase in the last twenty years (OECD 2013).

Second, through linking into an international production network, countries can establish a specific section of a product's value chain without having all the upstream capabilities in place which offers African countries an opportunity to integrate into a value chain without having all the other steps of the chain in place (OECD 2013; Cattaneo et. al 2013; Gereffi and Lee 2012; Baldwin 2013; Taglioni and Winkler 2014).

Third, while Africa captures only a small share of global trade in value added terms, its total level of GVC integration is high compared to other regions. However, a good part of it is "forward integration" of Africa's commodity exports as inputs in foreign manufacturing, which creates relatively little additional value added in Africa, rather than "backward integration" of foreign value into African exports, which is more closely integrated into the domestic economy and more likely to result in jobs growth (African Economic Outlook 2015).

Africa's 2% share of global imports of intermediates equally points to its still marginal role in global assembly. However, this seems to be changing as Africa's backward integration has been growing faster than its forward integration and faster than that of other regions. Africa's GVC integration increased by 80% between 1995 and 2011 (African Economic Outlook 2015). Almost three-quarters of this growth was driven by backward integration. The growth of Africa's GVC integration is much faster than that of South and Central America, and the gap looks to widen over the next decade.

Overall, GVCs mainly connect Africa to Europe and Asia; Europe accounts for 40% and Asia for 30% of foreign intermediates embedded in African exports, and Europe is the main destination of such exports. Yet Africa's GVC connectedness is uneven, and this differential nature of GVC integration will tug African countries in different geo-economic directions over the coming decade. Whereas Europe is the main source of intermediates for North, West and Southern Africa, Asia is the main source for Central and East Africa and the Indian Ocean island states. Southern Africa accounts for 40% of Africa's GVC participation, one-third of which is backward integration. North Africa accounts for 35%, but only a quarter stems from backward participation. West Africa accounts for 15% and has a profile similar to North Africa, with the use of foreign inputs in exports only making up a quarter of total participation. East Africa and the island states in the Indian Ocean together account for 6% of Africa's GVC participation and have the most balanced profile with half forward integration and half backward (African Economic Outlook 2015).

2.9 Energy

As my colleague Paul Isbell has described in more detail in papers for the Atlantic Future project and the Atlantic Energy Forum (Isbell 2014a, 2014b), an Atlantic Energy Renaissance is setting the global pace for energy innovation and redrawing global maps for oil, gas, and renewables as new players and technologies emerge, new conventional and unconventional sources come online, energy services boom, and opportunities appear all along the energy supply chain and across the entire Atlantic space. This Atlantic energy renaissance is emanating from both the Atlantic North and the Atlantic South – not just from the United States, whose own energy revolution has been most loudly trumpeted.

Three simultaneous energy 'revolutions' of the Atlantic energy renaissance – shale, offshore, low carbon -- are redrawing the global energy map. In the Atlantic North, the 'shale revolution' is radiating out from an increasingly less import-dependent North America. In the Atlantic South, the deep-water offshore boom has embraced nearly all of Africa and most of Atlantic Latin America; the Southern Atlantic could become a key new region for increases in global oil production, as well as the most critical regional supplier of oil at the margin to the Asian Hemisphere. The low carbon revolution has also unfolded primarily within the Atlantic Basin, where two-thirds of renewable energy generation now takes place and where a similar share of global installed renewable capacity is currently located. The continued growth of low carbon energy has been at least partially undermined by lower prices for fossil fuels and the recent boom in unconventional fossil fuels (ie, shale), yet Europe in particular has been charting new ground and is likely to continue to set the global pace with regard to low-carbon energy innovation.

Such innovation could have a particularly dramatic impact in Africa, which is still characterized by deep pockets of energy poverty. Africa has the lowest electrification rate of all the world's regions—only 26% of households— leaving as many as 547 million people without access to electricity, nearly half of the world's energy have-nots. Meanwhile, some 75% of Africans still depend on traditional biomass for cooking and

heating, with devastating consequences for people and the environment (Atlantic Basin Initiative 2014; IEA and World Bank 2015).

Isbell projects that these shifts in global energy flows could herald a transformation from what could be called the 'Traditional-Cold War' global energy map into the 'newly emerging global energy flow map' of the 21st century. The bottom line, in strategic terms, is that seaborne oil and gas flows will increasingly reverse their overall net direction – from 'Cold War East-to-West flows' to the new '21st century West-to-East flows.' As a result, the 'Atlantic Basin' (with the Southern Atlantic potentially playing a key role) will become the strategic hydrocarbons supplier-region at the margin for growing energy consumption in Asia-Pacific. Only a decade ago, nearly all projections of global energy supply and demand (whether from the IEA, the EIA, OPEC or the World Energy Council) foresaw increasing global energy demand at the margin being met entirely by the Middle East (and, in particular, by Saudi Arabia). Yet today, in stark contrast, the Atlantic Basin already supplies nearly one-third of that same total, global 'energy demand call' at the margin, now increasingly concentrated in the Asia-Pacific region – and by 2030 the Atlantic Basin is projected to provide nearly half. Nothing could more synthetically and emblematically reflect the reality of the 'Atlantic energy renaissance' – both its causes and its effects – than this singular and dramatic shift in the global energy flow map.

2.10 The Changing Nature of Development Assistance

Since the turn of the millennium the international landscape for development assistance has changed.

First, countries that were once poor, like China, Brazil, India and Turkey, have became economic powerhouses and started their own foreign aid programs. South-South development cooperation is estimated to have reached $21 billion by 2012, compared to net OECD Official Development Assistance (ODA) totaling $125 billion (United Nations 2014b). Most Southern donors focus their aid program on their region, but China and Brazil each focus on Africa. Brazil views development cooperation as a preeminent soft-power element of its foreign policy. It is actively engaged in 36 African countries sharing develoment solutions in areas ranging from education and public health to agriculture and social development.

Second, the number of countries, foundations, and new partnerships supplying development assistance has mushroomed. According to one estimate, U.S. private philanthropy has surpassed U.S. Government ODA ($32.7 billion in 2014) (Hudson Institute 2013; Slaughter 2015; Herfkens 2015).

Third, donors have come to agree that aid needs to be demand- rather than supply-driven if it is to be effective. OECD donors have committed to support developing countries with predictable multi-year funding for *their* home-grown programs; to integrate aid in the recipient's regular planning and budget systems; and, where possible, transfer the management of aid to the partner government. Yet implementation has lagged and the international aid architecture has not been updated. Today, less than half of OECD/DAC technical cooperation flows are consistent with national development strategies (OECD 2014; Herfkens 2015).

2.11 Innovation

The economic prospects for countries and communities across the Atlantic Basin will be shaped not only by access to, and use of, tangible assets such as energy, labor and natural resources, but also intangible assets such as knowledge, information and innovation. Nobel laureate economist Joseph Stiglitz argues that of all the

intercontinental connections engendered by globalization, "at the top of the list is globalization of knowledge, the free flow of ideas that has followed the lowering of communication costs and the closer integration of societies. The transfer of that knowledge, which globalization has facilitated, is likely to prove one of the strongest forces for growth" (Stiglitz 2004). Growing global connections mean that the knowledge base of many economies -- and sub-regions within countries -- will no longer simply locally rooted but positioned within broader regional and inter-continental knowledge networks (Huggins and Izushi 2009). The OECD, which has conducted extensive research into global competitiveness, concludes that “the critical issue for the emerging economic geography of the twenty-first century is the location and spatial distribution of knowledge-assets” (OECD 2007).

Technological and scientific innovations are certain to spread -- unevenly -- across the Atlantic Basin. For any particular company, community or country, such innovations may have the potential to unleash new economic growth, disrupt prevailing economic patterns, or transform the very nature of the economy. It is difficult to predict tomorrow's innovations, but various on-the-horizon innovations are certain to shape the nature of pan-Atlantic commercial connections. The Internet of Things,[3] for instance, promises to make ubiquitous computing a mainstay of daily life across much of the developed spaces of the Atlantic Basin and beyond. The Faber Revolution -- 3D custom printing of goods and even living human cells from digital designs -- is certain to transform manufacturing and markets.[4] People will be able to download real products, just like they download music today, at home or at local 3D production centers. The Faber Revolution has the potential to reduce waste, spark further innovation, and revive manufacturing in the Atlantic North, while introducing new possibilities to companies and communities in the Atlantic South. Real-time, borderless, digitally-enabled mass collaboration is likely to become a dominant paradigm of economic activity (Huggins and Izushi 2009; Cohen and Levinthal 1990). Innovations in service robotics and human cognitive augmentation technologies, including wearable and implantable devices, are likely to improve vision, hearing, and even memory. Bio and information technologies have the potential to enhance human mental performance and extend average human life. Efforts to generate "blue growth" by harnessing the untapped potential of the ocean could generate new types of jobs and markets in areas such as blue energy, aquaculture, tourism, marine mineral resources and blue biotechnology (Ecorys et. al 2012).

These innovations, and many as yet unknown, could radically accelerate a range of enhanced efficiencies, streamline and alter supply chains, and help some key Atlantic economies cope with aging and shrinking populations. At the same time, such innovations are likely to convulse job markets, challenge educational and political systems, test prevailing regimes for privacy, and disrupt patterns of human mobility (European Internet Foundation 2009). The future world -- including the Atlantic Hemisphere -- is likely to be challenged by “technological unemployment”—a term John Maynard Keynes used decades ago to describe the problem when innovative ways to economize on labor outpace innovative ways to use labor (Legarde 2014).

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[3] This term refers to the wholesale tagging and networking of mundane objects, such as food packages, furniture, room sensors, and paper documents. Such items will be located and identified, monitored, and remotely controlled through enabling technologies—including Radio Frequency Identifications, sensor networks, tiny embedded servers, and energy harvesters—connected via the next-generation Internet using abundant, low cost, and high-power computing.

[4] Fabricators, or "fabers," also known as 3D printing/additive manufacturing, offer the potential for custom manufacturing of goods at the price of mass manufacturing of goods.

2.12 Rising Inequality

One charactisteristic common to all of these shaping factors is that their impact will be uneven for individuals, communities, countries and continents. Many will gain, many will feel pain. This differential impact of change is likely to be so profound that it should be considered itself as a factor shaping economic future prospects.

One prominent example of such differentiation can be seen in growing income inequality within and across countries, in the Atlantic space and beyond. Income inequality is stark and on the rise -- a reversal of the pattern of most of the last century, when inequality was narrowing (Oxfam 2014; Herfkens 2013).

Most high and middle income countries in both the Atlantic North and the Atlantic South are more unequal now than they have been since at least the 1920s. Some countries in Latin America, long the world's most unequal continent, have done better by investing in education and cash transfers to the poor. Africa is a mixed story of extremes both in improving equality and polarization.

Because history shows a clear association between inequality and instability, political leaders pay attention. But inequality is not just inconsistent with political values like "fairness." Accumulated economic and social research shows conclusively that equality is an important ingredient in promoting and sustaining growth. Today the OECD, IMF and World Bank all agree that income equality correlates positively with economic growth. Inequality not only implies a slower rate of poverty reduction, but by itself hampers long-term growth because it reduces social mobility, contributes to financial crises, weakens demand and prolongs recession. Growing inequality within and between countries will continue as a pressing problem for the Atlantic world, damaging social cohesion, economic efficiency, and political stability.

2.13 Asia's Pivot to the Atlantic

Over the next decade and beyond one of the most significant external factors shaping pan-Atlantic economic connections will be the rise of Asia as an Atlantic actor. As Atlantic powers consider how to pivot to Asia, they would do well to understand how Asian powers are pivoting to the Atlantic. Atlantic strategies to address Asia's rise cannot focus solely on dynamics in the "Asian Hemisphere," they should also consider the implications of Asia's growing engagement in the "Atlantic Hemisphere"— North and South America, Europe, and Africa (Hamilton 2015; Hamilton and Quinlan 2015a and 2015b; Hanemann 2014; Levinger 2014).

A review Asia's pivot to the Atlantic leads to a few conclusions. First, Asian engagement in the Atlantic is driven primarily by economic concerns. In the Atlantic South, China's focus is largely on acquisition of and access to fossil fuels, minerals, and agricultural commodities, while Japanese and Korean engagement in South America in particular has diversified considerably. In the Atlantic North, Asian economic actors are focused on access to significant consumer markets, technological know-how and innovation (Economy and Levi 2014).

Second, there is no coherent strategy behind Asia's turn to the Atlantic; Asian countries act as much as competitors as partners when it comes to their engagement in the Atlantic Hemisphere. Individual Asian countries often export their intra-regional competition with other Asian countries to areas far from Pacific shores, seeking to eke out marginal advantage or curry favor from third parties in support of their respective political and economic priorities. The nature and aims of their respective engagement, as well as their approaches to human rights, democratic governance, civil society and the rule of law, vary considerably (Hamilton 2015; Abdenur and de Souza Neto 2013).

Third, Asia's rise is also affecting the Atlantic Hemisphere in a more global context, particularly with regard to worldwide norms and standards that should guide countries as they address contemporary issues. That debate should influence how the United States and its European partners engage South Atlantic countries, as well as those in Asia.

Finally, breathless talk about Asia's global rise must be put in perspective. Asian engagement in the Atlantic Hemisphere is uneven. Some connections are thick, others quite thin. On most indicators most Asian actors in the Atlantic lag significantly behind the United States and Europe in terms of their overall presence, with some exceptions. Africa has been a greater beneficiary of Asian activities than Latin America, yet throughout the South Atlantic there is rising concern about the nature and terms of Asian, and particularly Chinese, engagement. Few mechanisms are in place in the Atlantic Hemisphere, however, for established and emerging powers to hash out the terms of their interaction.

3. Key Dimensions and Future Narratives of Change

It is difficult to foresee how the shaping factors and actors identified here will interact, or how security concerns, political issues, environmental factors or events within the Atlantic or Asian Hemispheres may affect those interactions. Nonetheless, one thing is clear -- individuals, communities, countries and continents will be affected unevenly. This differential impact offers a prism through which we may be able to identify how the various shaping factors may offer elements of cooperation and competition; influence dynamics between the Atlantic North and South; and unleash centrifugal or centripetal forces with regard to pan-Atlantic commercial interactions over the next decade and beyond.

As economies continue to churn across each of the Atlantic continents, and as Asian countries play more of an Atlantic role, there are certain to be winners and losers both within and between countries, as most countries across the region find themselves challenged to reverse a common trend of growing inequality. In this regard the various shaping factors will offer incentives for both cooperation and competition. Regions within countries will compete for inward investment and to situate themselves as innovation hubs and links in global value chains. A growing number of North American and European companies may either re-shore or near-shore their supply chains back to the Atlantic Hemisphere. Mexico and many African regions have considerable potential to integrate more closely into GVCs, while South and Central American countries are likely to lag. Africa's public and private leaders will remain challenged to use continuing growth to reduce poverty and create enough jobs to cope with the continent's youth bulge and demographic explosion (Pereira da Costa 2014). African and South/Central American economies will continue to want to broaden the base of their economies and expand beyond commodity dependence. Inward investment can play a critical role in this regard, but for many host countries the challenge will be to avoid being locked into low value-added stages of GVCs and to enhance positive employment and other spillovers from foreign investment into domestic economies. North American and European investors will find encounter greater competition in that space from Asian competitors.

It is unclear whether U.S. economic interest in Africa, now flagging, will revive; more likely is greater engagement by Europe and Asia, followed by Brazil. U.S. entities and some European countries like the Netherlands are likely to chart new horizons for development assistance, however, both through new types of public-private coalitions as advanced by the U.S. and direct budget support of recipient countries as piloted by the Dutch, even as "new" donors like Argentina, Brazil, Chile, Colombia, and Mexico

step up their engagment, focusing primarily on exchange of good practice and transfer of knowledge.

New preferential trade arrangements such as TTIP and TPP are likely to reinforce cooperation among their members, while imposing more severe competitive pressures on non-members, most of which are situated in the Atlantic South, unless Atlantic North countries devise cooperative mechanisms through which countries can align themselves to those PTAs over time, and whether the US and EU cooperate to harmonize trade preferences for poor countries and align their own standards regarding rules of origin (Herfkens 2015b; Amaoko, Herfkens and Hamilton 2013). Global energy needs will overall be a force for greater cooperation across the Atlantic space to develop the Atlantic Hemisphere's huge potential, although competition will continue to rage between companies and across different types of energy providers.

Various shaping factors, and the interaction among them, offer potential to erase the invisible line separating the Atlantic North from the Atlantic South, while other factors are likely to reinforce or sharpen those divisions. TTIP and related preferential trade agreements could reinforce or even set higher WTO-plus and WTO-extra standards for product and food safety, labor, consumer and environmental standards that could widen normative differences with many countries of the Atlantic South. On the other hand, new actors appearing on the scene could be South American multinational corporations, known as *multilatinas*, which are not only investing within the Atlantic South but increasingly looking for returns on investments in the Atlantic North.

There is also likely to be considerable interplay between centripetal and centrifugal forces within respective sub-regions and the Atlantic macro-region as a whole. As the various shaping factors interact over the next decade, some communities and countries are likely to push for greater regional cooperation, while others are likely to be pulled away from deeper regional integration in favor of inter-regional cooperation. North American and Central American countries, together with Colombia and South Africa, are likely to position themselves more prominently as "dual-basin" countries straddling two great oceans, and using that position to build inter-regional networks to strengthen their future in a hyperconnected world. Europe is likely to remain distracted by its own internal challenges and by dangers accumulating along its eastern and southern peripheries, while TTIP, CETA, an upgraded EU-Mexico trade agreement and possible new arrangements with Japan and other Asian economies, as well as competition and cooperation with China, could reinforce a focus on the Northern, rather than the Southern Hemisphere. Many African countries feel the pull of deeper economic ties with the Indian and Pacific Ocean countries, even as more raise concerns about new "colonial" patterns of economic exchange with their Eastern partners, and as they are likely to work, fitfully, to increase their own lagging continental integration. It remains unclear whether Brazil, a quintessential Atlantic power, will be mired down by domestic ecnomic and political challenges that could reinforce its traditional stance as a power of the Atlantic South, or whether many of the commercial opportunities charted here may lead the country to adopt a more engaged stance as a rising powe of the pan-Atlantic.

Atlantic actors have various inducements to greater commercial cooperation. Atlantic companies and countries are likely to cooperate to lead global efforts at "blue growth" -- harnessing the untapped potential of the ocean to create sustainable jobs and growth, in areas such as blue energy, aquaculture, tourism, marine mineral resources and blue biotechnology. They share greater interest in ending trade-distorting agricultural subsidies and exempting humanitarian aid from food export controls, as recommended by the Group of 20. Such initiatives seem more realistic now than in the past because of the changing outlook for agriculture from chronic surpluses to increased demand. They also share common interest in devising standard operating principles by state-owned enterprises (Zoellick 2013). The Atlantic partners could also form the core of an

international services agreement that offers reciprocal liberalization to all economies willing to join, with flexibilities for low-income countries. For Southern Atlantic countries seeking to diversify their economies, the services trade is increasingly important to boosting productivity and to lower costs of critical infrastructure development.

In short, growing commercial connections across the Atlantic Hemisphere offer considerable potential. But they are challenged by a range of developments, from stalled multilateral and bi-regional trade negotiations, domestic protectionist challenges, trade-distorting measures and absence of pan-Atlantic economic governance mechanisms. A decade from now, the Atlantic Hemisphere is still likely to be characterized by both extreme wealth and poverty.

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