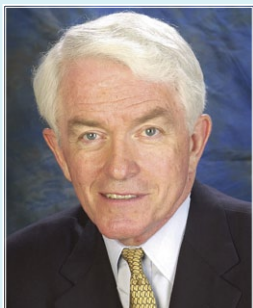


# The Transatlantic Community in the 21st Century: Meeting the Challenges of Growth and Leadership



Address by Thomas J. Donohue  
President and CEO  
U.S. Chamber of Commerce

The Atlantic Council  
April 18, 2012  
Washington, D.C.

*As prepared for delivery*



100 Years Standing Up for American Enterprise  
**U.S. CHAMBER OF COMMERCE**

---

**The Transatlantic Community in  
the 21st Century: Meeting the  
Challenges of  
Growth and Leadership**

Address by Thomas J. Donohue  
President and CEO  
U.S. Chamber of Commerce

The Atlantic Council  
April 18, 2012  
Washington, D.C.

*As prepared for delivery*

---

---

## Introduction

Thank you very much Fred (Kempe), and good afternoon ladies and gentlemen.

Fred, the Atlantic Council has grown tremendously in size and stature under your leadership. You, your staff, and supporters deserve a lot of credit for your excellent work on behalf of the most significant commercial, political, and security relationship on earth.

This is a very special occasion—not just the personal honor of being here—but because we are observing the Chamber’s 100th anniversary. Serving the cause of economic freedom has been the greatest privilege of my life, but it hasn’t always been easy. In fact, running the Chamber is a little like running NATO—the great challenge of herding cats in order to provide collective security against bad ideas.

We’ve been reflecting a lot at the Chamber about how much our role and agenda have changed over the years. Perhaps the most significant change is that we are now a truly global organization, with an array of international issues to manage that are growing longer by the day.

We have recognized that it would be impossible to effectively represent the business community without being fully engaged in global affairs from an

---

economic, security, and even geopolitical perspective. That's why we have more than 60 people working on our international activities—backed by a network of bilateral business councils, regional tasks forces, and about 115 American Chambers of Commerce abroad. We also manage the Center for International Private Enterprise (CIPE), a program of the National Endowment for Democracy. Over the past three decades, CIPE has run some 1,300 reform projects in 100 countries around the world.

**It would be impossible to effectively represent the business community without being fully engaged in global affairs from an economic, security, and even geopolitical perspective.**

So I'm very pleased to spend some time with this prestigious organization on such an important occasion for the Chamber.

We're also gathering on the eve of pivotal meetings. The IMF and the World Bank will hold their spring meetings soon, followed by the G-8, the G-20, and NATO over the next two months. That's quite a lineup—and a great opportunity for organizations like the Chamber and the Atlantic Council to advance our messages and our ideas.

---

So what I would like to do for the next few minutes is make some observations about the transatlantic relationship ... and propose for your consideration and our discussion where I believe that relationship needs to go from here.

## **Security and Economy— The Vital Connection**

As I prepared for this event, I thought about this series—Mapping the Economic and Financial Future—and the fact that the Atlantic Council runs a Global Business and Economics program. Some might find it surprising since you are so well known for your security and foreign policy expertise. But it's very telling and very smart. It's a testament to the synergy of security and prosperity.

Security can no longer be defined solely by the projection of global power, qualitative military edge, or nuclear throw weight. Increasingly, it's about global competitiveness, qualitative edge in innovation, and trade weight. And that's not just the observation of business leaders and foreign policy experts. Our military leaders have come to believe it as well.

**We need prosperity to pay for security. Without security, we can't have prosperity.**

---

We need prosperity to pay for security. Without security, we can't have prosperity.

The transatlantic community has always exemplified this interconnection between security and economy—and it is critical that our policymakers understand this fundamental reality.

## The Essential Partnership

There's another reality worth underscoring, especially in light of all the recent talk about a so-called pivot to the Pacific. The transatlantic partnership is by far the largest commercial relationship in the world. It exceeds \$5 trillion—when you count trade, investment, and sales by foreign affiliates of our companies. Directly and indirectly, we account for millions of jobs in each other's economy.

Next month, I'll be visiting Ireland to meet with the prime minister and business leaders to assess that country's recovery and opportunities for future collaboration. Maybe it has something to do with my surname, but I always like to remind folks that the United States has more money invested in Ireland than we have in Brazil, Russia, India,

**The transatlantic partnership is by far the largest commercial relationship in the world.**

---

China, and South Africa combined. That's just one of many vivid examples that illustrate how significant the transatlantic partnership really is.

Don't forget that even with the rapid rise of new economic powers, the United States and Europe still account for 45% of the global economy. That's more than just pocket change. And our achievements, our influence, and our leadership go well beyond economics. NATO is still the most potent and most essential security alliance on earth. But just as challenges facing the Chamber have grown and changed over the decades, so it is with NATO.

With NATO in the vanguard, the transatlantic community is now grappling with challenges such as the spread of nuclear weapons to rogue states and non-state actors ... regional conflicts that have the potential to disrupt the entire global supply chain ... and the compelling need to protect our cyber security.

**The first thing that the transatlantic community needs to do is stop all the hand-wringing!**

So, in my view, the first thing that the transatlantic community needs to do is stop all the hand-wringing! To paraphrase, and twist, Mark Twain's immortal words:

---

The news of our decline has been greatly exaggerated!

To be sure, we face the rise of new competitors who are vying for natural resources, human talent, markets, and economic and geopolitical influence. Within our own borders, we face major demographic shifts that make elevating productivity harder and demand difficult reforms in popular government programs.

But alongside every challenge we can think of, there is also an opportunity. The rise of hundreds of millions of people out of poverty means huge new markets for our goods, services, and technologies. Emerging markets are also exploding with monetary and human capital, which we will be able to tap to grow and stay competitive.

What will it take for the transatlantic community to meet the challenges and seize the opportunities stretched out before us? To put it simply, we need cohesion, recovery, and growth.

## **Cohesion—Working Together to Meet Common Challenges**

First, cohesion. It's simple—we are stronger together than we are alone. Sticking together as an alliance for



---

prosperity and security is the only way to keep the transatlantic community strong and relevant in the dynamic decades ahead. Without cohesion, we will be unable to overcome shared challenges.

**Sticking together is the only way to keep the transatlantic community strong and relevant in the dynamic decades ahead.**

One example is the rise of state capitalism. Last year it was reported that between 2004 and 2008, 117 state-owned and public companies from Brazil, Russia, India, and China appeared on the *Forbes* list of the world's largest companies. About 240 mainly American and European companies dropped off. Economic competition between private sector economies and those with heavy government ownership and top-down centralized control is neither fair nor healthy.

Now, whenever I travel to Europe, everyone wants to talk about China. When I go to China, they want to talk about Europe. And when I travel across America, CEOs want to talk about both China *and* Europe. So it doesn't make much sense to duck the subject here.

The rise of China and other large developing economies is a shared reality we all face.

---

China is an immensely important market and investment partner for both the United States and Europe. At the same time, it is a tough competitor in third-country markets and within our own borders. We find ourselves competing with formidable state-owned enterprises whose government is working with them to help them develop.

How should we approach this complex equation? First, we should stand together in working through the WTO and other forums to ensure that all members of the international community play by the rules and adhere to globally accepted standards of integrity and fair play.

**We must inject more ambition into our own economic partnership.**

Second, we should accelerate our own efforts to launch and complete a U.S.-EU economic and trade pact to lower barriers, converge regulations, and expand job-creating trade and investment. We must inject more ambition into our own economic partnership.

No one should mistake these activities as a call for the United States and Europe to gang up on China or curb its growth and progress. China's economic progress has been extraordinary, and it is a positive

---

development for the human condition. The same is true for the rapid progress we are seeing across Southeast Asia, in India, and in Latin America.

And that leads to my third point about our relations with China. I believe that the United States should start discussing ways to broaden and deepen our commercial relations with China.

This includes consideration of a comprehensive bilateral U.S.-China trade agreement. We are making good progress in moving toward a Trans-Pacific Partnership with some of our key Asian and Latin American partners. So the obvious question is, Why not China?

Europe might want to think about the same question. I understand all the difficulties. I know that there are already robust dialogues under way between our countries to resolve commercial frictions. Nothing should distract negotiators from the important work of achieving progress in the near term.

In fact, resolution of some of these problems could be the first building blocks of a broader trade agreement, just as a bilateral investment treaty with China could be another important step on the journey.

---

I know the EU has already been exploring the possibility of a bilateral investment treaty with China. Clearly, this is an arena that is ripe for our mutual discussion and analysis. There are many other topics to address together such as the rampant theft of intellectual property; the need to protect data privacy while keeping the Internet open and free; ensuring that the new rules governing the financial system work seamlessly across borders and encourage rather than smother capital formation and job creation; and finding common approaches to what could emerge as one of the greatest economic and security challenges of this century, which is cyber security.

As we seek greater cohesion and do more things globally together, it's important that we take a more expansive view of the transatlantic community itself. Russia is joining the WTO—a positive development that will help us deal with the broader complexities of our relations with Russia. Turkey offers huge opportunities for both the United States and the EU and serves as an important bridge to the Mideast and North Africa.

**It's important that we take a more expansive view of the transatlantic community itself.**

And in many ways, Canada is teaching

---

the rest of us how to fix an economy and make it more competitive with prudent tax, spending, entitlement, and energy reforms.

## **Recovery and the Importance of a Strong EU**

Now, let me turn quickly to the matter of economic recovery. The United States is stuck in the weakest recovery since the Great Depression. Europe is in—or teetering on the edge of—a new recession. Unemployment across the Atlantic has reached crisis levels in many places, especially among young people.

For months, the Chamber has been advocating a clear and practical plan to boost our own economy. We are making some progress but not enough. In case you haven't noticed, our politicians have a few other things on their minds this year!

In Europe, the process has been cumbersome and the progress halting, but overall, countries and institutions have stepped up to prevent national defaults that could cascade toward a breakup of the Eurozone. Such an outcome would be a disaster.

**A breakup of the Eurozone would be a disaster. The economic benefits of a unified market and common currency are crystal clear.**

---

The economic benefits of a unified market and common currency are crystal clear.

The free movement of people, goods, services, and capital has significantly enhanced Europe's competitiveness.

Recovery depends on our individual actions as well as on our collaboration. Our most important step must be to make existing regulations more compatible. We must also put our fiscal houses in order—no more delays, no more excuses.

You know, once in a while in Washington you hear something that sums up a problem to a tee. When asked how best to respond to fiscal crisis, a candid EU politician replied, "We know what to do. We just don't know how to get reelected after doing it." He could have been speaking from Capitol Hill or the White House just as easily.

## **Growth and the Importance of a U.S.-EU Economic and Trade Pact**

Finally, I'd like to highlight the imperative of economic growth. Growth will not solve all our problems. But without growth, we won't be able to solve any of them.

Today's growth debate in Europe is welcome, but it is wrongly centered on

---

government spending. How much government austerity is enough? How much is too much? In fact, genuine, sustainable, job-creating growth must come from the private sector, and not from more public spending, taxes, and debt.

**Growth will not solve all our problems, but without it we won't be able to solve any of them.**

That means opening markets ... weeding out unnecessary regulations ... reforming taxes ... training and expanding our workforce through better education and immigration ... and letting the marketplace rather than the government pick the winners and losers.

That brings me back to the Chamber's proposal for a U.S.-EU Economic and Trade Pact.

**It's time to get moving on this bold idea for a U.S.-EU Economic and Trade Pact.**

It's time to get moving on this bold idea. Competitive pressures are building, and the need for growth is more critical than ever.

We don't need another amorphous concept with overambitious labels that can mean anything to everyone and no mechanism for action. We need specific sets of negotiations with tight timetables and

---

firm deliverables dealing with tariffs, services, regulations, procurement, and investment.

The experts have long touted the military interoperability at NATO to meet shared threats. It's time to match it with greater economic interoperability to seize shared opportunities.

## Conclusion

Ladies and gentlemen, in the last century the transatlantic community saved history. Now, it's time to make history again. Doing so requires cohesion, in security and economics, through a stronger NATO and through a vibrant economic partnership for prosperity. It requires recovery from financial and fiscal crisis through common sense, discipline, and courage. And it requires growth by unleashing enterprise on both sides of the Atlantic through policies that promote trade, investment, innovation, and expansion.

**In the last century, the transatlantic community saved history. Now, it's time to make history again.**

The imperatives facing the transatlantic community are clear. We have to grow, and we have to lead. We must grow by boldly reaffirming the free enterprise principles that built our great economies



---

**We have to grow,  
and we have to  
lead.**

and rebuilt them out of the ashes of conflict. And we must lead not

only through our considerable military and diplomatic influence but also by the examples we set.

We must make needed policy changes that reflect our changing demographics and the new realities of a competitive world. And if we truly believe that the path to global growth and progress is through free trade, open investment, and regulatory cooperation and convergence, then we must start our own negotiations on these critical subjects *now*.

If we fail to grow and lead, we will lose more than opportunity. We stand to lose the collective prosperity and security we have worked so hard to build. Standing still is a prescription for economic stagnation. Standing still would be an abdication of leadership for which we and the international community would pay a terrible price.

Our decision must be to grow and to lead—and based on who we are, what we stand for, and all that we have achieved in the past, I am confident that this is the map we will follow.

Thank you very much.

*The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.*



100 Years Standing Up for American Enterprise

**U.S. CHAMBER OF COMMERCE**

1615 H Street, NW  
Washington, DC 20062-2000  
[www.uschamber.com/ccmc](http://www.uschamber.com/ccmc)