

**THE**

**TRANSATLANTIC**

**RELATIONSHIP**

**SOCIAL EUROPE DOSSIER**



# THE TRANSATLANTIC RELATIONSHIP

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## PREFACE

The end of the Donald Trump administration in Washington provided the opportunity to turn the page on a transatlantic relationship which had become poisoned by Trump's personal high-handedness and pursuit of an 'America first' policy on everything from trade to NATO. It may also allow of a closer relationship than under the prior administration of Barack Obama, which preferred to 'pivot' to the Pacific.

Following the *Social Europe* series supported by the *Friedrich Ebert Stiftung* on the 2020 elections, this series, co-edited by Lauren Schwarz of the FES, looks to how relationships between the US and Europe could and should evolve over the coming years, up to two Democrat presidential terms, across a raft of issues. Often—especially from a 'realist' international-relations standpoint—the relationship is conceived narrowly in security terms, with taken-for-granted assumptions derived from the cold war as to what these terms must be.

Our fresh approach addresses security, certainly, but from a standpoint of how US and European institutions and social movements can work together to foster human security in a polycentric world—such as on the prevention and containment of further global

pandemics—recognising that the major competitors in this context are what has become a rogue state in Russia under Vladimir Putin and the party-state dictatorship in China under Xi Jinping (both figures now constitutionally embedded as presidents for life). Can a new ‘global public opinion’ be formed behind the universal norms of democracy, human rights and the rule of law which transformed the ‘dark continent’ of Europe into a peace haven after 1945—bypassing the blocking vetoes of Russia and China, derived from the postwar balance of forces, at the United Nations—and in pursuit of the realisation of the 2030 Sustainable Development Goals?

Relatedly the series focuses on the existential challenge to humanity posed by onrushing climate change—on which again within the next decade dramatic action is critical, as the science indicates. The good news is that the disastrous US-Chinese standoff at the United Nations climate summit in Copenhagen in 2009 was superseded by the European-led agreement arrived at in Paris in 2015. This was not enough for the science and yet too much for Trump after his election the following year. But one of Biden’s first steps as president was to re-engage with the Paris agreement and winning the race against climate catastrophe clearly depends on the highest level of transatlantic co-operative ambition, including in support of aid to the developing world to take a different path from the major carbon polluters.

A collaborative, rather than protectionist, approach to trade will also be under scrutiny. A proposed Transatlantic Trade and Investment Partnership met considerable public opposition in Europe over trade-related intellectual-property rights and private courts open to corporate complainants and was in any event abandoned when Trump took power. Should that agenda be reopened, in such a way as positively to protect labour and environmental standards as well as enable trade? And will Biden’s ‘Made in America’ thrust sit easily with that?

A further dimension comprises the challenges of taxing the rent-seeking behaviour of the Big Tech corporations which now bestride

the globe. The Treasury secretary, Janet Yellen, has said the administration wants to reverse the ‘race to the bottom on corporate taxation’, stemming from how multinational corporations can game a taxation system based on the nation-state—on which *Social Europe* also ran a recent series. What kind of combination of minimum taxation and a ‘digital tax’ is possible to capture some of these huge rents and how would it be co-ordinated between the two sides of the Atlantic—especially given this would essentially apply to US corporations only?

Finally, the postwar generation in both western Europe and north America enjoyed hitherto unknown prosperity and (at home) peace, it is now clear, in large measure due to a transatlantic commitment to common goals: full employment (for men) sustained through Keynesian demand management, allied to insurance- or taxation-based welfare states, within the overarching framework of the stable macro-economic order established at Bretton Woods. That order was steadily unpicked by ‘supply-side’ economics treating unemployment as voluntary, the replacement of generous fiscal by tight monetary policy and the collapse of fixed exchange rates, as the political pendulum swung from social democracy to neoliberal conservatism.

As in the interwar period, unregulated markets led inexorably to financial bubbles and to a crash, the associated insecurity fostering authoritarian populism in its wake. Now with populism once more in retreat on both sides of the Atlantic, can a progressive political alliance be reconstructed? And can it cope with today’s more complex agenda, embracing not just the conventional postwar socio-economic concerns but cultural and political issues, notably focused on gender, ethnicity and sexual orientation?

The other agendas in this series are set to depend on it.

ONE  
WHAT IS NATO FOR?

MARY KALDOR

The North Atlantic Treaty Organization is a geopolitical alliance. It was constructed during the cold war to counter a potential Soviet threat. NATO forces in western Europe, nuclear and conventional, anticipated and planned for a conventional Soviet attack—a *Blitzkrieg* across the German plains—on the model of World War II.

When the cold war ended, many hoped NATO would be replaced by a pan-European security organisation. Its basis would be the Helsinki Final Act, signed at the conclusion of the Conference on Co-operation and Security in Europe in 1975 by all the states of Europe and north America. Its principles of peace, economic and social co-operation and human rights we would nowadays encapsulate in the phrase ‘human security’.

The competing, Soviet-controlled Warsaw Pact was dissolved and the Organisation for Security and Co-operation in Europe (OSCE) established, including Russia and the other Soviet successor states. But it has always been overshadowed by NATO, which not only remained but expanded eastwards while excluding Russia—even though, in the early years, there were efforts to include it as a partner.

Think again

Ever since, NATO has thus been searching for a role. Is its job to counter Russia, and also China, on the cold-war model? Or has it taken on new tasks, such as the ‘war on terror’ or crisis management, as in Afghanistan? Perhaps now is the moment to think again, in the context of Covid-19 and the new administration in the United States.

Could the transatlantic relationship be reoriented towards human security? What would that involve?

Human security is about the security of the individual and the community in which she or he lives. It is about security from physical violence (war, massive violations of human rights or crime) and from material threats (poverty, pandemics or environmental devastation). It is a form of security we enjoy in relatively wealthy, rights-based, law-governed societies—in times of crisis, we take it for granted that police, firefighters and health and social-care workers will be there to look after us.

The goal then is to spread such security worldwide. Instead of protecting ‘our’ borders against perceived external threats, the idea is to construct a safer world—to promote a rights-based rule of law and make available global emergency services to help with pandemics and natural disasters, as well as protecting people in cases of war or massive violations of human rights.

Dominant discourses

Human security is an alternative to the dominant discourses on security: the ‘war on terror’ and geopolitical competition. It is about protecting people rather than defeating enemies.

Over the last two decades, a largely invisible and unaccountable campaign of long-distance assassination—using drones, special forces and private security contractors—has been pursued, primarily by the US though other countries have been involved. This is the continuing ‘war on terror’, although it goes under

other names. According to the last known figures, based on a classified brief, at the end of Barack Obama's presidency US special forces were on the ground in 97 locations in at least 27 countries.

Thousands of violent, non-state actors have been killed along with thousands of civilians—whether by mistake or as 'collateral damage'. Twenty years of the 'war on terror' have not however diminished the threat of 'terrorism'. On the contrary, it has been hugely magnified: *al-Qaeda* and Islamic State have grown and proliferated across the world.

Moreover, the campaign totally undermines the west's claim to uphold the rule of law and human rights. We need to find other ways to address the growing global threat of violence.

The other dominant discourse is of military competition with Russia and other repressive and illiberal states, engaged in widespread repression of political opposition or groups (such as the Uyghurs in China) and/or external provocations (as in Russia's threats to Ukraine or China's threats to Taiwan). But military competition does not reduce this danger either: an arms race merely provides these countries with a rationale for their actions, contributing to their paranoid perceptions of internal and external 'threats'.

Any inter-state war would be suicidal—and the deterrent effect of that knowledge is the most we can hope for. But active military competition, in words and deeds, only makes accidents, mistakes and continued risky incursions by these rivals more likely.

### Damping down conflict

So what it would mean for NATO to adopt a human-security posture rather than one based on national or bloc security, as in the cold war? Armed violence and geopolitics thrive in conflict situations. *Al-Qaeda*, IS and their affiliates have diffused in places such as Syria, Afghanistan and Yemen, as well as in west and east Africa. And Syria

(again), the south Caucasus or Ukraine are the locations where geopolitics plays out.

NATO could be transformed into an organisation for reducing and damping down conflict within the framework of the United Nations. It could represent the transatlantic contribution to peace-keeping. It would mean a focus on crisis management—reducing violence in the context of armed conflicts, massive violations of human rights or genocide.

A human-security approach to crisis management involves an array of diplomatic, political, economic and social tools. But there is also a role for the military in protecting people, upholding negotiated ceasefires and overseeing disarmament and demobilisation. This is more like policing, however, than classic war-fighting: protecting people comes before defeating enemies.

Of course, it might be necessary to arrest or even kill those responsible for violence, but only if this can be done without harming innocent people—‘collateral damage’ is not acceptable on a human-security mission. Dealing with violent groups would focus on policing and intelligence, as well as addressing the conditions from which violence stems.

Addressing Russia and other illiberal states would require a differentiated approach. It is important to co-operate on climate change, ending pandemics and reducing the risk of war, through agreements such as the Iran nuclear deal or extending the Strategic Arms Reduction and Intermediate-range Nuclear Forces treaties. At the same time, serious, targeted sanctions and other measures must be taken to stop human-rights violations, while transnational links among social movements and civil society need to be fostered. This is the combination of peace, co-operation and respect for human rights enshrined in the Helsinki accords.

### Opportunity for a transformation

There is an opportunity now for such a transformation. European members of NATO do already focus, for the most part, on crisis management. The European Union's Common Security and Defence Policy is primarily designed for what used to be called the 'St Petersburg tasks': peacekeeping, peace enforcement, crisis management and rescue.

Progressives often criticise increased European co-operation on defence because they fear the construction of a European army on the superpower model. But if we understand European defence co-operation as contributing to multilateral missions, this could be a positive development. Britain and France also have nuclear weapons and claim to be competing with Russia and China, while France is deeply mired in the 'war on terror', especially in west Africa. But both countries play major roles in crisis-management missions.

By contrast, the new US administration under Joe Biden is withdrawing from crisis management. Many on the left are applauding the withdrawal of troops from Afghanistan and Syria, suggesting that it marks the end of 'forever wars'. But the wars will continue and, in the case of Afghanistan, get much worse. The troops on the ground do represent a contribution to crisis management. What needs to be ended is the 'counter-terror' forces—and there is no indication yet that this will happen.

### Overall goal

NATO has already established a human-security unit. It is supposed to undertake planning for the protection of civilians and cultural heritage and for the women, peace and security agenda and the prevention of sexual violence. But these tasks cannot be carried out in conjunction with NATO's classic war-fighting role. They need to become the overall goal of the transatlantic alliance.

Security is central to legitimacy: we trust our institutions if we

believe they keep us safe. During the cold war, the biggest threat to security was a third world war. Now we are worried about Covid-19 and climate change, illiberalism and extreme inequality. Conflicts are inextricably linked to all other global challenges.

Take the case of pandemics. Because of lack of healthcare, and because of crowded places such as refugee camps or prisons, conflicts represent transmission belts for the coronavirus. Polio was supposed to have been eliminated in 2005 but it has reappeared in Afghanistan and the Democratic Republic of Congo. There is always the risk that a new variant, resistant to vaccination, develops in conflict zones.

NATO should thus refocus on protecting people in violent situations. It would thereby contribute to the legitimacy of a broader transatlantic partnership, aimed at strengthening global governance to deal with the perils of today.

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## TWO DEFENDING DEMOCRATIC VALUES

TORREY TAUSSIG

The United States president, Joe Biden, has made restoring alliances and partnerships a central feature of his foreign-policy agenda. As he arrives in Europe for the first overseas trip of his presidency, the time is ripe for the transatlantic relationship to advance an agenda of democratic resilience.

Strengthening policy co-ordination on Russia and China will be central to this agenda—although transatlantic partners are not expected to be in lockstep with him on every issue. Instead of lamenting where our approaches toward Moscow and Beijing may diverge, however, the US and its European partners should take advantage of renewed diplomatic engagement to make progress on defending democratic values at home and abroad.

Flurry of visits

In the first few months of the Biden administration, European capitals have seen a flurry of visits from high-level American officials, including the secretary of state, Antony Blinken, and the defence secretary, Lloyd Austin. June too will be busy for the transatlantic

relationship, as Biden participates in summits of the G7 in England and of the North Atlantic Treaty Organization in Brussels, as well as the first US-EU leaders' meeting since 2014. He will then travel to Switzerland to meet the Russian president, Vladimir Putin, for the first time in his presidency.

The president's action-packed trip to Europe is meant to convey a desire to revitalise the transatlantic relationship and renew US commitment to NATO and collective defence. His administration's early emphasis on embracing its European partners—and rebuilding relationships which fell by the wayside during the administration of Donald Trump—is important and necessary. A key ingredient of effective transatlantic co-operation in the years ahead will be restored mutual trust between US and European leaders, including at EU level.

This early diplomatic engagement should also create a strong foundation for collaboration on the geopolitical challenges presented by Russia and China and other transnational issues, including climate change, post-pandemic economic recovery and vaccine distribution. The next step will be to transform raised ambitions and expectations into concrete results.

### Omen for co-operation

A positive omen for co-operation is that both sides of the Atlantic are more aligned now than at any time in recent memory in their analytic assessment of the challenges Moscow and Beijing pose to transatlantic values and democracy. This alignment will be particularly important in the case of China.

In May, the White House published its Interim National Security Strategic Guidance to outline the administration's foreign-policy priorities and its vision for international engagement. The strategic outlook avoids lumping Russia and China under the umbrella term 'great power competition', since China represents a challenge far superior to that of Russia. Indeed, competing with China to secure

US interests and values in the domains of the Indo-Pacific, cybernetics, trade and global governance will remain a major preoccupation of the Biden administration.

Unlike Trump, Biden has indicated that he wants to work with America's allies to push back against Chinese unfair-trade practices, human-rights abuses and bullying behaviour in the East and South China Seas. The problem with this intention, at least until now, has been Europe's reticence to engage meaningfully in strategic competition with China. Deep commercial and investment ties, coupled with divisions on the European continent over how best to manage relations with Beijing, have inhibited significant co-operation with Washington.

The Comprehensive Agreement on Investment finalised in principle between the EU and China on the eve of the Biden presidency seemed to confirm transatlantic divisions on China. Europe's tone may however be shifting in light of China's wolf-warrior diplomacy throughout the pandemic and its heavy-handed sanctions on European think-tanks and members of the European Parliament, which came in response to Europe's sanctions over the Chinese Communist Party's human-rights abuses in Xinjiang province. Due to Beijing's missteps, both sides of the Atlantic now seem poised to develop a more robust and co-ordinated China policy.

### Malevolent power

Transatlantic views are also converging on Russia. Despite the administration's pre-eminent focus on China, Washington views Moscow as a malevolent power with significant capabilities to disrupt and destabilise. Far from initiating a reset, the Biden administration's highest ambition for the relationship is to build 'stable and predictable' ties and signal that it will respond strongly to Moscow's actions in Ukraine, cyber intrusions and election meddling. The summit between Biden and Putin will likely be a tense and uncomfortable airing of grievances, at best.

Europe has reached a similar assessment. There are few illusions about Putin's objectives at home and in Europe's immediate neighbourhood. Views have only hardened amid Russia's cyber hacks, poisoning and jailing of the opposition leader Alexei Navalny and defence of Belarus's recent act of air piracy.

Europe's long-term perspective on Russia is tempered by the fact that it must engage with Moscow as an important neighbour. But European leaders have come to the sober realisation that Putin needs chaos and instability abroad to strengthen his power base at home, thereby limiting the potential for improved ties as long as he is in the Kremlin.

### Three hurdles

Despite a renewed sense of possibility in the transatlantic relationship and an analytic convergence on the challenges posed by Russia and China, Biden and his European counterparts must overcome three hurdles. The first is a lingering concern in many European capitals that the transatlantic honeymoon will not last.

Many in Europe see the Biden administration as only a brief respite, before a Trump-esque alternative takes the reins again in 2024. This fear has created serious doubts about America's commitment to the transatlantic relationship and the rules-based international order. It has also led to renewed calls for European 'strategic autonomy'.

The second obstacle to genuine policy co-ordination stems from an entrenched Washington mentality that boosting ties with Europe may not lead to different or preferential outcomes, particularly on Russia or China policy. This line of argument holds that deep divisions in Europe over how best to manage relations with Russia and China—as well as commercial dependencies on China's market and investment—will always prevent true policy alignment, regardless of the diplomatic niceties.

The third and perhaps greatest hurdle is the uncomfortable

reality that Europe is not the key player in achieving the Biden administration's wider foreign-policy objectives on China. America's oldest and longest-standing partners and alliance (Europe and NATO) are not laser-focused on Washington's primary geopolitical challenger (China), nor are they engaged in America's most important strategic theatre (the Indo-Pacific). This reality has the potential further to shift Washington's attention and resources away from Europe and toward Asia and the Indo-Pacific.

### Democratic resilience

Instead of allowing this strategic misalignment to cast Europe into the periphery of US foreign policy, however, the administration and its European partners should incline towards defending our shared values through an agenda of democratic resilience.

This would involve strengthening our networks to resist malign authoritarian intrusions, securing our elections from authoritarian meddling and interference, and speaking out with a collective voice when human-rights violations are carried out with impunity. It must entail real co-operation on fighting corruption in our financial systems, to ensure that democracy delivers for its people. It should also involve working with like-minded partners in the Indo-Pacific and elsewhere, to pool our capabilities and leverage where authoritarian adversaries seek to weaken and divide us.

The two sides of the Atlantic will never agree on every aspect of Russia and China's authoritarian threats. Nor shall we agree on every policy recommendation and response. But let's not allow those differences to inhibit genuine co-operation where our interests and values align. As Biden lands in Europe, he and his European counterparts begin the hard work of turning expectations into results. Defending our democracies in an era of global authoritarian resurgence is worth the effort.

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THREE

TRANSATLANTIC TRADE CO-  
OPERATION: A LEVER FOR  
ENVIRONMENTAL AND LABOUR  
PROTECTION?

GIOVANNI GRUNI

After the second world war, the United States became the architect and staunchest supporter of a rules-based system of world trade, embodied in the General Agreement on Tariffs and Trade of 1947 and later the World Trade Organization. Under the presidency of Barack Obama, it built on the multilateral structure of the WTO, aiming to conclude wide-reaching free-trade agreements (FTAs) with other states, in support of what the administration took to be US economic interests.

The advent of Donald Trump as Obama's successor saw the most complete overhaul of US trade policy in 70 years. Trump took a radically different stance, killing negotiations for a potential trade deal with the European Union and taking the US out of the Trans-Pacific Partnership. He espoused distrust towards global institutions such as the WTO and caused a stalemate in its main court, the Appellate Body.

The administration of Joe Biden is likely slowly to restore the traditional stance on trade, rebuilding trust in economic co-operation and international institutions. Biden has pledged to work towards closer economic integration between the US and the EU, which

could herald a trade agreement with the old continent. While the attempted Transatlantic Trade and Investment Partnership collapsed at the end of 2016, a closer trading relationship between the EU and US is now even more essential, to offset the growing geopolitical and economic influence of China.

#### Avoiding previous pitfalls

The heated controversies triggered by the TTIP negotiations—over the international dispute-settlement system allowing corporations to sue states, fears of a ‘race to the bottom’ in consumer-product and food standards and more general concerns about corporate influence on legislative processes—still reverberate in EU politics. Any attempt to revive negotiations will have to reframe the discourse on trade to avoid the previous pitfalls and convince the European Parliament, as well as the European public, that economic integration is for the benefit of all—not only large economic operators.

This would require addressing the longstanding issue of the place of labour and environmental standards in trade deals and in international trade law more generally. Another trade deal, which the EU recently concluded with the Mercosur countries in south America, is on hold precisely because of its perceived weaknesses on environmental standards.

The Biden administration has already been vocal on the central role labour and the environment will play in future US trade policy. Closer trade relations between the EU and the US could lead to innovations in trade law as to how environmental and labour standards are delineated.

This could be an opportunity for the EU to go beyond its current standards of protection and enforcement in FTAs. Closer co-operation between the EU and US could push labour and environmental issues—historically peripheral to trade negotiations—into the centre of international trade law. In the drafting of FTAs, the EU still does

not give the same weight to labour and the environment as free-trade obligations and intellectual-property rights.

### Standards and obligations

Recent FTAs prepared by the EU include a sustainable-development clause between the parties, promoting *inter alia* environmental and labour standards, including International Labour Organisation conventions. Most EU FTAs contain provisions to protect collective-bargaining rights and freedom of association and to forbid discrimination in the workplace. Newer ones, such as the EU-Mercosur FTA, also include an obligation to implement the Paris agreement on climate change. Such obligations are already contained in a separate section of EU trade deals, with a dedicated enforcement mechanism.

US trade deals contain similar, but not identical, obligations and take a different approach towards enforcement in the event of non-compliance. For instance, the US, unlike the EU, has been proactive against forced labour, using customs controls to enforce the policy. Closer co-operation could be an incentive for the EU to innovate further with regard to environmental and labour standards.

First, negotiating with the US could provide the occasion to go beyond merely including issues such as health and safety of workers or minimum wages—as Obama had explored in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and Trump in the United States-Mexico-Canada Agreement. Even if recent EU FTAs do mention the Paris agreement, many doubts remain as to the legal implications—especially considering the lack of obligations in the agreement itself. The EU and the US could explore ways to make the national pledges under it binding and enforceable via international trade law.

Currently, the substantive obligations on labour and the environment the EU includes in its FTAs with developed countries are not so different from those already included in FTAs with developing states. Such obligations rarely go beyond the protection of core labour

standards and reference to a few international environmental instruments.

### Quality of enforcement

Secondly, the EU could use the negotiations with the US to provide the same quality of enforcement on environmental and labour standards as on free trade and intellectual property. Currently, trade unions, non-governmental organisations and indeed companies are not able to bring claims in front of the European Commission for violations of labour and environmental standards contained in EU FTAs.

The commission has recently begun to provide an informal mechanism to do that, but this is a far cry from the legal guarantees of enforcement of free-trade obligations and intellectual-property rights in the Trade Barrier Regulation. In addition, EU FTAs still do not allow the impositions of fines and sanctions for violations of labour and environmental standards—a policy pursued by both the US and Canada.

Finally, on forced labour, the US has been obliging its Customs and Border Protection agency to seize and destroy goods produced—even in small part—by forced labour. EU customs authorities cannot pursue a similar policy, although there are rumours the commission is considering legislative change in that direction.

The EU has a lot to learn on these issues from the US, and could utilise similar strategies of customs enforcement to compel maintenance of labour standards or stop the import of goods that do not respect the Paris agreement. This would have to be made WTO-compatible.

A trade deal between the US and the EU may not be on the table just yet but closer transatlantic co-operation on trade offers an opportunity to strengthen protection of labour and environmental standards. It will test the capacity of the EU to utilise this renewed

partnership to pursue issues related to the inclusion of sustainable development in international trade policy and law.

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FOUR

THE LONG AND WINDING ROAD TO  
GLOBAL CORPORATE TAX JUSTICE

ALEX COBHAM

More than 130 countries and jurisdictions have now signed up in principle to outline proposals to reform international corporate tax rules. These proposals—and in particular, the global minimum corporate-tax rate envisaged—would represent the biggest change for a century. But the reforms, now driven by the United States under Joe Biden, are also proving highly divisive, globally and within the European Union. That has potentially important implications for the tax rules and EU-US relations.

Donald Trump was a bad US president and an easy one for the EU to oppose. That's part of the reason the tax negotiations, under the auspices of the Organisation for Economic Co-operation and Development's 'inclusive framework', had largely ground to a halt by the November 2020 presidential election. Biden looks a better ally and the Treasury under Janet Yellen certainly knows on which side tax justice lies. But while the 'America First' agenda has gone, the new administration doesn't seem likely to put anyone else first instead.

Although the new ambition is to make sure all multinationals pay a fairer share of tax everywhere, the old desire—to keep the taxable

profits of US multinationals largely out of other countries' hands—remains. Squaring the two is not unproblematic for the Biden administration. For the EU, it exposes three serious issues: the EU's own ambition, whether its internal decision-making is fit for purpose and how it relates to the US.

Problem clear

In the wake of the 2008 global financial crisis, the richer countries that make up the membership of the OECD found common cause, for the first time, with lower-income countries which had long objected to the scale of corporate tax abuse—largely perpetrated by multinationals from OECD countries, using 'tax havens' which are OECD member states or dependent territories of them. And so it was that the larger and more diverse G20 group of countries—rather than the narrow G7/G8 constellation—became the leading forum for international tax reform.

The problem was clear. The shifting of taxable global profits had exploded since the early 1990s, when US multinationals transferred 5 per cent from the location of the underlying economic activity. By the early 2010s this ratio exceeded 25 per cent and was growing steadily.

The G20 gave the mandate to the OECD in 2012 and the Base Erosion and Profit Shifting (BEPS) initiative ran from 2013 to 2015. It aimed to bring the taxable profits of multinationals more in line with the location of their real economic activity. But the process was hampered by the refusal of the US and others to go beyond the 'arm's length principle', which underpins the separate-entity accounting approach and dates to decisions taken by the League of Nations (faced with much smaller imperial companies) in the 1920s and 30s.

This principle treats each subsidiary within a multinational as distinct for tax purposes. To ensure taxable profits are declared in the correct entity (and so jurisdiction), it requires that intra-group transactions are carried out at 'arm's length' prices—the prices that would

in theory apply if the same transaction occurred between unrelated entities in an open market.

The principle is however economically incoherent, since the *raison d'être* of multinationals is that they can do business more efficiently than separate entities conducting the same transactions—and so arm's-length prices cannot be appropriate by definition. In practice, it has stimulated vast intra-group transactions where there is no open-market equivalent—loans, charges for 'management services', intellectual-property payments—and tax authorities are then unable to challenge a pricing arrangement which happens to strip profits out to a low- or no-tax jurisdiction.

#### 'BEPS 2.0'

BEPS could thus only put the most partial of sticking plasters on a by now gaping wound and a new process, 'BEPS 2.0', began almost before all the action points arising had been transposed into legislation. It took at its starting-point the need to go beyond the arm's-length principle. This was the focus of 'pillar one' of the reforms, designed to make profit shifting harder or impossible. 'Pillar two' meanwhile would introduce a global minimum tax rate, providing a floor to make profit shifting also much less profitable.

The ambition of pillar one was wide. An original proposal from the intergovernmental group of 24 lower-income countries (the G-24) in January 2019 would have ended use of arm's-length pricing and apportioned all the global profits of multinationals as the basis for taxation according to where their real activity took place. The OECD secretariat swiftly eliminated this from consideration—despite the 'inclusive framework' having set its evaluation as part of the secretariat's workplan—once it became clear that the US and France were negotiating bilaterally on a far narrower scope.

The G-24 version of pillar one would have covered the 8,000 or so largest multinationals across all sectors. The secretariat proposal focused on 2,300 multinationals in consumer-facing businesses and

automated digital services. The US proposal, now the basis for agreement, covers only around the 100 largest and most profitable, excluding financial services and the extractives sector, with global annual revenues of over \$20 billion and a margin on sales above 10 per cent. Only 20-30 per cent of the profits above that very high margin would be apportioned to the jurisdiction where final sales occurred.

In this sense, the US position is unchanged in principle—‘we won’t let you target our tech multinationals’—but more extreme in practice. The G-24 proposal would not have targeted US technology companies, covering all multinationals, but there seems no appetite in the current process to reopen the struggle to fix the arm’s-length principle.

On pillar two, however, the Biden administration position has been far more ambitious than anything the previous administration would accept. It sought to set the minimum rate at 21 per cent, rather than the feeble 12.5 per cent the OECD had been promoting. Even the rate of 15 per cent or above endorsed by the G7 and the G20 finance ministers at their recent summits would be a meaningful improvement and imply substantially greater revenues—since so much profit is currently taxed at a much lower rate.

### Topping up

Less obviously, but more importantly, the Biden administration took an early decision to accept proposals to assess the *effective* rate on a jurisdiction-by-jurisdiction basis. This entails that tax at below the minimum rate on any profits in any jurisdiction would be ‘topped up’ to the minimum. The previous position had been one of ‘global blending’: there would be no topping up as long as the aggregate rate paid *worldwide* reached the agreed minimum. That would have rewarded profit shifting up to the point where taxes paid below the minimum rate (on profits shifted out of the EU, for example) could be offset by taxes above the minimum rate (paid in the US, for instance).

Now any taxes on profits declared in a haven such as Ireland or the Netherlands, taxed there at a near-zero effective rate, will face being topped up to the minimum somewhere—regardless of whether the profits were shifted in and of how the multinational’s tax position looks elsewhere. The minimum rate is intended to be the minimum in every jurisdiction where a multinational operates, which dramatically improves its impact—while posing the most serious threat tax havens have ever faced to their business model.

But on one crucial aspect, the Biden administration is very much in line with Trump’s. As with the OECD proposal, the first right to top up tax is given to the headquarters country. For instance, a US multinational achieving a near-zero effective rate by a secret ruling in Luxembourg on profits shifted out of Spain would see its tax topped up by the US—not Spain.

A version of pillar two later proposed by tax-justice researchers, the minimum effective tax rate (METR), would apportion the under-taxed profits to the countries of real activity, allowing them to top up the tax instead—not at the minimum rate but at their prevailing statutory rate. This would raise an estimated \$460 billion worldwide at a 15 per cent minimum, compared with \$275 billion under the OECD proposal.

Almost every country would do better under the METR, including in the EU, and the incentive for profit shifting would be much more sharply reduced. The proposal is also significantly simpler than that of the OECD and is not expected to require global treaty change—allowing progress via ‘a coalition of the willing’, without havens or others able to block adoption. But while this alternative has been discussed widely, the OECD remains committed to privileging headquarters countries.

This poses a further problem. If the incentive to shift profits into the traditional havens is eliminated, an incentive remains to shift profits into the headquarters country and there to pay the minimum tax rate (rather than the statutory rate). At least one major US multinational has taken this approach to the minimum-tax provision in the

Trump reforms, ending its use of Bermuda and instead directing profits to the US—with no evident reduction in profit shifting, or increase in tax paid, in the rest of the world.

A global equivalent of this would leave headquarters countries with substantial additional revenues but all others equally exposed to corporate tax abuse. While the US is primarily a headquarters country, most EU members (and all lower-income countries) are more likely to play host to the biggest multinationals.

### Significant challenges

The EU therefore faces three significant challenges. First, will the reforms deliver on the public demand to see fair treatment of the major tax avoiders, including US technology companies? The tight limits on the redrawn pillar one and the absolute requirement to give up digital sales taxes in exchange make that highly unlikely. The European Commission's proposed digital levy may address the problem but US opposition has led to work on this being suspended to allow the OECD negotiations to move ahead.

Secondly, will the reforms deliver substantial additional revenues, to support the pandemic response and economic recovery? Pillar two should do so but the distribution of benefits is likely to be heavily stacked towards those bigger EU members that are more often headquarters countries for the biggest multinationals. That may well create tensions, even among the various 'winners'. The EU's self-image of supporting international development will also be difficult to square with the bloc's support for a measure that denies most benefits to lower-income countries.

Thirdly, will the reforms allow the EU to move ahead as one? Open opposition has thus far come only from two groups: on the one hand, the few lower-income countries, including Nigeria and Kenya, that have braved the wrath of the OECD and the threat of US trade sanctions by opposing the unfairness of the deal and, on the other, the low-tax states that have sought to defend their right to promote tax

abuse at others' expense. The second group includes Ireland, Hungary and Estonia, making the intra-EU split the most significant by far among OECD members.

The EU has faced a swift shift—from a broadly united, somewhat progressive voice in international tax talks to a divided, potentially regressive set of actors in a world where the US has claimed the mantle of fairness, leading the end of the 'race to the bottom'. That characterisation overlooks the pronounced emphasis of US diplomacy on US revenues over all others but it captures a key element of the public discourse.

Ireland and others may soon abandon outright opposition, recognising that the minimum-tax element can and will proceed as a coalition of the willing, requiring them to rework their business models. But the EU may still struggle to achieve unanimity—and that could result in the biggest divergence of member-state corporate-tax rules for decades.

#### Lower-income countries

At the same time, forcing the deal through over the growing objections of many lower-income countries could result in it remaining on paper only. For example, it would be unrealistic to expect India to give up the substantial revenues of its 'equalisation levy' on technology companies in exchange for uncertain benefits from a narrow pillar one, which in any case would only materialise after global treaty change. India and others might well choose however not to risk outright opposition to the US and instead agree a deal that might be highly unlikely even to issue in treaty change—nor, therefore, the need to enact policy change.

In this scenario, pillar two would proceed as a coalition of the willing. The Biden administration could demonstrate the global participation that would ensure support in Congress and the minimum tax would become law in the US and many other G20 countries from 2023. That in turn would put a line through the busi-

ness model of Ireland and the other most important profit-shifting jurisdictions—which could end their resistance, eventually perhaps allowing a subsequent EU directive to align member states fully again.

Globally, unilateral measures could continue to spread in the vacuum which would be created by a pillar-one agreement that failed to result in treaty change. At the same time, pressure to shift from the OECD to a genuinely inclusive setting at the United Nations would likely also grow. Both the high-level UN FACTI Panel addressing financial accountability, transparency and integrity and the secretary-general's initiative on financing for development beyond the pandemic have recommended a UN tax convention, which could create the basis for intergovernmental tax negotiations under the organisation's auspices.

Long proposed by the G77 group of countries, such proposals have previously been defeated by the common opposition of OECD members—in particular, the EU and US acting together to retain power. A divided EU, combined with EU-US tensions and widespread international dissatisfaction at the openly unfair distribution of benefits in the OECD proposals, could however provide the basis for an important shift in the global architecture.

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## FIVE

# HOW MANY INEQUALITIES CAN THE WORLD FIGHT AT THE SAME TIME?

ANIA SKRZYPEK AND LAETICIA THISSEN

Those of us who remember the excitement of the 2008 election in the United States can recall the choice at the end of the Democratic primaries as a question of what kind of history might be made: would Hillary Clinton become the first female president or Barack Obama the first non-white? It took another decade for the Democratic Party to nominate a candidate who would embody the elevation of more than one disadvantaged demographic group: the election of Kamala Harris—the first black and south-Asian woman—as vice-president was a landmark suggesting American progressivism might finally pave the way towards ‘intersectionality’ in politics.

The notion of intersectionality was coined 30 years ago by the African-American lawyer Kimberlé Crenshaw. For her it was a legal term, to refer to the diverse and specific forms of discrimination women may face at the intersection of other forms of oppression. Intersectionality was meant to describe better how gender and race *intersect*, deconstructing the preconception that ‘all the women are white, all the Blacks are men’— a way of thinking necessary for black feminist movements that have subsequently contributed to ‘third wave’ feminism.

The scope of intersectionality has since only expanded. It gained a role in describing the overlap between very different forms of inequalities, which derive from a person's origin, class, handicap, age, sexuality or religion. Intersectionality has increasingly entered into the language of politics, integrated into mainstream discourse rather than remaining in theoretical academic debates. And intersectionality is a discussion no longer limited to the US: the term soon entered international treaties, including European Union legislative language.

But as use of the term has grown, intersectionality has been criticised for becoming too vague. Instead of opening new connections in fighting exclusion, it is criticised for blurring issues and has increasingly been implicated in misleading representations.

### Step forward

Consequently, one can argue that it took at least two global financial crashes, two (or more) social mobilisations (Women's March, #BlackLivesMatter and #MeToo) and a menacing Donald Trump as president before the idea of intersectionality could make a real step forward in politics. It should be seen in part as an answer to the abusive and violent protests that washed over Capitol Hill on January 6th.

The rioters violently seeking to restore a retrograde world in which (mostly white) men ruled resented seeing themselves as disposable or suddenly marginalised. And this resentment may further fuel reactionary radicalism, in the US and Europe, against feminism or empowerment of any historically marginalised groups.

As president, Joe Biden seems very aware of the danger but nevertheless appears determined to advance his agenda. From the European perspective, Biden's cabinet was not a mere box-ticking exercise but an articulation of policy in and of itself: it includes more female, non-white and non-heteronormative members than any before. Pundits heralded this 'extraordinary' cabinet, yet it could be

considered the most ordinary ever—mirroring the demography of contemporary American society.

Biden's ground-breaking appointments included the first female Treasury secretary (Janet Yellen), the first openly gay secretary (Pete Buttigieg), the first native-American secretary (Deb Haaland), the first female director of national intelligence (Avril Haines), the first immigrant heading the Department of Homeland Security (Alejandro Mayrkas) and—in a fine illustration of intersectionality—the first openly gay *and* black female principal deputy press secretary (Karine Jean-Pierre).

But personnel and human resources are not the limit of Biden's reforms. The administration has declared the fight for justice and inclusion a priority, placing the spotlight on women and marginalised communities. And after only five months in office, its achievements look rather impressive—for instance the reversal of Trump's policy to permit healthcare providers, in the context of the Affordable Care Act, to discriminate against gay and transgender individuals.

Women did play a major role in the election outcome: 57 per cent of women voted for Biden, compared with 45 per cent of men. Latino and black female voters proved decisive, with no less than 69 per cent and 90 per cent respectively voting for Biden, as against only 44 per cent of their white female peers.

Additionally, many women in the US struggle against non-gender-based discrimination, connecting them to other citizens who may have not voted for Biden or at all. Thus 87 per cent of voters consider racism in the US as 'the most important problem', while the situation of women of colour is more likely to be overlooked as the #SayHerName campaign denounces.

Therefore, the real question is not only whether Biden will succeed at being sufficiently gender-sensitive in representational terms but whether he will manage to tailor progressive policies to fit *all* women and gender-related concerns. Such an endeavour requires intersectional feminism.

## Concrete agenda

This can create a bridge between the US and Europe, reaching a concrete agenda of progressive deliverables. While social democrats in Europe are still celebrating the new post-Trump era and remain comforted by recent impressions of Biden's (re)commitments at the summits of the G7 and the North Atlantic Treaty Organization, they should also define for themselves how the next two or three years of renewed transatlantic partnership could develop.

First, although the debate about multilateralism and reform of global institutions isn't new (indeed it is already somewhat institutionalised), there should be a stronger focus on empowering UN Women, as the agency for an intersectional struggle. This year will see UN Women's three-year strategic plan expire and its five priorities should be re-evaluated with a robust new agenda—backed by the US and European states ready to abide by their pledges and put in place adequate indicators enabling measurement of progress. Such an agenda should include among its priorities empowerment of LGBT+ people and indigenous women and girls.

Secondly, both sides should step up their commitments from the 1995 Beijing Declaration and Platform for Action and the Convention on the Elimination of All Forms of Discrimination Against Women. The past two years saw some momentum build around the 25th anniversary of Beijing, which remains the most progressive blueprint for gender equality. But given the slow progress since, the Generation Equality Forum with its action coalitions, culminating in Paris last week, has provided a key vehicle to revive efforts and instal the intersectional approach more firmly, while bolstering national agendas to achieve transformative change.

The EU used to lead by example here, ensuring in the first decade after the Beijing conference a progress report as an agenda item at each European Council meeting. Perhaps that is a pattern to restore and make a new tradition for all EU-US summits.

Thirdly, there are many issues on both sides of the Atlantic

which should be put (or put back) on the table. In the context of the pandemic and even more its aftermath, it is crucial to interrogate progressivism, including feminism, with closer attention to those at the margins to pursue more inclusive politics.

Although available data on Covid-19 suggest the male fatality ratio has been higher, more disaggregated data are vital to understand how it has affected different groups of women. Death rates have been higher among poor and marginalised communities, with female fatalities over-represented in the old age cohort and women—especially women of colour—suffering to a great extent the indirect consequences of the pandemic, in terms of its economic impact (the ‘she-cession’) or reduced access to sexual and reproductive health and rights.

There can be no more procrastination around providing global public goods, such as healthcare infrastructure, or taking the Convention on Domestic Workers more seriously. Over 70 per cent of infected healthcare workers have been female and women comprise a similar proportion of the domestic labour force—many of whom have lost their jobs or had their working hours drastically cut during the pandemic.

### Energy needed

Fourthly, as there remains less than a decade to deliver on the Sustainable Development Goals, a renewed transatlantic partnership could generate badly-needed energy to maintain their ambition. Primarily, there is a problem with indicators—which, if they are standard and regular, do not include any interconnections.

The SDGs should address how many women and how many women of colour have been pushed into poverty by the pandemic, how many women and LGBT+ people have experienced sexual and physical abuse, and how many women (and from where) die because of lack of access to clean water or clean fuels and technologies, while

playing such a vital role within their communities. Much can be done on this together.

Fifthly, while the Biden-Harris ticket and Biden's cabinet are inspirational, this should only be a starting point to encourage others to think about how they can improve. Even if change takes time—and, in many cases, there is a need to change the political culture and wait for subsequent elections—much can be done right away. Now is a good moment to show that change in the US is having a greater impact elsewhere with the upcoming COP26 climate-change summit.

Last time, only one in five delegation leaders were women, which is scandalously low and at odds with the composition of the climate strikes and the demographics of climate-refugee groups. With only a few months left until Glasgow, there is still time to make a difference.

Finally, while the return to intersectionality in the US can unleash progress in the fight for equality and justice on the global level, the Biden administration should remain an inspiration for Europeans in other ways. As the Conference on the Future of Europe is in full swing, with the aim of giving voice to citizens, now is the time to ensure we move from unidimensional to converging social struggles.

Progressive actors must ensure that politics is crafted not only *for* but *with* and *by* those at the margins. The EU Social Summit in Porto, despite great expectations, became a telling example of how a (mainly white, middle-aged, male) crowd of policy-makers can agree on ways to reduce social and economic inequality while deleting explicit references to 'gender equality' from the declaration, under pressure from two governments infamous for their anti-feminist policies.

Europe can and must do better, showing that since 2008 it has learnt that one cannot fight multidimensional problems with one-dimensional solutions. In that sense intersectionality may be the long-awaited answer—provided it doesn't fall into the trap of being too unfocused or just lip-service, and instead is used to make the strug-

gles for empowerment and opportunities for all coherent and mutually reinforcing.

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## SIX

# A FIRST TANGO IN GLASGOW?

DELARA BURKHARDT

It takes two to tango—at least according to a popular English proverb. Although less sensual and rhythmic, we probably saw the beginning of a new international climate-policy dance when the US special presidential envoy on climate, John Kerry, met the European Commission executive vice-president for the European Green Deal, Frans Timmermans, on March 9th in Brussels.

Timmermans was looking forward to ‘work hand in hand’ with his ‘good friend’ Kerry ‘to make a success of Glasgow’—venue for the postponed COP26 climate summit in November—and ‘to convince other major players in the world to do the right thing’. The presidential envoy in turn emphasised that the United States had ‘no better partners than our friends here in Europe’ and that it was important to co-operate, as no one country could resolve the climate crisis on its own.

Could these have been the initial moves setting the scene for a new global climate choreography—after four years of a punk ‘America first’, climate-change-denial pogo on the world stage?

## More ambition

First signs suggest this is indeed the case: not only has the mood music changed, but the whole performance. After his inauguration as president, Joe Biden fulfilled his campaign pledge to rejoin the Paris agreement of 2015 on his first day in office. He gathered world leaders for an online climate summit in April and announced more ambitious targets for the US.

While these pledges still need to be turned into law, the European Union is already a step ahead. In December 2019, it unveiled its European Green Deal—a reform agenda for the continent, to make it more sustainable and climate-neutral by 2050 at the latest. The climate-neutrality objective will be turned into law this summer, together with an upgrade of the EU's climate ambition for 2030.

Will this animation translate to a global dual leadership, reaching for a more adequate response to the onrushing climate catastrophe? There is a fair chance that the couple's rekindled devotion can indeed lead to the build-up of a new global coalition of higher ambition.

For this to happen, however, the two blocs need to assume their role-model responsibilities. Much like an ensemble's lead dancers, they will have to demonstrate how this can be done—the world needs to see that it is possible to decouple destructive emissions from economic and social wellbeing. The pair need to turn their pledges swiftly into law, underpin them with instruments and convince others to develop credible net-zero plans for the middle of the century and 2030 climate targets in line with those pledges.

On that, they still have work to do, as Biden's April summit showed: hopes for the establishment of a 'club of 50' have unfortunately not been fulfilled. Only the EU, the US and the United Kingdom have committed to new climate targets for 2030 of CO<sub>2</sub> reductions beyond 50 per cent. China, Russia, Brazil, Japan and Canada have been falling short of expectations. So far in the global ballroom, this is more a lethargic foxtrot than a passionate tango.

### Common standards

This could change, though, with the formation of an international ‘climate club’, as proposed by the German vice-chancellor and social-democrat candidate for chancellor, Olaf Scholz. Such an association of countries would set common standards and policies to achieve climate neutrality by 2050 at the latest, with a levy on CO<sub>2</sub>-intensive products entering from outside the club from countries with less ambitious climate policies.

The aim would be to ensure that a high level of climate protection did not become a disadvantage for any of these countries’ economies on the global market. The US and the EU as the world’s two biggest economic blocs could be the initiators of this club, with the gravitational pull to attract further states to join.

Due to their historical responsibility for accumulated emissions and their economic capacities, developed countries committed in the Paris agreement to mobilise \$100 billion annually by 2025 for climate action in developing countries—a target they are however not meeting. The US and the EU and its member states should step up their efforts to mobilise international climate finance for developing countries and build an international roadmap, outlining each developed country’s fair share of the overall financial pledge and mechanisms to ensure individual pledges are turned into deeds.

### Mutual learning

While the renewed transatlantic axis could be the nucleus for wider international climate co-operation, the partnership could also positively affect the two entities’ own policies—just as it is easier to improve one’s dance steps with a partner. Indeed, with the return of the US to the global climate stage under Biden, the EU will have a new partner to be compared against. We might even see rivalry for the best climate policy—in a quick-step to net zero—emerge.

Paying closer attention to one another’s policies brings moreover

the opportunity for mutual learning and inspiration. Biden is reinventing American economic policy. He has launched a huge stimulus package. He seeks to invest billions in green infrastructure, raise top-income taxes and strengthen the power of trade unions. Neoliberal capitalism must make space for an economic policy where the state and society have a say. Europe should dare more of this 'Bidenomics'.

Compared with Biden's \$2 trillion plan to overhaul and upgrade the country's infrastructure, the EU's €750 billion recovery fund looks rather modest. Yet it is a welcome step in the right direction as, for the first time in history, member states will jointly borrow on the markets to invest in projects to overcome the pandemic-induced crisis, with clear environmental strings attached. This is something to build upon and expand in the future.

It is good to see the continent has not fallen into the austerity trap again, as after the financial crisis. But Europe's conservative fiscal hawks can't wait to get back to the 'debt brakes' and fiscal consolidation which would put effective climate action into a straitjacket.

Europeans can also learn from Biden's positive vision of climate-change policies. Too often, climate protection is portrayed as a threat to industry and jobs. Biden's narrative is different: 'When people talk about climate, I think jobs.' In line with this, the European Green Deal has huge potential to bring about positive environmental and social change.

### Short of the science

If all this sounds too good to be true, remember: the music hasn't started yet. Despite all the progress, the new EU and US climate targets remain short of what the science indicates is needed for the two blocs to be in line with their commitments under the Paris agreement. In any event, the Democrats have a thin majority in the US Senate and face determined Republican filibusters, while climate-policy hesitant conservatives, free-marketeters and nationalists remain

strong in the EU institutions—so actual implementation of those new climate pledges is not yet granted. Civil society and progressives on both sides of the Atlantic, without whom we wouldn't have got to where we are today, will need to remain vocal to keep the pressure high.

The renewed US-EU co-operation offers a real opportunity to shake up the world community for more climate action, to inspire one another and to start a 'race to the top'. The first months of the Biden administration have given the impression that when it comes to climate policies, the US and the EU can tango.

The first big test of this duo will come in November in Glasgow. There we shall see if others can be drawn on to the dance floor and commit to new policies aligned with their Paris obligations.

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## SEVEN

# ALL TOGETHER NOW: FACING THE GLOBAL CHALLENGES OF OUR TIME

LAUREN SCHWARTZ

We are not often confronted with landmark events immediately recognisable as demarcations of new historical eras or changes in political paradigms. When such an event does take place—such as the ‘9/11’ attacks two decades ago—it is usually only with hindsight that the meaning and consequences of the occasion and the decisions set in train can really begin to be understood. Yet while historians can engage in such retrospective analysis at leisure, events demand immediate action from politicians and policy-makers.

We are in the middle of a global pandemic, while simultaneously reckoning with the consequences of the Afghanistan withdrawal, democratic backsliding, continuing technological transformation and all the while the existential threat of climate change. This is no single episode on a single day but it is evidently a moment of historical and political change. Just as the ‘we are all Americans now’ solidarity of the transatlantic community in reaction to 9/11 hinted at the potential for a new political relationship at the turn of the 21st century—before being displaced by the unilateral unleashing of the ‘war on terror’—this moment demands a new, transatlantic, progressive political alliance.

## New urgency

Such calls are not new: since the end of the cold war with the collapse of the Berlin wall, the purpose and future of the North Atlantic Treaty Organization and the transatlantic relationship—sometimes incorrectly treated as synonyms—have been endlessly debated. But there is a new urgency, due to the many challenges we face as well as election cycles and institutional stresses on both sides of the Atlantic. This is not only the case in foreign policy and multi-lateral institutions but in domestic policy too—in as far as these can any longer be separated.

Indeed, the complex interrelationship between foreign and domestic policy is widely observed on a superficial level—how it influences campaigns and voters. Election promises have in turn led to complicated and messy outcomes as they run up against the realities of policy-making and legislative compromise. This is evident from the Afghanistan debacle and Covid-19 crisis management to disturbing democratic backsliding, such as in the scarring effects of the Donald Trump presidency in the United States or the executive-manipulated implementation of ‘Brexit’ in the United Kingdom.

Collapsing trust, whether in institutions such as the European Union or more fundamentally in democracy as a system of government, arguably has something to do with a failure to be honest about values and realistic about goals. This doubt in the fundamentals of our political organisation—the fruits of the combined effect of clouded outcomes and perceived betrayal, ‘forever’ wars, social breakdown, technological transformation, austerity policies for some and corporate bailouts for others—should be reason enough to stop and re-evaluate, on both sides, what the transatlantic relationship can and should be.

## Creative solutions

A new transatlantic alliance will require honest recommitment to fundamentals but also a willingness to try new and creative solutions for shared challenges. This means letting go of 20th-century assumptions and instead asking what is important, what is relevant and what is to be shared to strengthen our democracies at home and our alliance together from the third decade of the 21st century on. Familiar paradigms and narratives were products of their own time and we are required to define for ourselves what our visions and goals will be.

The need for this, and its appeal, should be apparent not only to political progressives but also small-c conservatives. The latter might not agree on discrete policy proposals but they ought to be equally committed to democratic institutions and liberties in the face of rising authoritarianism around the world—and at home.

The US, the EU and individual European states have undergone profound stress tests since the 2008 financial crisis. Right-wing populism is a threat to pluralistic liberal democracy but so too is the failure of inclusion and integration of all members of society. These dangers are different but what they have in common is a denial or corruption of the promise of democratic governance and life. Democratic renewal at home will need to be part of a new transatlantic political alliance.

Some ideas for more specific policy solutions to shared challenges have already been presented, from new environmental and labour standards to corporate tax reform. Now is the time for amplification and serious consideration of new ideas as the creeping feeling grows that the global *status quo*—political, economic and environmental—is not merely unsustainable but highly dangerous.

### Good-faith actors

Ultimately, this alliance will depend on the interlocutors: agents matter, as well as structures. And it is not merely the who—the elected leaders, political appointees, civil servants, trade unions and business interests and the wider civil society—but also the how. Are we going to be good-faith actors—self-reflective and critical when necessary, trusting in each other when the challenges might make it seem easier to go it alone? Or will we allow our compound crises to poison attitudes, fostering only tribalism and cynicism?

Our moment is too overdetermined and our world too interconnected to consign the transatlantic alliance and our relationship with each other to history. On the contrary—it's time to act upon it, now.

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