

## Meeting Note

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### The Transatlantic Business Response to Foreign Policy Challenges: Russia, China and the Middle East

#### US and European Perspectives on Common Economic Challenges Series

**12 June 2014**

On 12 June 2014, the Chatham House US Project hosted a breakfast meeting to discuss the transatlantic business responses to foreign policy challenges. This is part of an ongoing project, sponsored by Bank of America Merrill Lynch, which brings together senior representatives from multiple sectors to discuss US and European perspectives on common economic challenges. The guest speaker was **Myron Brilliant**, Executive Vice President and Head of International Affairs, US Chamber of Commerce.

The principal points from the discussion included the following.

- In 2014 there are several political shifts that present both opportunities and challenges:
  - The election of Prime Minister Narendra Modi in India has been welcomed as an opportunity to engage with a pro-business reformer.
  - The European elections in May have shrunk the centrist parties in the European Parliament. How this and the composition of the new Commission will affect EU policy-making remains to be seen.
  - Developments in other countries, such as Ukraine, Turkey and Indonesia, may also have an impact on transatlantic trade, with uncertain outcomes.
- A number of states, including Russia, are creating geopolitical and strategic challenges to business with potentially far-reaching ramifications. The fragmented responses to such challenges mean that they lack as much impact as they might in terms of changing behaviours. With respect to the developments in Crimea, European dependency on Russian gas complicates any response that the transatlantic business community can adopt. The transatlantic business community should aspire to present a unified response when faced with such challenges.
- The Middle East and North Africa (MENA) region has seen vast turmoil in recent years and is commonly viewed as dysfunctional and high-risk for trade and commerce. Ironically, it has also been the source of much growth for the US Chamber of Commerce's members. The MENA region requires an estimated \$750 billion in infrastructure investment and the Chamber has a multi-country Middle East Commercial Center Initiative aimed at promoting growth there.
- There needs to be a greater awareness of what China's rise entails for transatlantic business, moving past the idea that it is an inherent threat. President Xi Jinping has undertaken reforms and has openly targeted corrupt officials (although some observers have suggested that this is simply an attempt to consolidate power). The numerous internal and external challenges that President Xi faces have the potential to make him more open to deeper engagement with the transatlantic business community as he searches for solutions.
- The security of the Asia-Pacific region and greater Asia is of huge concern for transatlantic business. The so-called pivot to Asia was intended to alleviate concerns among American partners in the region. However, Europeans are more concerned with more immediate security challenges arising from the Mediterranean and Eastern Europe. This partially explains European anxiety over the rebalance.
- Deals such as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) are critical to addressing these challenges. The benefits are obvious to political

elites. However, a greater effort should be made to make the public understand that their economies exist in a global market and such deals will enhance employment prospects and prosperity.

- Concerns about a Chinese- or Russian-led alternative to TTP and TTIP are overstated, largely owing to the fractured relationships within each region. The Chinese are already pushing the Regional Comprehensive Economic Partnership (RCEP) in lieu of TTP, but with mixed success.
- Challenges that emerge from within Russia and China are uncoordinated and independent of one another. While Chinese and Russian interdependence is ensured through the consumption and sale of Russian energy, China has been critical of Russia and views Russian provocation in Crimea as potentially hindering its own access to the Western market. In spite of this, China is cautious not to alienate its biggest energy supplier and must carefully balance these two interests.
- The recent events in Ukraine have focused the transatlantic business community's attention on the wider region. States which border Russia need help and the business community is looking to invest in them. Doing so will serve the dual purpose of ensuring a greater degree of security for the region and the promotion of transatlantic business and trade.
- The revelations that emerged out of the Snowden scandal have set back the drive for a comprehensive cyber-security initiative. Cyber security remains a significant concern for the business community as business and trade continues to be digitized. Attempts to establish comprehensive multilateral cyber-security governance have also been diluted by counterproductive unilateral responses, such as America's recent prosecution of Chinese hackers. The US Chamber of Commerce will continue to press the US and Europe to move forward together in this critical area.