COMING TOGETHER OR DRIFTING APART? THE SHIFTING COMMERCIAL DYNAMICS OF THE ATLANTIC BASIN

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While the extent and nature of pan-Atlantic economic ties over the next decade will depend in part on security challenges, political pressures, environmental factors or unanticipated events within the Atlantic or Asian Hemispheres[1], most trend lines indicate that pan-Atlantic economic connections will continue to deepen in terms of energy links, trade in goods and services, investment and portfolio flows, and networks of innovation. Performance is likely to vary widely across countries and regions, however, and individuals, communities, countries and continents will be affected unevenly. This differential impact offers a prism through which we may identify elements of cooperation and competition, evolving dynamics between the Atlantic North and South[2], and centrifugal and centripetal forces in pan-Atlantic commercial interactions over the next decade and beyond.

Cooperation and competition: five key metrics

Energy

An Atlantic energy renaissance is setting the global pace for energy innovation and redrawing global maps of oil, gas and renewables as new players and technologies emerge, new conventional and unconventional sources come online, energy services boom, and opportunities appear all along the energy supply chain and across the entire Atlantic Space. This Atlantic energy renaissance is emanating from both the Atlantic North and the Atlantic South – not just from the United States, whose own energy revolution has been the most loudly trumpeted (Isbell 2014a and 2014b).

Three simultaneous energy "revolutions" of the Atlantic energy renaissance – shale, offshore, low carbon – are redrawing the global energy map. In the Atlantic North, the "shale revolution" is radiating out from an increasingly less import-dependent North America. In the Atlantic South, the deep-water offshore boom has embraced nearly all of Africa and most of Atlantic Latin America; the southern Atlantic could

1. Kishore Mahbubani's assertion (Mahbubani 2008) that there is an "Asian Hemisphere" means by definition that there is also an Atlantic Hemisphere.
2. In the Atlantic Future project we use the term ''Atlantic North'' to encompass North America and Europe, and ''Atlantic South'' to encompass South and Central America and Africa. We do this to avoid geographical confusion, since parts of South and Central America and Africa are part of the North Atlantic Ocean littoral.

While the Atlantic's share of global goods trade has declined, global goods trade itself has been growing considerably, so while the Atlantic may have a smaller piece of the pie, the pie itself has grown much larger.

become a key new region for increases in global oil production, as well as the most critical regional supplier of oil at the margin to the Asian Hemisphere. The low carbon revolution has also unfolded primarily within the Atlantic Basin, where two-thirds of renewable energy generation now takes place and where a similar share of global installed renewable capacity is currently located. The continued growth of low carbon energy has been at least partially undermined by lower prices for fossil fuels and the recent boom in unconventional fossil fuels (i.e. shale), yet Europe in particular has been charting new ground and is likely to continue to set the global pace with regard to low-carbon energy innovation. Such innovation could have a particularly dramatic impact in Africa, which is still characterised by deep pockets of energy poverty. Africa has the lowest electrification rate of all the world's regions – only 26% of households – leaving as many as 547 million people without access to electricity, nearly half of the world's energy have-nots (Atlantic Basin Initiative 2014; IEA and World Bank 2015).

These shifts in global energy flows could herald a transformation from what could be called the "traditional Cold War" global energy map into a "newly emerging global energy flow map" of the 21st century. The bottom line is that seaborne oil and gas flows will increasingly reverse their overall net direction – from "Cold War East-to-West flows" to the new "21st century West-to-East flows" (Isbell 2014a). As a result, the Atlantic Basin (with the South Atlantic potentially playing a key role) will become the strategic hydrocarbons supplier-region at the margin for growing energy consumption in the Asia-Pacific region.

The Atlantic's energy dawn is likely to continue despite falling global oil prices. In fact, the Atlantic energy renaissance has been the single most important factor behind the price drop on the supply side. While Saudi Arabia has helped to lower prices by drawing down spare capacity, most new discoveries in recent years – in addition to most of the increases in proven reserves and production levels – have come from the Atlantic Space. Second, this period of lower prices will not last forever, and will probably not last that long. Once prices rise again above 60 dollars per barrel, most Atlantic energy supply again becomes very relevant. Third, lower and softer prices, even over the short run, have set in motion new dynamics that are shifting the global energy map toward energy reform, removal of fossil fuel subsidies, improved regulatory policies, and better transnational energy cooperation, integration and governance. These factors favour Atlantic Basin energy supply (Richardson 2015; Atlantic Energy Forum 2015; Pelegry and Isbell 2015).

Goods

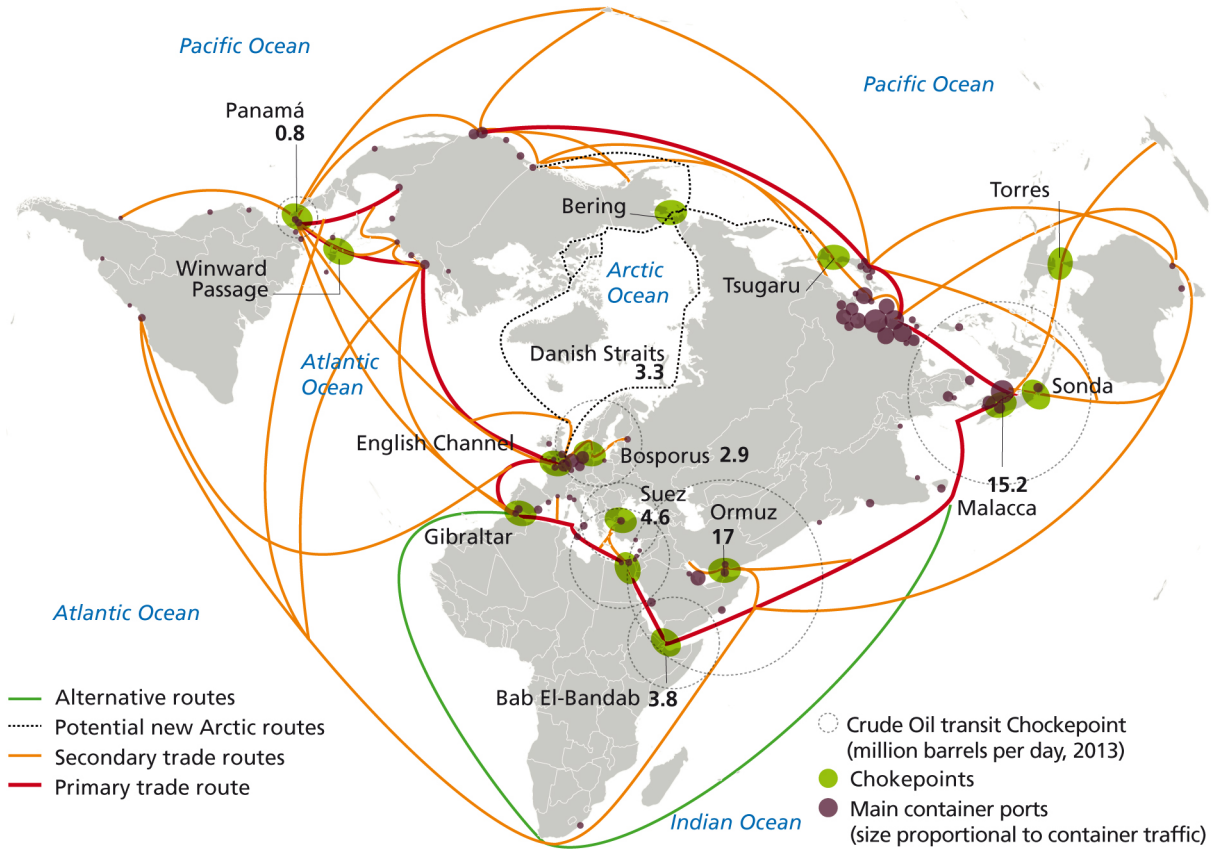
Merchandise trade among the four Atlantic continents accounts for half the global total, and more than doubled over the last decade. While the Atlantic's share of global goods trade has declined, global goods trade itself has been growing considerably, so while the Atlantic may have a smaller piece of the pie, the pie itself has grown much larger. Moreover, countries like Brazil and Mexico have actually increased their share of world merchandise trade in the last four decades.

Atlantic trade is significant for each Atlantic continent. The signatory countries of the North American Free Trade Agreement (NAFTA) export

more to their Atlantic partners than to the rest of the world. The EU sells the United States nearly twice the goods it sells to China and nearly seven times what it sells to India. Latin American and Caribbean countries export more than twice as much to their Atlantic partners as to the rest of the world. Latin America exports 40% more to the eurozone than to China. Brazil is the single biggest exporter of agricultural products to the EU. And over half of Africa's merchandise exports go to Atlantic destinations (Ruano 2015). These links are uneven, however. Most merchandise trade within the Atlantic Basin is conducted among developed regions, and the developing regions of the Atlantic Basin each have extremely concentrated trade relationships with their respective "northern partners" (North America and Europe), while trade with each other is marginal.

Atlantic trade patterns are being influenced by the rise of the Pacific, as trade between Atlantic and non-Atlantic markets has boomed and China in particular has become an important trading partner for all Atlantic continents. Booming Atlantic-Pacific sea trade is creating new port facilities throughout the Atlantic Basin, and melting ice in the Arctic Ocean is opening new, shorter shipping routes from East Asia to and from eastern North America and Europe (Ruano 2015; Atlantic Basin Initiative 2014; Kaplan 2012; Petterson 2014; Wilson 2013).

Figure 1. Current major maritime routes and potential new pathways for trade

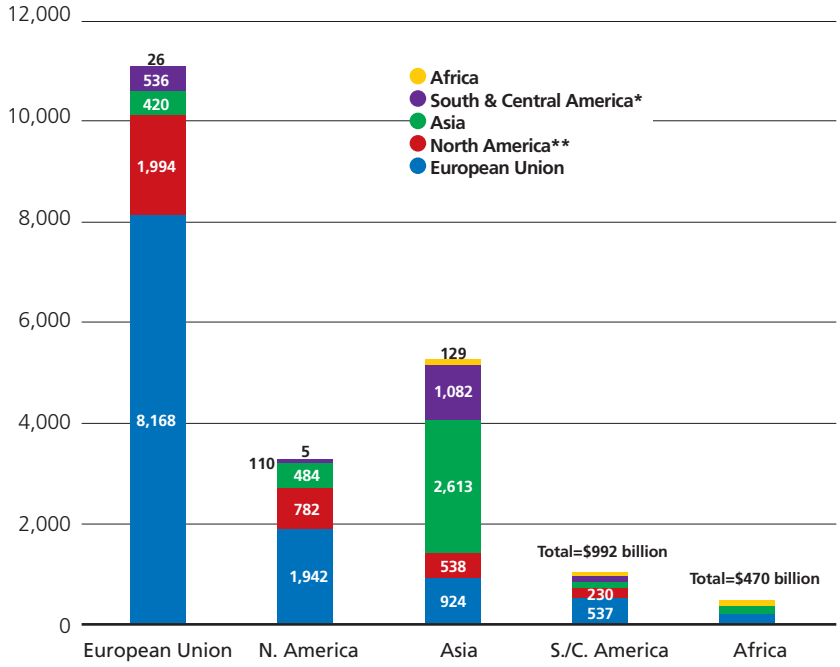


Source: Created by CIDOB using data from Le Monde Diplomatique 2012; EIA 2014b; World Shipping Council n.d.

Money

The dynamic interaction between investment and trade distinguishes the pan-Atlantic economy from all others. Foreign investment and affiliate sales power pan-Atlantic commerce and provide millions of jobs. Affiliate sales on either side of the Atlantic are more than double comparable sales in the entire Asia-Pacific region. Much of this is driven by foreign direct investment (FDI) ties between the United States and Europe which, with combined annual sales exceeding four trillion dollars, dwarf any other bilateral trade or trade/investment relationship in the world. US companies will continue to be the most important source of investment and onshored jobs across the EU, and European companies will continue to be the most important source of investment and onshored jobs across the United States. These investments are likely to increase even further should the Transatlantic Trade and Investment Partnership (TTIP) come into force (Hamilton and Quinlan 2015a and 2015b).

Figure 2. Foreign direct investment: inward (2012, billions of dollars)

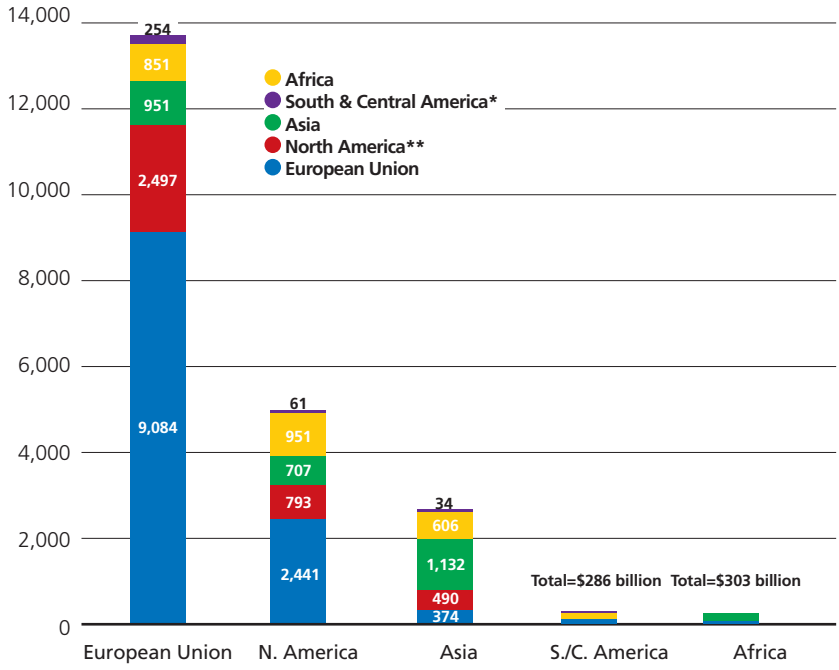


* Includes the Caribbean.
** US, Canada, Mexico.
Source: Coordinated Direct Investment Survey (CDIS), International Monetary Fund.

European and North American companies are active investors throughout the Atlantic South. While US companies currently invest more in South and Central America than in Asia, over the next decade those investment levels are likely to become more balanced. EU companies already invest slightly more in Asia than in South and Central America, and the trend of favouring Asia is likely to continue. US investments in Africa seem unlikely to increase significantly from their current relatively low levels, in large part because North America's own energy dynamics are turning attention away from Africa. EU investments in Africa are

likely to remain significant, but the more dynamic investors in Africa are likely to come from Asia unless the EU embarks on new commercial overtures to its southern neighbour. FDI ties between South and Central America and Africa are weak. Multinationals from the Atlantic South prefer to invest in major developed economies, primarily in the Atlantic North, although such investment is likely to remain marginal over the foreseeable future. Brazilian firms are the exception; they are investing billions in Africa's resource-related industries to diversify their export markets and internationalise their production (ibid.).

Figure 3. Foreign direct investment: outward (2012, billions of dollars)



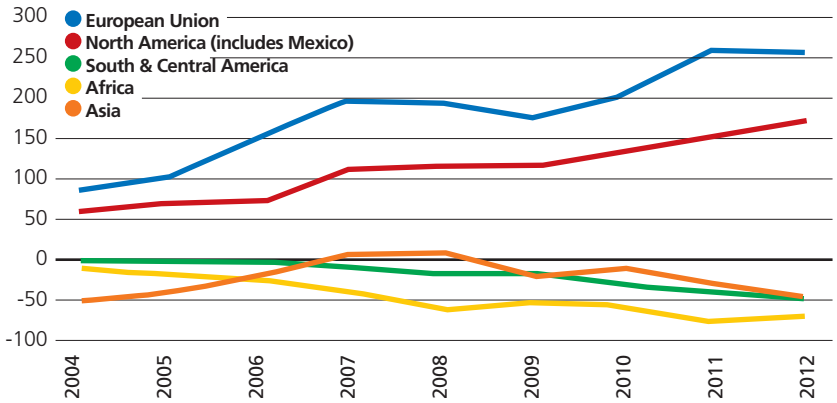
* Includes the Caribbean.
** US, Canada, Mexico.
Source: Coordinated Direct Investment Survey (CDIS), International Monetary Fund.

The Atlantic economies are also connected in substantial, if uneven, ways with regard to portfolio flows and assets. As capital flows slowly revive and adapt following the 2008 global financial crisis, new patterns are developing. First, over the next decade Asia could emerge as the largest holder of portfolio assets in Africa. Currently, Asia and the EU are roughly equal as portfolio asset holders in Africa, each accounting for roughly three times greater assets than those held by North America in Africa. Yet Asian portfolio holdings in Africa are growing much faster than European holdings (Hamilton and Quinlan 2015a). Second, North America is likely to retain its role as the most significant external holder of portfolio assets in both Europe and South and Central America, even as its role as a holder of portfolio assets in Africa is likely to decline in relative importance. Third, the EU is likely to remain the largest holder of portfolio assets in North America. Fourth, portfolio flows across the Atlantic South are likely to move primarily from South and Central America to Africa. South and Central American portfolio assets in Africa have grown to about half the size of North American assets held in Africa.

Services

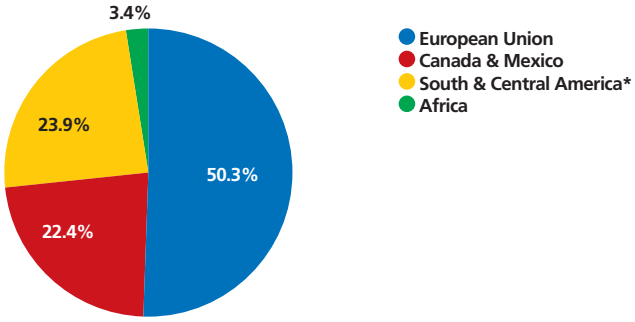
The Atlantic is home to the world's major services economies, Atlantic economies are each other's most important services markets, and Atlantic economies are poised to be major beneficiaries and drivers of the growth in global services.

Figure 4. World total services trade balance* (by region, billions of dollars)



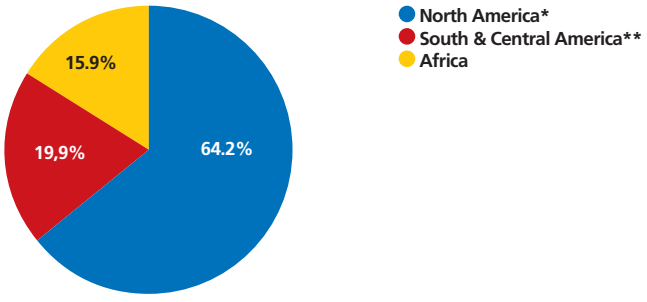
* Includes intra-regional trade.
Source: World Trade Organization. Data as of December 2013.

Figure 5. US services exports to the Atlantic Basin (by destination, 2012, in %)



* Includes the Caribbean.
Source: Bureau of Economic Analysis. Data as of December 2013.

Figure 6. EU services exports to the Atlantic Basin (by Destination, 2012, in %)



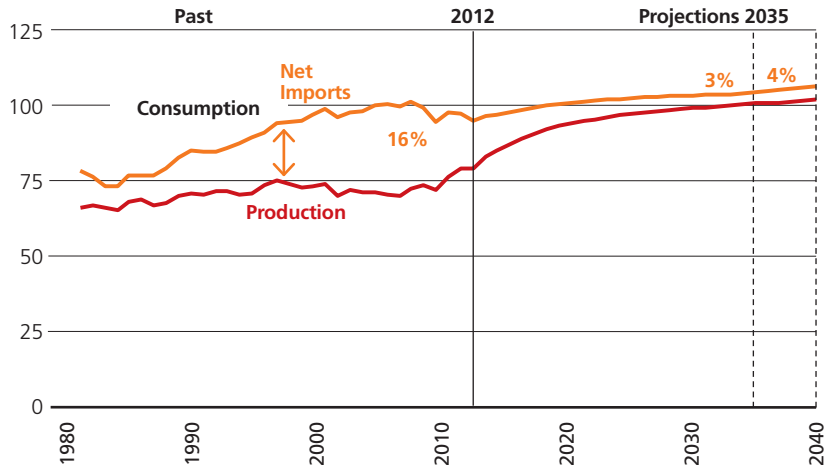
* US, Canada, Mexico. ** Includes the Caribbean.
Source: Eurostat. Data as of December 2013.

The United States is the largest single country trader in services, while the EU is the largest trader in services across all world regions. Over half of US and EU services exports go to Atlantic Basin countries, and each is seeing an increasing share of its services trade conducted with South America and Africa. Moreover, the delivery of services by foreign affiliates – driven by pan-Atlantic investments – has exploded over the past decade and is far more significant than the services trade (Hamilton 2011).

Services are not just a North Atlantic story. Services are far more important to Atlantic economies such as Brazil, South Africa, Mexico and Colombia than to non-Atlantic economies such as Russia, India or China. Brazil's expanding services industry contributes about two-thirds of its total GDP and employs about 70% of its labour force. Services account for more than 50% of GDP in Africa's 36 non-resource-rich economies and for more than 40% of GDP – more than industry's share – in the continent's resource-rich economies (AfDB et al. 2014). As income per capita in Latin America and Africa grows, and as governments seek to diversify their economies away from commodity production, demand will grow for such services as health care, education, entertainment, insurance, telecommunications and finance. Moreover, services is a growing area of commercial activity among southern Atlantic countries, particularly in energy-related services, engineering and construction services, and education and managerial services (Dardush and Shaw 2012).

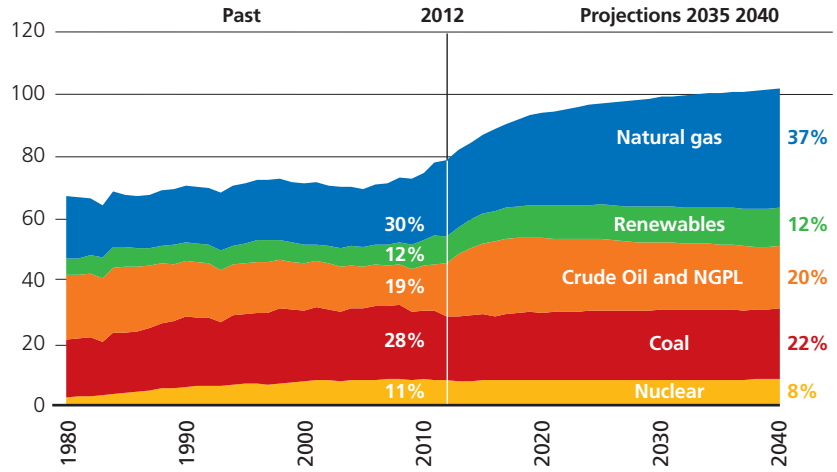
A related factor is the high and still-growing importance of services in global foreign direct investment flows. Services have come to dominate global foreign direct investment over the past decade and Europe is driving this process. Today, services represent nearly two-thirds of global FDI stock, up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

Figure 7. US projected consumption and production of energy (1980-2040, 10^5 BTU)



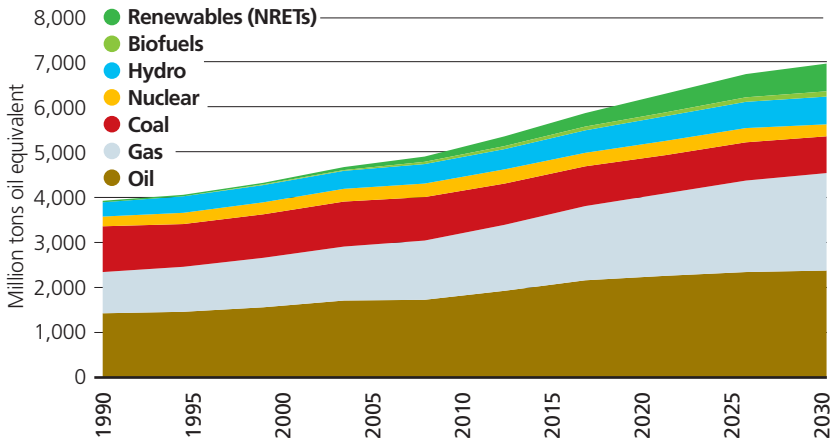
Source: Created by CIDOB using data from EIA 2014a.

Figure 8. US projected production of energy (by type of energy, 1980-2040)



Source: Created by CIDOB using data from EIA 2014a.

Figure 9. US Atlantic Basin energy mix (1990-2030)



Source: Isbell 2014b.

Ideas

The economic prospects for countries and communities across the Atlantic Basin will be shaped not only by access to, and use of, tangible assets such as energy, labour and natural resources, but also intangible assets such as knowledge, information and innovation. Technological and scientific innovations are certain to spread – unevenly – across the Atlantic Basin. It is difficult to predict tomorrow's innovations, but the nature of pan-Atlantic commercial connections are likely to be shaped by various on-the-horizon innovations, such as the Internet of Things, 3D printing, digitally-enabled mass collaboration, service robotics and bio- and human cognitive augmentation technologies (Huggins and Izushi 2009; Cohen and Levinthal 1990). These innovations, and many as yet unknown, could radically accelerate a range of enhanced efficiencies, streamline and alter supply chains, and help some key Atlantic economies cope with aging and shrinking populations. At the same time, such innovations are likely to convulse job markets, challenge educational and political systems, test prevailing regimes on privacy,

disrupt patterns of human mobility, and generate even greater divergence between knowledge-rich and knowledge-poor regions of the Atlantic Space (European Internet Foundation 2009).

Winners and losers

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

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Atlantic North and Atlantic South: convergence or divergence?

Various shaping factors, and the interaction between them, offer potential to erase the invisible line separating the Atlantic North from the Atlantic South, while other factors are likely to reinforce or sharpen those divisions. New preferential trade arrangements such as the Transatlantic Trade and Investment Partnership (TTIP), the Trans-Pacific Partnership (TPP) and the Canada-EU Comprehensive Economic and Trade Agreement (CETA) are likely to reinforce cooperation between their members, while imposing more severe competitive pressures on non-members – most of which are in the Atlantic South – unless Atlantic North countries devise cooperative mechanisms through which countries can align themselves with those arrangements over time, and whether the US and EU cooperate to harmonise trade preferences for poor countries and align their own standards on rules of origin (Herfkens 2015; Amaoko, Hamilton and Herfkens 2013). On the other hand, new actors may appear on the scene, such as the South American multinational corporations known as *multilatinas*, which are not only investing within the Atlantic South but increasingly looking for returns on investments in the Atlantic North. Global energy needs will overall be a force for greater cooperation across the Atlantic Space to develop the Atlantic Hemisphere's huge potential, although competition will continue to rage between companies and across different types of energy providers.

US economic ties to Africa, which had been dominated by energy imports, have shrivelled due to the US energy renaissance. It is unclear to what extent US economic interest in Africa may revive. More likely is greater engagement by Europe and Asia, followed by Brazil. However, US entities and some European countries like the Netherlands are likely to chart new horizons for development assistance, both through new types of public-private coalitions, as advanced by the US, and direct budget support of recipient countries, as piloted by the Dutch, even as "new" donors like Argentina, Brazil, Chile, Colombia, and Mexico step up their engagement, focusing primarily on exchange of good practice and knowledge transfer. There is also likely to be considerable interplay between centripetal and centrifugal forces within respective subregions and the Atlantic macro-region as a whole. As various shaping factors interact over the next decade, some communities and countries are likely to push for greater regional cooperation, while others are likely to be pulled away from deeper regional integration in favour of interregional cooperation.

North American and Central American countries, together with Colombia and South Africa, are likely to position themselves more prominently as ''dual-basin" countries straddling two great oceans, and use that position to build interregional networks to strengthen their future in a hyperconnected world.

Europe is likely to remain distracted by its own internal challenges and by dangers accumulating along its eastern and southern peripheries, while the TTIP, the CETA, an upgraded EU-Mexico trade agreement and possible new arrangements with Japan and other Asian economies, as well as competition and cooperation with China, could reinforce a focus on the northern, rather than the southern hemisphere. Yet Africa's promise – as well as its demographic and security challenges – is likely to be too great for Europeans to afford to ignore.

African countries are far more commercially connected with partners across the Atlantic, Pacific and Indian Ocean basins than they are to each other, and this is likely to remain the case over the coming decade and more. The question for Africa is whether the continent can complement its maritime-based commercial connections with greater intra-regional connections on the continent itself. Many African countries feel the pull of deeper economic ties with the Indian and Pacific Ocean countries, even as more raise concerns about new ''colonial" patterns of economic exchange with their eastern partners. Yet as China's economy decelerates into a new lower-growth model focused on structural changes at home, some African countries may not be able to count on China propelling their own growth.

Brazil, a quintessential Atlantic power, is likely, over the short- to medium-term, to be mired in domestic economic and political challenges that could reinforce its traditional stance as a power in the Atlantic South. Yet our analysis presents significant economic and political opportunities for Brazil within the Atlantic Space that could lead the country to adopt a more engaged stance as a rising pan-Atlantic power. Half of Brazil's trade is intra-regional Atlantic Basin trade, while only one-third is intra-regional "continental trade" within the Western Hemisphere. Moreover, despite attention to the Pacific, absolute growth in Brazil's

intra-basin Atlantic trade is still greater than its inter-basin trade with the Pacific. Inter-continental integration arrangements in South America have done far less to stimulate trade than more dynamic sea-based links (Isbell and Nolan Garcia 2015; Moreira et al. 2007; Kaltenthaler and Mora 2002).

Recommendations

Growing commercial connections across the Atlantic Hemisphere offer considerable potential. But they are challenged by a range of developments, from stalled multilateral and bi-regional trade negotiations, domestic protectionist challenges, trade-distorting measures and an absence of pan-Atlantic economic governance mechanisms. A decade from now, the Atlantic Hemisphere is still likely to be characterised by both extreme wealth and poverty. Nonetheless, significant opportunities exist for Atlantic actors to capitalise in particular on the Atlantic energy renaissance, on their growing commercial linkages and on changing models for development.

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The energy opportunity

Revolutions in Atlantic shale, offshore and low carbon energy are transforming the global energy flow map and promise to shape the dynamics of both regional and global geopolitics. The shift to lower prices will not erase the Atlantic energy renaissance or reverse the historic shift of the centre of gravity for global energy supply to the Atlantic. Although some shale and offshore possibilities are only economic at 70 to 75 dollars per barrel, most Atlantic supply, including shale and offshore oil, is economic at prices around 40 to 50 dollars per barrel. With prices above 60 dollars a barrel – which is what we would expect over the medium and long term – most of the recent boom in Atlantic energy supply remains economically and strategically relevant (Richardson 2015; Atlantic Energy Forum 2015).

These price levels are soft enough to impose growing pressures for domestic energy reform in many Atlantic countries. More energy reform around the Atlantic Basin also makes transnational energy cooperation more feasible and practical to achieve and more promising to pursue. Lower prices make nationalist energy policies unsustainable as national revenues fall in producer countries. Consumption subsidies can no longer be maintained. Restricted access and stringent fiscal and operating conditions for international companies will need to be reassessed. Otherwise, national debt will mount, social commitments will languish, rising expectations will be betrayed, and production will stagnate or decline as investment needs remain unmet. In the absence of change in policy direction, national budgets will have to be slashed drastically, with all the associated risk of political and social instability and unrest. Fortunately, Mexico recently led the way with last year's energy reform package. Atlantic partners such as Argentina and Nigeria may follow soon.

Furthermore, other unique features characteristic of the Atlantic world now make the basin a propitious space for pan-Atlantic energy cooperation. First, there is a balance between net importing and net exporting

countries. This means that cooperatively designed agreements will naturally reflect the full slate of stakeholders. In addition, the Atlantic's net exporters themselves are relatively well balanced between developed and developing countries. Moreover, the Atlantic Basin also dominates the energy trade (both in raw energy and derivatives) of Atlantic countries. Over two-thirds of all the energy trade of Atlantic Basin countries is intra-regional, or intra-Atlantic trade. No matter where one is in the Atlantic Basin, this is true. Every sub-region of the Atlantic Basin – Africa, South and Central America, North America and Europe – trades the large majority of its energy (both imports and exports, and raw material and final products) with other partners within the Atlantic Space. Finally, more than any other region of the world, the Atlantic Basin countries share common democratic values and rule-of-law principles. While such values and principles are not spread to the same degree throughout all the basin's sub-regions, they are present and held in common, at least to some degree, more than in any other region of the world (Pelegry and Isbell 2015).

Furthermore, the advantages and potentials of pan-Atlantic energy cooperation are large. The Atlantic Basin is poised to become the new global reference hub for the trading and pricing of gas. In oil, the Atlantic has the potential to become the world's regional swing producer at the margin. The Atlantic Basin has already become the world's laboratory for market and technological developments during the energy production change. It could also become the world's template for global biofuels cooperation and governance. Indeed, with sufficient cooperation and integrating collaboration, the Atlantic Basin could come to set global standards in all energy realms and sectors. To seize this opportunity, Atlantic actors will need to advance new mechanisms to facilitate broad cooperation. At this stage, most initiatives would profit from private-public participation. Consideration could be given to:

- An "Atlantic action alliance for low emissions energy access for all". This mechanism would be designed to help eliminate energy poverty and reduce greenhouse gas (GHG) emissions.
- An Atlantic Basin low carbon board. This board would host an ongoing Atlantic dialogue to pursue the rollout of renewable energy technologies, particularly within the Southern Atlantic.
- An Atlantic Basin hydrocarbons board. This group would provide the space and the platform for a number of pan-Atlantic energy cooperation initiatives, particularly in the effort to spread best practices in industry with respect to shale and offshore energy and to lend policy and regulatory support to Atlantic countries.
- An Atlantic Basin biofuels initiative. This initiative could seek to coordinate and articulate biofuel standards for Atlantic Basin production and trade. Given that 85% of the global biofuels economy is located in the Atlantic Space, such an initiative would set world standards.
- An Atlantic Basin inter-sectoral energy board. This group could host a new dialogue between Atlantic Basin energy agents – private and public – who are typically at odds with each other in policy or market terms in the context of global energy discussions. This board could encourage dialogue between net exporters and net importers, between international private companies and state-owned energy companies, between agents in the upstream, midstream and downstream, and between traditional fossil fuel companies and the renewable energy and low carbon sector.
- An Atlantic charter for sustainable energy. This charter should strive to

promote freer, more fluid and more secure energy investment, production and trade within the Atlantic Basin.

A new commercial agenda

Growing commercial connections across the Atlantic Hemisphere offer considerable potential, but they are challenged by stalled multilateral and bi-regional trade negotiations, domestic protectionist challenges, trade-distorting measures and the absence of pan-Atlantic economic governance mechanisms. The Atlantic Hemisphere is still characterised by both extreme wealth and poverty. South Atlantic countries, many of which continue to struggle to diversify their economies, are concerned that new plurilateral initiatives could divert trade to their detriment.

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Nonetheless, Atlantic actors have various inducements to greater commercial cooperation. Atlantic companies and countries are likely to lead global efforts at ''blue growth" – harnessing the untapped potential of the ocean to create sustainable jobs and growth in areas such as blue energy, aquaculture, tourism, marine mineral resources and blue biotechnology (ECORYS et al. 2012). They share greater interest in ending trade-distorting agricultural subsidies and exempting humanitarian aid from food export controls, as recommended by the Group of Twenty (G-20). Such initiatives seem more realistic now than in the past because of the changing outlook for agriculture from chronic surpluses to increased demand. They also share common interest in devising standard operating principles by state-owned enterprises (Zoellick 2013). The Atlantic partners could also form the core of an international services agreement that offers reciprocal liberalisation to all economies willing to join, with flexibilities for low-income countries. For South Atlantic countries seeking to diversify their economies, the services trade is increasingly important in order to boost productivity and to lower the costs of critical infrastructure development.

Mechanisms to facilitate pan-Atlantic commercial cooperation are also worth considering. Across the far more diverse Asia-Pacific region, the Business Advisory Council of the Asia-Pacific Economic Cooperation (APEC) forum played an important role. Nascent efforts such as the newly formed Atlantic Business Forum and related initiatives offer potential platforms for private-public considerations of ways to reduce barriers to trade and investment and to promote the free flow of goods, services and capital among Atlantic economies. Consideration could be given to an Atlantic Investment Compact based on common principles to facilitate enhanced investment as an engine for growth throughout the Atlantic Space.

As the CETA between the EU and Canada advances, as US-EU negotiations for a TTIP proceed, and as the EU and Mexico engage in updating their own free trade agreement, the EU and Mercosur should accelerate efforts to conclude their long-standing negotiations, and leaders in the Americas should revive their goal of a "Free Trade Area of the Americas" (FTAA), in which barriers to trade and investment will be progressively eliminated. The Atlantic Business Forum could recommend how existing sub-regional and bilateral arrangements could be codified and aligned to enhance overall Atlantic and global economic cooperation.

The TTIP promises a boost to North Atlantic economies. But unless properly designed as part of an "open architecture", the partnership could hurt the trade prospects of other countries. US and EU leaders should declare publicly that the TTIP is indeed part of the open architecture of international trade, and outline future modalities for accession, association, or complementary economic agreements with other countries. The United States and the European Union have common interest in demonstrating that the TTIP is about trade creation, not trade diversion.

North American countries and the EU should also consider ways to harmonise their current hodgepodge of trade preference mechanisms for low-income African countries. Latin America could conceivably join in, offering the same market access, building on preferences already given by some countries in Latin America and on interests they have expressed within the World Trade Organisation (WTO) to improve market access for poorer developing countries. Such efforts should harmonise country and product coverage as well as rules of origin of current preferential arrangements, taking the best and most effective provisions of each respective programme, making them compatible and updating the rules to the current trading environment (Amaoko, Hamilton and Herfkens 2013).

Exploring new models of human development

Since the turn of the millennium the international landscape for development aid has changed. Countries that were once poor have become economic powerhouses and started their own foreign aid programmes. Traditional donors in the OECD's Development Assistance Committee (DAC) have committed to changing their programmes based on lessons learned from accumulated evaluations of aid effectiveness. Unfortunately, implementation has lagged and the international aid architecture has not been updated. The Atlantic Space is uniquely poised to advance new models for human development, as it brings together the whole spectrum of development actors from traditional donors (which still make up three fourths of global development aid) to emerging powers and status quo middle-income countries, and less developed countries.

For aid to be effective, the most critical issue is that donors and recipients have a common understanding that donors do not develop countries. Developing countries develop themselves. Such an understanding leads to developing country ownership of the assistance programme without which no aid yields lasting results. Today, less than half of technical cooperation flows are consistent with national development strategies. Aid should be integrated into the recipient's regular planning and budgetary systems and, where possible, donors must support developing countries with predictable multi-year funding for their home-grown programmes and transfer the management of aid to the partner government.

Re-emerging development partners are among the drivers of change in key trends in development cooperation, notably the pressures to depart from strict definitions of official development aid, more integrated approaches linking development policy to foreign policy, trade and investment, and rethinking the respective roles of the public and private sectors (Georg 2014; Mawdsley 2012). New donors like Brazil fully understand and respect the importance of ownership and sharing their own develop-

ment experiences with emphasis on the "how-to" aspects of implementing development projects and programmes creates a clear comparative advantage. Thus, a new aid architecture should arise: "new" donors should primarily focus on the transfer of knowledge, while "traditional" donors focus on continued transfer of financial resources to poor countries that need external concessional resources (Atlantic Basin Initiative 2014).

Triangular development efforts that include donors from the Atlantic North and Atlantic South offer particular promise. DAC donors or multilateral agencies work with so-called "pivotal" countries, such as Brazil or South Africa, on projects implemented in "partner" or recipient countries, like Angola and Cameroon. Northern contributions to triangular cooperation projects are generally financial while pivotal countries provide technical skills. Such projects assume that pivotal countries are better able to transfer technologies and make use of innovative approaches and localised knowledge based on shared experiences or geographical, cultural and socioeconomic similarities (Georg 2014; McEwan and Mawdsley 2012; Davies 2008; Abdenur 2007)[3].

Additional steps are needed. OECD members should implement the commitments they made in the Paris Declaration and the Accra Agenda for Action. All Atlantic partners need to implement the commitments they made in the Busan Partnership Agreement, participate actively in the Global Partnership for Effective Development Cooperation, and join the International Aid Transparency Initiative. Atlantic partners also have a shared interest in developing codes of conduct to promote transparency and accountability regarding natural resource management, and taking the lead in such next-generation development issues as investment and services, infrastructure, education, energy, the environment, efforts to adapt to and mitigate climate change, business facilitation, and good governance (Zoellick 2013; Atlantic Basin Initiative 2014). The Extractive Industries Transparency Initiative is one example of how such efforts could develop, with Atlantic nations taking the lead.

Through these more dynamic and flexible arrangements, the Atlantic Basin can become an incubator for innovative approaches to development cooperation and a driver of development norms and practices and global discussions on development cooperation in ways that transcend North-South and South-South dichotomies (Georg 2014; Abdenur 2007; see also footnote number 3).

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3. See also the "Bogota Statement: Towards Effective and Inclusive Development Partnerships". High Level Event on South-South Cooperation and Capacity Development, Bogota, 25 March 2010 (online) http://www.un.org/en/ecosoc/newfunct/pdf/bogota-statement-final.pdf

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