



ATLANTIC FUTURE

POLICY REPORT

01

Charting the future of the Atlantic

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The Atlantic Space harbours many contradictions, which invites caution when seeking to charter the future of the Atlantic over the next ten years. This paper reviews large clusters of trends, factors and actors, their potential developments and the implications for the future of cooperation or competition and political convergence or divergence in the Atlantic. A range of factors points to deepening trade and investment ties in this vast region, as a new 'industrial revolution' is emerging there. Demographic prospects reveal divergent trends in Africa, where the population is growing fast, and Europe, where the population will continue to grow older. The middle classes in the South Atlantic will be expanding whereas those in the North are under socio-economic stress, even if North-South income differentials will remain very large. Amidst broadly shared democratic values, normative differences appear an enduring feature of the Atlantic Space. Rising populism in Europe might affect prospects for cooperation with Europe's partners in the Atlantic and beyond. Cooperation within the Atlantic Space is expected to make progress through flexible and targeted formats in areas such as security, energy and the environment, among others. Whether the TTIP will be concluded, and how inclusive it will be of other Atlantic partners, will be important factors for the future of the Atlantic.

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1. Introduction

The Atlantic Space is rich with contradictions. By many measures of interdependence, the Atlantic is the most interconnected ocean basin in the world and yet it harbours massive differences in terms of human development and state fragility. Intra-Atlantic links have been deepening fast but economic ties between Atlantic countries and regions and Asia have been growing faster in the last decade, although from a relatively low base. Democratic political values are broadly shared but they do not necessarily translate in shared priorities, whether at the domestic or international level.

Given the size and diversity of the Atlantic Space, the co-existence of these and other counter-veiling features should not be surprising. However, it invites caution when seeking to chart the future of the Atlantic over the next ten years or so. This paper looks at large clusters of trends, factors and actors shaping the future of the Atlantic Space, traces potential developments in a variety of fields, and outlines their implications for cooperation or competition and political convergence or divergence within the Atlantic.

Developments in the Atlantic will depend on both intra-Atlantic and extra-Atlantic factors, such as stability in the Middle East, the growth prospects of China and India, or Russia's approach to relations with the European Union (EU) and the US, to mention a few. Issues like climate change clearly have a global dimension, but different regions contribute unevenly to emissions, and are unevenly affected by the impact of climate change. Yet, in taking the Atlantic Space as the unit of analysis, the Atlantic Future project has highlighted a range of issues – opportunities and challenges – that are of particular relevance to the Atlantic.

Ultimately, the question is whether ten years down the line the Atlantic will matter more or less to countries part of this space for their prosperity, stability and security. And whether bonds between Atlantic countries and regions will be not only deeper than today, but also somehow distinctive compared to their connections with partners outside the Atlantic.

2. Thickening trade and investment ties

Trade and investment flows within the Atlantic Basin are more important than in any other region and various trends show that Atlantic economic connections will deepen even further. North America and Europe, which form the most integrated relationship in the planet, still constitute the core of the world's economic activity. US-South American commercial links are very dynamic, and Europe's trade and investment ties to Africa and Latin America are very substantial. The weakest link is the Latin America-African connections, but they have been growing in the last decade.

Factors pointing to deeper economic connections across the Atlantic include the favorable growth perspectives for US economy and the promising medium-term growth prospects for parts of Africa, which are already among the fastest growing regions of the world. Yet, African societies are still very poor and starting their journey from a very low base, with exports dominated by raw materials. Another factor favoring pan-Atlantic exchanges is the so-called Atlantic Energy Renaissance throughout the Basin, which is at the forefront of energy innovations and is redrawing the maps for oil, gas and renewables.

The EU is the second most important economic powerhouse on the planet, but it is still struggling to overcome the 2008 financial crisis and has to face many political

challenges (Brexit scenario, rise of populist, xenophobic and nationalist parties, huge immigration flows, terrorist threats). As for Latin America, it is in a process of devising a new economic growth model that can cope with its declining growth rates, due to an over-dependence on commodity prices and domestic consumption boosted by unsustainable public credit splurges. But democratic systems and open societies across most of the region seem capable of coping with this task, while the number of middle-class consumers in Latin America is quite substantial.

Merchandise trade among all members of the Atlantic Basin represents half of global trade and more than doubled in the last decade (Hamilton 2015). These trade flows are practically concentrated with their North Atlantic partners, while Atlantic South-South trade is marginal, including inside Africa's and Latin America's regional integration schemes. But two thirds of Latin America exports and half of Africa's go to Atlantic partners. Asia-Atlantic trade (particularly China) has been growing very fast in the last two decades, modifying somewhat the traditional Atlantic commerce patterns. But China's connection with the South Atlantic regions resembles traditional colonial links (exports of commodities against imports of low-end manufactured products) while South-North Atlantic trade links are far more balanced and complementary. A positive fallout from the growing trade with Asia is the creation of new modern port facilities throughout the Basin that, with the enlargement of the Panama Canal, are revitalizing and changing the Atlantic maritime routes.

The dynamic interaction between trade and investment is and will likely continue to be a distinctive feature of the pan-Atlantic economy (Hamilton 2015). FDI and affiliate sales power provide millions of jobs throughout the region. Europe/US FDI and combined sales dwarf any other bilateral trade/investment relationship in the world. Taking into account foreign direct and portfolio investments, Europe and the US are by far the biggest partners of African and Latin American countries. Trends suggest that the US will continue to be the most important investor in Latin America, but will be less present in Africa due to the slackening of the commodities super cycle, and the American shale gas revolution, which diminishes the interest of African oil and gas reserves. A new trend has also emerged with the growth of Latin American private sector FDI (the so-called "multilatinas") heading into North Atlantic markets.

Another important trend is the dynamic growth of China's FDI in the Southern Atlantic regions. It is however unclear whether such a rapid expansion of Chinese investment will be sustained. With the end of the commodities super-cycle, the profitability of commodity-focused investments is in jeopardy and China's economic soft- or hard-landing is leaving less elbowroom for Chinese foreign investors' ventures.

A new 'industrial revolution' is emerging in the Atlantic Space, with services – particularly services embedded in manufactured goods – at its core (Valladão 2015). The most important factor shaping the future of the Atlantic economy is the development of a new "digital economy" where "distributed networked production for customized consumption" gradually takes precedence over the now "classical" model of "mass production for mass consumption" and its global production value chains (Valladão 2014). This new economic model, based on a combination of rapidly expanding services ecosystems imbedded in cheap-produced physical goods, and in need of permanent innovation and huge injections of venture capital, is benefiting from an ever-growing share of the global value added. The new "industrial revolution" is centered into some very dynamic regional innovation "clusters" in the United States territory (Silicon Valley, Boston...) and some big West European clusters (Cambridge, Silicon Saxony, Paris...), as well as Tel-Aviv.

The recent price super-cycle of primary goods is over for a very long period, which closes the horizon for producers dependent on commodities (Valladão 2015). Those dependent on classical national value chains or “niches” inside global value chains are facing the challenge of dwindling margins. However, the Atlantic harbors the world’s major services economies and is poised to become the major beneficiary and driver of global growth on this field. In the US, Europe and many important Latin American countries, services provide around 70% of all domestic jobs. Even in Africa, they account for more than 50%. Cross-investments in “new” services, linked to the “digital” economy, are the most dynamic throughout the Atlantic Basin.

The two Atlantic economic powerhouses (Europe and the US) are at the forefront of this new investment and innovation drive but this is not just a Northern Atlantic phenomenon: services are also a growing area of commercial activities among Southern Atlantic countries. Besides, the growing urban middle-classes in Africa and Latin America, yearning for high and middle-end products, represent important and growing markets for North Atlantic value chains, in direct competition with China and other Asian value-chains. This issue is very important for the future of the Atlantic space as services already dominate global FDI (they represent 2/3 of global FDI stock, up from 49% in 1990).

The US, with its huge homogenous consumer market regulatory framework, its availability of venture capital and its flexible labor market, is clearly leading the way and benefiting most of this new digital economy. The more so, that all the disruptive new technological processes are also being used by US high-value added classical industrial production. The US is already trying to reinforce its system of outsourcing partners in Asia and Latin America (the TPP, plus its network of bilateral agreements with Central and South American countries), and Africa, through Africa Growth and Opportunity Act (AGOA). Europe is still far behind the US, but also far in advance compared to other regions of the planet. It still cannot compete on an equal footing with the US at the high-end of the digital economy, yet it is a central player in the high and middle-ends classical value-chains.

Latin American countries cannot rely anymore on simply producing commodities. For their survival, they will have to find new “niches” inside US and European global industrial value chains – the chances of becoming part of Asian chains is practically nil (Valladão 2015). They will also need to create the foundations for the development of at least some new innovative technology poles of excellence. That means the opening of their economies and the implementation of a whole batch of structural reforms in order to attract new investment, to nurture new talent and to benefit from the optimization of transnational production chains. Betting on proximity to the US, Mexico, and Central America are already trailing that path.

African countries have similar challenges as those in Latin America, but with less means – institutional, economic, scientific and political. Most of African countries will still have to rely on commodities, even with dwindling revenues. Some could be integrated in Asia’s global value chains in need of outsourcing their lowest value added activities. But this would not make a decisive difference, perpetuating the growing imbalances between China and Africa (less exports of commodities to China and more imports of Chinese cheap industrial products into Africa). An Atlantic “niche” integration into EU and US production chains seems a better prospect to climb the value-added ladder, as well as more infrastructure joint ventures and cooperation projects with the two North Atlantic behemoths. Morocco, also betting on its proximity with Europe and its good relations with the US, has already established itself as a significant production and services “hub” between Europe and Africa.

3. Major socio-economic differences

While economic links are developing fast, and there is room for further connections in the context of accelerating technological innovation, the Atlantic Space also features profound differences in terms of level of development and demographic prospects. These factors point to heterogeneous challenges and priorities among Atlantic regions, but also to scope for cooperation in addressing them. From a demographic standpoint, the Atlantic Space includes both the fastest expanding and the fastest ageing regions in the world, and they are side by side. Fertility rates in sub-Saharan Africa stand at 4.6 children per woman and in Europe at 1.5, well below the replacement level of 2.1. The population of the EU will only slightly grow between 2015 and 2025 and is expected to slowly decline in the following decades. However, Europe's population will be considerable older: the share of people over 65, standing at 18.5% today, is projected to reach 24% by 2030 and that of the working age population to flex from 66% to 61% over the same timeframe – contracting by about 1 million per year (Eurostat 2015). By 2030, the median age in Europe will be about 44 and that of Africa will be 21.3, less than half.

Africa as a whole is projected to reach a population of 1.5 to 1.6 billion by 2030, up from 1.16 billion today. While progressively falling across much of the continent, fertility rates remain extremely high in regions such as the Sahel, with 6 to 7 children per woman. As a result, the population of the Sahel is expected to double over the 2010-2030 period and that of Nigeria to jump from 180 to 240 million – a larger population than Brazil. Fertility rates in North America stand currently at about two children per woman (1.6 in Canada, 1.9 in the US and 2.3 in Mexico) and at 2.2 in Central and South America – a region that is experiencing a progressive transition towards older societies. These trends combined point to an Atlantic Space (including the four sub-regions in full, not just littoral states) hosting about 3.3 billion people by 2030, about 70% of which will live in the South Atlantic and almost 50% in Africa (Gratius 2015b).

The diverging trends highlighted by demographic prospects are all the more relevant to the future of the Atlantic Space when considering the major gaps in the levels of development between the Atlantic regions. From this standpoint too, the Atlantic includes some of the sharpest differences between most advanced and least developed countries. In 2013, over 40% of the population of sub-Saharan Africa lived in conditions of extreme poverty (with less than \$1.25 per day) – one out of four of them living in Nigeria (Gratius 2015b). The average GDP per capita of the EU is more than 20 times that of sub-Saharan Africa and about four times that of Latin America, while the latter is six times smaller than the per capita GDP of the US (World Bank 2015). According to the Human Development Index, some among the best performers in Atlantic Africa such as Morocco, Cape Verde and Namibia rank at similar levels as the worst performers from Latin America (Gratius 2015b).

The combination of demographic trends and basic development indicators points to critical challenges emerging in sub-Saharan Africa. This region will have more people joining the labour force over the next 20 years than the rest of the world combined. A total of 450 million people are projected to join the African labour force between 2010 and 2035, an average of 18 million per year (International Monetary Fund 2015). There is of course a big question as to whether this massive youth bulge is going to be a blessing or a curse for the continent.

The answer will probably vary depending on different countries and parts of Africa. It will very much depend on both expected growth rates and on the quality of such growth, including the degree of economic diversification away from the exports of commodities, the distribution of wealth and the creation of sustainable jobs. Growth in

sub-Saharan Africa averaged 5.7% per year between 2000 and 2010. While still sustained, it is expected to decline to 4.2% in 2015, mainly due to lower commodity prices, and then to pick up again to 4.6% in 2016 (World Bank 2015). However, as noted above, poverty remains widespread and poor governance indicators point to the serious challenges that many African states will face to drive the reforms and investments needed to ensure that the benefits of growth extend to the population at large in terms of more jobs and higher incomes.

Income distribution is an important factor for sustainable growth, since a large gap between those worse-off and the rest of the society creates social malaise and puts a burden on the economy, which in turn might undermine political stability. The OECD reports that income inequality has been rising in the past 30 years in most OECD countries, reaching an average of 32 on the Gini index (100 corresponding to total inequality and 0 to full equality), up from 29 in the mid-1980s (OECD 2015). Levels of inequality are higher in the countries of the South Atlantic, with a score of 56 for Brazil and 67 for South Africa. Of the large world regions, Latin America is the one with the highest levels of inequality but considerable progress has been made in the last 15 years to reduce the gap in various countries there, from Brazil to Argentina. The level of inequality in the US is much higher than in Europe, with the former featuring a score of 41 on the Gini index and Europe's average standing at 30.

Closely related to prospects for income and wealth inequality are expectations concerning the size of the middle class in different parts of the Atlantic Space. Broadly speaking, the size of the middle class is stalling or shrinking in the North Atlantic and growing in the South Atlantic, both in terms of volumes and as a share of the population, even if measures and estimates very much vary depending on the definition of middle class in terms of levels of income. The levels of income of the new middle classes in emerging countries remain low compared to those of the middle class in advanced countries.¹ This also means that the US and Europe, which today still account for over 25% each of the world's private consumption, will retain very important (if declining) shares of the global consumer market, much more than proportional to their population.

In 2009, the North Atlantic accounted for about 54% of the global middle class, Latin America for 10% and Africa for 2%. By 2030, it is estimated that two thirds of the global middle class will be living in Asia, about 20% in the North Atlantic, 6% in Latin America and 2% in Africa. In terms of volume, the middle class is expected to slightly shrink in North America and expand a bit further in Europe (driven by the rising income levels in Eastern Europe), while growing substantially in Latin America (from 181 to 313 million) and Africa (from 32 to 107 million) (Kharas 2010).

A new study by the Pew research Centre reports that the middle class has already been shrinking in the US, with those belonging to the lower and higher income tiers today slightly outnumbering those in the middle tier (Pew 2015). The share of the middle class population has declined from 61% in 1971 to 50% in 2015, that of those in the lower income tier has expanded from 25% to 29% while the upper income tier has grown from 14% to 21%. In terms of income distribution, the share of middle-income households has declined from 62% in 1970 to 43% in 2014, that of the upper income has jumped from 29% to 49% and that of the lower income has only slightly decreased from 10% to 9%. Besides, differentials in levels of both income and wealth (assets minus debts) between different income tiers have been growing much larger in the US between 1970 and 2014 (Pew 2015).

¹ In a recent study, the definition of middle income on a global level covers those living with \$10 to \$20 per day, which amounts to between \$14,600 and \$29,200 per year for a family of four people. The poverty threshold for a family of four in the US is about \$23,000 (Kochhar 2015).

4. A politically diverse Atlantic

Alongside economic interdependence and different levels of socio-economic development, values and perceptions are critical factors to shape political spaces, and choices. The paradox of the Atlantic Space is that while political values are broadly shared in principle, their interpretation and implementation vary in practice. It has been noted that no competing political or economic paradigm is expected to emerge across the Atlantic in alternative to liberal democracy and market economics, which makes a significant difference with the more overtly contested normative arena in the Asia-Pacific (Gratius 2015b). Considerable progress towards democracy has been achieved in the last 30 years, in particular in South America and to a lesser extent in Africa. And yet, while the democratic form prevails across the Atlantic, there are notable differences between sub-regions. The quality of democratic regimes is very uneven not only among developing countries or those in political transition but also in Europe, where populism is gaining strength.

According to Freedom House, the Atlantic Basin includes 62 democracies, 7 authoritarian regimes and 12 hybrid regimes. In Latin America, socio-economic inequalities and high levels of social violence due to the spread of organised crime contribute to undermine democratic politics in various countries, notably in Central America and in Venezuela. Only a minority of countries are considered democracies in Atlantic Africa (for example South Africa, Namibia and Ghana) but authoritarian and hybrid regimes prevail in the region (Gratius 2015b).

The envisaged expansion of the middle classes in Africa and Latin America, alongside opportunities for economic diversification by better connecting to global value chains, are factors that might point to growing demands on governments to deliver better services, uphold the rule of law and promote social justice. However, changes in political cultures are a slow and incremental process. In some cases, political crises can hold the seeds of progress towards more accountable governance systems, thereby improving the quality of democracy. The current uncovering of high-level corruption and patronage systems in Brazil, for example, affects the legitimacy of the political system but also sets a precedent and shows that institutions have the capacity to correct themselves, which is considered a key feature of democratic systems.

Populism has taken different shapes across the Atlantic but a common feature of populist movements has been to mobilise people against the so-called 'establishment' and a polarising political discourse. That said, there are important differences between populism in different Atlantic regions and there are some signals of different trends taking shape. In Latin America, populism drew mainly from the left-wing, anti-imperialist political culture of the region and has been directed to mobilise and, at least rhetorically, empower the have-nots versus the elites in very unequal societies, such as in Venezuela, Ecuador and Argentina (Gratius 2015b). At the end of 2015, however, the victory of the liberal candidate in Argentina's presidential elections and the victory of the opposition in Venezuela's parliamentary elections suggest that the tide may be turning in Latin American politics.

Populism in Europe encompasses a wide range of different parties and movements from the extreme left and extreme right. Depending on the political positioning of these parties, the two main issues fuelling the populist surge are identity and the economic crisis. The denunciation of financial and commercial globalisation and the contestation of Europe's economic recipes (although sometimes for opposite reasons depending on the country) are central to the populist discourse on the left and on the right. To the

right, this is combined with a strong emphasis on the defence of more or less imagined homogeneous national communities, supposedly threatened by foreign migrants and globalisation. The situation in Europe has been further complicated by the high social costs of the economic downturn and more recently by the spike in refugee flows, followed by the dramatic terrorist attacks in Paris in November 2015. While the political culture of the US significantly differs from those prevalent in Europe, many of these arguments find strong resonance in the controversial debates unfolding at the beginning of the presidential campaign there.

Populism often entails a renationalisation of the political discourse. National interests are to be given priority and are best defended by curbing or stopping trans-national flows, whether economic or human ones. State-driven solutions prevail, which often implies economic protectionism and, in the case of Europe and the US, a strong pressure to clamp down on migration. Overall, populism reduces the political bandwidth for international engagement and this is the risk that it poses for the future of partnerships and cooperation within the Atlantic Space too.

Aside from the rise of populism in some Atlantic countries, this assessment points to the larger correlation between the stability and quality of democratic governance at the domestic level and the scope for advancing international cooperation at the international level. In turn, this is an important dimension of the influence of national political cultures, and historical experiences, on the approach of different Atlantic countries to relations with their partners in the Atlantic. Normative differences remain significant within the Atlantic Space (Alessandri 2015, Gratius 2014, Gratius 2015b), as the findings of the 488 interviews carried out in the context of the Atlantic Future project confirm. It is also interesting to note that, while these differences are acknowledged by stakeholders across all Atlantic regions, on the whole actors from the South Atlantic tend to emphasise normative divides more than those from the North.

According to interlocutors in sub-Saharan Africa, history (colonialism and asymmetric power relations) and development gaps weight heavily in delimiting scope for normative convergence. It was felt that western paternalism and double standards inhibited a dialogue among equals. There was little sense of an Atlantic identity whereas a certain affinity among countries from the South Atlantic was underscored as a basis for South-South cooperation (Mattheis 2015b). Stakeholders in Latin America showed greater appreciation for shared values and cultural linkages, in particular between Latin America, Europe and North America, but a majority of them did not see this as a strong enough basis to foster political convergence at Atlantic level. The traditional North-South divide was regarded as still present and the notion of an Atlantic space was considered quite artificial, notably in Brazil, whereas a majority in Colombia saw scope for convergence at Atlantic level (Sousa 2015; Aspinwall et al. 2015).

While there was no identity of views in any of the Atlantic regions, the prevalent perception that normative differences matter is an important factor in shaping the future of the Atlantic. 'It cannot be assumed that US and EU norms will continue to set a model for countries more widely, especially in the South' (Adelle et al. 2014). However, that does not necessarily preclude cooperation. Scope for engagement varies in different policy areas and that is likely to continue to be the case.

For example, on matters of peace and security, countries from the south Atlantic remain very wary of military interventions or other coercive measures driven by the 'West'. Voting patterns in UN bodies on issues of conflict and large human rights violations, from Syria to Iran and the Ukraine crisis, as well as the debate following the NATO-led intervention in Libya in 2011, reveal significant political divergence across the Atlantic, although not a neat North-South divide. On other issues, where the humanitarian dimension prevails over geopolitical controversy, such as in Haiti, Atlantic

countries have converged to support UN peacekeeping operations (Gratius 2014). National sovereignty and the principle of non-interference in internal affairs are cornerstones of the foreign policy of most countries from the South Atlantic. At the same time, a debate on the limits of sovereignty and on the responsibility to prevent massive human rights violations, and to protect people if they occur, is taking place across Africa and Latin America too around principles such as 'non-indifference' and 'responsibility while protecting' (Brockmeier and Rotmann 2015).

5. Multi-level institutional connections

The varied political cultures, perceptions and priorities co-existing in the Atlantic Space inform a range of cooperation initiatives and forms. As interdependence deepens, the number of more or less institutionalised links has been growing, although their output is very uneven. Cooperation in the Atlantic Space takes place through a range of more or less formalised arrangements. A variety of regional cooperation formats have emerged in the different sub-regions of the Atlantic Space and relationships between some of these regional bodies have been progressively established. Bilateral partnerships between pivotal countries in the Atlantic have also evolved, alongside partnerships between individual countries and regional groupings and thickening trans-national connections involving non-state actors such as civil society and business (Grevi 2015; Adelle et al. 2014).

The proliferation of different frameworks for dialogue and cooperation in the Atlantic reflects two underlying trends, with important implications for the evolution of this space over the long-term. For one, both traditional powers and emerging countries are seeking to diversify their portfolios of economic and political partners, across the Atlantic and well beyond. They also project their influence through a variety of platforms at the regional and inter-regional level, which puts a premium on their soft power and convening power. For another, despite some normative differences, most Atlantic actors seem to take a rather pragmatic approach to cooperation on concrete matters. Commercial interests have driven the conclusion of a number of free trade agreements among Atlantic countries at the intra-and inter-regional level. Cooperation in the environmental and security fields, among others, is making some progress although in a rather ad hoc, fragmented way.

A review of the links and cooperation among macro regions in the Atlantic Space provides useful insights on scope for future cooperation. Europe is the continent featuring by far the highest degree of institutionalised cooperation, centred on the EU but also including the Council of Europe and the Organisation for Security and Cooperation in Europe, both of which encompass a much wider range of countries than the EU. The political institution including all the American States is the Organization of the American States (OAS), whilst the North American Free Trade Agreement (NAFTA) regulates the economic relations in the North. Fragmented regionalism characterizes Latin America's dynamics of inter-state relations. Eight integration and cooperation schemes of different intensity and overlapping memberships coexist² and illustrate the changing economic and ideological preferences of the 33 Latin American and Caribbean countries (Gratius, 2015a). Interestingly enough, the recent Trans-Pacific

² Bolivarian Alliance for the Americas (ALBA), Andean Community, Caribbean Community (CARICOM), Community of Latin American and Caribbean States (CELAC), Common Market of the South (MERCOSUR), Pacific Alliance, Central American Integration System (SICA), and Union of South American Nations (UNASUR).

Partnership (TPP) on economic policy is combining twelve Pacific Rim countries from North and South America and Asia.

The African Union (AU) is the continental organization consisting of almost all the African countries. Notably, this continent is also characterized by five regional intergovernmental organizations: Arab Maghreb Union (AMU), Common Market for Eastern and Southern Africa (COMESA), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), Southern African Development Community (SADC). However, African regionalism remains complex and fragmented.

The most important vectors of inter-regional and bilateral relationships include European Union (EU)-Africa, EU-Latin America and the Caribbean (LAC), the Inter-American system, and the EU-United States (US) Transatlantic axis (Gratius 2015a). However, interregional processes are in constant flux and two emerging axes cannot be underestimated: Africa-US and Africa-LAC.

Among these regions and sub-regions, different partnerships are in place. For instance, the Joint Africa-EU Strategy (JAES) provides a global platform for relations between the EU and the African continent. The JAES focuses on the need to promote integrated security approaches encompassing conflict prevention, the consolidation of peace and conflict resolution with regards to governance and sustainable development. The US Strategy towards Sub-Saharan Africa has been recently refocused on four pillars: strengthening democratic institutions; stimulating economic growth, trade, and investment; advancing peace and security; and promoting opportunities and development.

The EU-LAC relations include bilateral and sub-regional partnerships at different levels: (1) inter-regional: EU-CELAC dialogue and Summits as well as EUROLAT (Parliamentary Assembly between the European and the Latin American Parliaments); the EU-LAC Foundation and the Ibero-American Community of Nations; (2) sub-regional cooperation schemes with Central America (notably the 2012 EU-Central America Association Agreement), the Caribbean, the Andean Community, and MERCOSUR; (3) bilateral links with the strategic partners Brazil and Mexico and the Free Trade Agreement (FTA) partners Chile, Ecuador and Peru; (4) EU-LAC cooperation on global governance. Within each level, cooperation takes place between both governments and the organized civil society (Gratius 2015a).

Several interregional trends have characterized the Atlantic space. In the Europe-Africa relations, the EU and the African Union (AU), the most inclusive and articulated regional initiatives, show institutional convergence. The EU has significantly influenced the development of regionalism in Africa. For example, the EU has committed relevant financial and technical resources to help the AU in the process of developing its capacity in the field of peace and security (Pirozzi and Godsäter 2015). The European experience will plausibly continue to inform the development of the AU institutional architecture. Regarding the EU and LAC, overlapping regionalist projects have generated a number of interregional institutionalized mechanisms. Historically the inter-regional dynamics have been propelled by the EU and have reflected essentially its priority and vision. With the creation of CELAC, Latin America and the Caribbean are bound to play a more proactive role, especially in terms of agenda setting, in inter-regional relations with Europe (Ayuso and Gardini 2015).

The re-launching of South-South cooperation in recent decades has favoured rapprochement between LAC and the Arab world. Both regions are not a priority for each other, but political dialogue and exchanges have grown constantly over the last decade and this trend may continue in the coming years (Ayuso et al. 2015). Latin America and Sub-Saharan Africa rarely make each other a priority, but inter-

regionalism across the South Atlantic is an emerging trend. Forms of trans-regionalism and inter-regionalism are present, most of them heavily shaped by Brazil's leadership (Mattheis 2015a). The relations between North America and Africa are fragmented, encompassing many bilateral relations and country-region relations. However, the role of the African Union is rising as the main interlocutor, at least for the US (Kotsopoulos and Goerg 2015).

At the exception of those that are part of Mercosur, a number of Latin American countries have entered free trade agreements with the US. 'Continental integration', however, does not seem the prevalent trend in Latin America, whereas there seems to be an emerging trend towards 'ocean basin regionalisms' through the Pacific and the Atlantic Basin (Isbell and García 2015). With the exception of NAFTA and the EU, all other Atlantic regional integration frameworks or PTAs agreements have generated much more inter-regional trade than intra-regional trade. For the South Atlantic in particular, commerce with other parts of the Basin is much more important than within each integration scheme. But these agreements still feature a strong dynamic, as the recent Tripartite Free Trade Area, that integrates COMESA, EAC and SADC, testifies. At the same time, intra-regional integration on different levels in the four regions of the Atlantic space may underpin maritime-centred inter-regional connectedness and may complete it.

Importantly, agreements between countries and regional institutions within the Atlantic can carry different implications for different part of the Atlantic space. For example, the conclusion of the Transatlantic Trade and Investment Partnership (TTIP) would be a game-changer for EU-US relations and well beyond. The TTIP is much more about standards and regulations than trade in goods. If the two sides can pull it out, it will reposition the two North Atlantic powers as the central rule-makers of the global economy. But the TPP and TTIP can also impose much more competitive constraints on South Atlantic non-members, unless the member countries can devise cooperative mechanisms through which other countries – particularly in the South Atlantic – can align to those agreements overtime.

Against this complex and articulate context, cooperation in the Atlantic space will probably take place '*à la carte*' including different formats and geometries, rather than on the basis of a clear institutional design encompassing all or most of the countries in this space. This cooperation is therefore likely to span through a variety of formats including the three modes of inter-regional relations presented by Heiner Hänggi: relations between regional groupings (for example between the EU and the AU); bi-regional and trans-regional arrangements (for example EU-LAC cooperation); and hybrids such as relations between regional groupings and individual powers (for example the EU-US partnership) (Hänggi 2000).

There is also likely to be considerable interplay between centripetal and centrifugal forces within respective sub-regions and the Atlantic macro-region as a whole (Hamilton, 2015). Some communities and countries are likely to push for greater regional cooperation (the EU could play this role), while others are likely to be pulled away from deeper regional integration in favour of inter-regional cooperation (for instance, Brazil). At the same time, some antagonist or isolationist forces may emerge, especially in Latin America and Africa.

In parallel to these developments, stronger cooperation between state and non-state actors, including transnational grassroots movement, is also likely to take shape on some specific issues (climate change, overfishing, etc.). A possible implication is the promotion of flexible tools and voluntary cooperation such as codes of conduct, ad hoc commissions or certification programs. These instruments may be extremely useful to work on specific environmental or energy issues, also involving non-Atlantic actors.

The evolution of regional and inter-regional dialogue and cooperation mechanisms and the emergence of trans-national networks point to an important and distinctive feature of the Atlantic Space. Despite normative differences and sometimes contrasting perceptions, engagement is the prevalent mode of interaction between Atlantic countries and there are no deep geopolitical fault lines or ideological divides separating them. In fact, while they might well compete for influence and markets, countries in the Atlantic Space tend to do so through soft power tools like regional initiatives or multi-level partnerships, not outright confrontation (Grevi 2015).

6. Incremental cooperation

The economic, political and institutional trends reviewed so far suggest that there is potential for cooperation in a number of fields across the Atlantic. As noted above, this cooperation is likely to evolve 'à la carte', in an incremental way, which is not surprising given the heterogeneity of the vast Atlantic Space. Broadly shared values, different perceptions and pragmatic interests will define the scope for cooperation. This paper has stressed that major opportunities lie in the trade and investment fields as a new, largely Atlantic-based 'industrial revolution' holds potential to harness the complementarities of Atlantic economies and lift them all.

Alongside the envisaged 'industrial revolution', it has been highlighted that three simultaneous energy 'revolutions' are taking place in the Atlantic Basin (Hamilton 2015). First, the shale revolution centered in North America, which has turned the US in the largest producer of fossil fuels in the world and is expected to make it ever less dependent on energy imports over the next decade. Second, the offshore revolution concentrated in the South Atlantic, which has received and is expected to attract the vast majority of global investments in offshore hydrocarbons. With fossil fuels production projected to grow in the South Atlantic, this region might come to play an important role in meeting Asia's growing energy demand in coming decades (Isbell 2014). Third, the low-carbon revolution, with the Atlantic basin already accounting for about two thirds of the worldwide renewable power generation capacity.

All of these three energy 'revolutions' offer scope for cooperation at Atlantic level – whether in energy trade, investment, research or technology transfers. However, the future evolution of these different components of the Atlantic energy sector, and the balance between them, are uncertain and will depend on a wide range of factors, such as energy prices. Importantly, the prospects for the long-term development of the Atlantic energy sector, and for cooperation therein, cannot be delinked from the challenge of climate change and its impact in the Atlantic.

Climate change is a global challenge carrying far-reaching implications for the Atlantic basin. Depending on the future amounts of emissions and their consequent impact on climate change, rising sea levels and extreme weather events are expected to threaten various Atlantic regions and in particular Central America and the Caribbean and the East coast of the US. Desertification and increasing droughts will undermine agricultural production and therefore food security, and heighten water scarcity, in particular in some parts of Africa like the Sahel. Other critical vulnerabilities include loss of biodiversity and health risks (Stefes et al. 2014). In short, the Atlantic encompasses some of the regions most exposed to the impact of climate change, but also harbors considerable potential to enhance climate change mitigation and adaptation measures.

The countries of the Atlantic Space account today for about 40% of global emissions. While that will depend on future policy choices, global energy demand is projected to rise by 22% between 2014 and 2025, and by a total of 37% between 2014 and 2040 (Tedsen et al. 2015). Energy demand is expected to stall in Europe and the US,

whereas it will considerably expand in Africa and Latin America, as their economies grow. The countries of the South Atlantic will make important choices concerning their energy mix in the coming years, which offers challenges and opportunities to delink growth from rising emissions. Cooperation between countries in the Atlantic can help make a difference to those choices and steer economic growth on an environmentally sustainable path.

About 80% of the additional power generation capacity installed in OECD countries (the vast majority of which are in the North Atlantic) between 2014 and 2020 is expected to come from renewables. But non-OECD countries – many of which are located in the South Atlantic – are estimated to account for 70% of new renewable power generation capacity worldwide over the same period (Tedsen et al. 2015). The recent Paris agreement on climate will likely reinforce the trend towards investment in renewable sources, not least by providing important signals to the markets, while the cost of renewable technologies is falling rapidly, making them more competitive. This might well help to trigger further cooperation between public and private actors across the Atlantic, building on ongoing initiatives such as Energy for Opportunity in West Africa, the UN Africa-EU Energy partnership or the US-Africa Clean Energy Finance Initiative (Tedsen et al. 2015). Cooperation on enhancing agricultural productivity and resilience to climate change (where Brazil plays a very important role) while preserving biodiversity and in countering overfishing are other important areas for cooperation among Atlantic countries. However, they are also contested areas, where different interests and agendas intersect. Besides, there is much potential for fostering cooperation to build the capacity to adapt to climate change. A number of instances of institutionalized cooperation among Atlantic actors in this field have been reported, which largely rely on financial and technical support by North Atlantic countries (and Brazil) and consist of exchanges of best practices and supporting research cooperation, while as yet not enough focus is put on policy implementation (Stefes et al. 2014).

Taking action on climate mitigation and adaptation is also a key dimension of broader efforts to deal with societal and state fragility, and with related human security challenges. Fragile states are those with weak capacity, authority and legitimacy (Castillejo 2015). They are often affected by high levels of societal and political violence or outright conflict. Resource scarcity and environmental degradation are among the many factors that can contribute to state fragility, alongside large socio-economic imbalances, gender inequality and demographic trends, poor governance and corruption. Within the Atlantic Space, state fragility poses a particular challenge to Africa and Central America (Faria 2014).

Fragile states provide an enabling environment for a range of trans-national threats, which today pose some of the main security challenges in the Atlantic. In particular, the so-called 'convergence' of trafficking (notably drugs), international organized crime and terrorism – with various illicit networks diversifying their activities and occasionally joining forces – is a worrying trend as it underscores the connections between different threats and multiplies their erosive impact on state governance, regional stability and the infrastructure of interdependence in the Atlantic (Jacobson and Daurora 2014). The combined effect of these challenges poses a particular threat to the West Africa and Sahel regions.

Reportedly, acts of piracy and armed robbery in the Gulf of Guinea represent a quarter of the total worldwide, with 610 attacks between 2002 and 2012 (Lété 2015). Attacks on offshore oil platforms and on shore energy infrastructure at large have been frequent in the Gulf of Guinea and posed serious concerns in unstable areas of Latin America too. Drug trafficking threatens production, transit and destination countries – that is, a very large part of the Atlantic basin. Colombia, Peru and Bolivia produce

almost all of the world's cocaine and Europe and the US are the biggest consumers, while consumption in Brazil is on the rise too. Drug traffic through the Central Atlantic affects in particular transit countries in West Africa. The areas of Guinea-Bissau and Guinea for one, and that stretching from Ghana to Nigeria on the other, are major trans-shipment hubs for drugs on the way to Europe (Lété 2015).

Atlantic partners have launched a number of programmes and initiatives to counter these and other illicit activities and build the capacity to do so in fragile countries (Kotsopoulos 2014, Lété 2015). The EU has put a particular accent on fostering regional cooperation and coordination among countries in West Africa and the US has developed a range of partnerships through AFRICOM and SOUTHCOM in both Africa and Latin America to boost partners' military and humanitarian capabilities. Brazil has pursued South-South cooperation in the security field too by seeking to revive Zopacas and concluding defence agreements with a range of African countries, while showing reservations towards the involvement of North Atlantic actors in South Atlantic security affairs. All of these actors carry out naval exercises with African counterparts to reinforce maritime security in West Africa in particular. There is much potential to better connect these initiatives and strengthen Atlantic cooperation, based on concrete measures. One example could be the wider installation of container screening equipment in ports across Atlantic Africa, building on the existing US Container Security Initiative, so as to better counter weapons trafficking (Lété 2015).

7. Conclusion

The review of the trends, factors and actors shaping the future of the Atlantic basin in the next 10 to 15 years shows some structural dimensions of change and points to some critical swing factors, whose evolution might influence the development of the Atlantic in different directions.

Demographic prospects reveal a sustained expansion of the population in Africa in the coming decades, while Europe's population will stagnate and continue ageing, and its workforce shrinking. These trends will carry potentially destabilizing implications for both Africa and Europe, albeit for opposite reasons, and might also entail serious tensions between the two regions in terms of management of migratory flows. Conversely, a far-sighted management of demographic and associated development and migration challenges could bring major mutual benefits to both countries of origin and destination, whether looking at flows between Africa and Europe or between Latin America, the US and Canada. Advancing policies directed to fight poverty and create opportunities for human development in Africa, including a focus on good governance and the fight against corruption, will be crucial to cope with the needs and expectations of a booming population under conditions of resource stress and political fragility. This could become a powerful vector of cooperation not only between the EU and Africa but also involving partners from North and South America, not least by expanding triangular efforts.

The rise of populism, most recently in Europe and the US, is an important trend in the political landscape of the Atlantic Space, pointing to the correlation between domestic politics and prospects for international cooperation there. The tendency toward political polarization within and between EU countries raises uncertainty on the future of European integration, which is in turn a major pillar of stability and cooperation in the Atlantic and beyond. The accumulation of the economic crisis and its social costs, rising migratory pressures, the threat of homegrown and imported terrorism and the geopolitical challenge posed by Russia has weakened the liberal foundations of Europe's political order. Parties from the extremes of the political spectrum have been

on the rise in many countries and their influence might contribute to further erode confidence in the European project, to the advantage of nationalist narratives. Under this scenario, however, Europe would also likely gain renewed centrality in the US strategic outlook. The transatlantic relationship has provided the core foundation of the liberal order not only in the Atlantic Space but on a global scale, and that order is facing new challenges. Political instability in Europe might therefore invite a stronger US focus on Europe to preserve and enhance the transatlantic partnership.

From an economic standpoint, Atlantic countries stand to reap major benefits from the digital technology revolution that is triggering a new industrial revolution, based on new models of production for customised consumption. Technological progress is powered by innovation hubs mainly located in the North Atlantic. Countries in the South Atlantic are well placed to seize the opportunity to fit North Atlantic value chains, not least given the distinctive importance of services to all major Atlantic economies and the expected growth of their middle classes. With a view to the modernization and diversification of the economies of Latin American and African countries, this would be a more promising option than linking up to rising economies in Asia. Progress in this direction will however depend on a number of factors. For one, Europe will need to adopt structural reforms to seize the potential of the new industrial revolution by fostering competition and creating space for disruptive innovation. For another, further economic integration between North and South Atlantic will require a new generation of trade and investment agreements to spark investments in new infrastructure, service and the energy sector while opening the EU and European markets to competitive African and Latin American products. Against this background, whether and how the TTIP will be concluded will carry far-reaching implications for the future of the Atlantic. Devising mechanisms for consulting with African and Latin American countries on the implementation of the TTIP, and for these countries to be able to join the agreement at a later stage, will be a key factor for the future of economic connections and cooperation in the Atlantic Space.

Current instances of cooperation among Atlantic actors in the security, development and environmental fields may pave the way for deeper engagement in the future, although the latter is likely to be pursued à la carte and not in highly institutionalized, comprehensive frameworks. A strong rationale for functional cooperation – from fighting illicit traffics to boosting renewable energy – co-exists in the Atlantic with the different perceptions and priorities of pivotal stakeholders, alongside but not limited to the traditional North South divide. Initiatives that network state and non-state actors to enable a convergent diagnosis of challenges and opportunities can help create scope for innovative cooperation on concrete projects, and the latter can in turn help build mutual trust. At the same time, the positioning of pivotal players beyond the US and the EU will be critical to set individual cooperative efforts in a more strategic and sustainable framework. From this standpoint, the future direction of Brazil will be another decisive factor for the future of the Atlantic. The country has deployed since the turn of the century an ambitious strategy to project its influence in South America, in the South Atlantic and beyond. Brazil is an energy and agricultural power, a major player on issues of climate change and development and a very important security actor in the South Atlantic. The current political and economic crisis is exposing the vulnerabilities of the country but also opening a debate on its future priorities, including its relations with other Atlantic partners.

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