

Political Tensions and the Solidity of Transatlantic Economic Relations

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Abstract:

Transatlantic relations have deteriorated since the end of the Cold War, from the trade wars in the WTO and the divergent views on the environment to the rift over Iraq. How have transatlantic political tensions affected economic relations? European criticisms of globalization in the 1990s were often accompanied by calls for changing consumer behavior and investment decisions –away from American multinationals in favor of local, artisanal producers. Similarly, the heightened transatlantic tensions over Iraq led many Americans to call for the boycotting of European products –French wines and bottled water were to be the first casualty of France’s “betrayal” of America. Yet the predicted economic impact of sour transatlantic relations has not materialized. On the contrary, transatlantic economic interdependence is still growing. Why is the trade and investment relationship robust in spite of the political tensions? Why is there no “bleeding” of political tensions over the consumption and investment side? This chapter assesses the economic implications of transatlantic political tensions and explores how various theories of international relations can explain the paradox of solid, if not stronger, economic ties in the face of weakened political ties.