

Financial Ties Power the Trans-Atlantic Partnership. How to Keep Them Strong.

By Chris Hayward

April 30, 2024, 2:30 am EDT



Share



Resize



Reprints

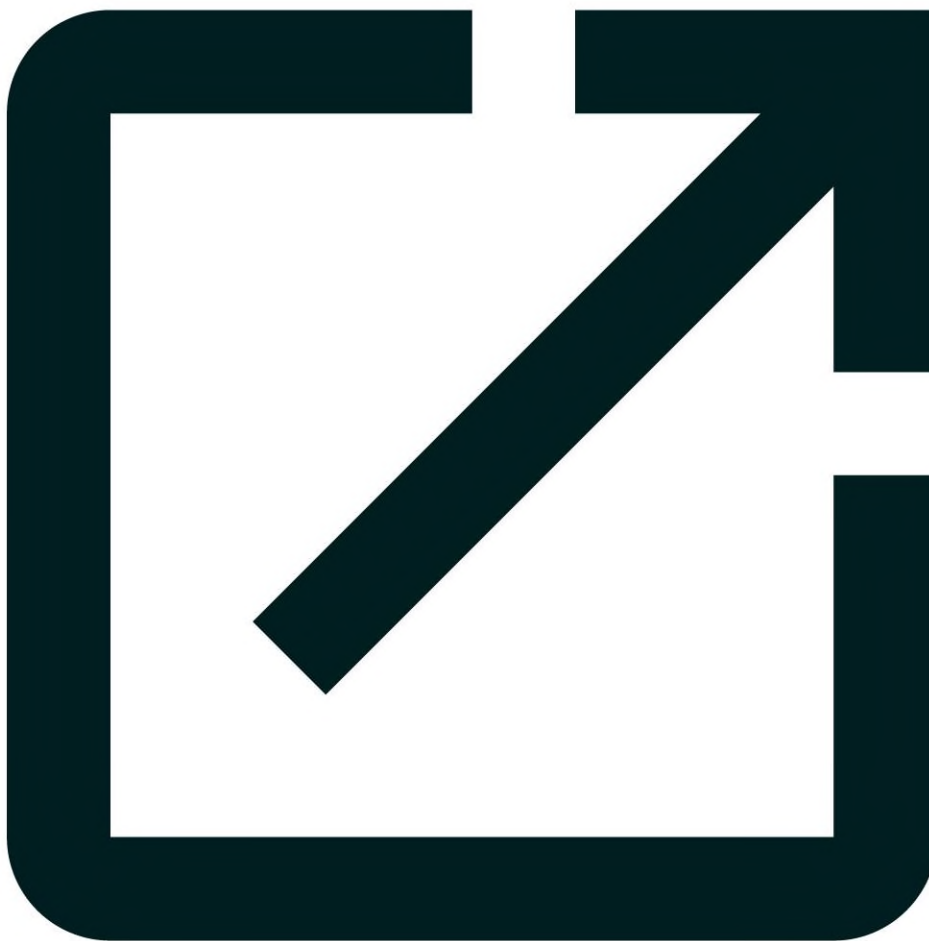


*About the author: **Chris Hayward** is the policy chairman of the City of London Corporation, the governing body of London's financial district.*

Whenever I visit America, I'm reminded of how the U.K. and U.S. are not just allies but friends. The City of London Corporation, of which I am the political leader, is always welcomed. My American counterparts are always supportive. The U.S.-U.K. relationship is strong.

But we both face 21st-century risks. We must ensure that our efforts to safeguard against them don't inadvertently threaten our financial ties. They are one of the greatest sources of our shared strength.

We have done much to ensure our ties stay strong. Last year, President Joe Biden and Prime Minister Rishi Sunak signed the [Atlantic Declaration](#)



. It commits our two nations to a comprehensive economic partnership, one fit for the 21st century. Across business and trade, security and intelligence, the British-American partnership will thrive.

Just a few years earlier, over 20 groups representing U.K. and U.S. financial services formed the British American Finance Alliance. It aims to inform the official sector, in

particular the U.S. and U.K. Financial Regulatory Working Group. That group itself is an example of British-American partnership across finance, economic policy and regulation.

Deeper transatlantic cooperation is evident elsewhere too. Witness the innovative series of bilateral agreements recently signed between the U.K. and individual U.S. states. The U.K.'s Secretary of State for Business and Trade Kemi Badenoch just signed a new deal with Gov. Greg Abbott of Texas. This, along with seven other state agreements signed so far, will allow for expanded trade and create jobs in both our countries.

But this good news brings me back to my point. While the U.S.-U.K. relationship is strong, we also live in a rapidly changing world.

Advertisement - Scroll to Continue

Of course, we always assume there are risks. The U.S. and U.K. share military and intelligence capabilities and, along with other international partners, are able to project force globally. This partnership, forged through two world wars, is a very powerful thing.

Meanwhile, the U.S. and U.K. also share deep economic integration. Not least, this is true across capital markets, banking, and the wider services. As a result, we have enjoyed long periods of economic expansion. Our two economies are, today, in pursuit of further, faster growth.

However, a period of post-Cold War stability, and rapid globalization, is over. The pandemic, and a war in Europe, reminded everyone just how quickly supply chains can

fail. The American response is probably sensible: some degree of greater trade security, occasionally known as “friend shoring.”

And yet, the trouble is this. If we move farther away from the assumption of open trade, security-minded economic policy might craft an international economy increasingly characterized not just by regionalization, but fragmentation and even crises.

Advertisement - Scroll to Continue

From my long experience in business, I can tell you that fragmentation and crises are not my favorite words.

So while it might be wise to buy goods and commodities a little closer to American shores, we should remember one thing. Financial capital is, by its very nature, international. Global investment, capital markets, the gargantuan foreign-exchange market, banking and payments—even the dollar standard itself—all are reliant on the cross-border movement of capital. That’s why, after 2008, the Group of 20 did everything it could to protect international capital flows. And that’s also why, in the 2020s, it would be ironic if security concerns did anything to disrupt the global financial markets housed in London and New York.

So, how can we square the circle of needing both physical and economic security?

I propose the following: an even deeper relationship between London, on the one hand, and U.S. financial centers, on the other. This would, to coin a phrase, “family shore” the global financial system. Meaning, if we enhance U.S.-U.K. market integration, we will largely protect our financial systems from any future shocks. Sure, these systems work

very well today. But let's make a list of what could break under duress and fix them up right now. After all, deeper transatlantic liquidity, better market function, and enhanced connectivity can only enable our ultimate aim of security. And a positive cycle would result, providing higher growth and in turn more funds for our social and military needs.

The alternative, I propose, is stark. Embarking on a program of reconfiguring globalization could, if done solely through the prism of physical trade, damage our financial ties, which are the real engine of U.S.-U.K. prosperity.

Advertisement - Scroll to Continue

We both want the foundations of a better tomorrow. This, we can most readily achieve not by assuming the ties between our unique financial centers are strong, which currently they are, but by strengthening them. In short, the U.K. is not just America's strongest security partner, but, if we get it right in the next few years ahead, it will be Uncle Sam's core financial partner for the 21st century too.

Guest commentaries like this one are written by authors outside the Barron's newsroom. They reflect the perspective and opinions of the authors. Submit commentary proposals and other feedback to ideas@barrons.com

