

# **Shoulder to Shoulder: Forging a Strategic U.S.-EU Partnership**

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## Preface and Acknowledgments

This study seeks to generate new ideas and thinking about the roles of the United States and the European Union in a changing global environment. It is the result of a unique collaborative project among U.S. and European think tanks looking at EU and U.S. responses to globalization and the need for a more effective and strategic U.S.-EU partnership.

Project partners include three U.S. think tanks -- the Atlantic Council of the United States, the Center for Strategic and International Studies (CSIS), the Center for Transatlantic Relations (CTR) at Johns Hopkins University's Paul H. Nitze School of Advanced International Studies (SAIS) -- and a number of European think tanks -- the Center for European Policy Studies (CEPS), the Real Instituto Elcano, the Fundacion Alternativas, the Swedish Institute of International Studies, and the Prague Security Studies Institute (PSSI). The Finnish Institute of International Affairs and the EU Institute for Security Studies were also important collaborators, hosting meetings and contributing ideas. The Finnish Ministry for Foreign Affairs provided important leadership support. Colleagues from many other research institutes also participated and contributed. We thank them for their engagement and encouragement.

A companion report on NATO's future, *Alliance Reborn*, appeared in March 2009. It was drafted by the U.S. partners in this project together with the Center for Technology and National Security Policy (CTNSP) at the National Defense University (NDU). In that study, we announced a companion project on the future of U.S.-EU relations. This report is the result of that effort. The two studies should thus be seen as complementary. A separate full volume, entitled *Shoulder to Shoulder: Forging a Strategic U.S.-EU Partnership*, contains chapters from which some recommendations in this report are drawn.

Before writing this report, we solicited views on both sides of the Atlantic and beyond from current and former government officials, current and former business and military leaders, legislators, think tank colleagues, scholars and other opinion leaders. Six conferences were held involving experts from North America and Europe. The first two conferences in June 2009, co-hosted in Helsinki and Prague with the Finnish Institute of International Affairs, PSSI and the Finnish and Czech Foreign Ministries, focused on the setting in which a reinvigorated U.S.-EU partnership must operate. The third conference at EU ISS in Paris focused on transatlantic resilience issues. The fourth conference, co-hosted with the Embassy of France in Washington, concentrated on U.S.-EU economic issues. The fifth conference, co-hosted with the Embassy of the Federal Republic of Germany, dealt with energy issues. A sixth conference, co-hosted with the British Embassy, addressed U.S.-EU security issues.

We wish to thank those mentioned above for helping to sponsor our deliberations, and many others who engaged in our discussions. We also wish to thank the European Commission and the Czech, Swedish and Spanish Foreign Ministries for their support. We are grateful to Ron Asmus, Jacques Barrot, Shelley Berkley, John Bruton, Erica Cameron, T.J. Cipoletti, Robert Cooper, Stuart Eizenstat, James Elles, Jonathan Faull, Boyden Gray, Vivien Haig, Michael Haltzel, Kathryn Hauser, John Herbst, Gilles de Kerchove, Daniel Korski, Franklin Kramer, Jamie Kraut, Karel Lanoo, Gretchen Losee, William Lucas, John Lyman, Katrien Maes, Erika Mann, Tom Melia, Antonio Missiroli, Alexei Monsarrat, Richard Morningstar, Kari Mottola, Victoria Nuland, Angelos Pangratis, Charles Powell, Mark Rhinard, Cynthia Romero, Helga Schmid, Nicholas Siegel, Peter Skinner, Keith Smith, Miguel Solana, Janne Talaas, Coby van der Linde, Raimo Väyrynen, Alvaro de Vasconcelos, Kurt Volker, Alexandr Vondra, Damon Wilson, Richard Wright, Marcin Zaborowski and others who remain anonymous for helpful insights and support.

The views expressed are those of the lead authors. The range of views does not necessarily reflect those of every contributor, nor our institutions or any government. Any other views have been cited, and are appreciated.

## *Executive Summary*

- The world that created the transatlantic partnership is fading fast. The United States and Europe must urgently reposition and recast their relationship as a more effective and strategic partnership. It is a moment of opportunity -- to use or to lose.
- With the Cold War over and new powers rising, some say the transatlantic partnership has had its day. We disagree. Our achievements may not always match our aspirations, but the common body of accumulated principles, norms, rules and procedures we have built and accumulated together -- in essence, an *acquis Atlantique* -- affirms basic expectations we have for ourselves and for each other.
- In this new world of global connections, the transatlantic relationship is the thickest weave in the web. The deep integration of our democratic societies and economies is unparalleled and transcends neat “foreign” and “domestic” distinctions. We are literally in each other’s business.
- North America’s relationship with Europe enables each of us to achieve goals together that neither can alone -- for ourselves and for the world. When we agree, we are usually the core of any effective global coalition. When we disagree, no global coalition is likely to be very effective.
- The transatlantic partnership, while indispensable, is also insufficient. Only by banding together with others are we likely to advance our values, protect our interests, and extend our influence.
- Our partnership remains as vital as in the past. But now we must focus on a new agenda. Together, Europe and America must
  - surmount immediate economic challenges while positioning their economies for the future;
  - build transatlantic resilience -- protect our societies, not just our territory;
  - continue work toward a Europe whole, free, and at peace;
  - address conflicts more effectively;
  - redouble efforts to halt proliferation of agents of mass destruction;
  - reinvigorate efforts to preserve a habitable planet.
- Unfortunately, there is a growing mismatch between the nature of our challenges, the capacity of our institutions, and the tools at our disposal.
- Strong bilateral relations between the U.S. and European countries are still essential. NATO remains vital to our security. We offer views on NATO’s future in a companion volume, *Alliance Reborn*. But we must also recast and reposition the U.S.-EU relationship. That is the subject of this report.
- The U.S.-EU relationship is important but not strategic. Such a partnership is possible, but it is not the partnership we have today. Given the challenges we face, such a partnership is urgent. It will require a new type of politics, not simply new kinds of process. Our central challenge is to mobilize political leadership behind a set of ambitious goals, tied to pragmatic steps forward.

### **Ten Initiatives**

- **Adopt a Transatlantic Solidarity Pledge, anchoring transatlantic resilience strategies in a common space of justice, freedom, and security.** Together, Europeans and Americans must supplement their traditional focus on territorial security against armed attack with an additional focus on the security of critical functions of society -- from whatever source. At the 2010 U.S.-EU Summit the transatlantic partners should issue a joint political declaration that they shall act in a spirit of solidarity -- refusing to remain passive -- if either is the object of a terrorist attack or the victim of a natural or man-made disaster, and that they shall mobilize all instruments at their disposal to:
  - prevent terrorist threats to either partner;
  - protect democratic institutions and civilian populations from terrorist attack;
  - assist the other, in its territory, at the request of its political authorities, in the event of a terrorist attack, natural or man-made disaster.

- Advance a transatlantic Safer Societies initiative to this end -- a multidimensional strategy of societal resilience that goes beyond traditional tools to advance new forms of diplomatic, intelligence, counterterrorism, financial, economic, and law enforcement cooperation. Balance “pursue and protect” strategies with greater attention to prevention and response.
- Establish solid coordination between U.S. and EU operation centers.
- Negotiate an internationally binding agreement on data protection.
- Establish U.S.-EU guidelines on the detention and treatment of terrorists whose acts cross international borders, with a view to drafting a model legal convention on combating terrorism.
- Work cooperatively to ensure the earliest possible closure of the Guantánamo detention facility and Bagram prison.
- Improve U.S.-EU cooperation in justice and law enforcement:
  - Establish a transatlantic arrest warrant.
  - Establish joint investigation teams, including Europol and Eurojust.
  - Cooperate in new areas of criminal investigation, including cybercrime, trafficking in humans and drugs, and arms smuggling.
  - Reach out together to third states to enhance greater cooperation in law enforcement.
  - Include transatlantic cooperation in EU discussions of the external dimension of internal security.
  - Provide a legal and organizational basis for U.S. cooperation with Europol.
- Improve U.S. cooperation with FRONTEX, the new EU border protection agency.
- Establish a system of enhanced mobility for our citizens, while also providing a secure environment for those who travel:
  - Expand the Visa Waiver Program.
  - Encourage a European version of the U.S. ESTA
  - Adopt a Transatlantic Registered Travelers System
- Develop a U.S.-EU Critical Vulnerabilities Security Action Plan.
- Collaborate on security-related research.
- Launch a public-private Global Movement Management Initiative (GMMI) as an innovative governance framework to align security and resilience with commercial imperatives in global movement systems, including shipping, air transport, and even the internet.
  - Develop a common standard for port security to replace individual national efforts geared to 100% scanning and based on differing concepts and approaches.
- Focus on prevention. The EU’s new Stockholm Program places strong emphasis on prevention, opening doors for transatlantic cooperation on upstream security issues related to risk analysis, research, threat assessments, and disaster mitigation work.
- Develop a common approach to “forward resilience” -- share societal resilience strategies with allies and partners. Identify – very publicly -- our own resiliency with that of others.

**2. Build a barrier-free Transatlantic Marketplace.** Coordinate strategies to reduce remaining tariff barriers, overcome regulatory obstacles, remove investment restrictions, and align future standards in ways that create jobs and promote mutual and sustainable prosperity while protecting health and safety.

- Announce a joint commitment to work towards a “tariff only” Free Trade Agreement, eliminating all duties on traded industrial and agricultural products, as an important intermediate goal.
- Once such a deal is negotiated, invite others to join in certain sectors or in the overall arrangement.
- Negotiate to reduce barriers in services -- the sleeping giant of the transatlantic economy.
- Open our skies. The impact of this one single sectoral agreement could give an economic boost to the U.S. and EU economies equivalent to the entire Doha Round.
- Boost bilateral regulatory cooperation. Adopt a goal to eliminate unnecessary regulatory differences by 2020. Identify “essentially equivalent” regulations for mutual recognition. Promote “upstream” regulatory cooperation for new technologies.

- Address barriers to more sustainable consumption patterns.
- Create a more efficient transatlantic financial market. Develop financial sector rules with similar “essentially equivalent” approaches to risk assessment and regulation. Prepare a detailed work program on transatlantic financial market integration. Use transatlantic cooperation to drive international cooperation.

### **3. Reform global economic governance.**

- Strengthen global financial regulation.
- Create an informal “G2” to compare and coordinate approaches to global economic governance.
- Consider a more focused and effective G20.
- Establish task forces to lead reform of the World Bank and the IMF.
- Work for fundamental governance changes in multilateral institutions.
- Consolidate European representation at the IMF. Abolish the U.S. veto.
- End the U.S./European leadership duopoly of the World Bank and IMF.
- Head off the looming collision between climate policy and trade. Work with G20 partners to develop a “Green Code” of multilateral trade disciplines. Consider new trade negotiations to address potential commercial and climate trade-offs.
- Better coordinate approaches to the major emerging economies, especially India and China. Explore a joint trade agreement with India, rather than negotiate rival accords.

### **4. Forge a partnership for energy sustainability.**

- Work together to develop the standards needed to support an international climate agreement, including a common metric for counting emissions reductions.
- Integrate the EU emissions trading scheme (ETS) with U.S. regional carbon trading schemes.
- Advance “minilateral” initiatives to engage China and Russia in efforts to combat climate change.
- Boost innovation with a U.S.-EU Clean Energy Bank and Transatlantic Energy Innovation Fund.
- Encourage energy efficiency; develop smart grid and carbon capture and storage technologies.
- Facilitate IEA membership for major energy consumers such as China and India.
- Enhance transparency and competition in energy markets and cross-border investments.
- The European Commission should enforce its own competition and antitrust rules. Companies such as Transneft and Gazprom should be held to the same anti-monopoly standards as Microsoft and Intel.
- The EU must develop a common energy policy and market.
- Work with Azerbaijan and Kazakhstan to secure a reliable supply of gas for the Nabucco pipeline. Encourage Turkey and Azerbaijan to reach appropriate agreements regarding gas transit.
- Be more active in preventing politically motivated disruptions in energy flows.
- Promote government, research, and business interaction through integrated approaches such as the “One Big Thing” and the Transatlantic Climate Bridge.

### **5. Complete a Europe, whole, free and at peace.**

- Deliver a clear message to transition countries: closer association with the West begins at home.
- Remain strongly engaged with the Balkan countries, using good governance and economic development to facilitate integration not into EU and Euro-Atlantic institutions.
- Develop transatlantic complements to the EU’s Eastern Partnership and Black Sea Synergy, while also giving those initiatives greater content.
- Consider U.S.-EU “Atlantic Accords” for countries in wider Europe to provide political reassurance and substance to a joint commitment to create conditions drawing them closer.
- Consider a U.S. Black Sea Charter, similar to the U.S.-Baltic Charter or Adriatic Charter; and a Stability Pact for the Wider Black Sea Region.
- Encourage smaller groups of Western countries to ‘mentor’ regional partners.



- Actively address wider Europe’s festering conflicts.
- Boost democracy support via institutions/processes, not individual leaders.
- Advance a dual track approach to Moscow based on engagement and resolve. The first track should set forth the potential benefits of more productive relations. The second track should make it clear that these relations cannot be based on intimidation or outdated notions of spheres of influence but rather on respect for international law, the UN Charter and the Helsinki principles.

#### **6. Address conflicts more effectively.**

- NATO is and should remain the primary transatlantic mechanism when North Americans and Europeans decide to use military force to address security challenges together. Should North Americans or Europeans choose to act on their own, each should have the capacity to do so.
- The U.S. and EU should also be able to act jointly, or in complementary ways in situations that require rapid civilian deployments, either to prevent a crisis escalating into a conflict or to respond in a post-conflict situation. And where Europeans and American act together in situations that require both civilian and military capabilities, a trilateral arrangement in which EU and U.S. civilian assets complement NATO’s military efforts may make sense. But these two situations are not yet reality.
- Continued U.S. scepticism of the utility of U.S.-EU security collaboration can only be overcome by improving EU capacity and effectiveness. Unless the EU can offer support in the areas that the U.S. cares about or can spend money and send experts in greater numbers to the world’s hotspots, working with the EU is unlikely to be a priority for the Obama administration in its own right. The situation in Pakistan and Afghanistan is likely to remain a U.S. national security priority for the next decade. Greater European commitment there will be crucial to advance broader U.S.-EU cooperation.
- Improving coordination between civilian forces is an area of great promise and great need. The priority focus should be on successful conduct of operations and development of capacity.
  - The U.S. and EU should establish a standing common task force on civilian crisis management and eventually a joint planning center.
  - Once joint civilian planning is well established, the U.S., EU, and NATO should create a “Transatlantic Fusion Center” to bring together planning for civil-military missions.
- Develop a joint focus on conflict prevention.
  - Share intelligence-based “watch lists” of countries-at-risk.
  - Work to develop civilian capacities in third states and in relevant multilateral organizations.
  - Focus on a few key countries, including Somalia and Yemen.
- Develop a common framework, including doctrine and training, for civilian/military state-building missions. To date, U.S.-EU cooperation has relied on ad hoc coordination. It is past time to develop shared doctrine to provide a framework for cooperation, establish agreed objectives, and provide more standardized structures and procedures.
  - Reinforce this shared doctrine by establishing a U.S.-EU school for conflict prevention, management, and post-conflict stabilization.
- The U.S. and NATO should facilitate having European constabulary forces participate in the post-combat phase of multinational military operations. The U.S. should develop a similar capacity.
- Support a truly strategic partnership between NATO and the EU, including capabilities to enable rapid coordinated response to crisis; joint planning of operations; and a joint operations command.

#### **7. Redouble efforts to halt the proliferation of weapons of mass destruction.**

- Biosecurity is a unique challenge that requires its own set of responses, not approaches grafted from the nuclear world.
  - Advance a bold initiative in bio-resilience through improved global biosurveillance capabilities; better early warning and detection systems; robust information-sharing, investigative and preparedness mechanisms; harmonized standards; and medical countermeasures and stockpiles.

- Our ultimate goal should be to remove bioagents from the commonly accepted definition of “weapons of mass destruction.”
- Continue efforts to stop Iranian nuclear proliferation.
- Strengthen the International Atomic Energy Agency (IAEA).
  - Provide enhanced resources and other support.
  - Establish an international nuclear fuel cycle bank supervised by the IAEA.
  - Assist third countries in complying with IAEA requirements.
- Develop a joint approach to the 2010 NPT review conference that will address major concerns of non-nuclear countries.
- Work to secure the adoption of multilateral arms control agreements.

## **8. Improve the effectiveness of development policies and humanitarian assistance.**

### ***Development policies***

- Focus on food security and agricultural development. Advance country-led action, broadening from an initial Africa focus to Latin America, developing Asia, and other regions. The U.S. and EU should significantly reduce their own domestic agricultural and biofuel subsidies.
- Support regional integration in Africa.
- Complement in-country efforts with stronger policy dialogue, coordination and consistency.
- Promote partnerships with key private and public-private institutions that are frequently more efficient, better funded and more focused than governments.
- Increase multilateral aid.
- Work on aid effectiveness.
- Focus. Diversification has brought a lack of a clear strategy in tackling poverty and an inability to determine the core competencies of the different multilateral institutions and donors. Reduce the areas of work in which the U.S. and the EU, as well as the multilateral institutions, are active.
- Choose target countries more selectively. Development assistance should largely focus on low-income countries. For middle-income countries other means of support -- such as the direct promotion of trade and investment, or funds for social and territorial cohesion -- can prove more effective.

### ***Humanitarian assistance***

- Strengthen enabling conditions for cooperation between U.S.- EU and with other humanitarian actors.
- Address the challenge of linking relief, rehabilitation, and development.
- Maximize business contributions to humanitarian assistance, while minimizing their risks.
- Address normative problems of civil-military interaction and improve operational approaches.
- Continue to strengthen humanitarian mechanisms, while engaging non-Western donors.
- Energize growing donor interest in extending the definition of humanitarian action.
- Strengthen operational security for humanitarian response.

**9. Forge an open and competitive transatlantic defense market.** Complex and interrelated market access barriers serve as a drag on transatlantic defense markets. Yet transatlantic defense markets are in transition to more competitive markets and “better value” buying habits. Given economic realities and common challenges, the U.S. and EU share an interest in more open and competitive defense markets.

- Focus U.S.-EU cooperation on low-intensity capabilities.
- Boost armaments cooperation to support coalition operations and transatlantic market development.
- The U.S. should review ITAR; adopt needed defense export control reforms; consider merging export control and national disclosure regimes; and accept the EU’s emerging role as regulator and buyer.
- The EU should avoid the development of a European Procurement Preference in the implementation of its new Defense Procurement Directive.
- Create a Transatlantic Defense Industrial Dialogue to catalyze change.

**10. Explore an Atlantic Basin Initiative.** Globalization is not confined to one region of the world. For all the talk of the Pacific, the Atlantic Basin is a central arena of globalization. More trade and investment flow across the Atlantic than any other part of the world. The well-being of people across this vast region is increasingly influenced by interrelated flows of people, money and weapons, goods and services, energy and technology, toxins and terror, drugs and disease. Issues that are particular to the nations of the Atlantic Basin deserve concerted attention. This new dynamic should prompt leaders to erase the line between the North and South Atlantic, considering ways to work more effectively together.

- Explore this initiative initially in a modest way through creation of an Eminent Persons Group. Encourage foundations and policy-oriented research institutes to examine the notion and its possibilities.

**Conclusion: Harness Process to Purpose.** A strategic U.S.-EU partnership is urgent and calls for a new politics, not just a new process. But there are implications for process.

- No relationship is as complete as that among the U.S., the EU and its member states. The ties that bind are a web of networks across the full range of our endeavor. The more united, integrated, interconnected and dynamic these bonds, the greater the likelihood that rising powers will rise within the international rules-based order. The looser or weaker those bonds, the greater the likelihood that rising powers will challenge that order.
- The key to greater U.S.-EU effectiveness lies in encouraging and orchestrating our networks, rather than seeking new formalistic structures to direct and control. Yet networks alone are insufficient. They also must have access to senior political leadership.
- U.S.-EU mechanisms urgently need updating and upgrading. Cannibalize the current framework, the New Transatlantic Agenda of 1995, taking what works and leaving the rest.
- Abolish the Senior Level Group and appoint two Sherpas to prepare summits and lead a Standing Joint Task Force, co-located in Washington and Brussels, comprised of officers seconded from across the U.S. interagency and EU institutions.
- Refocus Political Directors on foreign policy challenges rather than summit preparations.
- Upgrade the ministerial councils and U.S. dialogues that work. Create a Transatlantic Resilience Council. Revamp the Transatlantic Economic Council.
- Establish a regular system of joint long term assessment.
- Convert Troika working groups into new functional networks of U.S. and EU officials with easy access to one another, focused on common or complementary approaches to common challenges, elimination of duplication, and addressing differences. These networks should be actively encouraged by senior political leadership, and be fluid, informal, continuous and action-oriented.
- Establish a NATO-EU “Troika” network. NATO and the EU need a breakthrough process to enable them to be able to conduct business at multiple levels nearly simultaneously across a wide spectrum of issues. An EU-NATO Troika process could cover a range of issues; the agreed framework allows staffs to exchange and to discuss classified information to do their collective work, and each side, respecting autonomy of decision making in both, could separately submit their negotiated EU-NATO ideas to their respective memberships for separate approvals.
- Consider a Euro-Atlantic forum of 34 countries that would include the 21 EU/NATO members, plus the 13 states that belong to one but not both of these institutions, as a convenient forum for the discussion, and implementation, of common efforts.
- On a case-by-case basis, create plurilateral initiatives of countries and institutions with the most relevant capacity, resources and interest to address foreign and security policy crises.
- Upgrade Congressional and parliamentary participation. Congress should open an office in Brussels.
  - U.S. Members of a reinvigorated Transatlantic Legislators Dialogue (TLD) should be drawn from both House and Senate. U.S. House members should be appointed by the Speaker of the House;

the lead U.S. Senator should be the Chair of the European Subcommittee of the Senate Foreign Relations Committee.

- European Members of a reinvigorated TLD should be comprised of Members of both the European Parliament and leaders of COSAC, an EU body composed of European affairs committees from national parliaments of EU member states.
- The TLD should convene a joint consultative committee on the extraterritorial implications of domestic legislation, and focus regular exchanges on upstream regulatory legislation.
- TLD members should join the Transatlantic Economic, Energy and Resilience Councils.
- The United States Congress and the European Parliament should spearhead a new generation of exchanges and internships across the Atlantic space.

## *Chapter One*

### **The Setting: The United States and Europe in a G20 World**

The world that created the transatlantic partnership is fading fast.<sup>1</sup> If the U.S.-European relationship is to be a progressive force in the world to come, Americans and Europeans must urgently build a more strategic partnership that is more effective in dealing with new partners and addressing transformations occurring all around them. It is a moment of opportunity -- to use or to lose.

There is much that is positive about this new world rising. For the first time in human history, most people on this planet live under governments of their own choosing. Revolutions in science, technology, transportation, and communications are improving lives, freeing minds, and connecting continents. A rising global middle class enjoys a level of economic prosperity and social security never before imagined. More people have been lifted out of poverty in the last twenty years than in all of human history. The Great Powers are at peace.

Too many, however, have not shared in these gains; for them change has simply meant disruption and uncertainty. While some countries are more prosperous, stable, and democratic than ever, others struggle with repression, crime, resource scarcities, environmental degradation, religious strife, ethnic divides, and violent conflicts. In an increasingly interconnected world, conflicts that once might have remained local disputes can have global impact. Unstable and ungoverned regions of the world pose dangers for neighbors and a setting for broader problems of terrorism, poverty and despair. Such disruptive forces can also ripple outward to threaten the security and livelihoods of many others. Individuals seeking everything from economic opportunity to personal safety have created massive international migration flows, causing serious dislocations in transit and recipient countries alike.

Moreover, the potential of our young century has been stunted by the deepest recession in generations. While the U.S. and Europe still account for more than half of the global economy, the financial crisis has revealed shortcomings both in their economies and in their management of the international economic system. Within the next decade, the world's emerging economies are expected to generate more than half of the world's output. Yet they too have been hurt by the financial crisis. Developing countries have seen foreign capital dry up, export markets shrivel, and currencies, banks and stock markets weaken.

Despite the global economic downturn, connections between continents will continue to grow. Globalization has brought large gains in terms of trade and inflows of capital, greater technological diffusion and higher growth. But it has also enabled darker forces, including terrorism, organized crime, and radical ideologies, to exacerbate regional tensions and transnational threats and to fuel competition and instability. The technology and knowledge to make and deliver agents of mass destruction is proliferating among some of the most ruthless factions and regimes on earth. The Cold War threat of global nuclear war has gone down, but the risk of a nuclear disaster has gone up. Scientific advances have enhanced biology's potential for both beneficence and malevolence. The ability of individuals and groups to employ destructive power will continue, as governments struggle to meet the challenge of networks that move freely across borders.

Pressures facing societies and governments are only likely to increase. Even the most optimistic scenarios for emissions reductions to tackle climate change will require significant measures to cope with desertification, catastrophic weather events, flooding, greater humanitarian crises, large-scale migration of people, and other related consequences. The International Panel on Climate Change (IPCC) estimates that by 2020, up to 250 million Africans could face starvation and malnutrition due to lack of fresh water

supplies, lower crop yields, and drought. Mega-delta regions throughout Asia will face huge geopolitical challenges from climate-induced migration.<sup>2</sup>

In this new world, the global has become local. Our well-being is increasingly influenced by flows of people, money and weapons, goods and services, technology, toxins and terror, drugs and disease. We characterize these phenomena as "global," but their impact is local. They are unprecedented in their range, scope and speed. They offer untold promise and terrible danger. They are impersonal forces with very personal consequences. As a result, "human" security has become integral to "national" security.

The very networks that have enabled globalization bring these dangers closer and make our societies more vulnerable to disruption. The networks themselves are prone to catastrophic disruption, either through aggressive action or because of the sheer complexity of the technology. Yet, these networks remain essential sinews of the global economy and of daily communications. As a result, they require protection. Just as governments used to protect their territories, so they must now protect the networks that connect them and their citizens with the rest of the world. Any truly transformative definition of security must go beyond territorial integrity to include protecting society's critical functions, the networks that sustain them, and the connections those networks bring with other societies.

The local has also become global. Many of our citizens worry that a job gained abroad means a job lost at home, that their hard-won prosperity could simply slip away. They are anxious about the pace of global change, about their livelihoods, about their future. They worry that their way of life is at the mercy of distant events. These concerns are real, widespread, and legitimate. Yet domestic renewal cannot come at the expense of our international engagement. The affairs of the world are too deeply entrenched in our domestic lives for us to ignore global developments while concentrating on problems at home. Domestic renewal, in fact, requires our active international engagement – together.

### **The Need for a 21<sup>st</sup> Century Transatlantic Partnership**

Some argue that with the Cold War over and new powers rising, the transatlantic partnership has had its day. The values and interests of Europeans and Americans have diverged, it is said, and many of our institutions are of little relevance to today's challenges. We disagree. Our partnership remains as vital as in the past, but now we must focus on a new agenda. The new world rising compels us, urgently, to reposition our partnership to meet 21st century challenges, and to improve the tools at our disposal.

In recent years, Europeans and Americans have differed on the nature of some of these challenges and how best to confront them. Such differences can be powerful. But the history of European-American relations has often been the history of difference. Merely asserting difference or reciting lists of tough issues does not make the case for estrangement. It makes the case for more effective partnership.

Moreover, that which has driven us apart is much less fundamental than that which keeps us together: support for democracy, liberty, human rights, nondiscrimination and the rule of law; mutual peace and security; open, rules-based markets; and an open door to those who choose to abide by these principles and add their strength to ours. These beliefs are underpinned by deep security and economic linkages and an intensity and range of cooperation without parallel. At times, each side of the Atlantic has honored these principles in the breach. Our achievements do not always match our aspirations. But the common body of accumulated principles, norms, rules and procedures we have built and accumulated together – in essence, an *acquis Atlantique* -- affirms the basic expectations we have for ourselves and for each other.<sup>3</sup> It offers a unique foundation upon which to build.

For sixty years this foundation has made the transatlantic relationship the world's transformative partnership. North America's relationship with Europe enables each of us to achieve goals together that

neither can alone -- for ourselves and for the world. This still distinguishes our relationship: when we agree, we are usually the core of any effective global coalition. When we disagree, no global coalition is likely to be very effective. Although at times we may differ on particular approaches, we invariably share the same fundamental interests in promoting peace, fighting terrorism and the spread of agents of mass destruction; advancing democracy, human rights, and rules-based open markets; eliminating poverty and disease; and protecting the environment.

Our partnership is needed now as before. Skeptics note that the U.S. and Europe represent a declining portion of the world's economy and population. This is reason for banding together, not drifting apart. A weaker transatlantic bond would render Americans and Europeans less safe, less prosperous, and less able to advance our values, protect our interests, and extend our influence.

Europe needs America. American power applied for principled ends helped make possible the creation and expansion of the European Union and the model of peaceful and prosperous integration among democracies that it represents.<sup>4</sup> Today, Europe has at least as great an interest in seeing such a model take root in wider Europe. In the broader Middle East, Europe looks for the defeat of terror, a stable Iraq, control of dangerous weapons, an end to the Israeli-Palestinian conflict, and the rise of open societies across the region. Without the U.S., none of these goals can be achieved, nor can any other great global endeavor in which Europe believes, from the fight against poverty to the protection of the environment.

America also needs Europe. Without European markets, Americans would be less prosperous. Without the aid of its allies, Americans alone would pay the costs, in lives and treasure, of maintaining global stability. Without the support of other democracies, America would be a less effective champion of democracy in the world. Its policies would lack the legitimacy that comes from broader democratic support. Its initiatives could be resented and resisted.

This transatlantic partnership, while indispensable, is also insufficient to many of the challenges we face. Only by banding together with others are we likely to advance our values, protect our interests, and extend our influence. In the new world rising, we cannot afford to be exclusive. The partnership provides a base from which the transatlantic partners can engage other like-minded states in efforts to build peace, security, and prosperity in the 21<sup>st</sup> century.

As the U.S. and Europe reposition and re-energize their partnership for these new times, they must first take two major steps. First, they must unite behind common purpose. Second, they must give themselves the appropriate tools to advance a common agenda.

### **A Partnership with Purpose**

The first and most important step is to rebuild a sense of common cause. For half a century the primary agenda of European-American relations was to work toward a Europe that was whole, free and at peace with itself. Our common challenge now is to reconcile a new stage of European integration with a strategic transformation of transatlantic relations. The goal should be a resilient Atlantic partnership that is more effective at enhancing our prosperity; protecting our societies; advancing our values, and working with others to forge global responses to global challenges.<sup>5</sup> Six priorities loom large.

***First, we must tackle immediate economic challenges -- including the failure of economic governance - - while positioning our economies for the future.*** Few issues are likely to shape our relations over the next few years as the global economic crisis. This event should erase any doubt about how interconnected the transatlantic economy has become. Unless we quickly rebuild our economies, more inward, insular policies will gain on both sides of the Atlantic. Our common challenge is to show our citizens and

millions around the world that it is possible to reap globalization's benefits while making its costs bearable, without succumbing to protectionist temptations.

To this end, the U.S. and Europe must address the failings of economic governance, both globally and nationally, and work together on innovative projects designed to shape the future economy, including large scale initiatives to advance economic and energy sustainability. Europe and North America can -- and must -- play a key role in breaking the link between the generation of wealth and the consumption of resources. Rapidly rising economies have based their future growth on extensive use of oil and gas, as well as other resources. This is untenable for a global economy of 6 billion people. Breaking this link is an historic challenge -- but also an opportunity to move toward entirely different patterns of consumption and competitiveness. Transatlantic cooperation and innovation could lead the way.

The shift in the global economic balance is very real. But a number of rapidly developing countries do not share the core principles or basic structures that underpin open rules-based commerce. And even though the credibility of U.S. and European management of the global economy has been damaged, no plausible alternative is in sight. Thus, the U.S. and Europe must stop spending significant political capital on transatlantic disputes over chlorine-washed chicken and state aid to industry. They instead invest in new forms of transatlantic collaboration that would enable them to be true pathfinders of the global economy, repositioning the West as it works to integrate others into mechanisms of global good governance.

***Second, we must build societal resilience, beginning at home, but with an awareness that in an age of potentially catastrophic terrorism and networked threats, no nation is home alone.*** If the lives and freedoms of Europeans and Americans are to be secure at home, individual national efforts must be coupled with more effective transatlantic cooperation. Some promising first steps have been taken, but they have been ad hoc, low-priority achievements rather than integrated elements of a comprehensive approach.

Biosecurity is perhaps the most dramatic example of the changing challenges we face. A grand opportunity of our century is to eliminate massively lethal epidemics of infectious disease by ensuring that biodefense -- humankind's ageless struggle to prevent and defeat disease -- is far more potent than attempts to create and deploy bio agents of mass lethality. Yet we struggle to deal with pandemics caused by Mother Nature, and neither our health nor our security systems are prepared for intentional attacks of infectious disease. Homeland security approaches that focus on guards, gates and guns have little relevance. A bioterrorist attack in Europe or North America is more likely and could be as consequential as a nuclear attack, but requires a different set of national and international responses. Unless we forge new health alliances and take other measures, an attack of mass lethality is not a matter of whether, but when.<sup>6</sup>

Biosecurity only underscores the urgent need for the U.S. and its Canadian and European partners to pursue a multilevel strategy of societal resilience that goes beyond traditional conceptions of "homeland" security to incorporate new forms of diplomatic, intelligence, economic, and law enforcement cooperation; customs, air, and seaport security; data protection and information exchange; bio-resilience and critical infrastructure protection. The transatlantic community must take the lead, not only because European societies are so inextricably intertwined, but because no two continents are as deeply connected as the two sides of the North Atlantic. Our ultimate goal should be a resilient Euro-Atlantic area of justice, freedom, and security that balances mobility and civil liberties with societal resilience.<sup>7</sup>

Such efforts, in turn, can serve as the core of more effective global measures. Europeans and Americans share a keen interest in building the societal resilience of other nations, since strong efforts in one country may mean little if neighboring systems are weak. The 20<sup>th</sup> century concept of "forward defense" should now be supplemented by the broader notion of "forward resilience."



***Third, we must complete the building of Europe, whole, free and at peace.*** Beyond the EU and NATO, wider Europe is still beset with historical animosities and multiple crises on or near its borders, including some festering conflicts that affect the stability of the entire region. The U.S. and its European partners share an interest in extending the space of democratic stability where war simply does not happen. They also share an interest in a confident, capable, outward-looking Europe, one that is not so focused on nearby instabilities that it cannot play an active role farther afield. Together, Europe and the U.S. must work for more effective democratic governance grounded in the rule of law, progress against corruption and trafficking, peaceful resolution of conflicts, secure energy production and transit, and more confident and prosperous market economies. Success in this region could resonate significantly across the post-Soviet space and into the broader Middle East. Failure will increase the chance of confrontation among regional actors, exacerbate festering conflicts, and reinforce dysfunctional energy markets, while the negative consequences spill into Europe, Eurasia, and the Middle East. The ability of governments in the region to deal with these issues, and the willingness of Europe and the U.S. to work together with them and with Russia, could determine not only where Europe ends, but what it represents.<sup>8</sup>

***Fourth, we must address conflicts more effectively.*** For too long, we viewed many conflicts as distant and irrelevant, but their consequences -- regional instability, terrorism, migration, poverty, environmental degradation, proliferation, etc. -- have reached our shores. Today, transatlantic security is defended at the Hindu Kush, not the Fulda Gap. Europeans and Americans are directly threatened by turmoil and terrorism in Afghanistan and the tribal areas of Pakistan. More effective transatlantic cooperation is essential militarily and in the civilian stabilization and reconstruction effort.<sup>9</sup> Closer transatlantic cooperation is also essential if Iran is to be dissuaded from developing nuclear weapons. Should Iran succeed in developing nuclear weapons, a strong transatlantic partnership will be essential in constructing an extended deterrence regime in the Persian Gulf and Middle East. The Israeli-Palestinian conflict, along with continuing instability in Lebanon, has long been at the forefront of the transatlantic agenda. While solutions will depend first and foremost on the people of the region, U.S.-European cooperation is vital in outlining a new roadmap for peace, keeping the process on track, providing essential assistance and humanitarian support, and facilitating new forms of regional diplomacy. The United States and Europe will find their own security enhanced if they help Algeria, Morocco, Tunisia, and others in their efforts to reform and contain radical Islamists, and work to prevent Somalia nor Yemen from becoming staging areas for al-Qaeda.<sup>10</sup>

This agenda must also include Iraq. Although many Europeans opposed the U.S./UK-led invasion, Europe has an interest in a secure, stable, and unified Iraq. Some European governments have recently started to take on a bigger role in terms of police training and reconstruction, but it is time for more significant engagement from the Union and its member states. They should now work with Baghdad and Washington to enhance their involvement, including financial assistance, trade, and investment, along with training for police and judges. Engaging with the political parties and monitoring future elections would also be valuable. The U.S. and Europe must work closely to build a regional framework conducive to Iraq's peaceful development.

***Fifth, the United States and Europe must redouble their efforts to halt proliferation of agents of mass destruction.*** Beyond the matter of Iran's potential nuclear weapons program, the transatlantic partners bear a key responsibility for demonstrating to rising powers that proliferation without rules is not a responsible or viable means of providing national security. Should we fail to do this, Iran will not be the last country to seek such destructive power. We can begin by reaffirming transatlantic support for the international treaties that provide the legal basis for prohibiting and limiting weapons of mass destruction: the Nuclear Non-proliferation Treaty (NPT), the Chemical Weapons Convention (CWC), and the Biological Weapons Convention (BWC). We can support other related efforts (such as the current START talks) that will stabilize existing arsenals and perhaps lead to reductions. Yet, even with strong

transatlantic support, the current non-proliferation and disarmament framework is now inadequate. Biosecurity, for example, is a unique challenge that requires its own set of responses, not approaches derived from the nuclear world. We also need to link non-proliferation efforts with those more traditionally seen as “homeland security.” Whether in response to the threat of bioterrorism or state-owned nuclear weapons, we need to integrate the international legal regime with our intelligence capabilities, research facilities, and consequence management. The 2010 NPT Review Conference and the Nuclear Security Summit President Obama has called for March 2010 will be key opportunities to strengthen the nuclear non-proliferation regime, especially as more states seek nuclear capacity and nuclear know-how becomes increasingly accessible.

***Sixth, we must renew our efforts to preserve a habitable planet, including improving the human condition of those most impoverished and distressed.*** For decades we applied our best strategic thinking to issues of deterrence and containment. Today, we must apply that sort of strategic thinking to the challenges posed by humankind’s impact on our earth. How we tackle the related issues of climate change, energy efficiency, resource scarcity and human development will determine whether we will live securely in the world of tomorrow.

The U.S. and Europe have generally failed to approach the issues of energy sustainability and climate change with anything like the foresight required. Energy sustainability has largely been a matter of securing ever increasing quantities of fuel. Only recently has the focus shifted to diversity of supply and alternatives to traditional sources. In Europe, many governments continue to defend national energy companies, despite the challenge they present to the integration of European energy markets. Europe is ahead of the United States in terms of reducing carbon emissions (including through energy efficiency), but to be truly effective, the efforts of the two major industrial regions of the world should be coordinated. That is far from the case now.

Moreover, the U.S. and Europe cannot afford to be concerned only with their own energy needs and environmental impact. Around the world, shortages of energy supplies and other resources are a primary cause of tension and even conflict. The Nigerian delta offers a vivid illustration of the violence and poverty that can accompany resource exploitation and environmental degradation. The transatlantic partners will not be immune should that region fall into chaos, as a growing percentage of their natural gas supplies comes from this region. If predictions about the impact of climate change are at all accurate, the U.S. and Europe will face even more challenges, not only as their own societies struggle to adapt, but as others are overwhelmed by the pressures these trends have unleashed.

Recent decades have brought unparalleled progress for many parts of the world. But billions of people have been left behind. Helping them break the cycle of poverty and despair is not only the right thing to do; it is clearly in our self-interest. Impoverished regions can represent great threats to America, Europe, and the world. We must work with the people of these regions to promote sustainable economic growth, better health, good governance and greater human security.

Large-scale human disasters burden much of today’s world. Humanitarian crises are immediate; too often they are manmade. We must not only react to them but also work to prevent them. Doing so will save lives and money. If we can improve the collective machinery to carry out humanitarian actions, we may be able to avoid having to choose between intervening militarily and turning away in the face of massive human tragedy.

### **Building a More Effective Partnership**

This is a daunting and wide-ranging agenda, and close transatlantic coordination will be essential to harness both hard and soft power capabilities. We must be able to deploy those capabilities not only

within the North Atlantic space, but far beyond. We must recognize that U.S.-European partnership is not just a foreign policy partnership; rather the *acquis Atlantique* permeates our societies and requires that we cooperate in areas that have traditionally been viewed as purely “domestic.” We must be able to marry the capabilities of our diplomats and military, our justice and homeland security departments, our health and development agencies, our environmental and energy ministries. Our economic policymakers must collaborate closely in rebuilding not only our national economies, but the transatlantic and global economies as well.

Unfortunately, our instruments are out of tune with the times. There is a growing mismatch between the nature of our challenges, the capacity of our institutions, and the tools at our disposal. We have struggled to coordinate our policies and our capabilities in Afghanistan, Iran, and Darfur. We have found it difficult to work together on data protection, stabilization and reconstruction, energy sustainability, climate change, and financial regulation. Of course, a strategic partnership will never be easy when it involves many diverse nations on two continents, along with a constellation of institutions. Yet we can do better.

This new agenda requires new patterns of cooperation between the U.S., Europe, and other partners to improve our mechanisms of global governance, such as the UN and its specialized agencies, the G20, the G8, international financial, health and humanitarian institutions. There is a growing mismatch between the scope and scale of global challenges and the ability of global mechanisms to deal with them. We need to consider new forms of governance at the global level, and integrate rising powers and new actors in ways that give them a stake in the system, based on good governance principles of transparency, non-discrimination and accountability. And if we expect rising powers to respect those principles, we must commit to them ourselves.

Across the Atlantic many avenues are available to advance such an agenda. The deep bonds linking the private sector and our civil societies are an essential foundation of our mutual prosperity, security, and freedom. Strong bilateral ties are essential to effective work in our common institutions and broader cooperative networks.

A strong and reformed NATO is vital to this agenda. Yet while NATO is busier than ever, it has become less central to many members. It is doing more now than during the Cold War, but its wide range of activities does not easily inspire or sustain public, parliamentary – and hence financial -- support. It is performing at an unprecedented tempo, but this operational reality has exposed differences among allies in terms of threat perceptions, strategic cultures, resources and capabilities. It is not heavily engaged in some key security challenges facing its members, and is not succeeding at some in which it is engaged.

As a result, many see an Alliance adrift, lacking identity and driven more by outside events than by collective interests. This is troubling, because the need for transatlantic cooperation is rising, not falling. We must create a new Alliance consensus on the challenges to our security and NATO’s role in meeting them. Such a consensus is as important today as it was when NATO was born. The security challenges we face have changed, but the need for a common response has not.

NATO’s future is addressed in a companion volume, *Alliance Reborn: An Atlantic Compact for the 21<sup>st</sup> Century*,<sup>11</sup> published by the U.S. partners in this project. The reader can find our recommendations for NATO and NATO-EU issues there, so we will not address them here, except to state that the proposals we offer in this volume should be seen as complementary and consistent with those in *Alliance Reborn*.

For decades, NATO has been the institutional expression of the transatlantic link. There is no equivalent U.S. link, however, with the European Union (EU), even though the EU is the most important organization in the world to which the U.S. does not belong. The EU is increasingly the institution that European governments use to coordinate their policies and actions; and will be America’s essential

partner in many of the strategic areas outlined above that are beyond NATO's purview and capacities. If we are to advance a more effective transatlantic partnership, including a reformed NATO, we must build a stronger, more strategic U.S.-EU relationship.

The European Union comprises a welter of institutions and mechanisms among 27 different states. Its enormous complexity makes it a challenging partner. Yet it exerts increasing influence and importance in its region and the world. EU responsibilities have expanded and now encompass military missions and homeland security, environmental policies and investment regulations. The U.S., which has focused its relationship with Europe on either NATO or major national powers, has for too long viewed the EU as primarily an economic partner and sometimes rival. Now, however, that relationship must broaden.

This report focuses specifically on how the U.S.-EU partnership can -- and must -- be updated and upgraded to advance our wider agenda.

## *Chapter Two*

### **Forging a Strategic U.S.-EU Partnership**

The United States is the most important partner for the European Union. The EU, in turn, is the most important organization in the world to which the United States does not belong. In terms of values and interests, economic interactions and human bonds, the EU and the U.S. are closer to one another than either is to any other major international actor. The U.S.-EU relationship is among the most complex and multi-layered economic, diplomatic, societal and security relationship that either partner has, especially if it is seen to encompass the relationships the U.S. maintains with the EU's 27 member states as well as its Brussels-based institutions. The networks of interdependence across the Atlantic have become so dense, in fact, that they transcend "foreign" relations and reach deeply into our societies.

Despite these facts, the U.S.-EU relationship is not strategic. By "strategic" we mean the type of partnership in which the U.S. and EU would

- share assessments about issues vital to both on a continuous and interactive basis;
- be able to deal with the daily grind of immediate policy demands while identifying longer-term challenges to their security, prosperity and values; and
- be able to prioritize those challenges and harness the full range of resources at their disposal to advance common or complementary responses.

Such a partnership is possible, but it is not the partnership we have today. Given the challenges we face, it is urgent to forge such a partnership.<sup>12</sup> The goal is not to seek transatlantic harmony but to put the partnership to work, recasting it, making it more operational, more useful, and more strategic. This will require a new type of politics, not simply new kinds of process.

To succeed, the U.S.-EU relationship must overcome its image as a technocratic exercise with an overabundance of process disproportionate to actual output, producing laundry lists of deliverables that fail to fire political or popular imagination. Too often, it becomes a grab bag of issues dealt with in rather ad hoc fashion by a range of disparate agencies, with little sense of urgency or overall direction. In fact, as Secretary of State Hillary Clinton has noted to her European colleagues, "the system is designed so we can't have a strategic dialogue."

The relationship is still dominated by an economic and commercial agenda even though it has expanded far beyond that original core set of issues. As a result, it operates within what is still largely a "competitive model." Economic ties are marked by cooperation as much as competition, of course, but the competitive framework extends beyond these issues. In the United States, where there is a woeful lack of expertise on the EU, important voices still consider the U.S.-EU and NATO tracks of the transatlantic relationship as competitive. In Europe, some still call for building Europe as a counterweight to U.S. influence, and most EU member states prefer to advance their interests bilaterally with the U.S., rather than through the EU. NATO and the EU each still largely seek their own solutions to challenges, instead of working to harness the full range of transatlantic capabilities, institutions and resources.

Deep integration across the Atlantic means that many issues transcend foreign policy and engage a welter of domestic institutions and stakeholders. Yet both Washington and Brussels are marked by a pluralism of power. The U.S. Congress is a co-equal branch of government with its own authorities and initiatives, and the European Parliament has received new powers in the Treaty of Lisbon. Neither is adequately represented in the relationship, nor have they developed effective interactions with each other. Within the U.S. Executive Branch, the inter-agency process often produces painfully crafted internal compromises

among departments that are not easily negotiated with EU interlocutors. Similarly, once there is a consensus in the EU, it is hard to be flexible when engaging the United States.

As a result, the U.S.-EU partnership punches below its weight, unable to mobilize essential stakeholders to advance common interests. Priorities are often mismatched, with the U.S. looking for efficiency and concrete outcomes, and the EU seeking legitimacy and symbolic U.S. validation of the ongoing process of European integration. U.S.-EU summits have never been popular with U.S. Presidents; in both the Clinton and Bush years they were likened to a dentist's visit: you knew you had to do it, but it was painful.

Of course, compared with the early years of the European Community, things have improved dramatically. Exchanges between the U.S. and EU have been far more intensive, systematic, and productive because of mechanisms created by the 1995 U.S.-EU New Transatlantic Agenda (NTA), the last attempt to upgrade the bilateral relationship. A vast range of operational dialogues take place among U.S. and EU interlocutors. Yet the NTA predates the Treaties of Maastricht, Amsterdam, Nice and Lisbon -- each of which has changed EU authorities and structures. It predates EU enlargement from 12 to 27 members and NATO enlargement from 16 to 28 members. It predates the euro, the BRICs, and the G20. It predates the Kosovo and Afghanistan conflicts, 9/11, and various horrific terrorist attacks in Europe.

To forge a new and more relevant partnership, hurdles must be overcome on both sides of the Atlantic. The United States needs a European Union willing and able to act as a partner on the European continent and beyond. Rather than becoming transfixed by the (highly theoretical) challenges posed to the U.S. by Europe's putative strength, American opinion leaders would do well to focus on the (much more practical) dangers posed by Europe's weakness relative to its potential. That means working to bring about a more confident, cohesive and outward-looking partner, and resisting the temptation toward "disaggregation." U.S. efforts to pit some parts of Europe against others would be a reversal of American support, over six decades, of an ever closer European union, and threatens to return that continent to the very pattern of history that in the last century brought untold tragedy to Europe, America and the wider world. A stronger Europe, in contrast, could considerably enhance U.S. capacity to address global issues. If there is one policy guaranteed to boost support for those who seek to build Europe as a counterweight rather than as a counterpart to the U.S., it is American hostility to the EU. Such efforts mire our relationship in the battles of yesteryear rather than positioning it for the challenges of tomorrow. They shortchange American interests, and must be rejected.

Barriers to a more effective partnership are also to be found in Europe. Despite ambitions of unity, Europeans often struggle to find a single voice. The European Union remains a work in progress, with uneven capabilities. Deep cleavages among member states can be found on a variety of issues large and small. It tends to act slowly, and process often substitutes for policy. "European construction" continues to absorb -- almost overwhelm -- European energy and attention. The resultant danger is that transatlantic issues are crowded out by a very full European plate, scope for compromise with the U.S. is reduced by the need for intra-European consensus, and the complex nature of the new transatlantic and global agenda does not match up well with EU mechanisms. Obstacles to effective transatlantic coordination often have less to do with American reluctance to engage or support the EU as a strategic partner than with the limits of European capability, consensus and political will.<sup>13</sup> European ambivalence, in turn, only encourages American unilateralism. Lacking a coherent and capable partner, the U.S. is compelled either to act on its own or to look elsewhere for support.

Those looking for global celebrities to lead the EU are disappointed by recent changes. But EU foreign policy coherence depends less on new structures in Brussels than new attitudes in national capitals. The key is less whether the European Commission and Council can act in coordinated fashion and more whether national capitals and Brussels can work in a more effective way. A stronger and more unified EU role on the world stage depends less on the ability of a single High Representative than the willingness of

many governments to achieve greater consensus on approaching Russia, Afghanistan and regional conflicts.

Europe's real potential will be measured by its ability to achieve greater unity of effect, not necessarily unity of structure. Its influence will depend on its capacity to be a "unitary actor plus" -- forging consensus among member states and then capitalizing on variable geometry. It does this now in the economic and financial sphere by harnessing the aggregate influence of the European Commission, the European Central Bank, and the member states. It does not yet do this in the foreign policy sphere.

In 2008 the U.S. National Intelligence Council published an assessment of the world in 2025. Europe, it suggested, risks being a "hobbled giant, distracted by internal bickering and competing national agendas."<sup>14</sup> Is that the future Europe sees for itself? If not, what is it prepared to do about it? Whether the transatlantic partnership can become truly strategic depends in large part on whether Europeans themselves choose to make the EU a more strategic actor.<sup>15</sup> The EU is not yet a strategic actor, but it could be and it is in U.S. interests that it should be. The EU will only establish its strategic credibility when it can demonstrate that it can effectively and consistently harness and deploy the combined potential of its members to address concrete challenges and advance common goals. In short, to be better at U.S.-EU, the EU has to be better at EU.

How the EU structures itself is of course a matter primarily for Europeans. Yet Europeans should not be surprised to find the world -- or Washington -- unable to wait for the next signature on the next intra-European compact. Washington, in turn, must understand more clearly that it has a vested interest in the nature of European integration, and has always been an actor in the building of Europe. It should make it clear that however EU members organize themselves, the U.S. supports an open, democratic, Atlanticist, outward-looking EU that is capable of acting shoulder to shoulder with America as a counterpart, not a counterweight. The U.S.-EU strategic partnership should evolve as "Europe" itself evolves, and in ways that support and complement the transatlantic link expressed through NATO.

We have no illusions about the difficulty in advancing a more effective U.S.-EU partnership. Even though the U.S. and EU share similar objectives in a wide variety of areas, differences inevitably arise, reflecting diverse interests and priorities. Nonetheless, it is both urgent and opportune to consider practical steps to deal with our differences while advancing to a new level of ambition.

Europeans are haunted by Henry Kissinger's question, "When I want to call Europe, what's the telephone number?" Today, however, the question is no longer "what's the phone number," but rather "how much bandwidth do you have?" In other words, can the transatlantic partners harness a broad-based array of approaches and instruments to deal with the myriad challenges they face?

President Obama and his foreign, economic and security policy team have made it clear that they consider a revitalized transatlantic partnership essential when it comes to tackling the world's most pressing challenges. U.S. Secretary of State Hillary Clinton has argued that "in most global issues, the U.S. has no closer allies"<sup>16</sup> than the Europeans. Obama's early decisions to close the detention center at Guantanamo Bay, ban the use of "enhanced interrogation techniques," proceed with U.S. troop drawdowns from Iraq, push new arms control agreements, reenergize U.S. efforts to seek Middle East peace, and combat climate change were received warmly in Europe and signaled that the new President's words would be matched by deeds. Europeans were further encouraged by signs that the Obama administration would eschew the unilateralist proclivities of the Bush administration in favor of multilateral approaches.

Despite these positive overtures, the Obama Administration is likely to approach transatlantic partnership far more pragmatically, and with less of a Eurocentric focus, than many Europeans may expect. They understand clearly that when it comes to the new world rising, transatlantic partnership is indispensable --

but also insufficient. Obama's team is likely to judge the value of the transatlantic partnership in relation to Europe's willingness and ability to tackle together with the U.S. a host of challenges ranging far beyond EU borders. They are looking for active support, not applause. "America will do more," Vice President Biden has declared, "that's the good news. The bad news is America will ask for more from our partners, as well."<sup>17</sup>

President Obama has been forthright in his expectations for a transformed transatlantic partnership. As he said on his first presidential trip across the Atlantic, "We want strong allies. We are not looking to be patrons of Europe. We are looking to be partners of Europe." This was both an offer and a challenge to Europe to take more responsibility, both for itself and for wider global problems.<sup>18</sup>

That challenge is also an opportunity. Obama's emerging method is often to promote an ambitious vision while securing agreement on the immediate steps forward that will illustrate the realism of the overall approach. It offers the transatlantic partners a chance to chart ambitious new goals for the relationship, while focusing on practical steps to take them there. It places a premium on substance over process.

The implementation of the EU's Lisbon Treaty offers the EU an opportunity to become a stronger actor on the world stage and a more effective partner for the United States. The Lisbon Treaty enhances the EU's profile and powers in the foreign policy field; in the areas of justice, freedom, and homeland security; and in trade and regulatory matters. New provisions on civil protection, humanitarian aid and public health aim at boosting the Union's ability to respond to threats to the security of European citizens. For the first time, the Union is tasked with the objectives of ensuring the proper functioning of its energy market, in particular energy supply; the promotion of energy efficiency and energy saving; and the development of new and renewable forms of energy. The Treaty makes combating climate change on an international level a specific objective of EU environmental policy.

The Treaty creates the function of President of the European Council, which will be filled by Belgian Prime Minister Herman Von Rumpoy, to coordinate EU policy-making. The EU Council of Foreign Ministers will no longer be chaired by a rotating minister from a member state. The new High Representative and Chair of the EU Council of Foreign Ministers, Catherine Ashton, will work full-time on European affairs and be double-hatted as a Vice-President of the European Commission and head of the EU's new diplomatic corps, the External Action Service. Over time, this arrangement could increase the impact, the coherence and the visibility of the EU's external action. The Treaty also introduces a single legal personality for the Union that enables the EU to conclude international agreements and join international organizations. European Security and Defense Policy (ESDP) will be called Common Security and Defense Policy (CSDP). Some special decision-making arrangements will be retained in this area, but reinforced cooperation will be possible among a smaller, self-selected group of member states.

The European Parliament will now have the same degree of lawmaking power as the European Council in areas where it used to be merely consulted or not involved. These include legal immigration, penal judicial cooperation, police cooperation, and aspects of trade policy and agriculture. The European Parliament's assent will be required for all international agreements in fields where it has "co-decision."<sup>19</sup>

Of course, the EU will not have a united foreign policy as soon as the Lisbon Treaty is ratified. At the end of the day, all policy-making in the EU depends on the consent of member states, which remain sovereign, so the U.S. will continue to need strong bilateral relationships. Yet Lisbon will bring some key changes that offer both opportunity and necessity for the U.S. Executive and Legislative Branches to adjust their relationships with the EU. Only with time will we know the full impact of Lisbon, but clearly there is now an opportunity for the EU to leave behind a preoccupation with internal construction and turn to challenges in wider Europe and far beyond.



All these reasons converge to offer a moment -- to use or to lose. It could be a moment lost -- the time the transatlantic partners turned from each other with expectations dashed, each believing the other to have failed to deliver on the promise of a new partnership. Or it could be a moment won -- the time the U.S. and the EU transitioned to a more effective strategic relationship and thereby successfully positioned the West for a new world.

## **10 Initiatives for 2010**

To win the moment, the transatlantic partners are called to a new kind of politics, not simply a new kind of process. The central problem of U.S.-EU relations is less a question of organization than of purpose. Mobilizing leadership is the primary challenge. That will only happen if there is a shared vision, built on underlying values, of how the transatlantic partnership can be relevant and effective. Are the two sides of the Atlantic in general agreement about what is to be done to deal with global challenges, and are they willing to share the burdens -- and the credit -- for addressing them? If they are, it is urgent that they act.

What is required is a joint political commitment to reach some ambitious goals. That political commitment must be tied to concrete and pragmatic steps forward. Both the U.S.-EU partnership, and the EU itself, work best when challenged in this way. The EU never worked more effectively than during the ambitious phase that created its Single Market. The U.S. and the EU worked effectively together to extend the space of democratic stability in Europe.

Similarly today, the U.S. and the EU should focus on priority initiatives and let them drive institutions, procedures and agreements, rather than the other way around. U.S.-EU partnership should be conceived as a common enterprise rather than as a common structure. And we can -- and must -- use our capacity for common enterprise to do some big things -- together.

We recommend that the U.S. and the EU launch 10 Initiatives in 2010 in areas that are central to the transatlantic relationship, and where the EU can and should be a strategic partner with the U.S. These initiatives are outlined in the following chapters.

### **Forging a Strategic U.S.-EU Partnership: 10 Initiatives for 2010**

- 1. Adopt a Transatlantic Solidarity Pledge – Anchor transatlantic resilience strategies in a common space of justice, freedom and security.**
- 2. Create a barrier-free Transatlantic Marketplace.**
- 3. Reform global economic governance.**
- 4. Build a partnership for energy sustainability.**
- 5. Complete a Europe that is whole, free and at peace.**
- 6. Address conflicts more effectively.**
- 7. Redouble efforts to halt the proliferation of weapons of mass destruction.**
- 8. Improve the effectiveness of development policies and humanitarian assistance.**
- 9. Forge an open and competitive transatlantic defense market.**
- 10. Explore an Atlantic Basin Initiative.**

This transatlantic agenda is ambitious. It cannot be accomplished overnight, and neither the United States nor Europe can meet the many challenges on its own. But by charting ambitious goals, tied to concrete steps forward, the U.S. and the EU can build a strategic partnership that can do much to promote the security, democracy, and prosperity of their citizens. By working with new rising powers, the U.S. and EU together can face the challenges of the 21<sup>st</sup> century and build a stronger, better future for us all.

## *Initiative One*

### **The Transatlantic Solidarity Pledge: Promoting Justice, Freedom and Security through Transatlantic Resilience**

If Europeans and Americans are to be safe at home, national efforts must be coupled with more effective transatlantic cooperation. Since 2001, cooperation between the U.S. and EU (including the member states) has grown, and now takes place in many ways, formal and informal, and on a daily basis, including through ongoing operational activities. But successes have been ad hoc, low-priority achievements rather than integrated elements of a comprehensive approach.

The well-being of our societies depends on highly integrated, complex systems that move people, goods and services, money and information around the world. Daily life is sustained by transnational networks of unprecedented complexity and uncharted dependencies. Disruption of such critical functions as transportation, energy flows, medical services, “just-in-time” food supply chains and business systems, communications, and financial networks can have consequences for everyone in society. Thus, traditional goals of ensuring territorial integrity must be complemented by the goal of securing the critical functions of society.

Those functions can be endangered by Mother Nature, in the form of major hurricanes such as Katrina or fast-moving epidemics such as SARS or H1N1. They can be compromised by human accident, such as Three Mile Island, Chernobyl, or the Bhopal chemical disaster; or by intentional actors, whether states, groups, networks, or individuals. Actions by both state and non-state actors to disrupt energy flows, for instance, have become a new tool of political intimidation. Such actors could target civilian populations, our military forces, or the networks of our society.

It is our complete reliance on such networks, together with their potential susceptibility to catastrophic disruption, that make them such tempting targets. The 9/11 hijackers used the very instruments of free society to attack that society. They exploited U.S. immigration systems, benefited from poor information-sharing within the U.S. government and used our own airplanes as weapons against our centers of finance and government. As they were flying airplanes into the World Trade Center and the Pentagon, they were engaged in simultaneous manipulation of currency markets. As *The Economist* commented at the time, it was not only an attack *on* freedom; it was an attack *through* freedom.<sup>20</sup>

In the 21<sup>st</sup> century, we must defend our connectedness.<sup>21</sup> A transformative approach to security would supplement the traditional focus on territorial security with a clearer emphasis on protecting the critical functions of society. This approach would seek to safeguard critical nodes of activity while resisting intimidation and attacking the critical nodes of those networks that would do us harm -- all while protecting individual liberties. It would actively engage the private sector, which owns most of our infrastructure – both actual facilities and networks -- yet has its own views of protection that may differ from those of governments. Resilience -- the ability at every relevant level to anticipate, pre-empt, and resolve disruptive challenges into healthy outcomes -- is key to this new security approach. It is not simply a matter of dealing with consequences; anticipation and preemption are crucial. A strategy of resiliency seeks to ensure that the basic structures and critical functions of our interconnected societies remain strong and can continue even in the face of natural or man-made disasters.

#### **The Need for Transatlantic and International Resilience Strategies**

Given the interdependence of these networks, this approach must also merge domestic and international efforts. Any effort to ensure the protection of critical domestic functions and mitigate “connectiveness vulnerabilities” must also act to protect the broader international networks to which they are linked. Events that affect global arteries, such as the cyber-system, shipping lanes, and air transport systems, will demonstrate our interdependent vulnerabilities.

The security and functionality of critical infrastructure and systems within the United States and Europe depend on the security and resiliency of the global economy, especially the movement systems that are its essential arteries. These include the global supply chain, systems for moving energy resources around the world, systems for moving people lawfully across borders, the cyber and telecommunications infrastructure that moves data around the world, and the banking and money movement systems. While some international efforts<sup>22</sup> are intended to protect the arteries of the global economy, most efforts have been country specific.

Most critical infrastructure is dynamic, tied to flows of information, power, and substances constantly coursing and shifting. This dynamism creates vulnerabilities that can lead to cascading failures through the system. Both Europe and North America have critical vulnerabilities based abroad, the disruption of which could ripple back along interconnected networks to cause domestic disturbances. Concerted efforts are needed to identify such vulnerabilities and to devise joint strategies to address them.

A vigorous transatlantic and international resilience effort should be a core priority for a U.S.-EU strategic partnership. This must include everything from law enforcement and intelligence cooperation to disaster prevention and response. The United States and Canada, together with the EU member states and institutions, should as a matter of high priority boost dynamic joint capacity to establish standards and harness resources to prevent or respond to international threats to societal resilience.

The U.S. and the EU should establish a framework for cooperation that is based on the concept of resilience as the best form of deterrence. Resilience lowers rewards for attacks to the point where an attack may not be worth pursuing. The focus should be on heterogeneity of systems, processes, and responses in order to maintain the highest degree of capacity possible and to restore full capacity quickly after disruptions. We should strengthen efforts with core allies and partners; reach out to others, including third countries and non-state actors to project resilience “forward;” and retell this effort within a new narrative that identifies the resilience of European and North American societies with that of other societies. In a globalized world, a nation can only be as resilient as its neighbors. This is especially true for the U.S. and EU, which are deeply embedded in that integrated, globalized world. Because our resilience depends on that of others, helping others build their own resilience is not only morally compelling, it is in our own self interest.

Changes on both sides of the Atlantic provide an opportunity to advance a new initiative in this area. The Obama administration has integrated the White House national security and homeland security staff, effectively invalidating the anti-terrorism paradigm dominant since 9/11. Over the past eight years the U.S. has done much to address threats to the homeland, yet too often those efforts were reduced to a one-dimensional fight against terrorists. Little was done to link efforts to address both man-made and natural threats to domestic society and or to relate the resiliency of American society to that of other societies. The U.S. has largely failed to recognize the potential for international cooperation to help the U.S. develop its own domestic capacities to combat disasters. The U.S. has also failed to build and integrate such capacities internationally. As a result, many U.S. policies after 9/11 were advanced with inadequate appreciation of their effects on other U.S. interests, such as flourishing trade, support for the rule of law, or respect for human rights. This approach undermined the values and principles that made the U.S. a model for the world, dismayed our friends, jeopardized their cooperation with us, and provided ammunition for terrorist recruitment.

Europe has also changed: when the NTA was created in 1995, the EU had only recently been assigned any real authority in justice and home affairs. Today, while EU member states still have primary responsibility for internal security, the Lisbon Treaty moves virtually all interior and home matters to qualified majority voting, and accords new responsibilities to the European Commission, the European Council and the European Parliament. New methods of cooperation are being considered to speed European solutions. The new European External Action Service will also need to focus on the external dimension of internal security. The EU President and the European Council of Ministers will be served by an Internal Security Committee, or COSI, which could take on some functions resembling those of the U.S. National Security Council.

The EU has acted to support the new approach of the Obama administration. It quickly responded to the U.S. request for assistance with Guantanamo detainees by designing mechanisms of information sharing among member states – the first time an intelligence channel was used in this way within an EU framework, even though the EU has no legal competence in this area. Second, to facilitate tracking of potential terrorist finances, the EU acted to extend by one year a plan to move data in the SWIFT financial tracking system from being completely stored in the United States to a 60/40 split in storage between Switzerland and the United States. Third, the European Commission is currently reorganizing its policy responsibilities and administrative tools to improve its internal coherence on what U.S. officials might call "homeland security." This should provide U.S. officials with stronger, more efficient partners.

This new spirit of cooperation was codified in the October 2009 U.S.-EU "Washington Statement" by justice and home affairs ministers. The Statement sets forth common objectives regarding mobility in a secure environment, strengthened law enforcement and judicial cooperation, fostering preparedness and resilience, protecting individual rights and promoting international cooperation. The U.S. Department of Homeland Security and the EU border security agency Frontex have also signed a working arrangement, and the U.S. and the EU also exchanged instruments of ratification for two treaties on mutual legal assistance and extradition that give the transatlantic partners important new tools to fight terrorism and transnational crime. The extradition agreement will modernize U.S. bilateral extradition treaties with each of the EU member states, in many cases replacing lists of offenses that are deemed extraditable with a dual criminality standard. The mutual legal assistance agreement contains provisions for future legal cooperation, including the authority to identify bank accounts associated with subjects in the other's jurisdiction in the case of terrorism and other serious crimes; to conduct joint task forces across national lines directed against terrorism and serious crime cases, rather than merely "coordinating" inquiries; to obtain assistance in administrative matters that may lead to criminal investigations in matters involving terrorism and serious crimes; to acquire evidence, including testimony, by means of video conferencing; and to use data acquired via the agreement for additional serious offenses other than just the one triggering the initial request.

Despite these promising developments, there are still some challenges. Establishing a legal convention for the fight against terrorism, and reaching a legal accord on data protection will be difficult, given different legal regimes in the EU and the U.S. Cooperation is also hampered by the reality of the EU's multi-level governance structure, with authorities divided between EU member states and Brussels-based institutions, and by the role played by state governments in the United States in some areas of homeland security and "first response" to disasters.

Nevertheless, on both sides of the Atlantic there appears to be greater understanding of this dimension of security and our mutual dependence in addressing it. A strategic transatlantic partnership must put forward practical measures that go beyond protecting our territories from armed attack with new approaches that enhance the security of critical functions of our societies. Strategies of "pursue and protect" must be balanced with greater attention to prevention and response. The transatlantic partners

should advance a multidimensional strategy of societal resilience that goes beyond “justice affairs” and “homeland security.” They cannot afford to rely just on traditional tools but must advance new forms of diplomatic, intelligence, counterterrorism, financial, economic and law enforcement cooperation. Such a strategy must involve customs, air and seaport security; equivalent standards for data protection and information exchange; biodefense and critical infrastructure protection. This effort must begin with the transatlantic community, not only because European societies are so inextricably intertwined, but because no two continents are as deeply connected as the two sides of the North Atlantic. Our ultimate goal should be a resilient Euro-Atlantic area of justice, freedom, and security that balances mobility and civil liberties with societal security.

**With this in mind, the U.S. and EU should:**

- **Adopt a Transatlantic Solidarity Pledge.** Together, Europeans and Americans must supplement their traditional focus on territorial security against armed attack with an additional focus on the security of critical functions of society – from whatever source. At the May 2010 U.S.-EU Summit the transatlantic partners should issue a joint political declaration that they shall act in a spirit of solidarity — refusing to remain passive — if either is the object of a terrorist attack or the victim of a natural or man-made disaster, and that they shall mobilize all instruments at their disposal to:
  - prevent terrorist threats to either partner;
  - protect democratic institutions and civilian populations from terrorist attack;
  - assist the other, in its territory, at the request of its political authorities, in the event of a terrorist attack, natural or man-made disaster.
- **Establish the goal of a resilient transatlantic area of justice, freedom and security** that balances mobility and civil liberties with societal security.
  - *The U.S.-EU Summit should advance a transatlantic Safer Societies initiative* to that end, encompassing areas ranging from intelligence, counterterrorism, financial coordination and law enforcement to customs, air and seaport security, cybersecurity, bio-resilience, critical infrastructure protection and other activities. Such efforts, in turn, could serve as the core for more effective global measures. If the American or European home base is not adequately protected, neither will be able to project resilience, much less hard power, effectively. The U.S.-EU relationship is the natural locus for such an effort.
  - *Launch a U.S.-EU Transatlantic Resilience Working Group* to operationalize this initiative, integrating the discussion on homeland security, justice and freedom across all sectors and serving as a cross-sector forum for strategic deliberations about threats, vulnerabilities, and response and recovery capacities that cut across sectors and borders. This group would complement existing professional work within established but stove-piped fora, such as the Policy Dialogue on Borders and Transportation Security. It would provide the needed strategic perspective on where U.S.-EU cooperation is working and where more attention is needed. To be able to pursue and sustain a holistic approach the EU needs to think seriously about a Societal Security/Civil Protection Coordinator position or perhaps an EU Commissioner for Civil Protection/Resilience. This is of course an internal EU matter, but clearly there is a need for some institutional innovation to allow for a more coherent, coordinated, and capable Union in this area.
- **Establish solid coordination between U.S. and EU operation centers** with the task of providing early warning, situational awareness and crisis coordination support, e.g. the DHS National Operations Center (NOC), FEMA’s National Response Coordination Center (NRCC), the EU Monitoring and Information Centre (EU MIC) and the EU Situation Center (SitCen) in Brussels. A key task for all these units is to detect and identify risks and threats as early as possible for successful

response. Linking these centers together and performing regular training activities would enhance the prospects for situational awareness and effective coordination in real events in the transatlantic area.

- **Negotiate an internationally binding agreement on data protection.** While the U.S. and the EU have somewhat different systems, similar levels of data protection have now been reached on each side of the Atlantic. An international agreement on data protection would enable both partners to share more information. We should build on the experience of the PNR agreement by establishing general “rules of the road” with regard to at least three issues: time-frame and criteria for deleting information from a data base; procedures for sharing information with third parties; and establishing appropriate redress for individuals to challenge information about themselves. An essential first step will be to gain a better understanding of the differences and commonalities between the EU and U.S. systems of redress, given the differences in legal systems, traditions, and government structures across the Atlantic. However applied, the redress principle should provide equal rights for both EU and U.S. citizens. The agreement should also contain procedures for the appropriate sharing of personal data between governments and the private sector. The example of banks participating in anti-money laundering schemes may be instructive, along with the role of the national security exemption in the Safe Harbor accord. A binding international agreement should serve as a solid basis for our law enforcement authorities to enhance cooperation, while ensuring full protection for our citizens.
- **Build on existing cooperation in fighting terrorism by adopting a more strategic view that will provide “rules of the road” for the future.**
  - *Establish U.S.-EU guidelines on the detention and treatment of terrorists whose acts cross international borders, with a view to drafting a model legal convention on combating terrorism.* U.S. difficulties in closing the Guantanamo detention facility make clear that existing international legal frameworks are inadequate for addressing the modern phenomenon of global terrorism. Neither the law of armed conflict nor traditional domestic jurisprudence offer governments the tools they need to protect populations by preventing terrorist acts, and prosecuting those responsible. Yet concerns run high to ensure that civil liberties are protected even as security is addressed. During the Bush Administration, U.S. and EU legal advisors began a quiet dialogue to explore the underlying legal issues in combating global terrorism. This dialogue has continued under the Obama Administration. Such contacts have provided a useful first step in building common understanding of the challenge. What is needed now, however, is a bolder effort that brings together all stakeholders -- conservatives, liberals, lawyers, security and law enforcement officials, human rights experts, intelligence experts, scholars, legislators and policymakers -- with the aim of outlining the content of a future international legal convention on combating terrorism. A first step could be to issue a joint U.S.-EU statement of principles in the fight against terrorism, particularly focused on the detention and treatment of those accused of being involved in terrorist acts. While domestic law is sovereign when the attack and the suspects are found within one country, there must be greater clarity and agreement on rights of arrest and detention when, for example, suspects are found abroad or an entire operation is planned overseas. There must also be widely recognized standards of treatment, including standards related to trials and opportunities for redress. Such a framework of principles would have a significant appeal to the outside world.
  - *Work cooperatively to ensure the earliest possible closure of the Guantánamo detention facility* in ways that ensure security and essential rights. The U.S. should review its policy with respect to interrogations, transport and secret places of detention, and also work to close Bagram prison. The EU should be proactive in offering assistance in facilitating such U.S. actions.
- **Improve U.S.-EU cooperation in justice and law enforcement** by reinforcing operational coordination and building closer ties between relevant institutions.

- ***Adopt an action plan building on the October 2009 Declaration of Principles issued by the U.S.-EU Justice Ministerial.*** The declaration was an important step forward, but it now needs to be reinforced by a series of specific initiatives that will strengthen U.S.–EU cooperation in law enforcement and protect mobility in a secure environment.
- ***Establish a transatlantic arrest warrant.*** By building on the U.S.-EU Mutual Legal Assistance and extradition agreements, now ratified, and EU implementation of an EU-wide arrest warrant, the U.S. and EU should now begin negotiations on a transatlantic arrest warrant. Such an instrument would allow police authorities in Europe or the U.S. to arrest suspects based on an arrest warrant issued by authorities within either the U.S. or EU. Such a warrant may initially be applied only in terrorism cases, or with a condition that the death penalty would not be applied.
- ***Establish joint investigation teams,*** including Europol and Eurojust, to cooperate on cases that cross international borders. The U.S. should appoint a full-time liaison to Eurojust, as a way of supporting its very practical efforts to build cooperation among judicial authorities, and the FBI could contribute to the EU's Analytical Work Files.
- ***Cooperate in new areas of criminal investigation,*** including cybercrime, trafficking in humans and drugs, and arms smuggling. This will not only reinforce existing cooperation, but also impede the terrorist networks that seem increasingly connected with these other cross-border crimes.
- ***Improve technical cooperation.*** The EU's Stockholm Program emphasizes data collection and management, a perennial difficulty for the EU institutions. Without strong transatlantic cooperation, databases will remain incompatible and unhelpful for both sides. Some technical assistance from the U.S. to help the EU get up and running with police and asylum databases might quietly lead the way towards enhanced cooperation and depoliticized data exchange.
- ***Reach out together to third states to enhance greater cooperation in law enforcement.*** Current discussions are promising regarding West Africa, which has suffered from drug trafficking, particularly from Latin America. Cooperation should be initiated in Saharan Africa, Yemen and Somalia, where al-Qaeda is developing.
- ***Include transatlantic cooperation in EU discussions of the external dimension of internal security.*** Under the Stockholm Program, the EU will "mainstream" security, border, and immigration concerns into all of its external policies to outside countries (North Africa, Sahel, Central Asia, etc.). This begs the question whether EU efforts in the world are synched with comparable U.S. efforts. Greater attention should be paid to transatlantic cooperation.
- ***Provide a legal and organizational basis for U.S. cooperation with Europol.*** The U.S. needs to take Europol seriously. Long a backwater of EU police cooperation, it is gaining status and capability as EU governments come to understand the prevalence of cross border crime. Greater U.S. attention can actually speed this process and provide the U.S. with a useful hub of information and contacts when reaching out to European law enforcement. Europol and U.S. law enforcement agencies, including the FBI, should strengthen mutual representation through liaison officers; increase exchange of classified information; and improve the efficiency of operational cooperation, including the routing of information among agencies. The U.S. should be allowed to participate fully in Europol analytic work files, despite the reluctance of some EU member states. This enhanced cooperation will only be effective if EU member states commit to making Europol a success and the U.S. demonstrates that it will use information in a manner the EU can accept.
- ***Improve U.S. cooperation with FRONTEX, the new EU border protection agency.*** A U.S.-EU working arrangement was signed in Prague in spring 2009 to counter illegal migration and cross-border threats and promote integrated border management through sharing of best practices; exchange of relevant information; joint response training, and R&D cooperation. A workplan should be developed to advance cooperation on specific issues. A key element of that effort should be enhanced Coast Guard cooperation with European partners, including FRONTEX.

- **Establish a system of enhanced mobility for our citizens, while also providing a secure environment for those who travel.**
  - ***Expand the Visa Waiver Program.*** The visa waiver program's information sharing agreements have enabled the U.S. to gather more information about people traveling to the United States and have increased America's ability to stop threats before they enter the country. Congress and the Executive Branch should look for ways to expand this program to additional countries, particularly all EU member states. The additional information obtained from and given to new member countries can help to enhance transatlantic security.
  - ***Encourage a European version of the U.S. ESTA,*** which has been a success. But there should not be a price for such services; Congress should annul a provision of the Travel Promotion Act, which, by making travelers pay a fee for their ESTA, seems to indicate that ESTA is becoming a visa. In any case, such a fee is contrary to the idea of mobility and counters the image of the United States as a free and open society that welcomes visitors.
  - ***Adopt a Transatlantic Registered Travelers System.*** The U.S. and EU should work together to promote international measures to facilitate the travel of legitimate passengers, especially those who travel frequently, while maintaining a high level of air transport security.
  
- **Find collaborative ways to develop resilience.**
  - ***Expand the U.S.-EU Policy Dialogue on Border Transport and Security*** to include key legislators from the U.S. Congress and the European Parliament, especially given the European Parliament's enhanced roles of co-decision and budgetary oversight under the Lisbon Treaty.
  - ***Improve transatlantic bio-resilience.*** We offer suggestions on p. X.
  - ***Develop a U.S.-EU Critical Vulnerabilities Security Action Plan:*** The U.S. and EU should identify their own critical foreign dependencies and develop mutually supporting strategies and standards to address them. In October 2009 the U.S. and EU agreed to enhance their capabilities to identify fundamental interdependencies in critical infrastructures. An action plan should now fill this statement with life.
  - ***Collaborate on security-related research:*** The U.S. and EU are major sponsors of homeland security research and should seek synergies across the range of themes they address. DHS spends about \$1 billion per year on homeland security research. In the EU, the 7th Framework Program for Research includes a Security Research Theme with a budget of €1.4 billion. In addition, national security research programs are significant in member states such as Germany, France, Sweden and the UK. The European Security Research & Innovation Forum (ESRIF), with public and private stakeholders, is tasked to craft a shared long-term view of European security research and innovation needs and priorities. The U.S. has initiated a similar process. Establishing links between these forward looking efforts to build science and technology in support of future homeland security programs makes sense.
  
- **Work together and with the private sector to improve the resiliency of the key networks of the global economy.** The efficiency, security and resilience of global movement systems are integrally linked in today's highly networked and interconnected global economy. The drive to improve efficiency has made global movement systems more vulnerable not only to attack by terrorists, but to cybercrime and even natural disasters and extreme weather. In response, the U.S. and EU should:
  - ***Launch a public-private Global Movement Management Initiative (GMMI)***<sup>23</sup> as an innovative governance framework that will align security and resilience with commercial imperatives in global movement systems, including shipping, air transport, and even the internet. This will involve improving international cooperation and harmonization among public and private stakeholders to strengthen global movement systems; integrating security and resilience with a deliberate effort to connect screening and management systems globally; and providing the support and mechanisms through which smaller actors can participate fully in such new



mechanisms. Governance of those systems today is characterized by the lack of a coordinated approach that is necessary to address networked risk. The challenges of organizing efforts across national boundaries in the global movement system have been met before, for example for maritime cargo and the Internet. These success stories provide a model for establishing a new global movement system governance framework.

- ***Develop a common standard for port security that can be applied through North America and the EU.*** This would replace individual national efforts geared to 100% scanning and based on differing concepts and approaches. This standard could be open to others, as a basis for a multilateral agreement on secure shipment of maritime cargo. Addressing intermodal transport will be much more difficult, but enhanced cooperation on technology, procedures, and intelligence could help make vital transport networks safer. This could also be an essential part of developing global standards for technologies and procedures that can be used worldwide. Because of the size of the transatlantic market, the U.S. and EU are well placed to have their standards adopted as global norms. The transatlantic partners should fully implement their agreement on mutual recognition of each other's secure trade programs, AEO and C-TPAT, in time for the upcoming meeting of the U.S.-EC Joint Customs Cooperation Committee in early 2010, so that mutual recognition discussions can be brought to conclusion at that meeting.
- **Focus on prevention.** The EU's new Stockholm Program places strong emphasis on prevention, opening doors for transatlantic cooperation on upstream security issues related to risk analysis, research, threat assessments, and disaster mitigation work.
- **Reach out to third countries, providing expertise and assistance to project resilience to other societies.** The resilience of other societies is a vital interest of the U.S. and the EU. The transatlantic partners should identify -- very publicly, in word and deed -- their own resiliency with that of others and develop a common approach to "forward resilience," i.e. sharing societal resilience strategies with allies and partners and enhancing joint capacity to defend against threats to interconnected domestic economies and societies. The more we are seen to be aiding partners in tackling the threats they face, the more willing they will be to work with us in addressing the threats and risks we find most challenging. The U.S. and EU should work in advance with other nations to build international connections and arrangements for prevention, response, and recovery in cases of natural or man-made disasters.
  - Work in tandem to offer neighboring countries and other key partners holistic solutions for air, land, and sea security with equipment, logistics, training, and technical support that can be customized to meet the specific needs of each country.
  - Promote international standardization and interoperability in doctrine, equipment, and procedures in a range of areas, including maritime security assistance.
  - Facilitate more international collaboration in researching, developing, and sharing homeland security technologies.
  - Establish multinational resilience education and training initiatives and mobile training teams, similar to the U.S. Defense Department's IMET program, to enhance expertise and performance while establishing critical relationships with other governments and civilian personnel.
- **Engage through all of our institutions and mechanisms, including NATO as a supporting actor.** These issues are primarily those of civil societies and thus are most appropriately addressed between the U.S. and EU institutions and EU member states. In *Alliance Reborn*, we make clear that we believe NATO's role in this area is mainly as a supporting actor. Nevertheless, we believe that the Alliance can add value in this area, particularly when it comes to guarding the approaches to our territories; enhancing early-warning and air/missile defenses; improving counterterrorism activities; strengthening transatlantic capabilities for managing the consequences of terrorist attacks or large-

scale natural disasters; cyberdefense; biodefense; political consultations on energy security; and incorporating transatlantic resilience into the NATO Strategic Concept.

## *Initiative Two*

### **Build a Barrier-Free Transatlantic Marketplace**

Although rapidly developing countries have earned much attention, the U.S. and the EU remain the anchor of the world economy. No two regions of the global economy are as economically fused as the two parties straddling the Atlantic, making the transatlantic economy the largest and wealthiest in the world.

The financial crisis and attendant recession have only underscored the deep integration of the transatlantic economy. Europeans and Americans have never had a greater stake in each other's economic success. Notions of "decoupling" are mistaken and lead to serious policy errors.

The U.S. and the EU are the two largest economies and financial markets in the world. Together they represent 54 percent of global GDP and roughly 80 percent of all development assistance and humanitarian assistance in the world. The dollar and the euro are the world's foremost currencies, accounting for roughly 90 percent of total holdings of central bank reserves in mid-2009. The transatlantic economy generates \$5 trillion in total commercial sales a year and employs up to 14 million workers in mutually "onshored" jobs on both sides of the Atlantic. These workers enjoy high wages and high labor and environmental standards. Europe is by far the most important source of "onshored" jobs in America, and the U.S. is by far the most important source of "onshored" jobs in Europe.

We are each other's most important investment partners, and investment flows between Europe and North America dwarf those among any other continents. From the start of this decade through the first half of 2009, Europe accounted for 60 percent of total U.S. foreign direct investment, on par with Europe's share in the 1990s and 1980s. Over this decade 7 of the top 10 U.S. investment markets have been in Europe. U.S. investment in the BRICs totaled \$70 billion from 2000 to mid-2009, 7% of total U.S. investment in the EU. U.S. firms invested \$28.5 billion in China between 2000 and mid-2009, less than U.S. investment in Belgium and three times less than U.S. investment in Ireland. Europe accounted for 57 percent of total foreign direct investment in the U.S. in 2008 (\$3.2 trillion). EU investment in the U.S. is 27 times the level of EU investment in China and more than 55 times the level of EU investment in India.<sup>24</sup>

Every day roughly \$1.7 billion in goods and services crosses the Atlantic, representing about one-third of total global trade in goods and more than 40 percent of world trade in services. Europe accounts for more than half of total U.S. services sales around the world. While the U.S. continues to record trade deficits in goods with Europe, the U.S. has a trade surplus in services with Europe. Europe also accounts for 5 of the top 10 services providers to the United States.

Current economic difficulties underscore the importance of healthy transatlantic economic ties for millions of U.S. and European workers, consumers and companies. Substantial gains would result from initiatives designed to boost flows of goods, services, capital and knowledge between U.S. and the EU.

Moreover, deep integration means that the transatlantic partners face issues particular to their relationship. The main obstacles to transatlantic commerce are not traditional "at the border" trade barriers but rather "behind the border" non-tariff barriers -- different regulations, barriers to foreign investment, or different public preferences on issues such as product safety.<sup>25</sup> The OECD estimates that reforms that included the elimination of tariffs on goods, reductions of regulations and barriers to mutual investment would

permanently boost GDP per person by up to 3.5 percent on both sides of the Atlantic. This is the equivalent of giving every American and every European a year's extra salary over their working lifetimes. Even partial successes could have significant positive benefits for jobs, trade and investment.<sup>26</sup>

Despite this potential, U.S.-EU economic cooperation punches well below its weight. Niggling disputes over chlorine-washed chicken and other issues, which together account for less than 1 percent of U.S.-EU commerce, suck the political oxygen out of efforts that could create far greater economic opportunities for American and European workers, consumers and companies.

**To unleash this potential, the United States and the EU should commit to a barrier-free Transatlantic Marketplace by 2020.** This would require coordinated strategies to reduce remaining tariff barriers, overcome regulatory obstacles, remove investment restrictions, and align future standards in ways that promote mutual and sustainable prosperity while protecting health and safety.

We have no illusions about the difficulties involved. The remaining tariff barriers, especially in agriculture, often reflect the most politically difficult cases. Some of the most intense transatlantic disagreements have arisen over differences in regulatory policy. Issues such as food safety or environmental standards have strong public constituencies and are often extremely sensitive in the domestic political arena. To complicate matters further, responsibility for regulation is split in the EU between European and national levels, and in the U.S. between the federal and state governments, so simply getting the right people into the room can be a real challenge. Investment barriers, especially in terms of infrastructure and transport sector ownership, will be very difficult to change. But the potential payoff is high, and the future strength and vitality of the transatlantic economy depends on real progress in removing these barriers.

These barriers must come down not only across the Atlantic. To be truly successful, at least some elements of this open transatlantic marketplace must be extended to those members of the World Trade Organization (WTO) who are willing to take up the same responsibilities and obligations. In the regulatory arena, standards negotiated by the U.S. and EU can quickly become the benchmark for global models, reducing the likelihood that others will impose more stringent, protectionist requirements for either products or services. The goal is not to build an Atlantic Fortress, but instead to pave the way for sustainable economic growth in the global marketplace.

Those who worry that an ambitious transatlantic economic initiative could threaten the multilateral system should consider that the opposite may be true. Europeans and Americans certainly share an interest in extending prosperity through multilateral trade liberalization. The Doha Round of multilateral trade negotiations is at the make-or-break point. But even a successful Doha agreement will not address such pressing issues affecting the European and American economies as competition policies, corporate governance, more effective regulatory cooperation, tax and other issues. Nor will it address cutting-edge issues raised by European and American scientists and entrepreneurs who are pushing the frontiers of human discovery in such fields as genetics and nanobiotechnology.

Transatlantic markets are the laboratory of globalization. Together we face issues that neither of us faces with others. That is why the "multilateral versus transatlantic" dichotomy is a false choice. The U.S. and EU should advance on both fronts simultaneously: push multilateral liberalization through Doha and press transatlantic market-opening initiatives in services, financial markets, telecommunications, energy, innovation policies and other areas not yet covered by multilateral agreements. The alternative is not drift; it is growing protectionism, U.S.-EU rivalry in third markets, and the triumph of lowest-common-denominator standards for the health and safety of our people.

**To advance this agenda, the U.S. and EU should:**

- **Announce a joint commitment to work towards a “tariff only” Free Trade Agreement, eliminating all duties on traded industrial and agricultural products, as an important intermediate goal on the road to a Barrier Free Transatlantic Marketplace.**<sup>27</sup> Given that most transatlantic tariffs are low and often simply have nuisance value, a focused tariff-only free trade agreement could be achieved relatively quickly. It is likely to enjoy a broader base of domestic political support. The U.S. AFL-CIO has long championed a transatlantic free trade agreement, for example, and would likely accept a goods-only version. It is likely to have immediately beneficial effects on investment, profits and jobs, since two-third of U.S.-EU trade is intra-firm, i.e. companies trading intermediate parts and components among their subsidiaries on both sides of the Atlantic. Tariffs on agriculture have always been the major problem, but with agricultural trade growing across the Atlantic, now may be the time to take a bold step forward. Where agricultural tariffs are high, phase-out periods could be longer. Moreover, European and American agricultural sectors would still remain implicitly protected by a range of non-tariff barriers that are far more important, lessening the political concerns that might accompany a complete liberalization. Finally, such an initiative could spur the stalled Doha Round trade talks by demonstrating that the U.S. and EU are willing to move ahead with serious trade liberalization.
- **Once such a deal is negotiated, the U.S. and EU should invite others to join in certain sectors or in the overall arrangement.** If a critical mass of participants develops, benefits should be extended to all WTO members on an MFN basis. This approach was successful in negotiations leading to the 1997 International Telecommunications Agreement. This sequencing creates incentives for many other countries who would like full access to the transatlantic market to lobby major developing countries such as India and China to join, as other countries are only likely to benefit after those major economies agree.
- **Initiate transatlantic negotiations aimed at reducing barriers globally in certain sectors, starting with services -- the sleeping giant of the transatlantic economy.**<sup>28</sup> Such negotiations are likely to trigger plurilateral negotiations to include other partners. An initial transatlantic initiative can be a building block for more global arrangements. On both sides of the Atlantic, services now make up over 70 per cent of GDP, and the output of the protected services sectors is larger than that of protected agricultural and manufacturing sectors. A targeted opening of services could present vast opportunities to firms and huge gains to consumers. The main market for the growth in U.S. service-sector exports has been Europe, not the Asia-Pacific region. U.S. service-sector exports to the EU have tripled since 1995, reaching \$198 billion in 2008 – \$62 billion more than the U.S. earned from exporting services to countries in the Asia-Pacific region. EU service-sector exports to the U.S. have also tripled – from \$46 billion in 1995 to \$152 billion in 2008.
- **Vigorously promote transatlantic investment.**
  - ***Reinvigorate the Transatlantic Investment Dialogue*** and charge it with responsibility for removing bilateral barriers. In addition to keeping up pressure for elimination of investment barriers in key sectors, such as aviation, the Investment Dialogue should give high priority to coordinating U.S. and EU positions on the convergence of review rules and practices. The Investment Dialogue should also be the place where the U.S. and the EU coordinate positions regarding sovereign wealth funds in light of OECD and IMF principles; develop a joint approach on investment policies vis-à-vis third countries; and coordinate implementation of OECD guidelines on freedom of investment.
  - ***Remove remaining barriers to mutual investment, while developing reasonable and compatible guidelines for national security reviews.*** Ownership restrictions on marine shipping, airlines, and

infrastructure should be removed in most cases. In those situations where national security considerations might apply, there should be an appropriate review process. CFIUS, in the United States, has no EU equivalent, although several member states do have similar processes. Although implementation is likely to remain with the national authorities, the U.S. and EU, together with the member states, should develop guidelines for allowing foreign investment to flourish with reasonable national security safeguards. In time, such guidelines might become a global standard as other countries grapple with the balance between prosperity and security.

- **Open our skies.** The EU and the U.S. should create an open transatlantic market for air transport by allowing cabotage and removing restrictions on foreign investment. At the 2009 U.S.-EU Summit both sides confirmed their intention to reach an air transport agreement that would essentially achieve this goal. Both sides should commit to completing this agreement in 2010. We estimate that a full open skies agreement could boost transatlantic travel by up to 24 percent, save consumers more than \$6 billion annually and increase economic output in related industries by at least \$9 billion a year. The impact of this one single sectoral agreement could have the equivalent economic boost on the U.S. and EU economies as the entire Doha Round.<sup>29</sup>
- **Boost bilateral regulatory cooperation. Adopt a goal to eliminate unnecessary regulatory differences by 2020.** Since “behind the border” regulatory differences pose the most significant barriers to transatlantic commerce, the transatlantic partners should seek to address these differences with far greater urgency and attention. As indicated, there is considerable potential to create jobs, stimulate investment, and boost trade. Operating in democratic systems that largely reflect the wills of our publics, U.S. and EU regulators generally have the same high standards for protecting the welfare of our consumers, our environment and the health of our citizens; no American or European traveler thinks twice about visiting compatriots on the other side of the pond. This commonality of regulatory purpose implies that we *can* trust one another’s regulatory systems; and the increased demands globalization places on our regulatory resources indicates that we *must* avail ourselves of that trust to focus our regulators on higher-risk imports. In October 2009 the U.S. and EU agreed to take “steps that could lead toward greater compatibility of effective and economically beneficial regulation and that could promote economic integration.” This should include a process that allows regulators to determine if there is substantial equivalence in regulatory approach and, if so, to let them work with legislators to allow recognition of this. As a first step, the U.S. and EU have identified key sectors, including labeling, energy efficiency, and nanotechnology, where both sides will seek to develop compatible approaches to regulation, with a commitment to specific work plans, senior official engagement, and timetables for outcomes. We applaud this initiative, which should be implemented with considerable vigor.
- **Identify “essentially equivalent” regulations for mutual recognition.** The High Level Regulatory Forum should be tasked to provide specific recommendations in this regard to the Spring 2010 meeting of the Transatlantic Economic Council. This study should look specifically at ways the U.S. and EU could achieve mutual recognition of compatible regulatory regimes in individual regulated sectors (toys, engines, automobiles, electrical products, etc.). If agreement can be reached that both sides are seeking “essentially equivalent” outcomes in terms of health, safety, consumer welfare, etc. in such areas, then the legislative process on both sides should accept the regulatory decisions and standards of the other side. The process for reaching this decision should be in the hands of U.S. and EU regulators, who would always have the right to withdraw the automatic approval for products approved by the other.<sup>30</sup>
- **Ensure that regulatory agencies have the resources and incentives to cooperate internationally.** Financial resources must be available that allow regulators to engage in sustained, face-to-face dialogue with international partners. Such resources should be earmarked for international regulatory cooperation, and not compete with the regulating agencies’ core mandates for budget

and staff resources. Such financial resources will have a direct impact on the ability of U.S. and European agencies to better learn from each other.

- **Promote “upstream” regulatory cooperation for new technologies.** When considering new types of legislation or regulation, regulators and legislators on both sides of the Atlantic should be consulting in advance. RFID, nanotechnology, internet/broadband, and “green” technologies are four priority areas for attention.
- **Implement the TEC commitment to establish a new U.S.-EU innovation dialogue** to accelerate efforts to spur growth, productivity and entrepreneurial activity, including by sharing best policy practices and ways of improving the policy environment for innovative activities in both markets. The Dialogue will establish with stakeholders a work program identifying priority areas and sectors for action, including innovation policy, information and communication technologies, advanced technologies, health information technology, and clean energy technologies.
- **Address barriers to more sustainable consumption patterns.** A TEC working group should
  - **address methodologies for measuring product lifecycle impacts** (including indicators for carbon and water footprinting) and common product standards that take account of the entire life cycle of products;
  - **facilitate exchange of information and best practice on effective labeling** that could help consumers make product and lifestyle choices that reduce their overall environmental footprint;
  - **support “choice editing” policies and legislation for high impact consumer products** and services. Such policies, which remove least sustainable products from the shelves, such as incandescent light bulbs, have proven effective in promoting sustainable choices, for example in home appliances;
  - **address confusing or misleading product claims.** Strong initiatives are urgently needed, including a move towards more independent verification of claims.<sup>31</sup>
- **Improve EU and U.S. exchange of confidential information relating to unsafe products.** Introduce procedures across the Atlantic similar to those that occur between EU member states responsible for the enforcement of consumer protection laws. Enhancing the ability of relevant authorities to cooperate on a reciprocal basis in exchanging information, detecting and investigating infringements and taking action to bring about their cessation or prohibition is essential to guaranteeing the protection of consumers on both sides of the Atlantic.
- **Expand the circle of those engaged in transatlantic economic negotiations.** The dense nature of transatlantic economic relations means that many constituencies are affected. None of the obstacles that need to be overcome -- tariffs, regulatory, investment barriers -- can be addressed without the cooperation of legislators and regulators. Moreover, these groups have proven adept at creating new barriers to transatlantic commerce; Sarbanes-Oxley is a prominent but not isolated example. Given the role of national governments in Europe and state governments in the U.S., they both must be included in at least some discussions.

#### **Create a more efficient transatlantic financial market.**

- **Develop financial sector rules with similar “essentially equivalent” approaches to risk assessment and regulation.** Encourage greater U.S.-EU alignment in financial regulation, with a near-term focus on financial market regulation. Through coordinated “domestic” regulation, the U.S. and EU must establish de facto global standards to assure investors of greater safety in the future. Neither the G20 nor the G8 can do this with any enforcement capability. Because of the size of the transatlantic market, U.S. and EU rules governing financial instruments and investment and banking behavior will be important benchmarks for global norms.

- ***Prepare a detailed work program on transatlantic financial market integration***, beginning with a joint comprehensive screening of regulations, identification of priorities, development of a roadmap and a detailed work plan. We fully support the need for effective new regulation to avoid excessive risk taking with financial instruments, but without a clear commitment to seek transatlantic alignment, the net effect of these efforts may be to create fragmentation and reduce liquidity – liquidity that is needed to fund investment in innovation. The U.S.-EU Financial Markets Regulatory Dialogue can ensure that the implementation of U.S. and EU roadmaps for regulatory reform and G20 commitments at the domestic level are compatible and as convergent as possible and anchored in the global financial system.<sup>32</sup>
- ***Use transatlantic cooperation on financial markets to drive cooperation at the international level.***
  - Coordinate transatlantic work on financial market regulatory projects within the G20 process to ensure maximum consistency of national regulatory measures;
  - Achieve regulatory convergence in insurance markets;
  - Raise confidence in financial reporting. One of the early successes of the TEC was agreement on the mutual recognition of U.S. GAAP and IFRS. Building on this, the U.S. and EU should direct appropriate regulatory bodies to work towards international acceptance of IFRS as the global accounting language. Both parties should also work with the International Auditing and Assurance Standards Board (IAASB) and national standard setters to promote principles-based International Standards on Auditing (ISA) as the global standard.
- **Speak with a strong common voice on the importance of respect for Intellectual Property Rights (IPR).** The U.S. and the EU face a major challenge in addressing calls from those who do not have a shared understanding of the concept of intellectual property – a fundamental pillar of the transatlantic economy. The U.S. and the EU have agreed to cooperate in strengthening global protection of intellectual property rights, including through the provision of training and technical assistance to other countries, and to support an expanded mandate for the existing U.S.-EU IPR Joint Strategy Committee. Given the stakes involved in anti-counterfeiting and piracy, the U.S. and EU, along with the private sector, should continue to press for full respect for IPR in third countries. Through international organizations and directly, the U.S. and EU should
  - engage developing countries in formulating intellectual property policies and enforcement strategies that ensure “win-win” outcomes both for IPR holders and national interests.
  - specify the step-by-step plan proposed to achieve convergence between U.S. and EU patent regulation.
  - engage with industry and consumer representatives to examine how IPR protection can be effective in the digital age.
- **Revitalize the Transatlantic Economic Council (TEC).** The TEC should be one of the foremost transatlantic institutions, and we provide recommendations for its revival on p. 75.

### *Initiative Three*

## **Reform Global Economic Governance**

The global financial crisis has set the stage for a new world economic order. Necessity created the G20 and will push it to succeed the outmoded G8. As a result, the rapid changes in global economic power were much better represented at the G20 summits in London and Pittsburgh than ever before. In Pittsburgh, governments representing 85 percent of global GDP sought to restructure the international financial system to guarantee a durable economic recovery. They pledged to regulate certain funds and

other instruments that had proven unstable, promised to continue pumping money into their own economies to stimulate growth, and modestly shifted the balance of voting in the IMF toward emerging economies.

Pittsburgh also exposed the G20's limitations, however, as it has no mechanisms for follow-up, accountability or enforcement. Real power still resides with national governments. Arguably, the G20's greatest feat so far has been to survive its own creation. The question now is whether it can meet the challenge of guiding the global economy to a new age of sustained and balanced growth.

Most energy has been invested in the G20 rather than in the reform of existing institutions and arrangements, but they also demand attention. The IMF, for example, has consistently failed to exercise effective surveillance over policies of its major members or to create mechanisms to promote coordination of either their macroeconomic policies or their financial regulation. Current WTO negotiations do not fully address the real problems confronting the world and the trading system itself.<sup>33</sup> The WTO has failed to address the trade dimensions of such issues as climate change, security concerns, foreign direct investment, or competition policy.<sup>34</sup> Global economic governance suffers from deficits in effectiveness, coherence, representation and, perhaps most importantly, political legitimacy. The economic crisis offers the possibility that efforts at reform, long stalled, could be revived.

In this turbulent time, a key test of strategic U.S.-EU partnership will be the ability of the transatlantic partners to work with other key actors to restructure the world economy. There is still no substitute for transatlantic leadership, but in a G20 world this must be of a different kind -- a more nuanced role that works to preserve the principles that have guided the remarkable global growth of the last few decades, addresses risky behaviors, and engages emerging economies as responsible stakeholders. They must resist those who see protectionism as the best way to safeguard national prosperity. They must take the lead in keeping the global economy open, starting by reducing the remaining barriers and obstacles between their own economic spaces, and inviting others to join. They must also be pathfinders to new forms of global economic governance that recognize the rights and responsibilities of the emerging economies while strengthening a rules-based open market global economy.<sup>35</sup>

At the same time, different units and agencies of the U.S. government engage in international economic fora with often conflicting agendas -- financial, trade, regulatory, development and diplomatic positions are not always well-coordinated. The same is true for European governments; in fact, this problem is exacerbated by mixed messages at member state and EU levels. An important priority for both U.S. and EU governments, then, is to offer more coherent all-of-government approaches to their engagement in global governance. In addition, the financial crisis was rooted in spectacular financial mismanagement and lack of effective oversight in the developed countries. Effective financial regulation will have to be implemented at the national level. In short, effective global economic governance begins at home.

At the 2009 U.S.-EU Summit, leaders made a start by agreeing to follow up on their Pittsburgh Summit commitments; to continue actions to assure a strong recovery, while planning for cooperative and coordinated exit strategies once recovery is ensured; to undertake financial regulatory reforms with expanded scope and oversight, aimed at improving the resilience of their financial system and preventing future crises; and to create a 21st century international economic architecture.

A full examination of the possibilities for global economic governance is beyond the scope of this study. But as the U.S. and EU nations address these issues, they should consider ways to use their own partnership to advance an effective agenda for reform. With this in mind, **the U.S. and EU should:**

- **Strengthen global financial regulation.** As discussed, consultations among the transatlantic partners on effective and comparable financial regulation could be used as a benchmark for broader



international reforms. These regulations must be implemented nationally in both the U.S. and Europe, and legislation is currently underway. Further peer review and international monitoring of the results should also be considered. As Fred Bergsten notes, this is the strategy that was essentially implemented by a number of emerging market economies after the Asian financial crisis a decade ago. A similar approach is now needed for the high-income countries at the core of the international financial system.<sup>36</sup>

- **Create an informal “G2” to compare and coordinate approaches to global economic governance.** This should not be a rigid framework -- in fact, it is likely to be more effective if it is informal -- and consultations can take place as part of existing U.S.-EU mechanisms. Given their shared stake in having the G20 reinforce an open, rules-based global economy, it would be careless for the U.S. and EU not to cooperate. Their chief goal should in fact be to make the other “Gs” and broader institutions work much more effectively, by seeking general agreement on goals and purpose before engaging the larger fora, thus supplementing rather than supplanting these other bodies.
- **Consider a more effective G20.** The G20 has been relatively effective in addressing the financial crisis. But it is unclear whether the G-20 will prove to be a short-lived phenomenon or a more durable and effective tool of global governance. Its continuing effectiveness will depend on whether it is successful in focusing more narrowly on financial coordination or whether each government is represented by a bloated collection of agencies to address an overly broad and unfocused agenda.
- **Establish task forces to lead reform of the World Bank and the IMF.** These organizations should reflect the broader global leadership, while also strengthening the principles of good governance and effectiveness in their programs.
- **Work for fundamental governance changes in multilateral institutions.** This has already occurred to some extent in the WTO, where consensus is formally required but leadership is exercised by a smaller group of members, which tends to include the U.S., the EU, Japan, China, India and Australia.
  - ***Change the nature of U.S. and European representation at the IMF.***
    - ***Consolidate European representation.*** Europe’s multiple national memberships fracture European unity and reduce the influence of Europe as a whole. Consolidated representation would strengthen European power and would force the development of a European Union that is a more united and effective partner in the global economy. Consolidation would enable emerging economies to become stakeholders with real responsibilities without unduly complicating what are already cumbersome decision-making processes and consultations. Even after the Pittsburgh reforms, Europeans are still overrepresented, with both national governments and the EU represented in different bodies. A shift of about 10 percentage points in quotas and voting rights (“shares”) is needed, mainly from Europeans to Asians; and a parallel shift of four to six executive director seats (“chairs”) into either a single (and thus more powerful) voice for the EU or two seats – eurozone and non-eurozone.<sup>37</sup>
    - ***Abolish the U.S. veto.*** It deeply irritates the rest of the membership and is unnecessary to defend U.S. interests.
  - ***Consider ending the U.S./European duopoly on leadership of the World Bank and the IMF.*** For decades an American has led the World Bank and a European has led the IMF. Consideration should be given in future to qualified candidates from any member country.
- **Head off the looming collision between climate policy and trade.** Failure to coordinate these two key components of the broader system could both imperil the climate change talks and stimulate major new trade conflicts. It is untenable politically to try to enact cap-and-trade systems that impose costs on companies operating in the U.S. or Europe only to have them shift jobs and pollution to

countries such as China or India, which are reluctant to embrace binding emission reductions. Yet potential remedies, such as imposing additional "border charges" on carbon-intensive imports and subsidizing domestic producers, could lead to retaliation or WTO challenges that might undermine climate and trade agreements. A comprehensive climate change regime could also require new trade rules in intellectual property, services, government procurement, and product standards. The U.S. and EU should demonstrate leadership by working with G20 partners to develop a "Green Code" of multilateral trade disciplines along the lines of the recently proposed Code of Good WTO Practice on Greenhouse Gas Emissions Control, and consider new trade negotiations to address these potential commercial and climate trade-offs.<sup>38</sup> They must also address similar linkages with the monetary system, particularly regarding the sizable financial and "green technology" transfers from richer to poorer countries that must be part of any successful global climate accord.

- **Better coordinate approaches to the major emerging economies, especially India and China.** The U.S and EU should explore a joint trade agreement with India, rather than negotiating rival accords. With China -- and sometimes India as well -- we should pay particular attention to protection of intellectual property rights, state aids, market access, dumping, and the need for more transparency and open financial markets. The shared goal is not to isolate China and India, but to encourage them to become stakeholders in the global marketplace.

### *Initiative Four*

#### **Forge a Partnership for Energy Sustainability**

Together with the rest of the world, the transatlantic partners are facing two simultaneous crises.<sup>39</sup> One is financial and economic and the other is environmental. The first makes it difficult to move forward with environmental investments and to pay the higher energy costs that may be required to achieve energy sustainability. The second makes it necessary to change radically how we produce and consume energy.

Nevertheless, this situation offers a huge opportunity for positive change. In the coming years we cannot afford to continue with business as usual. The current path is unsustainable. Failure to transform the energy sector to address the dynamics of globalization, the rise of rapidly developing countries, and the threat of climate change will have very costly consequences for future generations.

The transformation of the energy sector will impact virtually all segments of the energy industry. Fortunately, there are many technologies that can be brought to bear. The highest priorities involve energy efficiency and carbon capture and storage. Without significant and timely progress in these areas, including deployment of basic technologies on a massive scale, there is virtually no possibility of achieving the emission reduction targets major nations have proposed. Renewables for both power and transportation fuels, smart grid developments, and the expansion of safe nuclear power with a secure fuel cycle will all play essential roles in meeting this challenge. These new technologies will in turn require a radical overhaul of our current infrastructures.

With the election of President Obama, an opportunity now exists for strategic convergence between the U.S. and the EU. As the U.S. Congress is now moving forward legislation on climate change, and the transatlantic partners now understand they each must address more effectively and urgently their dependency on foreign sources of energy. This is an opportune moment for the U.S. and EU to forge a partnership for energy sustainability, guided by practical steps forward.

At the November 2009 U.S.-EU Summit both sides agreed to promote an ambitious and comprehensive international climate change agreement in Copenhagen. They pledged to work together towards an agreement that will set the world on a path of low-carbon growth and development by setting a global

goal of a 50 percent reduction in emissions by 2050; and reflecting the mid-term mitigation efforts of all major economies, both developed and emerging. They also agreed to mobilize substantial financial resources for adaptation for the most vulnerable and to support enhanced mitigation actions by developing countries. As they design and implement their own cap and trade systems, they agreed to strengthen efforts to develop strong and well-functioning carbon markets, which are essential to maximize climate finance and to engage emerging and developing countries in ambitious emissions reduction actions.

This is a good start. But more effective transatlantic cooperation is required. These new steps must go beyond U.S.-EU channels and individual national government actions and engage regional and local actors, NGOs, and the private sector. Diplomatic action can help, but the real breakthroughs in energy efficiency and climate change mitigation will come when societies realize that such actions will safeguard their security and grow their economies. Moreover, private business will ultimately make the investments, create the markets and implement the technologies needed to transform the energy sector. Business input is thus critical to the creation of realistic legislation, policies, regulations, standards, and programs.

### **Transatlantic Strategies for Stimulating Green Economies**

The transition toward a transatlantic green economy is an important opportunity for the U.S. and the EU to tackle both the economic crisis and climate change. Policymakers on both sides of the Atlantic have recognized the need for sustainable investments in green initiatives not only to reduce carbon emissions but to stimulate economic recovery from the global downturn through this rapidly growing economic sector. It is vital that development of a transatlantic green economy be viewed through the lens of trade and development opportunities and increased economic activity.

Green economies should be considered as the most promising area for meaningful transatlantic cooperation on energy and climate change in the near term. The U.S. and EU can capitalize on current European experiences, as well as the U.S. record in turning innovation into profitable markets. The strategic lead that Germany and Spain have taken to develop renewable energy as a means to diversify the energy mix and nurture a profitable private sector comes immediately to mind. There are also areas where U.S. – EU joint action should be explored, specifically within the framework of the recently inaugurated Transatlantic Energy Council.

The U.S. and EU must also work together to advance an international framework to break down existing green technology tariffs. Such a framework would provide enhanced intellectual property rights to emerging green technologies, a key priority that will encourage all necessary parties on board. Ideally such a framework would be pursued in connection with the completion of the WTO Doha Round. However such a framework need not be stymied by lack of progress on Doha; it could also be pursued as a separate, pilot initiative between interested states to demonstrate its effectiveness. Addressing the looming conflict between climate and trade policies is a related challenge, which we discuss on p. 29.

Such public policy initiatives must be implemented in partnership with the private sector. Governments must focus on creating incentives to encourage sustainable private sector economic investments. In some cases, there must be a reliable and sustainable public financing commitment. Otherwise, the U.S. private sector will remain on the sidelines, much as it has for the past ten years.

### **Opportunities and Risks of a Potential Transatlantic Carbon Market**

Any serious effort to reduce greenhouse gases will require a price on carbon. The Obama Administration and the U.S. Congress have begun to move toward the development of a nation-wide “cap and trade” policy, deploying a carbon emissions permit market nationwide for many economic sectors. The U.S. cap and trade market under current consideration has many similarities to the EU’s already functioning

market. Once this legislation has been completed and signed into law, the U.S. and EU should be able to address issues surrounding the respective merging of the EU's Emission Trading Systems (ETS) and the nascent development of the U.S. market, thus paving the way for a potential global market. Supporters point to the many positive potential outcomes such as reduced compliance costs, expanded market size and liquidity, limited competition distortions and reduced price volatility.

Yet connections between the U.S. and EU carbon markets face some difficult and practical obstacles. First, there is a significant difference of tactical approach between the U.S. and the EU. The EU ETS is a much more "top-down" directed architecture, meaning that the ETS conforms to EU policy and regulatory directives. Thus far the U.S. approach has been bottom-up, marked by such regional regimes as the Northeast Regional Greenhouse Gas Initiative, which began trading in 2008. There must also be price convergence between the two systems, or, major redistributive effects may ensue. Third, greater harmonization will be needed on issues where there is no transatlantic agreement to date, such as offset possibilities, free allocations, and oversight and regulatory mechanisms.

In the short-term, and until the U.S. carbon market is developed more completely, there will likely be limited prospects for a broad transatlantic carbon market. It is therefore more realistic and more constructive to develop and promote branch- or region-based arrangements between the EU ETS and U.S. regional carbon markets that would later enable the U.S. and EU cap and trade markets to be linked. The U.S. and EU should also jointly approach other major economies and partners, such as China and India, with a view to development of their own carbon markets and other potential linking mechanisms between major greenhouse gas emitters or within the developing world.

### **Transatlantic Strategies for Ensuring Global Energy Sustainability**

In recognizing its growing dependency on Russian natural gas, the EU seeks greater diversity in its suppliers, supply routes and overall energy mix. This is an excellent area of U.S. – EU partnering and an arena where combined U.S. and EU diplomacy, coupled with critical American and European funding for feasibility and environmental studies, could help foster alternative natural gas sources.

Once secure supplies are identified, it is essential that they are able to reach the European market. The most recent and significant development regarding a new natural gas supply route is the Inter-Governmental Agreement for the construction of the Nabucco Pipeline. Nabucco will provide a welcome alternative source of gas and contribute to greater European energy security. The U.S. and EU should also work together to facilitate interconnections between transit and distribution networks, including natural gas counter-flow capacity in central and eastern Europe. One such effort could create a counter-flow ability from Germany to Poland and the Baltic States from the Nord Stream pipeline.

As the EU moves away from its reliance on natural gas, it will increasingly focus substantially on renewable energy sources, which may drive some member states to reconsider their rejection of nuclear power. This is obviously a difficult domestic issue in many countries. Yet current trends point toward the expansion of nuclear power at the global level. U.S. and European companies may be competitors in this market, but Americans and Europeans have a common interest both in the rise of nuclear energy as an answer to the climate change challenge and in safety and security guarantees surrounding this industry. The U.S. and EU can work together on industrial standards and an international nuclear fuel cycle bank (as recommended under Initiative Eight). Cooperation already exists, with other partners, under the ITER project, to harness the energy resulting from atomic fusion. Other partnerships could address geological waste disposal or plant lifetime management.

The newly created Transatlantic Energy Council is designed to enhance transatlantic cooperation with a view to a comprehensive strategy on energy-related issues including green technologies, research, energy

efficiency and energy security. The Council should focus on areas of interest to both sides of the Atlantic, complementing what is already done within the framework of the International Energy Agency (IEA). For instance, the Council could study and report on any international supply issues that poses a potential risk to the U.S. or Europe. It could lay the groundwork for confronting potential intimidation strategies through energy market reforms, improved infrastructures, enhanced security of transit routes, additional stockpiling, and emergency sharing measures. In addition, it should eventually ensure that U.S. and EU energy strategies are convergent, compatible, and complementary.

The Council should also focus more broadly on strengthening the global energy market with a view to making it more stable, non-discriminatory, reliable and transparent. The European proposal to work in the interest of both producers and consumers so as to ensure less volatility of oil prices is one potential starting point. As the price of gas delinks from the price of oil, it may require its own similar effort. Finally, the Council should promote wider international cooperation, with a particular emphasis on energy markets reform, energy efficiency, and low-carbon economy development, as well as assisting key emerging countries to join the IEA.

### **Conclusions and Recommendations**

Despite some criticism from European leaders and developing countries regarding Washington's inability to announce its national emissions reduction targets before the Copenhagen Climate Change Conference, there is general acknowledgement that the U.S. is moving toward acceptance of some form of binding international climate change agreement and has made significant advances in the development and deployment of promising clean energy technologies. Yet significant hurdles remain, first, in the U.S. (where the final legislative outcome is still unknown) and internationally, where many issues remain unresolved among developed countries as well as between developed and developing nations, especially regarding financing. However, these obstacles should not undermine the effort of the U.S. and EU to work together toward the ultimate goal of global mobilization in favor of carbon emissions cuts.

There is great promise for much needed transatlantic solidarity on issues of energy sustainability. The importance of these issues on the international agenda will only grow as the international community addresses this long-term challenge. Moreover, other challenges stemming from climate change will arise and demand further international cooperation, particularly water scarcity, biodiversity, food security, and deforestation. The U.S. and the EU must develop a more common view on these issues, resulting in concrete cooperation through such vehicles as the Transatlantic Energy Council.

#### **To accomplish these goals, the U.S. and EU should:**

- **Work together to develop the standards needed to support an international climate agreement, including a common metric for counting emissions reductions.**<sup>40</sup> A “carbon cap equivalent” accounting system could be applied across a country's entire emissions reduction portfolio and not just for sources covered by an economy-wide cap-and trade program. Reductions attributable to renewable energy standards or avoided deforestation, for example, would be included in overall measures of each country's mitigation actions. Counting such efforts in a rigorous and quantifiable way would provide a better picture of all parties' activities beyond economy-wide targets, help account for countries' unique political constraints, and unlock the flexibility necessary to accelerate the negotiating process.
- **Integrate the EU emissions trading scheme (ETS) with regional carbon trading schemes in the U.S.** Under the best of circumstances, a national U.S. carbon market is still some years away, but trading among the EU and three existing U.S. *regional* cap-and-trade initiatives could be pursued even before a national system is enacted. The Northeast Regional Greenhouse Gas Initiative (RGGI) began trading in 2008, and the Western Climate Initiative will commence full trading in 2012. A

Midwestern Initiative is in an earlier stage of development, but would likely begin operations prior to a national program. A U.S.-EU effort to build a transatlantic carbon market — even if initially at the regional level in the U.S. — will require integrated trading platforms, common verifying mechanisms, and harmonized reduction targets, and will boost competition for cost-effective reduction technologies and resource efficiency. Starting at a regional level will also help identify the regulatory issues related to a transatlantic carbon market that should be addressed through the new Transatlantic Energy Council. The size and financial impact of carbon markets requires that they be regulated and monitored like other major financial markets.

- **Establish “minilateral” initiatives, especially those that engage China and Russia in the global effort to combat climate change.** Since only a small number of countries are responsible for over 80% of total global greenhouse gas emissions, the inclusion of “minilateral” initiatives among major emitters should strongly encouraged, and should be viewed as complementary to the framework convention process, rather than competitive. Such initiatives could be a particularly effective way to engage both China and Russia. China has agreed to consider binding emissions reductions contingent on technology assistance from developed countries. The EU and the U.S. should coordinate a range of sector-specific initiatives, such as joint carbon capture and sequestration projects. Regarding Russia, both the U.S. and Germany have created bilateral working groups on energy efficiency. These initiatives should be broadened to U.S.-EU level and focus on Russia’s potential for achieving emissions reductions through improving energy efficiency.
- **Reconcile the trade implications of climate policies.** The controversial idea of imposing trade tariffs on countries that are unwilling to regulate carbon emissions has experienced a surge of popularity in recent months. But there is good reason for caution. Neither the EU nor the U.S. have reached consensus on the economic and political implications of border adjustment taxes, and should seek a more unified position. We offer suggestions on p. 29.
- **Boost energy innovation by creating a U.S.-EU Clean Energy Bank and a Transatlantic Energy Innovation Fund.** The Clean Energy Bank, which would be open to others, would underwrite the risks of developing new, commercially viable technologies. It would help commercialize new technologies, some of which might be developed under the Innovation Fund.<sup>41</sup> That fund would support joint research and development to accelerate the introduction on new technologies for electric mobility (car technology, batteries, infrastructure); super smart grid; renewable energy development and deployment; carbon capture and storage; and energy efficiency.
- **Encourage enhanced energy efficiency, including the joint development of smart grid and carbon capture and storage technologies.** The U.S. and EU must harmonize emerging regulatory frameworks on these two technologies to ensure that standards reinforce interoperability and compatibility.
  - Work together to develop the capacity to protect smart grids from cyber attacks.
  - Initiate, as a priority effort in 2010, a number of joint carbon capture and sequestration projects.
  - Collaborate on establishing energy efficiency standards.
    - Set higher standards for appliances and to develop new energy efficiency labels.
    - Set consistent standards associated with building product specifications and labeling, facilitating transatlantic trade, investment, and economies of scale.
    - Agree that only highest efficiency products are eligible for public procurement.
- **Conduct an “audit” of future energy needs and potential supplies, taking into account different scenarios concerning energy efficiency, renewables usage, and possible supply shortages.** This audit could draw on the International Energy Agency’s *World Energy Outlook*, but would be more specific in examining the potential disruption to U.S. and EU supplies. It would be the first step in developing complementary energy strategies to lessen dependency on any single source and provide a “strategic reserve” to be tapped by energy-consuming nations subjected to sudden supply disruptions. This audit should provide a clear picture of the need for additional stockpiling and emergency sharing measures that would supplement the IEA’s oil security system. It would also provide the basis for

determining the specific responsibilities of national governments, the EU and NATO, to protect energy supplies and critical infrastructure. The audit could also explore the differing impacts of new technologies on energy security and identify topics worthy of additional expert studies, for example, a U.S.-EU public-private project to understand the impact of shale gas on the international gas market.

- **Encourage IEA membership for China, India and other non-OECD consumers.** There should be clear timetables with benchmarks toward membership. Major consumers should be encouraged to rely more on international markets and less on exclusive supply deals to meet their energy needs.
- **Take concrete steps to enhance transparency and competition in energy markets and cross-border investments.**<sup>42</sup>
  - The European Commission's Competition directorate should enforce the Treaty of Rome's Article 28 competition and antitrust rules in EU energy markets. Companies such as Transneft and Gazprom should be held to the same anti-monopoly standards as Microsoft and Intel. Greater competition will lower prices for consumers and for power and refinery operators.
  - A uniform reporting requirement should be applied to domestic and foreign firms doing business in the energy sector within EU states and the U.S. Western energy companies would benefit from such a requirement as it would weaken the advantage held by firms based in countries with high levels of business corruption.
  - Implementing the 2007 European Parliament's resolution calling for a "common European foreign policy on energy" would help equalize the EU energy market for Western investors, reduce opportunities for nontransparent or corrupt business practices in the East-West energy business, and decrease the monopoly control of piped natural gas exports from the Caspian Sea countries and Russia to Europe.
- **Take steps to reduce the dependence of European energy markets on Russian supplies of oil and natural gas, until Russian business practices demonstrate the same standards of transparency, reliability that is expected among all investors and suppliers.** The EU Commission should enforce a "level playing field" for European and Russian investors in the energy sector by monitoring rules on both sides to ensure reciprocity in fairness, transparency, and enforcement.
  - If, for example, EU investors in Russia are limited to 25 percent ownership in Russian enterprises, then Russian investors should be held to the same percentage of ownership in European energy facilities and energy marketing companies. Opening existing Russian pipelines to competitors would also increase the supply of oil and gas coming from Russia and Caspian countries and bring more supply predictability.
  - The U.S. and EU should work directly with Azerbaijan and Kazakhstan to secure a reliable supply of gas for the Nabucco pipeline. The transatlantic partners should do what they can to encourage Turkey and Azerbaijan to reach appropriate agreements regarding gas transit.
  - The EU and the IEA should investigate the causes of disruptions of energy supply disruptions to any EU member state. If disruptions appear designed to pressure a member state to sell facilities, the companies involved should be sanctioned. No state should be allowed to buy energy related assets in the EU or U.S. until they are sufficiently transparent in their accounting and operations practices. The U.S. and the EU should be more active in defending member states against politically motivated disruptions in energy flows from Russia, such as occurred in Lithuania and Latvia. Unwillingness to defend EU members from this kind of disruption only disadvantages the energy firms and EU member state interests targeted by Moscow, while encouraging elements in Russia opposed to enforcement of the rule of law.
- **Promote government, research, and business interaction through integrated approaches such as the "One Big Thing" and the Transatlantic Climate Bridge.** In 2006 U.S. Ambassador Michael M. Wood and the U.S. Embassy in Stockholm initiated "The One Big Thing," a prime model for effective diplomatic action to promote government, research and business cooperation in advancing alternative fuels. The project aims to achieve a breakthrough in production of alternative energies by stimulating U.S.-Swedish cooperation in technology, research and development; financing and

investment; public awareness; and policies. The Embassy brings together policy makers, entrepreneurs, small businessmen, researchers, investors, legislators and others from the United States, Sweden and on occasion other Nordic countries to investigate and commit to areas of cooperation, including business opportunities and cutting-edge applied research. To encourage Swedish and American business partnerships, for example, the Ambassador and the Commercial Service created a list of "investable" Swedish companies in the green technology sector. The list is updated regularly, has been credited with drawing the attention of American investors and businesses to Swedish innovations, and has resulted in a number of business opportunities for the Swedish firms. The Transatlantic Climate Bridge, initiated by the German government with a variety of stakeholders across Germany and the United States, offers a related model for transatlantic cooperation. These initiatives are prime examples of diplomatic "good practice" that promise to forge new networks and mechanisms for transatlantic cooperation in energy sustainability, and should be replicated across the diplomatic representations of the U.S. and the EU.

### *Initiative Five*

## **Complete a Europe, Whole, Free and at Peace**

Twenty years after the European revolutions of 1989, dictatorships have become democracies. Economies have been integrated into European markets and the global economy. Nations from the Baltic to the Black Sea have joined the European space where war simply does not happen. It's a marvel. But Europe is not yet whole, free or at peace. Throughout the unsettled spaces of wider Europe other walls remain - historical animosities, ethnic hatreds, unresolved borders, struggles for power and control. Festering tensions can explode, as we discovered in the Balkans and again in 2008 when Russia clashed with Georgia. Overall, this region is significantly less democratic, less secure, and less aligned with the West than it was at the beginning of this decade. The EU and the U.S. and its European allies must avoid democratic backsliding in countries that experienced promising initial breakthroughs, but have since bogged down or regressed. Successful reforms in wider Europe beyond the EU and NATO could resonate significantly across the post-Soviet space and into the broader Middle East. Failures risk destabilizing competition and confrontation. And whenever we have ignored the twilight zones of Europe, we have always paid a higher price later.<sup>43</sup>

While much depends on the people of the region, much also depends on the nations of the West. Further deterioration of democracy in wider Europe could severely damage Europe's stability, its close alignment with the U.S., and its ability to act as an effective partner on the global stage. It would be a serious mistake to dismiss democratic regression and unresolved tensions in this region as issues of lower-order strategic import. These are core issues facing European security, stability, and unity today – and the U.S. has a strong interest in the outcome. These trends can and should be reversed, drawing upon the lessons of the last twenty years of post-communist transition experience. To restore lost momentum, however, the EU and the U.S. must give higher priority to this region, both in terms of high-level attention and in the quantity and quality of resources devoted to supporting democracy and addressing conflicts.<sup>44</sup>

The EU's go-slow attitude toward wider Europe also requires a substantial rethink. EU enlargement has been the EU's greatest foreign policy achievement. EU leaders remain reluctant, however, to acknowledge that a turbulent Europe without walls and barriers requires vigorous efforts to extend the EU's brand of democratic stability even further eastward. Some wonder whether these countries are indeed "European," and are uncertain as to why the EU should engage as an active partner for change. Yet the EU has an interest in projecting stability eastward so that instability does not flow westward. It needs to discourage its neighbors from irresponsible behavior and to engage with them in ways that reduce the region's vulnerability to Russian pressure and forge closer links to the EU itself. Now that EU



monitors have been forced to deploy to the eastern shore of the Black Sea in the wake of the Georgian-Russian conflict, the magnitude of wider Europe's challenge – and the need for a more dynamic response – should be clearer.

Without the prospect of membership in European and Euro-Atlantic institutions, Western leverage to induce reforms in this region is likely to be relatively low. But even as those debates continue, the EU and the U.S. can provide intermediate mechanisms and transitional vehicles to help guide and support reformist nations along what could be a long and winding road. Such mechanisms were used with both Baltic and Balkan states to good effect. For instance, when working with the Baltic states the U.S. launched the Northern European Initiative and negotiated the U.S.-Baltic Charter and accompanying action plans, which not only provided important bilateral assurances to the Baltic states at a particularly sensitive time of transition but also harnessed the experience of Nordic partners to widen the agenda of cooperation to such areas as health, environment, human rights, economic development and empowerment of women. A “wider agenda with wider Europe” could build on these experiences by developing intensified cooperation on a variety of issues beyond traditional foreign policy topics. In the Balkans, the West launched a few, highly visible “Quick Start” infrastructure projects linking regional countries to the West and to each other. Such initiatives can have two important “demonstration effects:” first, they can show public opinion in transition countries that closer partnership can do real things for real people; and second they can assure transitional governments that tangible benefits can come from intensified cooperation.

With this in mind, **the EU and the U.S. should:**

- **Develop transatlantic complements to the EU's Eastern Partnership and Black Sea Synergy, while also giving those initiatives greater content.** Such programs should be careful not to close the door to stronger institutional links, but should focus on practical progress. The West has an interest in promoting democratic governance, the rule of law, open market economies, conflict resolution and collective security, and secure cross-border transportation and energy links, regardless of the institutional affiliations of these countries. The immediate goal should be to encourage stronger cooperation with and among the region, creating the conditions in which the question of integration, while controversial today, can be posed more positively in the future.<sup>45</sup> In the end, only the EU can offer a conclusive framework anchoring these countries to the West. But the U.S. can play complementary and supporting roles, capitalizing on areas of value added.
- **Consider U.S.-EU “Atlantic Accords” for countries in wider Europe** that provide political reassurance and substance to a joint political commitment to work with countries to create conditions drawing them closer, based on OSCE principles.
- **Consider a U.S. Black Sea Charter.** The United States might consider a complementary effort by developing a Black Sea equivalent of the U.S.-Baltic Charter or its Adriatic Charter with Albania, Croatia and Macedonia. Such statements can provide important reassurance to states in difficult transitions; affirm some basic principles that can guide efforts toward democratic transformation and regional cooperation; and widen the agenda of cooperation to such areas as health, environment, human rights, economic development good governance and resilience.
- **Encourage mentoring arrangements.** Within or alongside these initiatives there is great scope for smaller groups of Western countries to ‘mentor’ regional partners. In fact, leadership by individual member nations or coalitions can be essential, since big institutions like the EU move slowly and operate by consensus. The 3+3 initiative between the Baltic countries and the three South Caucasus states is a good example. These two groups of comparably sized former Soviet republics with much in common but great differences in experience have developed mechanisms to explore collaboration and build on lessons learned, using “lead nation” concepts within an informal common framework. The low-profile 8+1 format of Nordic and Baltic states working

- together with the United States offers a flexible and ready-made format for such cooperative initiatives *vis-à-vis* wider Europe.
- **Consider a Stability Pact for the Wider Black Sea Region.** There are many reasons why Russia has been opposed to deeper Western engagement in the region, but it may be open to regional cooperative mechanisms modeled in some way on the Stability Pact for southeastern Europe. This initiative expressly included Russia, as well as many other external actors and institutions, together with a variety of regional organizations. It did not tie itself to any particular organization (each of which had weaknesses as well as strengths) but allowed initiatives to develop both from the countries of the region themselves, as well as from external actors. Participants in sub-regional projects were determined by self-selection and the principle of variable geometry. Applying a non-exclusive approach to wider Black Sea cooperation would build on the strengths of particular regional arrangements without locking participants into formalistic mechanisms that would allow any individual participant to block progress.<sup>46</sup>
  - **Address the region's festering conflicts.** An invigorated U.S.-EU strategy toward wider Europe must also include active efforts to resolve the region's four so-called "frozen conflicts" — in Moldova (Transnistria), Georgia (Abkhazia and South Ossetia), and Armenia and Azerbaijan (Nagorno-Karabakh). These conflicts are not "frozen," they are festering wounds that absorb energy and drain resources from countries that are already weak and poor. They inhibit the process of state building as well as the development of democratic societies. They generate corruption and organized crime. They foster the proliferation of arms and a climate of intimidation. They are a major source of instability within these countries and the broader region. Working to overcome these conflicts is a precondition for putting these countries on a firm course of reform and anchoring them to the West, and a test of Western commitment to a Europe whole, free and at peace with itself. Their resolution is a top priority, both on the ground and in relations with Moscow.
  - **Remain strongly engaged with the Balkan countries, pushing them to move forward,** especially by using good governance and economic development to create a stronger sense of community and overcome past nightmares. The goal should be integration not only into the EU and Euro-Atlantic institutions, but also greater integration within the region. Some countries, such as Croatia, are on the brink of fully joining the transatlantic partnership. But others, such as Bosnia-Herzegovina, are still struggling and in danger of slipping backward. The status of Kosovo is not fully accepted, and the issue of its name keeps Macedonia's relations with its Greek neighbor tense. The region still requires constant attention from both the EU and the U.S. to ensure that forward progress continues.
  - **Deliver a clear message: closer association with the West begins at home.** The U.S. and EU should deliver a consistent message that they are prepared to deepen their links with the people of wider Europe to the extent they see that the people of the region are making tough choices for democratic and market-based reforms -- not as a favor to others, but as a benefit to themselves.
  - **Increase democracy support levels with a long-term perspective.**<sup>47</sup> The U.S. has tended to view democratization as a short-term process that starts with a break-through to free and fair elections and ends when such elections are repeated and lead to alternation of governments. Yet twenty years of post-communist experience shows that this perspective is short-sighted and that a long-term commitment to democracy support is vital to consolidate the gains and promise of this region. Despite a record of considerable results, a very substantial amount of work still remains to be done. However, U.S. democracy assistance to post-communist Europe peaked in 2002 and has since plummeted. Although other crises across the globe certainly require larger amounts of democracy assistance, generating these resources at the expense of wider Europe is shortsighted. While some argue that greater support to wider Europe is unrealistic given the challenges in Afghanistan, Pakistan, Iraq and

elsewhere, in fact these challenges make it all the more important for the U.S. and the EU to remain engaged in wider Europe.

- **Change the rhetoric of U.S. support for democracy.** Support for democracy should focus on promoting universal values, such as the rule of law, pluralism, responsive and accountable government, citizen participation, free media, robust civil society, truly fair electoral competition, and equal opportunity. The “democracy promotion” rhetoric that the U.S. has been using in recent years has become widely discredited. American support for democracy must no longer be seen as a guise for forced regime change in countries out of favor with Washington, or as the imposition of a model designed in Washington. It should not be framed as anti-Russian or as a contest for regional spheres of influence. It should instead be framed in terms of basic human rights, popular aspirations, existing treaty commitments and international charters. Cultural and educational exchanges are also a powerful, time-proven method of transferring democratic values, yet U.S. funding for exchanges with wider Europe has been declining for years. This should be urgently reversed.
- **Support institutions and processes, not leaders.** Perhaps the greatest mistake of some democracy assistance efforts in the post-communist region after 1989 was to support individual “democrats” rather than processes and institutions essential to building democracy over the long run. In the 1990s, the U.S. put enormous faith in Boris Yeltsin to bring democracy to Russia. After the color revolutions of 2003 and 2004, Mikhail Saakashvili and Viktor Yushchenko became poster boys for democratic change. But democracy is not about personalities, it is about investing in processes and institutions independent from individual leaders. Long-term democracy support needs to focus on issues such rule of law, independent media, government accountability, effective regulation, social welfare, party financing, anti-corruption measures and other practices and institutions that require dozens of years to nurture and perfect. They cannot depend on an individual leader.

### **Working with Russia**

The U.S. and the EU must also develop a more effective partnership when it comes to dealing with Russia. This approach should have two tracks that work together. The first track should demonstrate the genuine interest of North America and Europe in close and friendly ties with Russia, and should set forth in concrete terms the potential benefits of more productive relations. Track One should make it very clear that Europe and the U.S. stand as willing partners if Russia decides to invest in its people, build a more sustainable economy grounded in the rule of law, tackle its health and demographic challenges, and build better relations with its neighbors. Western leaders should seek a strategic dialogue with Russia on topics ranging from the global financial crisis, global health, climate change, transportation and energy in the Arctic. Together they could conduct comparative assessments of such challenges as terrorism, Iran and Islamic radicalism, similar to those conducted on the Balkans and Central Asia.

The U.S. and Europe should reiterate their interest in working with Russia to ensure the security of its nuclear, biological and chemical weapons, materials, facilities and technologies; expand trade, investment and sustainable energy supplies; graduate it from the U.S. Jackson-Vanik Amendment and support its efforts to enter the World Trade Organization (WTO) and the OECD by fulfilling the terms and responsibilities of membership; facilitate its constructive participation in global economic and financial markets; and include it in a broad-based program of “forward resilience” as proposed in this report. They should encourage active Russian engagement to prevent Iran from acquiring nuclear weapons. North American and European allies should also engage President Medvedev on his proposals for a new European security architecture, ensuring that such discussions serve to strengthen and revitalize the Helsinki principles and the OSCE. Serious debate over the proposals would assuage Moscow’s concerns about being ignored and possibly even lead to some improvements in the Euro-Atlantic security architecture. Such discussions could explore constructive provisions of pan-European security

arrangements; steps to enhance crisis prevention and management; provisions that would enhance the sovereignty and territorial integrity of states such as Ukraine and Georgia and counter Russian assertion of “privileged interests” in certain countries along its periphery; provisions to enhance energy security throughout Europe; and ways to advance progress on contentious security and arms control issues.

Under the second track, the U.S. and Europe should make it clear that these relations must be based on respect for international law, the UN Charter and the Helsinki principles, and respect for the sovereignty and independence of Russia’s neighbors, including those in the former Soviet space. If the Russian leadership continues to resort to intimidation tactics, cling to outmoded notions of spheres of influence, and fails to meet its agreements, as is currently the case regarding the Georgian cease-fire arrangements, the international community will hold Russia accountable. Track Two should encompass both clear signals to Moscow and independent measures that can reassure allies and partners concerned about Russian pressure and deter Russia from further intimidation. This should include steps to diversify European energy resources; support democratic progress and “forward resilience” in wider Europe; improve cooperation regarding energy and cybersecurity; and reinforce the credibility of NATO’s own mutual defense commitment.<sup>48</sup>

It is important that Western interlocutors not engage in the zero-sum thinking that characterizes Russian policy, and to convey the consistent message that Western efforts to enhance stability in this region through collective security and democratic integration are neither anti-Russian nor intended to expel Moscow from the region, and in fact have the potential to build, with Russian participation, a more secure and prosperous region that is a better partner for Moscow. Moscow decision-makers do not believe this, but there may be some opportunity to influence Russian thinking -- if the message is clear and consistent, and matched by actions on the ground.

Russia is not the Soviet Union, and dusted-off policies of containment are inappropriate to the challenges and opportunities we face with Moscow today. But keeping faith with our principles and holding true to our mutual commitments does not have to mean stumbling into a new Cold War. That is why both tracks of a new Russia strategy are so important. For this overall approach to be effective, each track must be advanced via close transatlantic consultation. Inevitable differences will need to be addressed, and nations on each side of the Atlantic will need to make resource commitments and difficult political choices of their own to make the strategy work.

We have no illusions about the difficulty of such a strategy. Russia today is in a self confident and assertive mood. It will be a challenging partner even in areas where U.S., European and Russian interests may coincide and cooperation would be mutually beneficial. Yet there is no alternative to engagement. Russia's choices are hers to make, but it is the West’s responsibility to make the opportunities and consequences of those choices clear and credible.

### *Initiative Six*

#### **Address Conflicts More Effectively**

**We must improve our common capacity to prevent and manage crises and deal with conflicts and instabilities.**<sup>49</sup>

The two decades since the end of the Cold War have demonstrated that peace is a rare commodity. Conflicts, terrorism and turbulence by failing states and ungoverned spaces near and far from the transatlantic space have continuously intruded on European and North American security.

When facing these challenges, the transatlantic partners have several basic options. First, NATO is and should remain the primary transatlantic mechanism when North Americans and Europeans decide to use military force to address security challenges together. Certainly, whenever a transatlantic military mission requires a sustained and significant U.S. force contribution, NATO is the obvious institution. Second, should North Americans or Europeans choose to act on their own, each should have the capacity to do so, both militarily and in the civilian sphere. The EU has already launched a number of military operations, and it will undoubtedly continue to do so in the future. Third, Europe and America may also choose to act together in situations that require rapid civilian deployments, either to prevent a crisis escalating into a conflict or to respond in a post-conflict situation. In that case, the U.S. and EU should be able to act jointly or at least in complementary ways. Finally, where Europeans and Americans act together in situations that require both civilian and military capabilities, a trilateral arrangement in which EU and U.S. civilian assets complement NATO's military efforts may make sense. But these last two situations, in which the U.S. and EU cooperate, sometimes also with NATO, to apply civilian assets — or a mix of military and civil assets — are not yet reality.<sup>50</sup>

North American and European operations in the Balkans, Africa, Iraq and Afghanistan have highlighted the need for lengthy, demanding stabilization and reconstruction (S&R) missions. As conflict ends, peace depends on establishing public security, essential services and basic governance. These tasks often fall to the military forces at hand before competent civilian resources can be deployed safely to take over. A lengthy period can then ensue where a combination of civilian and military forces is required to stabilize the region and lay a security foundation to enable the population to rebuild governance and a secure society. These goals require allied forces to perform demanding and often unfamiliar and unplanned tasks, such as fighting terrorists and criminal gangs, pacifying ethnic violence, restoring distribution of electrical power, water, food, and fuel; rebuilding armies, police forces, and other institutions of governance and law enforcement. Sustaining such missions over time is politically and operationally difficult. Future requirements for such missions could be large.<sup>51</sup>

NATO alone is ill-equipped for such missions, because NATO alone doesn't have a full toolbox. NATO doesn't do good governance, for example. It doesn't do rule of law or economic development. NATO does not connect military engagement to economic or judicial development, even though its own success is likely to depend on local progress in those areas — as we experienced in the Balkans and see in Afghanistan today. This will require the U.S. and its European partners to field significant civilian assets. In *Alliance Reborn* we call for a NATO Stabilization and Reconstruction Force. But such a force would be intended only to bridge the period between conflict and peace when combined military-civilian or purely civilian assets would be required.

Both the U.S. and EU recognize the need to have a mix of civil and military capabilities. From its inception the EU's European Security and Defense Policy (ESDP) was intended to bring to bear a spectrum of capabilities, from civilian reconstruction through policing and military force. It established "headline goals" to provide assets for both military engagement and civilian crisis management. In the U.S., the realization that civilian assets were critical to the success of military missions came later, but has resulted in the State Department launching an effort to develop and recruit deployable civilian assets. To date, there have been some very ad hoc consultations and modest attempts at cooperation between the U.S. and EU civilian capabilities efforts. But as these programs develop — and the need for such capabilities continues to grow — the U.S. and EU must develop a more strategic approach, figuring out in advance how these assets might collaborate together in conflict and crisis situations, and how they might also work with military assets that are needed to resolve a conflict. If the U.S. and the EU could develop better capacities for civilian conflict prevention, there may even be less need to resort to military force.

Some will be skeptical of greater U.S.-EU cooperation in the security field. They will worry especially that growing cooperation between the U.S. and EU will damage NATO. We are mindful of these

concerns, yet troubled by the tendency of both NATO and the EU to each seek their own institutional solutions to common challenges rather than work to improve overall transatlantic capacity to prevent and manage crises and deal with conflicts and instabilities. There are a number of areas in which direct U.S.-EU security cooperation can enhance transatlantic potential and complement, rather than compete, with NATO. Since NATO does not provide civilian assets, for example, U.S.-EU efforts at building cooperation in civilian crisis prevention and management are not competitive with the Alliance. EU military missions are usually small and of limited duration, and do not challenge NATO's predominance.

Moreover, there are some real advantages to be gained by deepening U.S. security cooperation with the EU.<sup>52</sup> First, the EU can deploy a range of civilian assets that can complement NATO military assets, and bolster own role in what is called a more "comprehensive approach" to conflict management. The EU has 10,000 people on call and a €250 million budget. Europe has a particular capacity in deploying police, having sent six police missions into crisis zones in the last five years. EU police missions are staffed by a reserve force of up to 5,000 civilian police officers, including a 1,400-member rapid reaction force that can leave on 30-days notice. Unlike the U.S., which lacks a national police force and therefore relies on contractors, this EU Police Force draws its officers from a variety of European police forces, including the European Gendarmerie Force (EGF) and the Italian carabinieri. Ongoing police missions include EUPM in Bosnia-Herzegovina, EUPOL COPPS in the Palestinian territories, EUPOL Afghanistan, and EUPOL RD Congo. Uneven progress of these missions underscores the difficulties, but not the need. The EU brings another capability that the U.S. lacks entirely: experience running interior ministries. While courageous and committed Americans are mentoring the interior ministries in Iraq and Afghanistan, none of them has had a career in an Interior Ministry, since the U.S. does not use them at any level of government. The EU by contrast has prepared 21 interior ministries to meet EU standards since its founding. Germany has 17 interior ministries (one federal and 16 provincial). There is substantial expertise and experience in Europe that the U.S. lacks.

Second, the EU is the only real organization besides NATO and the UN that can effectively engage in conflict management operations on its own. Should security challenges arise but the U.S. decline to participate on its own, or participate through NATO, or where NATO engagement might be less acceptable to local actors, the EU could play a useful role. Such cases have already occurred; for instance in Congo and Chad the EU cooperated with the UN; NATO was not needed. The EU has led several UN-mandated crisis management missions, and together EU member states are the most important financial contributor to UN peacekeeping.

Third, the EU is an emerging security actor. Since 2003, 23 new operations have been conducted under ESDP. Most of these EU missions have been small in size, short in duration, and civilian in nature, if not in form. They often take over from previously existing missions led by UN or NATO, and have rarely been seriously dangerous. They frequently suffer from shortages of personnel or equipment. But although they still face real challenges, they do offer some degree of European capability.

Fourth, such security cooperation also reinforces the growing level of U.S.-EU interaction on foreign policy generally. On key foreign policy challenges such as approaching Russia, the Balkans, Georgia, Ukraine, Iran, and the Middle East peace process, most U.S. engagement with Europe is with national capitals and with the EU, rather than through NATO. European partners use the EU, rather than NATO, when it comes to common foreign policy efforts, deploying civilian assets such as police or judges, or delivering humanitarian or development assistance. The EU's enlargement process has been a significant foreign policy success, and EU outreach to its eastern neighbors will continue to be influential. The Lisbon Treaty creates a framework for greater European cooperation in foreign and defense policy. The impact of these changes -- especially the President of the European Council, the new EU High Representative and the European External Action Service (diplomatic corps) -- may not be felt immediately in Washington, where EU member states still prefer to nurture their bilateral ties with the

United States. But U.S. officials in third countries -- including those challenged by conflict and crisis -- could notice the differences more immediately, as the EU ambassador in Kiev, Yerevan or Rabat may have considerable more resources than the British or German Ambassador, and thus be a key interlocutor for the U.S. in such situations.

In short, both in terms of necessity and new changes within the EU, it is time to upgrade and recast U.S.-EU security cooperation. Of course, there are already many instances of intense U.S.-EU cooperation in conflict management, including the Dayton peace process, the Ohrid Peace Agreement in Macedonia, and the Middle East "road map." The P5+1 negotiations with Iran would not have come together without the "EU 3" -- the UK, France and Germany. There is also much interaction between deployed Americans and Europeans in places such as Afghanistan and the Balkans. Even in Iraq, Europeans were an important segment of the Coalition Provisional Authority that administered that country in 2003-4.

The most extensive cooperation has been in the Balkans, where the EU has taken on a broad-based peacekeeping role, having assumed responsibility for the military mission from NATO in Bosnia-Herzegovina and the role of the UN in Kosovo. For many years, the U.S. seconded customs officials to the European Commission's CAFAO program in Bosnia, and the U.S. and the EU jointly funded Bosnia's Independent Judicial Commission. In Kosovo, U.S. and EU envoys (alongside a Russian representative) made up the so-called mediating troika, which sought to negotiate agreement on the terms of Kosovo's independence. In the run up to Kosovo's independence on February 17, 2008, U.S. experts worked with their EU counterparts to plan for the EU-led international presence in the independent state. USAID provided virtually all of the personnel for the EU-led economic pillar in Kosovo for some time after it was created, and U.S. personnel are now active in EULEX, the EU-led rule of law mission -- the first case of U.S. participation in a formal ESDP mission.

In Macedonia, the double-hatted EU envoy, Erwin Fouéré, and successive U.S. ambassadors have worked as diplomatic double-acts, making joint demarches to the local government and issuing statements on issues of common U.S.-EU concern. The closeness of U.S.-EU cooperation in Skopje is illustrated by the USAID's Macedonia program, which explicitly "supports Macedonia's entry into the EU" by implementing "programs focused on economic growth, good governance, and education." The U.S. has for a long time supported EU accession for all the Western Balkan countries, but it now specifically ties its assistance programs to this goal.

Despite these positive examples of on-the-ground cooperation, U.S. and EU capacities for stabilization and reconstruction operations have developed largely independently. There has been some substantial but informal information exchange and occasional experience operating in parallel (but not jointly), especially in Afghanistan. The experience of Americans working in European-led operations or EU officials working in U.S. missions and operations has been more episodic than planned. There is no common strategic framework outside the context of specific operations, and as a result, in many of the world's hotspots U.S.-EU cooperation remains at best perfunctory.

In 2007, in an effort to provide more depth to security cooperation, EU and U.S. officials signed a joint crisis management work plan. It outlines a significant level of ambition for security cooperation between the U.S. and the EU outside the scope of NATO and marks a change in view by U.S. policymakers on the merits of ESDP.<sup>53</sup> It is a fine piece of paper, pledging both sides to common analysis; coordinating actions on the ground; enhancing capabilities of others; and enhancing a common institutional framework. These ambitions have largely remained on paper, however, and no regular mechanisms have been set up to implement the agreed arrangements.

The development of a more strategic U.S.-EU approach to managing conflicts and crises has been hampered by many factors, ranging from the very specific and technical to issues of grand politics and

institutional rivalry. At the highest level, there has been insufficient political will and commitment to this project. On the U.S. side, this caution is reinforced by reluctance to cooperate in direct military to military relations with the EU, fearing damage to NATO. Less consciously, some U.S. officials simply turn to NATO automatically whenever the question of cooperating with Europe on security issues arises. This tendency has been reinforced by the unproductive institutional rivalry that is all too often apparent between NATO and the EU. The complexity of the EU also encourages U.S. decision-makers to avoid dealing with a range of EU institutions and actors, and instead look to coalitions of national governments. On the European side, many EU governments prefer to maintain a tight national grip on policy or use the EU only when convenient. This is especially true in any policy area involving the United States, as EU capitals all work to preserve their own bilateral relationships with Washington.

Nor will U.S. security cooperation with the EU necessarily be easier under the Lisbon Treaty. The institutional complexity will remain, with the major elements of ESDP -- including the military staff, Policy Planning and Evaluation Unit, the Situation Center, and the civilian headquarters -- remaining a preserve of the European Council. This will only contribute to U.S. perceptions that the EU is simply too complex and wrapped up in internal procedural battles to be a strategic partner. The Treaty also introduces flexibility in the form of Permanent Structured Cooperation, which will enable those member states "willing and able" to undertake disarmament operations, humanitarian and rescue tasks, military advice and peace-keeping tasks at a higher level of cooperation and joint decision-making. For the United States, this means sometimes dealing with the EU as a whole, and at other times, dealing with coalitions of differing EU members. Under permanent structured cooperation, the EU may become more willing, but it will also be even more complex.

There are also problems of capability on both sides. Continued U.S. scepticism of the utility of transatlantic collaboration can only be overcome by improving EU capacity and effectiveness. Unless the EU can offer support in the areas that the U.S. cares about or spend money and send experts in greater numbers to the world's hotspots, working with the EU is unlikely to be a priority for the new U.S. administration in its own right. The situation in Pakistan and Afghanistan, for example, is likely to remain a U.S. national security priority for the next decade. A greater European commitment in these two countries will be crucial to advance broader U.S.-EU cooperation.<sup>54</sup> The new Common Security and Defense Policy's (CSDP) value and seriousness will be assessed in Washington on the basis of the missions and capabilities that EU member governments actually realize. In the end, U.S. leaders will look to progress in enhancing capabilities as the most visible measure of Europe's commitment to a fuller partnership in maintaining transatlantic and global security. The EU must gain the political cohesion and the military capabilities needed to play a role commensurate with its interests and responsibilities.

It is unrealistic to believe in the current economic climate that EU member states will increase their defense spending in any appreciable way. Rather than measure European "seriousness" in terms of incremental defense spending to build the same old things that the industrial base cranks out just so Europe can say it's doing more, both U.S. and EU need to redesign approaches based on assets and funds we have today to deliver the effects we need to address the challenges we face today and are likely to face tomorrow. The NATO Strategic Concept debate and the Treaty of Lisbon give us a chance to design into both NATO and the EU the needed behaviors we have described, and those behaviors in turn should determine how we spend our limited defense funds.

While EU capability issues are well known, the fact is that the U.S. also faces a serious capability gap in dealing with the EU. The U.S. mission to the EU lacks the number of people it needs to track the full spectrum of U.S.-EU interaction. This shortage is especially acute in the area of security and defense. There is only one person at the U.S. Mission to the EU assigned to work with Europeans on defense cooperation via the EU, while hundreds are based in another part of Brussels assigned to work with Europeans on defense cooperation via NATO.<sup>55</sup>



Neither the U.S. nor Europe is well served by this situation. Unless there is improvement in the transatlantic strategic dialogue, of which US-EU security activities are part, the political barriers blocking NATO-EU cooperation are likely to remain. Even if the Turkey/Cyprus dispute is settled (a big if), problems remain between Turkey and Greece; and a small (but committed) group of holdouts in both NATO and EU bureaucracies still see any form of inter-institutional collaboration as undermining the security aspirations of either NATO or the EU, and will resist any moves towards cooperation. This not only hampers cooperation in the field, but has broader implications. It is hard to see how the democratic West will maintain its role in the world when its two premier security organizations cannot collaborate. Neither organization can become an end unto itself -- they are both means to an end, and that is the ability of the transatlantic community of nations to deal successfully with the challenges of the 21<sup>st</sup> century.

Second, in a number of unstable regions close U.S.-EU cooperation could bring benefits that similar cooperation inside NATO will not. Few analysts can envisage a broader role for NATO in Pakistan or even in the Maghreb. But the EU could probably play a role in close partnership with a large U.S. engagement. Finally, U.S.-EU cooperation holds out the promise of bringing the full range of governmental -- even societal -- resources to the task of conflict prevention.

As we work to build overall capacity, it is critically important to avoid either/or constructions when discussing NATO and the EU. Both organizations need to evolve to the point where they can effectively leverage the other culture in their operations. In the predominately civilian EU this means leveraging military assets and in predominately military NATO this means leveraging civilian assets. It also means building the capacity of both to be the leading/supporting actor in comprehensive approach operations.

In short, there is now the necessity and opportunity to forge a more strategic and effective U.S.-EU effort toward managing regional conflicts and crises. The U.S. and the EU share similar views on the dangers of ungoverned spaces and failing states, and both recognize the vital need to build capacity for dealing with these situations. But they must learn to work together, harnessing their assets, both civilian and military, to the goal of preventing conflicts and stabilizing and rebuilding those societies that are threatened by violence and instability. The U.S., EU and NATO all have important roles to play. Effective interactions among these actors are key. To this end:

- **The U.S. and EU Must Improve their Civilian-Civilian Coordination and Cooperation.** To move ahead on U.S.-EU security cooperation, it may be best to start by staying away from ideologically fraught areas, such as military-military or even civilian-military relations. Improving coordination between civilian forces, however, is an area of great promise where both sides recognize a need.

The U.S. has recognized its deficiencies in civilian crisis management and is acting to build new capacity in this area.<sup>56</sup> The Civilian Response Corps (CRC) is designed as a civilian expeditionary force primarily for deployment to conflict zones. The Active Component (CRC-A) will be composed of 250 full-time employees who can deploy within 48 hours to put into place all aspects of an interagency mission, such as assessments, planning, base standup and field coordination. The Standby Component (CRC-S) will contain 2,000 federal employees ready to deploy within 30-60 days. The Reserve Component (CRC-R) — not yet funded — would be composed of 2,000 specialists outside the federal government who sign on for four-year terms that involve two weeks training annually, deployable within 45-60 days. The goal is to be able to have 900-1,200 people in the field at any one time, and to be able to sustain them for a lengthy operation. However, State Department's Office of the Coordinator for Reconstruction and Stabilization (S/CRS) has only limited staff (just over 120). Funding has also been limited, although now that the active component is being set up, Congress has increased funding for S/CRS from \$45 million in FY09 to \$323 million in FY10. Even with this funding increase, S/CRS resources are clearly insufficient to lead, coordinate, and develop all U.S.

government civilian crisis management capacities. There are also doubts about the size of the CRC itself, with one report suggesting that the CRC must have at least 5,000 readily deployable government civilians and 10,000 civilian reserves<sup>57</sup>. And, while CRC-A is designed to remain in the field for only six months, past experience demonstrates that its function -- approaching planning, problems and tasks from an interagency perspective -- will usually be needed for far longer. Finally, the CRC is currently organized around a unilateral mission, with no contingency plan for operating in a multilateral setting. This is a major gap, one that will limit its ability to cooperate in operations with the EU or UN. Thus, although civilian capacity is improving, the U.S. military continues to shoulder most of the burden of stabilization operations.

While the U.S. government is still building civilian capacity for reconstruction and stabilization, the EU has already established substantial capabilities, as described above. In 2000, the European Council defined four primary areas of civilian action in crisis management: police, strengthening the rule of law; strengthening civilian administration; and civil protection. The EU has since developed these areas further, strengthening its police actions, expanding the rule of law sector and monitoring peace accords and borders. The EU is currently engaged in 8-9 civilian missions, involving 3,000 deployed civilians. Such a deployment levels require an overall roster of 9-10,000, given rotational and training requirements.

The strong demand for such civilian forces has pushed the EU to its limits and it currently struggles to meet its requirements in some areas. For example, while EU-led police missions have the training and expertise required, they do not always have the numbers. EUPOL Afghanistan has been authorized to increase its numbers to 400, but it is having difficulties recruiting beyond its current 218 officers. France has suggested sending the European Gendarmerie Force to supplement EUPOL, but this may further complicate an already complex operation of many separate police initiatives in Afghanistan. While not an ideal solution in Afghanistan, increasing the EGF's role in future EU police missions could add great value. A partnership between France, Italy, the Netherlands, Portugal, Spain, Romania, Poland and, most recently, Turkey, the EGF knows how to operate in a multinational environment. It can deploy up to 800 gendarmes (2,300 with reinforcements) within 30 days, and can provide rapid civil security in crisis situations, either alone or under military command. It offers expert training, and is willing and able to perform under the most difficult circumstances -- a real advantage given the difficulties of recruiting police for dangerous environments.

The European Union can also offer experienced rule of law specialists -- prosecutors, judges and prison officers -- to S&R operations. These missions aim to strengthen the rule of law and promote human rights by building and supporting properly functioning judicial and penitentiary systems. The EU's largest civilian mission under the ESDP is the ongoing EULEX Kosovo but it also continues to support its EUJUST LEX mission to Iraq.

EU monitoring missions work to deter conflict through their physical presence. The ongoing EUBAM Rafah mission monitors operations at the border crossing point in Rafah in support of Israel and the Palestinian Authority's "Agreement on Movement and Access." The Aceh Monitoring Mission oversaw the implementation of the August 2005 peace agreement between the Indonesian government and the Free Aceh movement. Currently, the EU also has a monitoring mission in Georgia, which is the only international presence observing -- although not enforcing -- the implementation of the agreements with Russia.<sup>58</sup>

The United States and the EU have a mutual interest in developing their civilian capacities and to build synergies between both efforts. The priority focus should be on successful conduct of operations; development of capacity; and openness to cooperate across the full crisis management relationship.

- ***At a minimum, the U.S. and EU should establish a standing common task force on civilian crisis management.*** Both U.S. and EU staffs involved in civilian crisis management recognize the need for much greater and more constant cooperation, but with no institutional framework, progress in that direction has been spotty. A recent suggestion to exchange personnel from civilian planning staffs -- a good first step -- has so far come to nothing. It is urgent to leap ahead. This task force could first take on a role in conflict prevention, sharing intelligence about developing conflicts, especially given the data sharing agreement signed in 2007. The task force could also produce joint analyses and propose conflict-mitigating strategies for discussion by U.S. and European leaders. If a deployment of U.S. and EU civilian assets is required, this task force could also take on a role in coordinating national planning and force generation efforts, and even encourage cooperation between national forces deployed to the field. It would also be critical to include advice from military planning staffs regarding requirements.
- ***Eventually, the United States and EU should establish a joint planning center for civilian crisis operations.*** More effective than a task force would be a permanent joint planning capability that would integrate U.S. and EU efforts from the beginning, rather than simply finding intersections between separately designed plans. The EU and U.S. would maintain their own independent planning capacity for civilian operations, and lessons learned from national staffs could be integrated in the joint staff process (and vice versa). The U.S.-EU joint center could also include UN and NATO staff so that operations with those institutions might be better coordinated. Such a planning center could develop into the core of a joint headquarters for civilian operations.
- **Once joint civilian planning is well established, the U.S., EU, and NATO should build a “Transatlantic Fusion Center,” designed to bring together planning for missions requiring both civil and military assets.** In time, a joint planning center for civilian operations is unlikely to prove sufficient, given the close coordination that must happen between civilian and military capabilities in areas of crisis. The EU is already discussing integration of its pre-operational civilian and military planning staffs to create better planned responses.<sup>59</sup> As for coordinating military planning, the EU already has access to SHAPE’s planning and operations capabilities for missions coordinated with the Alliance, but there is as yet no consensus on how or whether to engage. The EU has considered establishing its own integrated military operational headquarters for autonomous EU missions, but planning for integrated civilian-military operations does not yet exist. But the plain fact is that the United States and Europe have no serious capability to plan joint civilian-military operations, even though that is exactly the type of operation that is likely to be most common in the 21<sup>st</sup> century. This initiative would not address the need for greater capabilities, but it could give the U.S. and EU integrated civil-military planning, perhaps allowing each to do more with less.<sup>60</sup>
- **The U.S. and EU should develop a joint focus on conflict prevention.** Too often, we are only engaged after a country descends in to chaos and conflict. Not only are untold lives lost or ruined, but when we do get engaged, stopping the conflict is far more expensive and dangerous than preventing a crisis. The U.S. and EU should especially focus policy cooperation in areas where future conflicts could emerge. Of the ten countries on *The Failed States Index* from 2008 published by the magazine *Foreign Policy*, real U.S.-EU cooperation can be said to take place towards Sudan, Iraq, Afghanistan, and Pakistan. But in the remaining countries, including Zimbabwe, Congo, Chad, Cote d’Ivoire, and the Central African Republic -- all of which could suffer from large-scale violence in the future -- U.S.-EU diplomatic cooperation has largely been a matter of routine. There has been little sign of genuine collaboration such as joint situational analysis or development of common or complementary strategies. The U.S. and EU should:

- **Share intelligence-based “watch lists” of countries-at-risk.** This will involve some sharing of intelligence but does not have to compromise sensitive sources.
- **Work to develop civilian capacities in third states and in relevant multilateral organizations.** Use development assistance funds and other resources to develop local capacities that can prevent conflict. And providing technical and financial assistance to the African Union, for example, can reinforce regional efforts to ameliorate or prevent conflict.
- **Focus on a few key countries including Somalia and Yemen.** Al-Qaeda is building capacity in both countries.
- **The U.S. and EU should develop a common framework, including doctrine and training, for civilian/military state-building missions.** Any military operation must have a firm base in doctrine and training, especially if multiple nations are involved. To date, U.S.-EU cooperation between deployed forces (both civilian and military) has relied on ad hoc coordination, often arranged by commanders in the field. It is urgent to develop a shared doctrine that would provide a framework for that cooperation, establishing some agreed objectives for such missions, along with providing more standardized structures and procedures for such operations. Doctrine, along with regular joint training and exercises, would make the transatlantic partners more effective in addressing the key regional conflicts and crises that affect their interests. If successful, any doctrine developed by the U.S. and EU for joint operations could also be shared with NATO and the UN.

Establishing appropriate objectives will be especially vital to the success of any future U.S.-EU missions. There is already some consensus on the goals for such stabilization and reconstruction missions. A comprehensive review of major strategic policy documents from U.S. and European ministries of defense, foreign affairs, and development and from key inter-governmental and non-governmental organizations reveals that there is neither a strictly American nor a strictly European approach. Instead, five end-states seem to be common: a safe and secure environment; rule of law, stable governance, sustainable economy, and social well-being.<sup>61</sup> The United Nations went some distance toward identifying these objectives in its *Peacekeeping Principles and Guidelines* -- often known as the *Capstone Doctrine* -- but much of that document is occupied with issues unique to UN operations. The U.S. Army’s Stabilization Doctrine explicitly recognizes the over-arching importance of these five end-states. The USIP study that identified these end-states notes that international interventions (unilateral and multilateral, UN and non-UN) since the end of the Cold War seem to share these end-states, either explicitly or implicitly, and virtually without exception.

Establishing a strategic approach to achieve certain end-states will bring some significant benefits. First, it will establish commonality of purpose among a wide range of actors, from military forces and government agencies to non-governmental entities. In many S&R operations, the bulk of the work is actually done by non-governmental entities, whether private contractors, small and large NGOs, or international organizations. It may be necessary to make adjustments for particular contingencies, and there is certainly a need in any contingency to define intermediate objectives appropriate to the particular circumstances. But having a framework agreed between Europeans and Americans would enable a good deal of cooperation in the assessment and planning phases of an operation that is not in fact being done today. Each participant could expect that there will be a focus on “social well-being,” for example, that would deal with access to and delivery of basic needs services and education; right of return and resettlement; and social reconstruction issues. The leadership and priorities might shift over the course of a contingency, but the end-state focus would remain.

This process will be neither easy nor smooth. The U.S. has a hard enough time creating and supporting its own interagency operations, so developing a new shared transatlantic approach may seem daunting. But without a common strategic framework, the international community will

continue to reinvent the organization of each intervention from scratch for each contingency, often spending a year or two figuring out how it should be set up while missing some of the best peacebuilding opportunities. A straightforward framework agreed between the U.S. and Europe could help overcome bureaucratic obstacles as well as legitimize an intervention in the public eye by providing a clear vision of the mission's purpose. It would help ease the difficulties inherent in civilian/military cooperation, which is undeniably about melding two very distinct organizational cultures; for the first time, for example, military officers would know where to look in a civilian operation for particular functions. This framework would make clear which capabilities are essential and where needed capacities are lacking and need to be enhanced. Today we largely organize international interventions by assembling those who are willing, without regard to requirements, and the gaps are too often only revealed once the effort is underway. Finally, such a framework makes up for the lack of unity of command. Although a unified command would clearly be desirable in U.S.-EU combined military-civilian operations, it is unlikely to be achieved anytime soon. The U.S. will not generally put its troops under any civilian command other than its own, and Europeans are often unwilling to put their civilians under a military commander. Unity of purpose is the best we are going to get -- but we have not been good about spelling out what it means. We can and should do better.

- ***A shared U.S.-EU doctrine for crisis and conflict management should address the treatment of civilians and irregular militias in the area of operations.*** U.S. and European forces -- both military and police -- should have shared guidelines for determining who is detained and under what circumstances. These rules should be based on the Geneva Conventions and other relevant legal documents agreed by both the U.S. and EU.
- ***Reinforce this shared doctrine by establishing a U.S.-EU school for conflict prevention, management, and post-conflict stabilization.*** This facility, which could be similar to the NATO College in Rome or the Marshall Center in Garmisch, should be open to others from outside the U.S. and EU who wish to contribute to such operations. It would thus spread a common approach to crisis management. The goal would be to build a golden generation of planners, 200 people from EU, its member states and various parts of the U.S. government, who would have opportunities to work together over a multi-year period.
  - A U.S.-EU Diplomatic Center in Washington, perhaps based at the U.S. Institute of Peace, could bring U.S. and European diplomats together on courses, workshops, and training programs as well as facilitating secondments between the different foreign services. As part of this, a "Marshall-Monnet Fellowship" for younger U.S. and European officials from the European Commission, Council Secretariat, European Parliament and EU governments could be set up, with a program to include an annual retreat, six-month secondments, and course work. Dealing with crisis and conflict could be a core focus for the U.S.-EU Diplomatic Center and the fellows.
- **The U.S. and NATO should facilitate having European constabulary forces participate in the post-combat phase of multinational military operations, and the U.S. should develop a similar capacity.**<sup>62</sup> Unlike the United States, a number of European countries have militarized national police units that are well suited for policing in areas of low-intensity conflict. Several governments of the European Union, drawing on longstanding paramilitary national police forces, are creating a multinational European Gendarmerie Force (EGF), which could be very valuable in S&R operations by filling some of the security gap between the end of military combat, peace support, relief operations, and the restoration of civil authority. Ideally, these European constabulary forces would be incorporated into U.S. and NATO military planning from the beginning. When necessary, the U.S. could provide European gendarmerie with necessary transport and intelligence support. If this integration into combined U.S.-EU missions is to succeed, however, the EGF and other similar forces must first establish liaison and training relationships with NATO and the U.S. that allow for regular military forces, constabulary forces, and civilian police and law enforcement officials to explore

techniques and procedures for stabilization missions. This will encourage the adoption of best practices and facilitate coordination, cooperation, and planning. Specifically, the EGF might establish liaison relationships with the Department of State's Office of Civilian Police and S/CRS, as well as the Department of Justice's International Criminal Investigative Training and Assistance Program and the Department of Defense. The United States could also encourage interoperability by permitting officers from European constabulary forces to participate in U.S. military academies, service schools, and think tanks. NATO's Allied Command Transformation and U.S. Joint Forces Command may be able to facilitate inclusion in both NATO and U.S. training centers.

The United States also must consider the best way to develop these kinds of capabilities itself, as it does not possess them today. While the American military should retain its multi-mission character, the U.S. should have available a mix of capabilities that allow for a seamless shift from ground combat to operations of a law enforcement character. In addition, the United States should capitalize on its combat/ stabilization/reconstruction experiences by creating a cadre of expert military trainers. This could be comprised of individuals returning from operations in Kosovo, Afghanistan, and Iraq who have experience in special forces, military police, or civil affairs, but who have retired from active-duty service or no longer meet military worldwide deployability criteria. Capturing this expertise and focusing it on the retraining of combat veterans to constabulary or local security forces would benefit and complement EU expertise.

- **The U.S. and the EU should work together to reinforce and enhance UN capabilities in peacekeeping and crisis management.** Aside from their efforts at overall UN reform, the U.S. and Europe, especially the members of the UN Security Council, should push that organization to reform and strengthen its capacity for peacekeeping, peace-enforcement, and humanitarian intervention. U.S. and European planning -- along with "lessons learned" from recent operations -- should be shared with the UN Department of Peacekeeping Operations, and UN staff should be included in U.S.-EU joint planning efforts. Even if the UN is not engaged in a particular operation, the experience will help build UN capability and make it more likely that U.S., EU, NATO, and UN cooperation will be effective in the future. The U.S. and the EU need to develop a clear agenda for conflict prevention and crisis management at the UN. In many of the world's unstable regions, it will not be U.S. soldiers or European diplomats who will broker ceasefires, police demilitarized zones or staff the post-conflict reconstruction missions (though the US and EU will likely continue to carry the costs). The burden will in the main fall to the UN, which in turn will rely on contributions from Asia and Africa. This makes it all the more important for the U.S. and EU to join forces in building both UN and developing world capacity, while agreeing common approaches where conflicts are likely to occur.
- **Support the development of a truly strategic partnership between NATO and the EU.** For the foreseeable future, NATO will remain the transatlantic partnership's premier military alliance for high-end defense requirements, including force transformation, demanding expeditionary missions, and major war-fighting. The EU does not aspire to such high-end military operations, but it could help promote transatlantic armaments cooperation, common R&D and procurement, standardization and interoperability, training, multinational logistics, and other activities in ways that conserve scarce resources and thereby benefit European and NATO defense preparedness. Our proposals for more effective NATO-EU cooperation are in *Alliance Reborn*; we simply summarize them below.

However, any serious progress on NATO-EU cooperation will require progress toward a settlement to the Cyprus dispute. Differences among Greece, Turkey, and Cyprus over this issue have blocked the strategic common good for too long and impeded the development of a more viable NATO-EU relationship. The situation has been further worsened by the fact that Turkey was an associated member of the WEU, but lost that status when the institution was superseded by ESDP. Even though Turkey is the top non-EU contributor to ESDP operations, the EU did not take up Turkey's offer to

contribute to the Georgia monitoring mission. Turkey's bid to gain association with the European Defense Agency was rejected while Norway, another non-EU NATO ally, was accepted. Inviting Turkey to join the nascent European Air Transport Fleet would be a tremendous act of goodwill. The EU should at a minimum seek ways of granting Turkey a status with ESDP that it enjoyed with WEU, perhaps through an association of some sort with EDA. Turkey, in turn, should end its blockage of EU-NATO cooperation. Overcoming this roadblock to a truly strategic partnership should be a high priority.

Once that block is lifted, several initiatives could be taken to develop genuine EU-NATO cooperation in managing regional conflicts and crises. The EU and NATO should:

- ***Develop institutional capabilities to enable rapid coordinated NATO-EU response to crisis.*** Such capabilities will provide the structure for a new NATO-EU security partnership. These institutional capabilities must be established and practiced in advance; otherwise they will be untried and irrelevant when the need arises. Consideration should be given to a NATO-EU Crisis Management Center as part of the civil-military crisis center at the EU. Fuller use could be made of the NATO and EU military liaison cells and improved contacts between the EU's Monitoring and Information Center and the Euro-Atlantic Disaster Response Coordination Center (EADRCC). NATO's Civil Emergency Planning (CEP) Committee should be reestablished as a joint NATO – EU committee to deal with civil emergency planning, stability and reconstruction, and mission deconfliction issues when and as required.
- ***Undertake joint planning of operations,*** especially on the Comprehensive Approach. NATO should welcome any EU planning capacity that strengthens capabilities to undertake complex combined operations. An institutional home could be found for a combined NATO-EU planning staff, where both institutions could undertake, where appropriate, joint defense planning, force planning, and doctrinal development of the Comprehensive Approach. Joint planning exercises should be held and could engage other parties, such as the UN and non-governmental organizations, and include a sharing of "lessons learned." Such joint planning could lead to the creation of a joint force generation mechanism that would request assets from both EU and NATO members for combined operations.
- ***Establish a joint operations command.*** In major operations where the EU and NATO are both engaged, such as in Afghanistan, the operation should be coordinated. One NATO Joint Force Command (as well as an EU Operational HQ) should be designated an EU-NATO command for major joint operations and could host EU planners to facilitate transparency and joint operations.

### ***Initiative Seven***

## **Redouble Efforts to Halt the Proliferation of Weapons of Mass Destruction**

Among all the foreign policy challenges facing the U.S. and the EU, proliferation of weapons of mass destruction (WMD) potentially could have the most lethal consequences. Although the U.S. and Europe lived together under the shadow of the Bomb for most of the Cold War, that was a relatively stable bipolar balance of terror. Today, proliferation threatens to undo regional and perhaps even global balances. While the development of a nuclear weapon by Iran or North Korea is a serious consequence in itself, the regional arms races likely to follow make such proliferation even more dangerous. If Iran succeeds in its effort to develop weapons, Turkey, Saudi Arabia, Egypt and others may consider similar steps. When the balance of terror is multilateral, it is unlikely to be stable or predictable. Nor is proliferation an issue concerning only states. Higher risks could be posed by the acquisition or development of WMD by terrorists. With little or no territory and a demonstrated willingness to sacrifice themselves for a cause, they cannot be deterred from using a weapon if that is their aim.

At first glance, stopping WMD proliferation may not seem to be a logical initiative for a strategic U.S.-EU partnership. Europe is divided, as its two nuclear weapons states -- Britain and France -- strive to keep enough of their deterrent alive to provide protection and a seat at the table. Those countries without nuclear weapons have a different set of interests, more focused on advancing the nonproliferation agenda. Reducing weapons stockpiles -- a critical part of the nonproliferation agenda -- relies on arms control negotiations, which have generally been dominated by the Americans and the Russians, at least in the case of nuclear weapons.

Nonetheless, there is much the U.S. and the EU can do together to advance the nonproliferation agenda. The EU3 (Britain, France, and Germany) took a leading role in defining the U.S.-EU approach to Iran, and their effort was later adopted as the EU's own. The EU has long had a unified approach to the multilateral nonproliferation regime, aimed at strengthening the treaty and discouraging new proliferation. The EU has also been a supporter of international treaties that have limited the development or possession of WMD, such as the Comprehensive Test Ban Treaty (CTBT) or the Biological Weapons Convention (BWC). It has also supported the growth of restraints on conventional weapons, including the de-mining treaty and the proposed arms trade agreement. While the Bush administration was skeptical of the need for arms control or non-proliferation measures, the Obama administration has made this a key foreign policy priority. The President's Prague speech established the immensely ambitious objective of creating a world without nuclear weapons, and -- more important in the short term -- totally changed both the atmosphere and rhetoric on this issue across the Atlantic.<sup>63</sup> With this renewed and robust U.S. commitment, now is the moment for the U.S. and EU to work together in pursuing a strong nonproliferation and arms control agenda. They should:

- **Advance a bold initiative in biosecurity.** Successful global approaches to biosecurity must begin with the transatlantic community. Europe and North America together represent the largest repository of resources, skills, talents, leadership and international engagement to make health an integral part of societal resilience. The U.S. and various European countries have advanced domestic biodefense efforts, but relatively little has been done to strengthen international biodefense. Efforts to graft nuclear nonproliferation regimes onto the biological realm have been fraught with difficulties and are of questionable merit. Successes can improve our health as they improve our security. Areas for cooperation include
  - improved global biosurveillance capabilities;
  - better early warning and detection systems;
  - robust information-sharing, investigational and preparedness mechanisms;
  - harmonized standards; and
  - cooperative medical countermeasures and stockpiles.<sup>64</sup>
- **Continue efforts to stop Iranian nuclear proliferation.** Prospects remain highly uncertain; yet it is critical that the U.S. and EU work closely together on this issue. The U.S. and EU must also work with Russia to ensure that Iran receives the same message from all the parties. The U.S., EU, Russia and China must continue to explore a wide range of options, but also be ready to implement a tougher sanctions regime if required. The U.S. and EU should discuss the impact of Iranian proliferation with other governments in the region and begin, sooner rather than later, efforts to discourage proliferation elsewhere in response to Iranian moves.
- **Strengthen the International Atomic Energy Agency (IAEA).**
  - *Provide enhanced resources and other support.* The IAEA is fundamental to the nonproliferation regime. By relying on the Agency to monitor proliferation-related activities and to provide certain judgments, the U.S. and the EU improve the credibility of their own efforts. As an important step in that direction, the U.S. and EU should work to make the 2010 Nuclear



Security Summit effective in establishing greater capacity to track and protect nuclear materials, and safeguard against nuclear terrorism.

- ***Enhance the security of civilian nuclear power programs by establishing an international nuclear fuel cycle bank supervised by the IAEA.*** As more countries develop civilian nuclear power programs, the fuel cycle will present greater and greater proliferation challenges. Instead, fuel should be provided from internationally supervised reserves, and countries would be restricted from developing uranium-enrichment and plutonium separation capabilities. Even the spent fuel would be returned to the international authority, presumably working under the IAEA. Such an arrangement would reduce the amount of sensitive material freely available. Such a step has immediate relevance to efforts aimed at bringing Iran back into NPT compliance, but participation by all nuclear weapons states would provide a strong demonstration of their commitment to an international nuclear regime.
- ***Assist third countries in developing the expertise and capacity to comply with IAEA requirements.*** Since 2005, the U.S. and EU have conducted a dialogue on compliance and verification, including an exchange of views on countries that are having difficulty complying with IAEA rules. In some cases, non-compliance exists simply because the government in question does not have sufficient technical expertise or administrative capability to implement all the rules. By providing training and perhaps funds, the U.S. and EU could encourage these countries to develop a greater stake in preventing proliferation.
- ***Develop a joint U.S.-EU approach to the 2010 NPT review conference that will address major concerns of the developing countries.*** Together, the U.S. and EU must find a way to address the charges from some developing countries that the nuclear weapons-states (especially the P5) are not serious about reducing their arsenals. A U.S.-Russian START follow-on agreement will be very helpful in this regard, as would be a commitment to join the Comprehensive Test Ban Treaty. As promised in the 2009 U.S.-EU summit declaration, they should also press for movement on the 1995 Middle East resolution on nonproliferation, which encourages all states in the region to join the NPT, but also poses the bigger ambition of establishing a verifiable Middle East WMD free zone in the future. Finally, they should promote the wider voluntary adoption of the IAEA's Additional Protocol, which provides the Agency with greater capacity to verify that non-nuclear states are only using nuclear materials and facilities for peaceful purposes.
- ***Work to secure the adoption of multilateral arms control agreements.*** The United States has recently come out in favor of an international arms trade treaty, which the EU also supports. By supporting the development of rules governing transfers of conventional weapons, the U.S. and EU will reduce the opportunity for illicit use. The U.S. and EU should pursue the entry into force of the Comprehensive Nuclear Test Ban Treaty (CTBT), the full implementation of the Chemical Weapons Convention (CWC), and also push for an immediate start of negotiations for a Fissile Material Cut-Off Treaty (FMCT), as called for in the November 2009 U.S.-EU summit statement.

### ***Initiative Eight***

#### **Improve the Effectiveness of Development Policies and Humanitarian Assistance**

The United States and the European Union are by a wide margin the world's leading providers of development aid and humanitarian assistance. Past efforts to improve cooperation and effectiveness in these areas have met with uneven success. Yet the economic crisis and its impact on aid commitments make effectiveness and cooperation more urgent and potentially more feasible. At the 2009 U.S.-EU

Summit both sides agreed to invigorate their Development Dialogue, but were modest in their ambition. The transatlantic partners are called to engage in a much more comprehensive agenda for cooperation on development policies and humanitarian assistance.

President Obama has pledged to double U.S. foreign assistance by 2015; make economic development a pillar of his strategy in Afghanistan; and push for a \$20 billion program in conjunction with other countries to fight hunger. Secretary of State Hillary Clinton has included development as one of the "three Ds" of U.S. foreign policy, together with defense and diplomacy. Better cooperation with multilateral institutions is expected. USAID restructuring could have a positive impact on aid effectiveness.

The basis for EU efforts will also now change. The Treaty of Lisbon introduces a specific legal base for humanitarian aid and emphasizes application of principles of international law and the core humanitarian principles of impartiality, neutrality and non-discrimination. It also envisages the creation of a European Voluntary Humanitarian Aid Corps. The Lisbon Treaty also states that the reduction and the eradication of poverty is the primary objective of the Union's development cooperation policy. This goal must be respected when the Union implements policies likely to affect developing countries. This implies that development policy is a policy in its own right, and not an accessory of common foreign and security policy. In case of urgent financial aid, the Council will act by qualified majority upon a proposal from the Commission. This should mean quicker financial aid in the future. The Treaty of Lisbon will classify development cooperation and humanitarian aid as "shared parallel competences:" this means that the Union conducts an autonomous policy, which neither prevents the member states from exercising their competences nor makes the Union's policy merely "complementary" to those of the member states.

### **Development Policies**

The U.S. and the EU and its member states account for 85 percent of official development aid (ODA) around the world, and also account for the bulk of foreign direct investments, philanthropic and trade flows with the developing world. These countries are also important players in the main development fora, including the OECD's Development Assistance Committee (DAC), the G-8, the United Nations (UN), and the World Bank's Development Committee and the regional development banks. They have provided much of the energy and effort behind the completion of major international agreements on development policy that have served to mobilize development resources and build country capacity, including: the Monterrey Consensus, the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action on Aid Effectiveness, and the Millennium Declaration.

The U.S. and the EU have played an active role in responding to global challenges that include food security, climate change, energy and natural resource management, infectious diseases, and the mitigation of disasters. They have worked together to transform the global development agenda to deal with conflict and fragile states, democratic governance, and public-private partnerships. The potential cost of uncoordinated, ineffective, and fragmented action is evident. There is a common interest in making aid more effective and in developing other means to reduce poverty in accordance with the Millennium Development Goals (MDG).

In the current global economic and financial climate, U.S.-EU commitment to integrating developing countries into the global economy is more critical than ever and should be considered one of the key pillars of a more strategic partnership. The opportunity to move forward in this area is enhanced by important changes on both sides of the Atlantic. It should be based on a shift in conception from simply providing more "aid" to more coherent and effective development policies. There is a strong consensus on both sides to overcome the traditional scheme of North-South aid, which can be ineffective, and not linked to the creation of markets or to more effective regional integration and greater country-level and

regional capacities. According to this new approach, sustained/sustainable development could be incorporated to the global agenda through renewed economic multilateral mechanisms.

Steps have already been taken in this area. At the November U.S.-EU Summit both sides agreed to re-launch the moribund High Level Consultative Group on Development and to hold annual meetings at ministerial level to advance and guide cooperation at policy level as well as the achievement of results in the field. They agreed to accelerate implementation of their commitments under the Paris Declaration and Accra Agenda for Action, with a strong focus on in-country implementation; and to focus cooperation on three common priorities: food security and agricultural development, with an initial focus on Africa; promoting enhanced cooperation at the country level in developing countries of mutual interest to ensure effective and efficient actions to combat climate change; and to agree on a harmonized approach to the September 2010 UN High Level MDG Review, with a focus on joint efforts that could contribute to the achievement of the MDGs by 2015. They also agreed to explore the potential of new innovative financing mechanisms, including new forms of voluntary contributions by citizens and corporations. This is a modest but useful start. The U.S. and EU should now:

- **Focus on food security and agricultural development.** The objective is to work together to advance country-led action on food security, with an initial Africa focus. This is a good beginning, but should be broadened to include Latin America, developing Asia, and other regions. Moreover, the U.S. and the EU should eliminate or significantly reduce their own domestic agricultural and biofuel subsidies. Developing countries should eliminate South-South barriers to trade as a means to boost food security. Policy makers should prioritize investment in agriculture to increase production, including in infrastructure, including research and development, sustainable agricultural practices, access to credit and markets, extension services and by exploring crop-specific solutions, including GMOs.
- **Support regional integration in Africa.** The U.S. and EU should coordinate their approaches to strengthening regional organizations and regional cooperation. The goal would be to lend joint support to African-led efforts to rationalize roles and responsibilities between continental-level and regional organizations that could lead to stronger, more effective regional organizations and increased institutional capacity of member countries. Regional integration can contribute greatly to peace and stability in the region; a benefit not only for the local population but also to the U.S. and EU. This should include
  - Enhanced work on the North-South Corridor in East Africa;
  - Stronger coordination in the context of the Economic Partnership Agreement Program for Development (PAPED) between the EU and the West Africa region, corridor development and related aid-for-trade issues;
  - Better coordination of work on regional development problems, such as pastoralism, in the Horn of Africa;
  - Efforts to ensure trade is fully integrated into the countries' development strategies, as called for in the WTO's Enhanced Integrated Framework and the overall Aid for Trade effort;
  - Improved information sharing at the regional level;
  - Common methodologies, such as "scorecards" of progress.
- **Work on Policy Coherence for Development.** The U.S. and EU could engage in a substantive dialogue regarding policy coherence in a small number of sectors consistent with those selected by the European Commission in its recent communication on Policy Coherence.<sup>65</sup> Selected areas are climate change; food security; migration policy; intellectual property rights; peace and security.
- **Complement in-country efforts with stronger policy dialogue, coordination and consistency.** The U.S. and EU countries still promote their own priorities, making it difficult to streamline and ensure consistency among their development efforts. This lack of coordination and the dispersion of

resources produce a waste of resources on both the donor and recipient side. It should also include the coordination of all other development efforts led by other agencies or departments that often compete with the actual aid agencies for resources and responsibilities.

- **Promote partnerships with key private and public-private institutions.** Institutions such as the Gates Foundation and the Global Fund to fight AIDS, tuberculosis and malaria are playing major roles in development and need to be considered as major partners in all development efforts. These institutions are frequently more efficient, better funded and more focused than governments. Coordination with them is essential to ensure that duplication of activities is avoided.
  - There should be an effort to involve representatives – at board and advisory level – from selected U.S. and EU private or public-private institutions in policy-making at multilateral institutions, in order to incorporate best practice into their activities.
- **Increase multilateral aid.** By the September 2010 UN High Level MDG Review, the EU and the U.S. should set clear targets to increase the amount of aid to be channelled multilaterally, as a key step towards enhanced coordination. Currently, the average percentage of aid channelled through multilateral institutions for DAC countries is 34 per cent. U.S. development assistance channelled through multilateral institutions has decreased to 13 per cent from 26 per cent in the late 1990s. 70 to 75 per cent of total EU aid remains bilateral. The European Commission continues at 13-15 per cent of total development assistance whereas the rest is channelled through multilateral institutions.
- **Work on aid effectiveness.** The EU and the U.S. should engage in better monitoring, competition, country selectivity, and focus on key areas. To date, development policy seems to take insufficient account of thoughtful evaluations of past efforts that point to new approaches.
  - **Stimulate healthy competition.** Create mechanisms such as peer-monitoring to stimulate “healthy” competition among agencies involved in development.
  - **Focus on key areas.** Diversification has brought new challenges such as a lack of a clear strategy in tackling poverty and the inability to determine what the core competencies of the different multilateral institutions and donors are. The areas of work in which the U.S. and the EU, as well as the multilateral institutions, are active, could be reduced. Under the EU Development Consensus the EU committed to implement a Code of Conduct that includes a division of labor between countries. The U.S. should also be engaged in a high level dialogue with regards to division of labor. These areas should be identified through a renewed effort to learn from past experience and adapt to the changing development context. To ensure consistency and policy alignment it seems appropriate to focus on activities directly linked to achievement of the MDGs.
  - **Focus on key countries based on income and governance levels.** Greater effectiveness also depends on choosing target countries more selectively. Development assistance should largely focus on Low-Income Countries, where economic and social development has historically faced more barriers. The last decade has showed that Sub-Saharan Africa is still the region facing a more challenging environment for growth. For the Middle Income Countries (MIC) other schemes of support -- such as the direct promotion of trade and investment, or funds for social and territorial cohesion -- can probably prove more effective than aid. A related challenge is to identify those countries with better governance and institutions. Objective mechanisms of selection should be established, ensuring that development assistance does not become a political tool. In the U.S., the Millennium Challenge Corporation was one of the most ambitious programmes of the former Administration. In the EU, the MDG Contract seems to be a good approach to increasing aid selectivity. Other criteria could be to expand assistance to countries willing to establish labor and welfare institutions.

- ***Introduce new governance standards in multilateral institutions.*** A clear road map to ensure that developing countries are granted larger voting shares is critical to avoiding the loss of influence and the very relevance of these institutions. We provide suggestions on p. X.
- **Explore new instruments with new partners.**
  - ***Link technical and financial assistance to middle-income countries to the creation of competitive, regional and sub-regional integration frameworks.*** Explore new instruments such as EU-inspired Cohesion Funds aimed at improving social and territorial balances through connectedness (infrastructures and R&T), particularly in Latin America and the Caribbean (LAC). The source of these Funds could be, among others, the EU Commission, USAID, multilateral banks (Inter-American Development Bank, IMF) or the private sector.
  - ***Assess the role of development agencies in fighting climate change.*** Agencies should have a well-defined -- though not leading -- role in supporting least-developed countries in climate change policy, based on capacity-building and providing resources and advisory services for specific initiatives in the areas of agricultural and energy policy.
  - ***Engage Canada as a main partner in development policies,*** especially in Latin America and the Caribbean, where Canadian soft power and financial engagement are assets. Identify synergistic projects with the Canadian International Development Agency (CIDA), and its private sector, in existing programs of good governance and connectedness (infrastructures and R&T).
  - ***Engage new emerging donors,*** such as China, India, and Brazil, so that they comply with reformed aid rules. Emerging donors do not belong to OECD, nor do they comply with its Development Assistance Committee (DAC) rules. The U.S. and EU should launch a serious dialogue on new rules for development that will be more inclusive, transparent and accountable.

## **Humanitarian Assistance<sup>66</sup>**

The number of emergencies the global humanitarian system has to deal with has risen continuously since the end of World War II. It is poised to rise even further due to the effects of climate change and, combined with population growth and urbanization, will affect an ever growing number of people. Over recent decades, emergency response activities have become more effective, resulting in a decline in disaster-related deaths and improved assistance for the victims of conflicts and complex emergencies. This is due to improved national emergency response systems, the professionalization of humanitarian agencies, and the great increase of resources available for humanitarian assistance, now estimated to be least \$12 billion per year.

Today, however, the humanitarian system faces significant challenges. Emergencies have not only become more frequent, affecting a greater number of people, they have also become more complex. Many conflict-related crises, including in countries such as the Democratic Republic of Congo, Sudan, Somalia, Afghanistan, and Iraq have become protracted. Moreover, humanitarian agencies are often faced with a complex interplay of causes underlying emergencies, including natural and man-made factors.

At the same time, a severe identity crisis undermines the ability of humanitarian actors to respond effectively. The current humanitarian system is built on the principles of humanity, impartiality, neutrality, and independence. These principles have come under pressure as humanitarian actors face difficulties providing assistance effectively and on the basis of need; the nature of conflicts has been changing, blurring the lines between combatants and civilians; humanitarian actors are increasingly pressed to address root causes, especially in protracted crisis situations; and integrated approaches are being developed that link humanitarian to development assistance and include military and business actors in response activities. These developments, and the reactions of humanitarian agencies to them, reduce humanitarian space and lead to problems of access and security for humanitarian workers.

To deal with this identity crisis and the shrinking of humanitarian space, humanitarian actors, including donors and implementing partners, have to make tough choices. They could either revert to a strict interpretation of humanitarian principles to reestablish their credibility and protect humanitarian space, while accepting a narrow mandate that would not cover local capacity building, address root causes, or link relief to development. Alternatively, they could widen their mandate to include these and other similar activities to respond to a wider set of needs of affected populations, while acknowledging that this would further blur the distinction between humanitarian assistance and other policy areas and would probably exacerbate access and security problems. Finally, humanitarian actors could continue to pursue the currently popular approach of “strategic muddling through,” claiming strict adherence to humanitarian principles, while expanding activities and mandates in practice. In this case, however, humanitarian actors would have to accept that the contradictions inherent in this approach will lead to a loss of credibility, as well as to operational problems.

### *A critical role for the EU and the U.S.*

To make the humanitarian system fit for the challenges it faces and ensure that it becomes more effective and efficient at saving lives and alleviating human suffering, humanitarian actors need to improve their policies and operations, enhance the coherence of the humanitarian system, and redefine the position and role of humanitarianism within the broader aid and policy spectrum.

The transatlantic partners play a critical role in achieving these goals. Together, the European Commission, EU member states, and the U.S. Government provide almost two thirds of global humanitarian assistance. Through their policies and funding decisions, they have an important influence over implementing partners. They shape norms and policies at the global level through their participation in multilateral organizations and multi-stakeholder initiatives, including the United Nations, the Organization for Economic Cooperation and Development (OECD), the Good Humanitarian Donorship Initiative (GHDI), and the Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP). Due to their extensive field presence, they also have a direct impact on activities on the ground. In its funding, institutions and senior personnel, international humanitarian assistance remains a predominantly European and North American enterprise, rather than an area of broad global engagement.

Within the small group of official donors that provide the majority of international emergency response funding, the United States and the European Commission Humanitarian Office (DG ECHO) dwarf most of their counterparts not only in total contributions but also in their staff presence and operational capacity in emergency affected countries. Although American and European governments historically may have adopted different views regarding humanitarian assistance and its place within broader foreign policy, it is this divergence in capacity, rather than difference in view, that lies behind the more practical policy and operational differences between the major humanitarian donors.

A closer working relationship between the EU and the U.S. promises to enhance the effectiveness and efficiency of humanitarian assistance. First, it could generate greater policy coherence and ensure that the transatlantic partners do not duplicate their activities and do not undermine each other’s efforts. Situations in which the mass delivery of Western food commodities undermines efforts to strengthen local food markets by purchasing food regionally or locally or using cash hand-outs, for example, could be avoided. Second, closer cooperation would create opportunities for joint or mutual learning. This is critical to adapt humanitarian policies and practices to changing circumstances and to address existing gaps in analytical capacity in the humanitarian arena. Third, a joint effort of the transatlantic partners could be very effective at promoting reforms in the humanitarian sector as a whole. Acting in concert, they could provide critical impulses for promoting the implementation of lessons learned concerning, for example, local capacity and gender; determining a coherent approach to linking relief, rehabilitation, and

development; and developing consistent, risk-minimizing ways to include business and military actors into relief and preparedness activities. Finally, further improvements in humanitarian cooperation will require not only creating stronger, more strategic links between the U.S. and DG ECHO, and between these two donors and other EU and Western donors, but also, and perhaps most importantly, between this entire assembly and the multitude of ‘non-traditional’ or ‘emerging’ donors that have yet to be brought into the humanitarian system in a substantive way.

If the EU and U.S. act to enhance their cooperation, they should do so in ways that avoid some potential pitfalls. First, cooperation should be structured so as not to exacerbate perceptions that the humanitarian system is dominated by and biased towards the “West” or that humanitarian agencies are pursuing other political aims. This perception makes many non-Western governments hesitant to support the humanitarian system. Even more problematic is that a growing number of governments, including Myanmar, Sudan, Zimbabwe, and Sri Lanka, are using this argument as a reason or pretext for at least temporarily or partly denying humanitarian agencies access to those in need. Some insurgency movements have tried to portray aid organizations as agents of Western domination and have increasingly targeted them for violence. Second, enhanced transatlantic cooperation should not threaten the independence of humanitarian assistance. That means enhancing cooperation primarily because it would improve the delivery and impact of humanitarian assistance, rather than treating humanitarian issues simply as an instrument with which to improve diplomatic relations. It also means ensuring that the transatlantic partners are careful not to abuse their joint influence over implementing partners, and thus potentially undermining their independence. Finally, high levels of cooperation and coordination can be costly, not only in terms of transaction costs, but also because less diversity in the humanitarian system could diminish its capacity for innovation.

On the whole, therefore, the transatlantic partners should choose cooperation modalities that can address current challenges while being mindful of these risks. To achieve this, enhanced cooperation should remain open to other parties and strengthen the voices and participation of affected populations; focus on improving the delivery of humanitarian assistance; respect the independence of implementing partners; and allow for a certain level of diversity within the humanitarian system. **The EU and U.S. should:**

- **Strengthen the enabling conditions for informal cooperation among themselves and other humanitarian actors** by:
  - signaling strong top-level political support for enhanced cooperation through the adoption of a common humanitarian agenda for action;
  - enhancing transparency concerning the roles, responsibilities, and operating procedures of all institutions involved in emergency relief and preparedness;
  - improving knowledge management by introducing longer staff hand-over periods, investing in better information and contacts databases, and stronger support for the efforts of the UN Office for the Coordination of Humanitarian Affairs (OCHA);
  - strengthening personal contacts by promoting joint trainings, missions, and staff exchanges, such as the joint assessment missions in Chad and DRC, as well as by including the creation and maintenance of contacts in job descriptions and staff trainings.
- **Emphasize multilateral and multi-stakeholder channels for cooperation** by improving the quality and effectiveness of these initiatives and focusing on opportunities for EU-U.S. cooperation within these frameworks, for example by expanding internal EU coordination meetings to include exchanges with the U.S. Government at an early stage.
- **Use high-level, bilateral meetings to address key policy differences.** Current policy differences concerning the role of humanitarian principles, the integration of humanitarian assistance with other

foreign policy and security goals, the role of the military, and food aid hinder effective operational cooperation. Relevant decision-makers should address these divergences explicitly.

- **Improve the capacity of humanitarian donors to implement lessons.** Time and again, evaluations identify the same challenges and “lessons.” The inability of humanitarian actors to implement those lessons is a key obstacle for enhancing the effectiveness and efficiency of humanitarian assistance.
- **Enhance conceptual clarity and coherence.** The transatlantic donors remain unclear on whether they pursue a needs-based or a rights-based approach to gender and local capacity.
- **Address the challenge of linking relief, rehabilitation, and development.** The European Commission and the U.S. Government have each made a strong rhetorical commitment to “linking relief, rehabilitation, and development” (LRRD) or “development-relief.” This commitment is reflected in a stronger official emphasis on crisis preparedness, disaster risk reduction, and the development of local emergency relief capacities. In practice, however, tensions and sometimes incompatibilities between humanitarian assistance and development persist and the implementation of LRRD remains haphazard. They should
  - decide either to largely forgo LRRD to protect the independent and principled provision of humanitarian assistance; or to expand humanitarian mandates to enable LRRD, while acknowledging that this undermines the independence of humanitarian assistance.
  - If they decide they want to strengthen the links between relief and development, they should also develop better techniques for doing so.
    - Focus on the similarities between humanitarian and development assistance, which are both geared towards supporting people in need;
    - Ensure that the responsibilities of humanitarian and development departments are defined in such a way that LRRD programs do not continue to fall through the grids;
    - Engage in joint emergency-specific situation analysis and scenario planning to uncover opportunities for linking the two realms;
    - Identify implementing partners with good LRRD programs;
    - Focus on the development of local capacities for relief.
- **Maximize business contributions to humanitarian assistance, while minimizing their risks.** Businesses can make very valuable contributions to emergency relief and preparedness through cash and in-kind donations, as well as their special expertise and products. Yet the EC and the U.S. have adopted different stances concerning the role of business in humanitarian assistance.
  - **Increase investment in preparedness activities.** Commercial preparedness programs such as weather insurance for small-scale farmers or catastrophe insurance for governments are innovative, effective, and efficient ways of mitigating the impact of natural disasters. Similar initiatives should be supported.
  - **Develop common standards for business engagement.** To date, no broadly accepted standards exist that would ensure that business engagement complies with humanitarian principles. Build on the efforts to create standards made by the World Economic Forum and the International Peace Operations Association.
  - **Enhance transparency.** Current donor engagement with business, especially in the case of for-profit emergency relief, often lacks transparency and accountability. Donors should more readily provide information on contract partners, their products or services.
- **Address normative problems of civil-military interaction and improve operational approaches.** Military contributions to relief efforts have become commonplace, yet the role of the military in humanitarian assistance remains controversial. To improve their ability to harness civil and military



capabilities for effective emergency response, the transatlantic partners should minimize conflicts with humanitarian principles; develop stricter standards on military involvement in humanitarian assistance by integrating the so-called Oslo guidelines into their policies; and enhance their practical capacity to cooperate in the field of civil-military cooperation by supporting and expanding joint training exercises such as Viking '08, deploying mutual observers to their remaining exercises, and encouraging exchanges between civil and military agencies during their training.

- **Continue to strengthen humanitarian mechanisms, while including non-Western donors.** The U.S. and the EU have an interest not only in maximizing their own capacities for aid, but in widening the donor base and ‘globalizing’ the humanitarian enterprise, reaching out especially to Muslim nations and aid organizations. “Pooled funds” such as the Central Emergency Response Fund (CERF) for UN humanitarian agencies, have shown the most promise for engaging non-Western governments in the international humanitarian system, -- not only wealthy Gulf states and emerging powerhouse economies, but also developing nations, including recent recipients of humanitarian assistance. Even as they emphasize bilateral funding arrangements, the U.S. and the EU should seriously consider increasing their support for multilateral funding channels, including their contribution to the CERF, and encouraging others to follow suit.
- **Energize growing donor interest in extending the definition of humanitarian action on either side of acute emergency assistance.** On the pre-emergency side there has been renewed focus on disaster risk reduction (DRR) and building local capacity for preparedness and response, while on the opposite end, greater funding resources and project activities have been devoted to early recovery or “transitional” aid programming after a disaster or conflict. The U.S. and EU donors must now seek solutions for how to most effectively mobilize and channel funding for these activities. Because national actors in the affected states are critical to the endeavor, it also provides an important opportunity for the donors to engage the G77 governments in the international humanitarian dialogue and potentially expand their ranks.
- **Strengthen operational security for humanitarian response.** Aid worker security is a need shared by all humanitarian stakeholders. In the small number of emergency aid contexts in theaters of global jihadist insurgency (Afghanistan, Iraq, Pakistan, and Somalia) humanitarian aid organizations have seen their personnel and operations specifically targeted and attacked by belligerents who see them as wholly in league with their political enemies. Donors have been responsive but lack a forum to discuss operational security, including issues of independence of humanitarian providers in contested areas, ways to clarify and standardize security budgeting across agencies, and how to improve security information sharing, tracking, and analysis by providers in the field. The Good Humanitarian Donorship (GHD) initiative would be an appropriate platform for this much needed dialogue.

### *Initiative Nine*

#### **Develop an Open and Competitive Transatlantic Defense Market<sup>67</sup>**

Historically, defense markets have been among the most protected of any industrial sectors because of their close relationship to sovereignty and national security as well as their impact on domestic jobs and technological leadership. Today, a series of complex and interrelated market access barriers — embedded in government laws, rules, policies and practices — serve as a drag on transatlantic defense market development. Key market access impediments, which vary in degree by country, include: domestic content rules; informal domestic work share requirements; offsets and *juste retour*; foreign investment rules and policies; U.S. defense trade rules, including the U.S. International Traffic in Arms Regulations (ITAR); and continuing government ownership and control of defense firms in some countries.

In an era where firms can “buy” into foreign commercial markets globally through mergers, acquisitions and joint ventures, restrictions on foreign investment in defense assets have been a limiting factor on both sides of the Atlantic. Today, however, transatlantic defense markets, driven by economic realities, are in transition from historically closed “national” markets to more open and competitive markets and somewhat “better value” buying habits. The result has been some increase in market openness in the United States and most of European countries. Moreover, the EU is developing a real role in defense markets — as a regulator, coordinator and, gradually, as a buyer.

Nonetheless, despite constructive developments in European defense markets, there is evidence of an emerging European (as distinct from national) policy preference and Eurocentric buying pattern in the growing number of non-U.S. awards in European competitive procurements. The new EC Defense Procurement Directive, while ostensibly neutral on non-EU participation in European defense markets, possibly affords national authorities the opportunity to use various formalized EU acquisition procedures (e.g., “security of supply” and “security of information” provisions) to effectively exclude U.S. and other non-EU firms. In addition, the growth of European cooperative procurements unfortunately means fewer opportunities for U.S. firms in light of longstanding *juste retour* policies, under which participating governments negotiate work share agreements that allocate work to their own national firms on the basis of the investment of each country. Finally, there is clear evidence of a behavioral shift in Europe toward “designing around” or designing out components or subsystems regulated by the U.S. International Traffic in Arms Regulations (ITAR), which has a particularly adverse impact on U.S. subsystem and component suppliers. Absent strategic action by the United States, the market position of U.S. firms in Europe is likely to erode over time — with occasional European buying of U.S. system solutions (for urgent requirements or where no other comparable or affordable European options exist) and fewer opportunities for U.S. subsystem suppliers.

European suppliers also face significant challenges in the United States. These include institutional and cultural constraints, the sheer complexity of the U.S. market, the costs of entry, and security-driven measures. The risks of additional Buy American legislation and similar actions during the ongoing economic downturn and the failure to reform defense trade controls also are key factors that can undermine U.S. ability to collaborate with European and other allies. Further, as defense budgets tighten due to growing U.S. fiscal imbalances and competing economic needs, it remains to be seen whether programs that feature large European value-added elements will win sustained domestic support.

Over the longer term, however, a number of factors point to the gradual evolution of a more appealing environment for European firms, including the size of U.S. spending and range of opportunities; signs of increasing customer willingness to consider foreign sources; and the increasing willingness of the United States to allow foreign firms to buy into the market through mergers, acquisitions and other forms of industrial collaboration. Traditional attitudes are changing, and there is increased evidence of “openness” to foreign sources of supply by the primary corporate manufacturers. The emerging elements of the Obama Administration defense acquisition policy tend to create incentives for U.S. Department of Defense (DoD) to allow additional market access for foreign suppliers in the future. In this regard, the new “demand” side emphasis is on affordability, more rapid fielding, more competition and “70 percent solutions” -- putting the practical ahead of the perfect -- in the context of shifting investment toward irregular warfare challenges. In this context, enhanced market access can not only result in more competition, and the innovation and affordability it can bring, but also can facilitate U.S. access to existing “70 percent solutions” from abroad. Further, future conflicts may be waged not via defense hardware but by potentially devastating cyber or other global levers of power. This puts even more of a premium on transatlantic collaboration to override market access impediments.

The risks of “fortress-like” conduct on both sides of the Atlantic are interactive. U.S. policies and attitudes can have a bearing on European actions with respect to its defense market, and vice versa. A series of U.S. laws, policies and practices -- challenges posed by ITAR; restrictive policies on foreign investment in U.S. defense firms; restrictive immigration policies; and constant congressional Buy American proposals -- can create an impression of U.S. protectionism that helps shape European actions regarding its defense market and enhances the risks that Europe will move in a reciprocal and more protectionist fashion.

The development of a more open and competitive transatlantic defense market can be a potentially useful policy tool for solidifying the transatlantic relationship in a world where collective action is more likely the norm than the exception, facilitating coalition capabilities while improving affordability and innovation in defense acquisition. In an era when weapons costs continue to escalate and defense budgets are increasingly constrained, enhanced transatlantic competition can help drive affordability and innovation in consolidating U.S. and European defense markets. While greater transatlantic defense industrial cooperation necessarily implies greater technology sharing, enhanced standards and appropriate security safeguards can appropriately mitigate associated risks.

Deepened transatlantic defense industrial cooperation will not be easy to achieve -- it goes against the basic grain of national governments to protect their strategic industries and to spend their R&D and procurement dollars at home. It also requires changing laws and rules and breaking down longstanding institutional and cultural impediments. Further, if the EU and its members decide as a strategic matter to focus largely inward on fostering their own European market development -- a fair prospect -- it will not be possible to make material progress on this agenda.

Transatlantic market development will not automatically result in greater force interoperability, improved coalition capabilities or greater weapons affordability. This is only one piece of a larger mosaic, with other steps beyond the scope of this report, that can help to achieve these strategic goals. And this strategy will be effective only when both the U.S. and Europe are willing to apply scarce leadership resources to shift the paradigm from national defense industrial policy toward a transatlantic defense industrial policy among a community of trusted partners.

This will not be easy. Developing an open and competitive transatlantic defense market requires senior leadership attention, and will inevitably be evolutionary in nature. Since governments have powerful incentives to spend their resources at home, it requires substantial leadership attention to change the existing culture. Moreover, the nature of the resistance to change is such that it will take time to change deep-seated cultural and institutional attitudes -- a matter of years, not months. One lesson from the Clinton years -- when major reforms were initiated during the last two years of the President’s second term -- is that this type of paradigm shift needs to be started earlier in the Administration in order for it to really produce results. With that in mind, the time to start is now.

- **Focus on *both* the supply and the demand side of the market.** Experiences over the last two U.S. Administrations indicate that progress cannot be made by relying primarily on “supplier globalization” -- the development of enhanced defense industrial linkages among allies. This will not be effective in the absence of a more open market on the demand side that will entertain offerings from such globalized firms. There is little point in urging transatlantically linked firms to come forward with bottom-up solutions that promote interoperability and coalition- capable acquisitions unless the buyers are willing to entertain such solutions. Moreover, achieving the goals of interoperability and capability acquisition cannot be done through bottom-up supplier offerings alone. More attention is needed to create a demand pull to complement the supplier push.

- **The United States must fully accept the reality of an EU with a significant role in defense generally and in defense markets in particular -- with an emerging role as regulator and buyer.** NATO is no longer the only appropriate multilateral forum for U.S.-European engagement on defense market matters. Accordingly, the United States should not rigidly cling exclusively to a bilateral process and engagement only with NATO. Rather, the U.S. should embrace, engage with, and work to shape the EU's emerging role in defense generally, and defense markets in particular, in a manner consistent with U.S. interests rather than continue to question or resist this development. Thus, a linchpin of a new U.S. strategy should be to engage on a bilateral and multilateral basis with the six major defense supplier nations in Europe (France, Germany, Italy, Spain, Sweden and the UK, hereafter referred to as the LOI 6), the EU and NATO -- to create effective "hardwiring" and improved standards for an open and competitive transatlantic defense market.
- **Focus on low-intensity capabilities.** The emerging U.S. demand-side shift currently underway -- toward greater investment in low intensity conflict and coalition operations in support of such missions -- should help shape U.S. defense market policies. Thus, the U.S. and European partners should organize their armaments cooperation around the development of low intensity capabilities -- where each can gain benefits from existing security solutions in the war against terrorism -- and enhanced interoperability -- with an emphasis on facilitating secure communications, friendly fire avoidance and improved situational awareness needed to work effectively in coalitions. These efforts, less platform-oriented and in some aspects lower-tech in nature, are more realistic, less apt to engender protectionist tendencies on both sides of the Atlantic, and more likely to produce meaningful results.
- **Increase armaments cooperation in support of coalition operations and transatlantic market development.** Develop interoperability roadmaps for NATO and coalition forces and use these as a basis for cooperative engagement. A cluster of efforts could focus on low intensity operations.

  - The United States should consider, among other things, joint programs or foreign participation in key U.S. enabling programs for network-centric operations (including technology demonstrators) in order to facilitate force interoperability with key allies -- a serious need that has been largely left unattended. Such programs could 1) focus on fostering the development of common network-centric architectures into which nations can "plug and play;" 2) incorporate their own sensor outputs; and thereby 3) achieve secure communications, similar levels of situational awareness and other potentially higher-order forms of interoperability as needed.
  - The United States also should consider joint investments with the EU in defense and homeland security (e.g., in the area of civil/ military interoperability). The Obama Administration should seek to work cooperatively with Congress to amend the Arms Export Control Act in order to afford the DoD the authority to enter into cooperative R&D agreements with the EU. Today, such agreements can be signed only with individual governments or NATO.
- **Reform government rules, policies and processes to facilitate development of a transatlantic defense market.** An emerging confluence of U.S. and EU policies and practices -- some intentional and others unintended, some old and some new -- together threaten to impair U.S. and EU access to each other's innovations, as well as defense markets, and impede each party's collaboration with foreign partners. Governments on both sides of the Atlantic should consider giving guidance to appropriate agencies to administer their various regulatory regimes ways that protect national security without neglecting competitiveness considerations. For example, consideration could be given to a transatlantic global general license for non-sensitive goods between certified companies that covers a fixed period of time, instead of licenses for every single transaction.

- **The U.S. should review ITAR; reform defense export controls; and consider merging export control and national disclosure regimes.** U.S. defense trade controls are a barrier significantly impeding transatlantic cooperation and the evolution of a transatlantic defense market. Numerous studies, including some by the Defense Science Board (which is tasked to advise the DoD), have pointed out the problems inherent in the U.S. export control system. The time for study is past.
  - **Reform ITAR rules, policies and practices** with a view toward a balanced approach that safeguards those technologies, products and systems that warrant protection but allows release to close allies in order to develop a more open and competitive transatlantic defense market and promotes interoperability among coalition forces. Changes are warranted in both procedures (which are too complex and arcane) and release policies. Allowing greater release of technologies and technical information for low intensity operations should be a priority and should pose fewer challenges than sensitive information relevant to high intensity operations.
  - **Ratify the U.S.-UK and Australia export control treaties** signed in 2008. These agreements offer a new model for technology sharing among a community of trusted friends.
  - **Reform related national disclosure policies** that pertain to the release of classified information. These policies today inhibit U.S. ability to engage in coalition operations and also undermine defense industrial collaboration. One option to consider is the merger of national disclosure and export control regimes — they are really two sides of the same coin.
- **The U.S. should modernize its Foreign Ownership, Control and Influence (FOCI) mitigation arrangements to lower the costs of doing business while maintaining security.** The basic mitigation agreements being used by the DoD where foreign firms acquire FOCI of U.S. defense firms with classified contracts were developed decades ago. They have not been modified to adapt to twenty-first century business models now in place. While foreign firms with U.S. classified operations have learned to live with the inflexible arrangements that exist under today's U.S. industrial security rules, they nevertheless impose significant administrative costs and burdens beyond what is necessary to protect security in some situations and limit the ability for business synergies and the innovations that may result. Accordingly, the DoD should conduct a review with a view toward adopting a more flexible approach that nevertheless maintains security.
- **Put in place the international “hardwiring” for an open and competitive transatlantic defense market.** The United States and European counterparts should address market access impediments, ease insecurities, “level up” standards and harmonize practices in areas such as market access, industrial security, export controls, procurement, R&D, the development of the defense industrial base, offsets, security of supply and technical standards. U.S. willingness to share more technology with European partners inevitably will be tied to European willingness to enhance their own security standards *vis-à-vis* third parties and to invest significantly more themselves in R&D.
- **The EU should avoid the development of a European Procurement Preference in the implementation of its new Defense Procurement Directive.** The EU's new Defense Procurement Directive and any other new rules or policies on European acquisition must be implemented in a manner consistent with existing international trade law principles on government procurement and should not be interpreted so as to create a “European preference.” The United States should signal that the adoption of European preferences, explicitly or implicitly, would be viewed as contrary to existing reciprocal procurement MOUs and could result in the possible termination of such MOUs. The U.S. and EU should also focus on the “security of supply” measures in the Directive, which suggest that ITAR-based products in a supply chain of a bidder might be viewed as “insecure” and therefore put that bidder at a competitive disadvantage *vis-à-vis* other bidders with no ITAR-based products in its offering. Agreements on some method for assuring “security of supply” (e.g., a priority allocation process for times of exigency and peacetime) may perhaps be attainable, but it is also

important to remember that this is an area where conduct and practice are probably more important. Sovereign governments retain the right to deny supply to other governments; indeed, the U.S. government could not commit legally to cede these rights, which exist as a matter of law. European governments thus should recognize that dependence does not necessarily imply vulnerability in today's age of increased security cooperation. As a transatlantic market develops, with more cooperation and competition, this type of concern should gradually ease as trust and confidence grow.

- **Shape demand-side measures with arms-buying nations to curb illicit foreign payments in the defense sector.** Western suppliers will continue to face pressures to make illicit payments to government buyers in transitional and developing countries. The reported prevalence of bribery and corruption in the military sectors of developing countries in Asia, Latin America and Africa, and in transitional countries of central and eastern Europe, reflects deeply rooted and systemic problems. While Western governments have taken action to address the “supply” side of this problem through the adoption of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and national criminal laws prohibiting foreign bribery, there have been limited steps overall on the “demand” side of the equation. There also has been little specific focus on these issues by DoD or by defense ministries in Europe. The achievement of meaningful results in stopping the practice will require more systematic efforts to curtail the demand for corrupt payments by addressing the underlying institutional problems noted above and the perverse incentives they create. The transatlantic partners must develop a more robust demand-side agenda to address payments in the defense sector.
- **Create a Transatlantic Defense Industrial Dialogue to catalyze change.** Governments alone by no means hold all of the answers, and private sector engagement and action is an important part of creating a more open and competitive transatlantic defense industry. To this end, one approach to consider is the creation of a Transatlantic Defense Industry Dialogue among senior executives of the U.S. and European industry and senior government leaders, including representatives of NATO, the EU, and the national governments involved in the “Five Power” armaments group (France, Germany, Italy, the UK and the United States). The Dialogue could potentially be a vital force in helping to catalyze the types of policy changes set forth in the recommendations above and in promoting private sector solutions and collaboration in the context of a secure environment.

## *Initiative Ten*

### **The Atlantic Basin Initiative**

The rise of developing Asia has captured the world's attention, and rightly so. The dynamism of that region is dramatic, and will change the world. Yet by its very nature globalization is not confined to one region of the world. In fact, for all the talk of the Pacific, it is important to recognize that the Atlantic Basin is a central arena of globalization. The peoples of the North and South Atlantic are engaging and interacting in a whole host of ways that present both opportunities and challenges. This new dynamic should prompt American and European leaders to consider ways to work more effectively together with other Atlantic nations in an initiative for the Atlantic Basin. There a number of reasons why.

Globalization has generated more connections across the Atlantic than perhaps ever before. The well-being of people across this vast region is increasingly influenced by interrelated flows of people, money and weapons, goods and services, technology, toxins and terror, drugs and disease. It has given them greater access to each other's markets and resources. It has also created issues particular to the nations of the Atlantic Basin that deserve concerted attention.<sup>68</sup>

Energy is a key issue connecting the people of the Atlantic Basin. This region includes the world's largest consumers and producers of energy and most of its largest emitters of greenhouse gases. The United States depends considerably more on the Atlantic Basin for its imported energy than it does on the Middle East. Europe and North America require open and secure access to resources available in Latin America and Africa, just as those two continents require open and secure access to European and North American markets. Traditional terms of trade are also shifting, as technological and scientific innovation spreads across the Atlantic Basin, offering potential benefits for people across the hemisphere.

The volume of Atlantic commerce is staggering. Despite the rise of the Pacific, more trade and investment flow across the Atlantic than any other part of the world. Never have so many workers and consumers entered the Atlantic economy as quickly or as suddenly as in the past fifteen years. The U.S. and the EU are the largest trading partners of both Latin America and Africa. Rapidly developing Atlantic countries are best known for the inexpensive goods and commodities they supply to the rest of the world. But their consumers are also connecting with the global marketplace, and in coming years they will become a major engine of the global economy. Moreover, when the dust clears from the current financial crisis, the character of economic globalization may be significantly changed with respect to capital flows, production chains, and trade patterns. Brazil, in effect, has become the China of Latin America, a strong and influential regional and global player, notably in agriculture and energy. Parts of Africa are among the fastest growing regions of the world.

The Atlantic Basin's growing web of connections include major nuclear weapons states and major states that have chosen to forswear nuclear weapons, three of the five permanent members of the United Nations Security Council, and a number of prominent candidates for a reformed Security Council mechanism. The African continent has more countries, and therefore UN votes, than any other continent. In key decisions, such as over sanctions on Iran, or on climate change, winning the votes of African countries is crucial. Yet in recent years the U.S. and the EU have neglected this diplomatic channel, leaving the field to others. Most nations along the Atlantic rim take multilateral arrangements seriously and see them as essential to the development of their region. U.S. and European credibility depends on whether and how the United States and Europe adapt to interests, judgments, and goals being voiced in Latin America and Africa.

Atlantic opportunities are matched by significant challenges. The nations of the Atlantic Hemisphere are connected in their concerns about depletion of non-renewable resources, degradation of regional biotopes providing renewable resources, destruction of rain forests and disruption caused by climate change. Free movement of people can bring talent and innovation, but it can also bring conflict and disease. What were once local scourges can now have global reach.

Africa is a major global supplier of oil, gas and other commodities, yet remains vulnerable to HIV/AIDS, economic disruption, population stresses, civil conflict, corruption and failed governance. Many states lack the capacity to break up terror cells, thwart trafficking in arms, drugs or people, or provide domestic security. The stability of some regions of West Africa are being undermined by drugs coming from Latin America. While Africans are assuming more of their own security responsibilities, Europeans and Americans are called to provide emergency and development assistance, deploy and train peacekeepers, and mediate disputes.<sup>69</sup>

Despite the rise of Brazil and broadening commercial relations with North America and Europe, Latin America has yet to add its potential to broader Atlantic partnership. Some areas in this region continue to be among the most violent in the world, due to the activities of drug trafficking organizations, criminal cartels, and persistent weaknesses in governance and the rule of law. Yet democratic and economic improvements in a number of countries suggest that a broad, interwoven, multi-directional hemispheric cooperation initiative is possible. The new U.S. Administration has expressed a renewed commitment to

Latin America and the Caribbean based on mutual respect and collaboration. This positive attitude should open the way for a Euro-American partnership to forge a structured, joint dialogue on Latin America and the Caribbean that includes also Canada. There is an awareness that the U.S. cannot -- and no longer wants to -- stabilize the Latin American region alone. Collaboration with the countries of the region, together with the EU and Canada, could re-engage the U.S. at a lower political and material cost.

Across the Atlantic hemisphere we have a shared an urgent interest in helping those who have been bypassed by the growth of recent decades. The challenge is to free many of these countries from their dependence on a few basic commodities by creating conditions that encourage trade and attract investment. Yet both the UN Millennium Goals and our state-building efforts are floundering, at the same time as our will and resources are becoming overstretched.

As the growing latticework of interdependencies across the Atlantic Basin spawns new opportunities, it also generates also new vulnerabilities along the interconnected arteries and nodes that support the movement of people, goods, services, capital, ideas, and technology upon which our societies depend. As our interconnections widen and deepen, our mutual vulnerability to breaks in these flows will increase, requiring mutual efforts to enhance the resilience of these networks and the critical functions of societies across the Atlantic space. Together we are called to protect our connectedness, not just our territorial security. These developments call for close interactions between governments, the private sector, the scientific community, and non-governmental organizations.

In addition, without active U.S.-EU engagement, mechanisms could emerge that exclude the United States and Europe, or new privileged partnerships or resource arrangements could be built without the involvement of the U.S. or Europe. Restrictive trade deals or discriminatory financial arrangements could threaten our interests.

Moreover, even in an era of rising powers and tough economic times the United States and Europe continue to bring the greatest capacity to the greatest number of issues vital to the future of the Atlantic region. As we have emphasized throughout this report, the U.S.-EU partnership remains indispensable to the broad range of challenges we face. But today it is also insufficient, in and of itself, to most of these challenges. A key driver of a more strategic transatlantic relationship should be to find new patterns of cooperation with emerging powers, to engage them as responsible stakeholders in the institutions and networks needed to address common challenges. The Atlantic Basin is an excellent place to start.

Perhaps most important, however, is the fact that the global environment in which Atlantic nations will be operating will be vastly different from the past. As we look to future challenges, an Atlantic Basin Initiative offers an opportunity to erase the historic line dividing the North and South Atlantic.

For all of these reasons, we must act as midwife for the new Atlantic system that is emerging under globalization, characterized by new interdependencies, the rise of new actors, a new technological and ecological environment, and new power relationships. This requires concerted efforts to enhance and protect the global economic, political, technological and human flows on which the globalized Atlantic system depends; and to ensure that societies along the Atlantic Basin are resilient enough to capitalize on the opportunities and deal with the potential disruptions they may face. The growing interdependence of the Atlantic Basin offers untold opportunities and considerable dangers. It demands not only a new orientation but new Atlantic networks, matched by a new capacity by governments to engage with diverse societal stakeholders. In this increasingly interconnected region, capacity is derived from connectivity. This should prompt Atlantic leaders to strengthen connections to solve shared problems.

**With this in mind, the U.S. and EU should join together with other like-minded nations to launch a joint four-continent Atlantic Basin Initiative** to examine cooperation within the Atlantic Basin in the



face of the opportunities and challenges of globalization -- resource and energy connections; transportation, trade and investment; migration and integration; building resilient societies; promoting good governance, health and human development; fighting organized crime, drugs and other transnational challenges. Where appropriate, there could be opportunity for the progressive incorporation of additional Atlantic nations into existing U.S.-EU networks and mechanisms. An initiative of this type should avoid becoming just another acronym in the alphabet soup of new multilateral groups. In fact, it may do best by avoiding formal structures to direct and control in favor of orchestrating networks and facilitating robust functional linkages among the Atlantic continents organized around the principle of open regionalism.

- This initiative might be launched initially in a modest way through the creation of an Eminent Persons Group to examine the notion of the Atlantic Hemisphere and to recommend ways governments and societies may best address both the opportunities and challenges presented by growing Atlantic interconnections.
- Foundations and policy-oriented research institutes should be encouraged to further examine the notion and its possibilities. The best focus would be to engage potential stakeholders on ways new networks might be created and orchestrated to capitalize on the dynamism of the Atlantic Basin.
- Any realistic initiative should start with recognition of the enormous asymmetries within this vast region. In this respect, it makes sense to focus initial attention on political and institutional networks that are more consolidated. In the area covering the Americas and the EU, for instance, a Euro-American dialogue could eventually lead to common actions on energy, climate change, development, humanitarian assistance, security, or migration. Also, the existing network could work in a more effective way if the U.S. and the EU make a mutual commitment to guarantee their presence in the diverse summits, forum and institutions of the Euro-American area.



## *Conclusion*

### **The Thickest Weave in the Web: U.S.-EU Governance for a New Era**

#### **A New Politics**

A strategic U.S.-EU partnership is urgent. Yet the relationship is burdened by a low political profile, the uneven nature of the EU as an actor, and the complex nature of our institutions. Our Ten Initiatives call for a new politics, not just a new process. But there are implications for process, which we outline here.

The first and most important step is to rebuild a sense of common cause -- to reconcile a new stage of European integration with a transformed transatlantic relationship that can promote the security, prosperity and freedom of our citizens in the new world rising. The U.S. and EU should not simply be reactive but work together to identify and assess the strategic challenges they face. They can no longer simply respond to challenges on an ad hoc and intermittent basis. Instead, to be effective, this partnership must be geared to concrete priority areas for action. These priority initiatives should drive institutions and process, rather than the other way around. New organizational charts are no substitute for political commitment. Our challenge is less about building the right structures, and more about creating the right operational culture for sustained cooperation. That new culture will require the relationship to have a higher political profile and be supported by more agile operational networks that cut across interagency stovepipes and include key stakeholders.

This does not mean starting from scratch or reinventing the wheel. Rather, it means drawing pragmatically on what has worked best, adapting to the changing nature of the challenges we face, and building on the insight that the U.S.-EU relationship is in essence a highly networked partnership of democracies that offers new modes of governance.

Some complain that the process is overloaded with too many issues. We disagree – the process simply reflects the reality of a dense and complex relationship. The danger is not that we are taking on too many issues, but rather that we fail to recognize and address the wide variety of challenges facing us. We can no longer react haphazardly because we lack the attention span, the political will, or processes that actually support our purpose. Thus, we do not recommend more process, but rather a different kind of process that builds on the *acquis Atlantique* and the exceptional density of transatlantic interconnections.

Europe and America are tied together in so many ways that in many areas we have transcended neat distinctions between “foreign” and “domestic.” We are literally in each other’s business. A “multi-stakeholder” system now exists across the Atlantic, based on a thick web of networks that are now so dense, in fact, that they have attained a quality far different than those either continent has with any other.<sup>70</sup> That exceptional density of interaction between democratic societies offers considerable potential, but it also generates friction as both systems grind up against each other. Often such frictions are difficult precisely because they are not traditional “at-the-border” disputes to be handled by diplomats or trade negotiators, but reach beyond the border and affect such fundamental domestic issues as the ways we protect our liberties, regulate our economies, or ensure our safety.

The sheer breadth and depth of the relationship means that no single framework will suffice. The U.S.-EU relationship is comprised of a plethora of networked links among similarly-minded governmental units or functionally similar entities -- across the economic, judicial, legislative, political, and security realms that provide the hard wiring for transatlantic governance. Their informality, flexibility and potential for building trust may make them better suited than hierarchical structures when it comes to breaking

deadlocks and stimulating cooperation on “intermestic” issues. Networks can be more inclusive of stakeholders outside of governments, and use a range of additional instruments for cooperation, from benchmarking, naming and shaming, and exchange of best practice to setting rules of the road or aligning procedural norms and standards. The key to more effective governance may lie in encouraging and orchestrating such networks, rather than seeking new formalistic structures to direct and control.

Strengthening such bonds is important not only in terms of how Europeans and Americans relate to each other, but how the transatlantic partners together might best relate to rising powers.

The U.S. and the EU are each enmeshed in a web of inter-continental networks -- but the transatlantic relationship is the thickest weave in the web. We each have an interest in strengthening our other ties, particularly with rapidly developing countries, but that does not mean loosening the bonds we have with each other. In fact, the stronger the bonds we have with core democratic partners, the better our chances of being able to include rising partners as responsible stakeholders.

We must recognize – and capitalize on – the fact that the Western networked order operates as a dynamic entity within the global system in ways that influence the strategies of rising and declining powers located outside that order. It generates massive aggregate power and influence, but its open, networked nature also tends to make that power less hostile and more accessible. The magnetic quality of this order is incentive to others to join and participate, rather than to resist or stand apart. The more united, integrated, interconnected and dynamic the Western order is, the greater the likelihood that rising powers will rise within this order. The looser or weaker those bonds are, the greater the likelihood that rising powers will challenge this order. So a key element of strategy in a G20 world is to protect and reinforce the institutional foundations of Western order.

The present framework for U.S.-EU relations is the result of two political statements -- the 1990 Transatlantic Declaration and the 1995 New Transatlantic Agenda (NTA, and associated Joint Action Plan). The 1990 Transatlantic Declaration primarily sought to ensure that the transatlantic relationship kept pace with accelerating European integration and the dramatic political changes unfolding in central and eastern Europe as the Cold War ended. It stressed the desirability of close consultation, but focused more on identifying the beliefs and values that united the U.S. and Europe than on actual policy cooperation. The 1995 New Transatlantic Agenda (NTA) sought to move from consultation to cooperation in four broad areas: promoting peace and stability, democracy and development; responding to global challenges; expanding world trade and promoting closer economic relations; and building people-to-people bridges across the Atlantic. A Joint Action Plan also identified some 150 measures to be advanced in the four major areas identified in the NTA. Together, these agreements amounted to a framework for dialogue consisting of bilateral summits (initially twice per year but annually after 2000) biannual dialogue at the level of EU Foreign Ministers/U.S. Secretary of State; a Senior Level Group at the level of U.S. Undersecretary of State and EU Commission Director General to oversee implementation of the NTA; and an NTA Task Force at Director level to facilitate exchange at the operational level. The NTA also gave rise to a variety of other dialogue structures, most notably varying economic innovations in the guise of the 1998 Transatlantic Economic Partnership and the current Transatlantic Economic Council; a series of stakeholder dialogues, the most durable of which have proven to be the Transatlantic Business Dialogue (TABD) and Transatlantic Consumer Dialogue (TACD); and a Transatlantic Legislators Dialogue (TLD), which seeks to build on existing regular exchanges between the European Parliament and U.S. House of Representatives.

At the time, the NTA framework went considerably beyond other frameworks for bilateral cooperation -- in terms of ambition, formality, and institutional procedures -- than either partner had with other parties. But there has been no effort to update or upgrade this framework in 15 years -- despite major changes in

the nature of the EU itself, deepening ties between European and American economies and societies, as well as broader international developments.

The NTA kept the joint policy agenda moving forward, helped to eliminate mutual misunderstandings, and facilitated cooperation in a variety of areas. But despite its networking potential, it became a rather hierarchical structure: Task Forces nourish discussions in Senior Level Groups, which prepare bilateral summits. Participants in Task Forces have limited powers to make any binding decisions, so the debate often shifts to higher levels. With its hierarchical mechanisms and focus on “deliverables” for summits the NTA has struggled to find space for a strategic dialogue and to identify common challenges. Too often the people participating in meetings were not the right ones to address issues such as container security or open skies. Diplomats and trade experts dominated the agenda, even though the scope of the relationship expanded far beyond foreign policy and trade negotiations. There was a congestion of meetings, but few did more than scratch the surface. As the range of issues expanded, meetings became even larger, and the process became more cumbersome. Too often, there was little follow on and no accountability. One major study found that the NTA arrangements suffered from lack of political commitment, low public profile, overabundance of process, issue overload, failure to prioritize, lack of transparency and failure to involve legislators.

U.S.-EU mechanisms need updating and upgrading. The challenge is how to continue a process of strengthening and deepening the relationship, while also giving fresh impetus to a process that, under its present guise, has become associated with considerable frustration and cynicism. We do not recommend creating a new NTA, but rather cannibalizing the current framework, taking the parts that work and leaving the rest.<sup>71</sup>

There has been some discussion of converting the NTA into a more formal treaty. There is little political support for this idea, however, and it is difficult to identify where a formal treaty would add value over more practical cooperative arrangements. Moreover, formal treaties should be what one has with countries to which symbolism is important and with whom the relationship is so thin that a natural, flexible, interest-driven relationship built on networked interactions is not taking place. The United States has robust and wide-ranging relationships with close allies and EU member states such as France or Britain; neither side feels compelled to enshrine or encapsulate their deep and wide-ranging relationship in a single treaty or process. Second, the notion of a treaty reflects an underlying premise that the EU is a country like any other. Yet perhaps that is part of the problem. We have failed to make the U.S.-EU more effective and strategic because our structures treat the EU as if it were just another country, rather than the complex and evolving amalgam that it is. This tendency is pushed by the EU itself because of its need for validation and legitimacy as an actor. Yet that approach has shortchanged both sides when it comes to accomplishing strategic goals. Rather than trying to fit the U.S.-EU relationship into the traditional box of bilateral relations, we need to focus more clearly on the networked nature of the relationship.

The proliferation of informal and personal relationships between policymakers creates the ground for the emergence of more flexible and imaginative “soft” policy instruments, something that is difficult to agree upon within pure hierarchies. The most successful groups have mobilized specific coalitions combining interest, resources, and expertise to address specific issues, imminent problems, and immediate crises. For instance, operational mechanisms such as the High Level Political Dialogue on Border and Transportation Security and the Financial Markets Regulatory Dialogue were established outside the hierarchical NTA structures. These new dialogues allowed for the exchange of information and learning but at the same time enhanced trust between individuals which made them more inclined to accept solutions that initially were even difficult to think of, for instance in the case of the EU-U.S. PNR Agreement. These arrangements work best when not subjected to the entire architecture of the NTA. The new Transatlantic Energy Council is another good example of officials creating a mechanism to facilitate cooperation based on perceived need. In other words, function needs to drive form, not the other way around.

But networks alone are not sufficient. Successful groupings also must have access -- and be seen to have access -- to senior political leadership. For that reason, even densely networked relationships at working levels still need linkages to heads of government. An overarching forum where leaders come together provides strategic guidance and ensures that the network is not distracted from key priorities. In judging the progress and accomplishments of the network, those priorities become the benchmark, not whether a bottom up process has arrived at a suitable number of deliverables.

The task is to build a process that allows the U.S.-EU relationship -- in all its complexity -- to become a truly strategic partnership that can effectively address the challenges of the new world rising. That process must have at least three elements:

- A strong link between process and purpose. The process should facilitate progress on practical steps that can advance priorities set by U.S. and EU leaders;
- A capacity to identify and prioritize not only current challenges but those likely to arise in the future;
- Involvement by key stakeholders and constituencies.

**With this in mind, the U.S. and EU should:**

- **Streamline the NTA and appoint Sherpas with clear and visible links to political leadership.**
  - *U.S.-EU summits should focus on advancing joint or complementary efforts on a small number of issues* instead of producing laundry lists of deliverables.
  - *Two Sherpas would be responsible for the summits.* The U.S. Sherpa would be a personal representative of the President; the European Sherpa would represent both the Council President and the Commission President. The European Sherpa, in essence, would become a second double-hatted official, in addition to the Chairman of the Council of Foreign Ministers. Since the U.S.-EU relationship extends far beyond foreign affairs, the Sherpa would be able to address issues ranging across the array of issues, such as justice and home affairs, energy or economic issues. The two Sherpas would be charged with preparing the annual summits, ensuring that the meetings address issues of high political relevance. They would also monitor implementation and follow-through on mutual commitments; and act as trouble-shooters as issues arise.
  - *Create a Standing Joint Task Force led by the two Sherpas, co-located in Washington and Brussels, and comprised of officers seconded from across the U.S. interagency and EU institutions.* The two Sherpas would lead a Standing Joint Task Force, co-located in Washington and Brussels, comprised of officers seconded from across the U.S. interagency and EU institutions. The Washington office would be headed by the U.S. Sherpa, supported by the EU Deputy Sherpa. The Brussels office would be headed by the EU Sherpa, supported by the U.S. Deputy Sherpa. The job of the standing task force would be to deconflict, facilitate, trouble shoot, but not to control. Some hub needs to understand what is happening along the webs of interaction. The current Task Force structure would be folded into this new entity.
  - *Abolish the Senior Level Group.* The Sherpa system we propose would replace the current Senior Level Group (SLG), which under the NTA had been tasked with preparing summits. The SLG had been intended to work as a sort of Board of Directors for the NTA, identifying issues that could be moved forward, tasking others to develop proposals, and making decisions. But it never functioned effectively in this way. Meetings often involved little more than a formal exchange of talking points or briefings. Moreover, the main agencies/individuals involved in the SLG did not have sufficient influence across their own administrations: there are many issues touched upon by the NTA which require action by agencies over which neither the State Department nor DG Relex have jurisdiction. The SLG has also suffered from a lack of political commitment and attention at higher levels. It cannot by itself resolve problems if the U.S. inter-agency process is stalled or an issue is caught between the Commission and the Council and/or European Parliament.

- ***Refocus Undersecretary/Political Directors on Foreign Policy Challenges.*** A key problem of the SLG was that it was directed by State and DG Relex, even though many of the issues in the U.S.-EU relationship fall outside their jurisdiction. This also required senior diplomats to spend more time on the issues other than foreign policy (from regulatory policy to homeland security) which dominated the NTA agenda. Too often, they had little real chance of affecting those issues, which were controlled by agencies other than State or DG RELEX, and their time for addressing foreign policy issues was also squeezed. A Sherpa system would free senior diplomats formerly bound to the NTA to focus on key foreign policy issues in regular political directors meetings. U.S. participation in such meetings should be reestablished at the level of Undersecretary of State for Political Affairs. The EU should now be represented by the most senior official reporting to the Vice President of the Commission under the new Lisbon structure.
- ***Reconfigure the NTA Task Force (TF) into the primary support service for the U.S. and EU Sherpas.*** Current TF interactions, marked by too many formal meetings with an overly rigid schedule, should be fluid, informal, continuous and action-oriented, making use of co-located offices and digital technology to coordinate more effectively, deal with challenges in real time, lobby within their own administrations for the implementation of U.S.-EU agreements, and service the U.S. and EU Sherpas in the preparation of summits. Make the TF primarily responsible for management of the NTA dialogue, thus taking over this function from the Senior Level Group. The Sherpa system, in turn, should address the key problem for the TF: that no one at higher levels seems to have taken charge of the NTA process, leaving too many issues unresolved.
- **Update and Upgrade the Ministerial Councils and Dialogues:** Since the NTA was created, a more organic network has emerged alongside it, composed of the Transatlantic Economic Council, the new Transatlantic Energy Council, the U.S.-Justice Ministerial, the Financial Markets Regulatory Dialogue (FMRD), and the re-established High Level Development Dialogue, among others. The FMRD works and should continue. The Justice Dialogue needs to widen its scope to cover the full range of resilience issues and step up its activities geared to the proposals outlined under Initiative One. To facilitate these efforts and given meaning to the Transatlantic Solidarity Pledge, consideration should be given to the formation of a Transatlantic Resilience Council. The Energy Council and the High Level Development Dialogue need to be put to work in service of the substantive proposals outlined in Initiatives Four and Seven.
- **Revamp the Transatlantic Economic Council.** The principal ministerial body should focus on strategic issues in three areas:
  - *Promote economic recovery and growth* -- ensure that government interventions are well coordinated, mutually supportive, avoid protectionism and offer a supportive environment for companies, workers and consumers.
  - *Coordinate approaches to global negotiations* within the context of the WTO, the World Bank, the IMF and the G20, as outlined under Initiative Three.
  - *Advance efforts to create a barrier-free Transatlantic Marketplace* and related strategic initiatives outlined under Initiative Two. The TEC should agree on a work plan to align standards and break down barriers to transatlantic commerce so as to deliver defined tangible results in short, medium, and long-term horizons.
- ***Below the ministerial level, three “sub-councils” should be established*** that would be responsible for the day-to-day negotiations and operations of running the transatlantic economic partnership. They would have authorization from the ministerial level to take decisions within certain parameters, so that the past mistake of small issues being elevated to the ministerial level could be avoided. Each “subcouncil” would focus on a particular set of responsibilities.

- *The first should focus on resolving bilateral trade disputes.* Only those that can not be resolved reasonably would move to the WTO dispute settlement mechanism. The transatlantic partners should make a clear commitment to seek bilateral solutions to trade disputes, using the WTO only as a last resort.
- *The second would comprise a series of interagency intergovernmental task force networks established to implement the Transatlantic Marketplace workplan.* This would establish clear milestones, meeting dates, a public schedule for stakeholder outreach efforts, and report on a quarterly basis to the TEC on progress made and action required by the TEC principals. Each network should take a flexible, outcome oriented approach to particular issues and avoid one-size-fits-all requirements.
- *The third would identify “upstream” regulations* emerging on either side of the Atlantic likely to affect transatlantic commerce. It would facilitate exchange of information on emerging legislation and where possible seek ways that such legislation could be aligned.
  - Regulators on each side should be provided with financial resources dedicated to international regulatory cooperation, so that these issues are not seen as competing, in terms of budgetary and staff resources, with the regulators’ core mandates.
  - Legislators must be integrally involved in this work. Members of the Transatlantic Legislators Dialogue (TLD) should flag emerging legislation with possible extraterritorial consequences; officials focused on upstream regulation should engage the TLD on issues of regulatory conflict and cooperation. Regular interaction would help to establish early warning systems and identify potential solutions in both the regulatory *and* legislative processes.
  - This cluster would also foster upstream exchange between scientists and technologists in development of new technologies. Such exchanges at the stage of pre-competitive research would allow common standards to develop that then foster competition as technological development proceeds closer to producing marketable products or processes. EU-U.S. cooperation on the development of the hydrogen economy may offer a template for future cooperation on emerging technologies.
- **Ensure that the new U.S.-EU Energy Council develops a focused agenda and effective working groups.** At the 2009 U.S.-EU Summit a Ministerial-level U.S.-EU Energy Council was established to deepen the dialogue on strategic energy issues; improve energy security; promote cooperation in achieving climate change goals; and further strengthen research collaboration -- bilaterally and with third countries -- on sustainable and clean energy technologies. This is a broad agenda, and should be used to advance elements under Initiative Four. Working groups should address the issues of climate change; low carbon research, finance, development and deployment; electricity issues (including interconnections, transmission and distribution issues, smart grids; carbon capture and storage; unconventional gas (shale gas); and energy security. Care must be taken to ensure that the regulatory element works in harmony with the Transatlantic Economic Council rather than becoming competitive. The Energy Council must also provide for active involvement of U.S. and European legislators and the business community.
- **Establish a regular system of joint long term assessment** geared to identifying future challenges and creating more of a shared perspective on these issues. In this report, the authors have taken the liberty of identifying several key priority initiatives for the U.S.-EU relationship. That list is based on extensive consultations, but it also reflects the lack of any existing identification of strategic priorities in the current U.S.-EU relationship. Of course, any list of priority initiatives should adapt and change over time. For that reason, the U.S. and EU must be engaged in a regular process of long-term assessment, constantly re-evaluating the impact of global trends and judging how they might affect the security and prosperity of the transatlantic partners and their interests around the world. The U.S. already conducts such assessments, most prominently through the U.S. National Intelligence Council.



Every four years, the NIC issues a study looking ahead to the world fifteen years in the future.<sup>72</sup> Only a few EU member states conduct similar analyses, and the EU institutions do not do so on any regular basis.<sup>73</sup> The publication of the NIC 2025 report has spurred interest in producing a similar assessment within the EU and raised the possibility of even doing a joint U.S.-EU study. If the U.S. and EU are to build a more strategic partnership, they must begin aligning their longer term strategic perspective. Agreement on all issues will not be possible, but they must build a similar understanding of global trends and their impacts. This does not preclude either from conducting their own assessment. The NIC is expected to continue issuing its quadrennial reports. Within the EU, there is a great need to build this capacity at both national and Union level. Only a few member states have sufficient policy planning capacity to contribute to a Union-wide effort, but this should be the goal. Initially, the U.S. and EU may wish simply to compare their own independent studies, using them as the basis for a discussion that explores differences and similarities in assessment.<sup>74</sup> Eventually, however, the process of doing a genuinely joint long-term assessment will be an opportunity to build a shared strategic perspective and identify priority concerns and initiatives for the future.

- **Forge new networks.**

- ***Convert the Troika working groups into new functional networks.*** There are perhaps 20 EU Council working groups, organized on a geographic and thematic basis, with which the U.S. has established regular dialogues known as Troika working groups. Under the foreign policy provisions of the Lisbon Treaty, however, the EU's Troika system (representatives of the Commission, Council General Secretariat, and Council Presidency) is likely to be replaced with a single representative of the High Representative. This offers an opportunity to reconfigure the working groups into functional networks of U.S. and EU officials with easy access to one another, focused on common or complementary approaches to common challenges, including elimination of conflict and duplication in aid and assistance efforts, and identifying differences to be addressed. These networks should be actively encouraged by senior political leadership, and also be fluid, informal, continuous and action-oriented.
- ***Establish a NATO-EU "Troika" network.*** NATO and the EU need a breakthrough process to enable them to be able to conduct business at multiple levels nearly simultaneously across a wide spectrum of issues. An EU-NATO Troika process could work to cover a range of issues; the agreed framework allows staffs to exchange and to discuss classified information to do their collective work, and each side, respecting autonomy of decision making in both, could separately submit their negotiated EU-NATO ideas to their respective memberships for separate approvals.
  - ***Consider a Euro-Atlantic forum*** of 34 countries that would include the 21 EU/NATO members, plus the 13 states that belong to one but not both of these institutions, as a convenient forum for the discussion, and implementation, of common efforts.<sup>75</sup>
- ***Create plurilateral efforts on a case-by-case basis.*** In addition to the Troikas, a variety of plurilateral EU-U.S. initiatives of varying geometry are created from time to time, usually to address foreign and security policy crises or regional concerns. Examples include the Quartet on the Middle East, the Contact Group on Bosnia, and the international negotiating effort with Iran, which includes the five permanent members of the Security Council, plus Germany and the EU High Representative. Such groupings tend to be formed by a relevant cluster of countries and institutions with the most relevant capacity, resources and interest, or that are better-placed to lead. Smaller EU countries and non-participant institutions increasingly seem to accept such efforts as useful and pragmatic ways for the Union to engage in international diplomacy. They tend to be supported almost instinctively by Washington. When the need arises, they should be supported. Dogmatic battles among Europeans about who is in or out of such groupings are both tiresome for U.S. officials and diminish Europe's overall potential as a partner. Even on issues that more obviously implicate the EU as a whole, such as financial services or justice and home

affairs, it will often make sense to advance the U.S.-EU agenda via strong bilateral ties between the U.S. and individual EU member states.

- **Promote sectoral transatlantic task forces.** Similarly, relevant networks should be encouraged on practical issues of joint concern. They would work quasi-autonomously and bottom-up within the relatively loose and flexible framework suggested here, exchanging information, reflections, analysis, experiences, projects, possibly common recommendations. Where appropriate, in specific cases, they should not hesitate to associate participants from third countries.
- **Re-engineer the Transatlantic Legislators Dialogue:** Despite energetic efforts by some individual legislators on both sides of the Atlantic, the Transatlantic Legislators Dialogue (TLD) is perhaps the weakest link in the U.S.-EU relationship. The role of the U.S. Congress is not well understood in Europe. Neither is the growing role of the European Parliament appreciated in the United States. On the U.S. side, the dialogue is limited to members of the House of Representatives; U.S. Senators are not involved. U.S. members are identified on an ad hoc basis and membership has not garnered much recognition from the congressional leadership. On the European side the dialogue is limited to members of the European Parliament, even though the Treaty of Lisbon also raises the profile of national parliaments within the EU, not just that of the European Parliament. TLD meetings tend to scratch the surface of a huge range of policy areas, but devote little focused time to key challenges.
  - U.S. Members of a reinvigorated TLD should be drawn from both House and Senate. U.S. House members should be appointed by the Speaker of the House; the lead U.S. Senator should be the Chair of the European Subcommittee of the Senate Foreign Relations Committee. Members of the Congressional Caucus on the EU should be asked to combine their efforts with those of the TLD.
  - European Members of a reinvigorated TLD should be comprised of Members of both the European Parliament and leaders of COSAC, an EU body composed of European affairs committees from national parliaments of EU member states.
  - The U.S. Congress should open an office in Brussels. The office would service the TLD and monitor legislation affecting U.S. interests. The European Parliament is opening an office in Washington.
  - The TLD should convene a joint consultative committee on the extraterritorial implications of domestic legislation; and focus regular exchanges on upstream regulatory legislation.
  - The TLD should hold joint hearings and conduct joint study tours to areas of common concern, for instance to the Middle East.
  - TLD members should be full partners in the Transatlantic Economic, Energy and Resilience Councils.
  - The United States Congress and the European Parliament should ensure regular contacts between appropriate staff, not simply in foreign affairs-related work but across the board in key areas of mutual engagement.
  - The TLD should spearhead a new generation of internships in Congressional and European Parliament offices. Each congressional office should offer to host one intern from an EU member state; each EP office should offer to host one intern from the United States.
  - The model of the Congress-Bundestag Exchange Program should be used to create a Congress-European Parliament Exchange Program, sponsoring a new generation of student exchanges across the transatlantic space.
  - A small, nimble TLD secretariat, modeled after the Helsinki Commission, should be established. The secretariat would be small and rely extensively on digital videoconferencing. It would
    - facilitate dialogue between members of Congress and the European Parliament—especially committee chairs or rapporteurs – who are at the forefront of legislative issues of mutual concern;
    - take primary responsibility for organizing staff exchanges and staff briefings.

## Endnotes

<sup>1</sup> This analysis draws on *Alliance Reborn: An Atlantic Compact for the 21<sup>st</sup> Century* (Washington, DC: Washington NATO Project, 2009) [http://transatlantic.sais-jhu.edu/bin/i/y/nato\\_report\\_final.pdf](http://transatlantic.sais-jhu.edu/bin/i/y/nato_report_final.pdf).

<sup>2</sup> For an overview, see the 2008 report of the U.S. National Intelligence Council, *Global Trends 2025: A Transformed World*, available at [http://www.dni.gov/nic/PDF\\_2025/2025\\_Global\\_Trends\\_Final\\_Report.pdf](http://www.dni.gov/nic/PDF_2025/2025_Global_Trends_Final_Report.pdf); European Commission, *The World in 2025: Rising Asia and Socio-Ecological Transition* (Brussels, 2009), available at [http://bookshop.europa.eu/eubookshop/download.action?fileName=KINA23921ENC\\_002.pdf&eubphfUId=10719813&catalogNb=KI-NA-23921-EN-C](http://bookshop.europa.eu/eubookshop/download.action?fileName=KINA23921ENC_002.pdf&eubphfUId=10719813&catalogNb=KI-NA-23921-EN-C); and the Worldwatch Institute's annual *State of the World* series.

<sup>3</sup> See Peter Barschdorff, *Facilitating Transatlantic Cooperation after the Cold War* (Hamburg: Lit, 2001). Constitutive documents for an *acquis Atlantique* would include, in addition to national documents, the North Atlantic Treaty of 1949; the Transatlantic Declaration of 1990; the Charter of Paris of 1990; the New Transatlantic Agenda of 1995; and the Washington Declaration of 1999. See also Natividad Fernandez Sola and Michael Smith, eds., *Perceptions and Policy in Transatlantic Relations* (London: Routledge, 2009).

<sup>4</sup> See "A Compact between the United States and Europe," [www.brookings.edu/fp/cuse/analysis/USEUCompact.pdf](http://www.brookings.edu/fp/cuse/analysis/USEUCompact.pdf).

<sup>5</sup> See Philip Gordon and Ronald Asmus, "Bush needs a strategic partnership with Europe," *Financial Times*, February 14, 2005 (UK edition), p.19; Simon Serfaty and Sven Biscop, "A Shared Security Strategy for a Euro-Atlantic Partnership of Equals," A Report of the Global Dialogue between the European Union and the United States (Washington, DC: CSIS, 2009); Alvaro de Vasconcelos and Marcin Zaborowski, eds., *The Obama Moment: European and American perspectives* (Paris: EU ISS, 2009); David Gompert and F. Stephen Larrabee, *America and Europe: A Partnership for a New Era* (Cambridge: Cambridge University Press, 1997).

<sup>6</sup> See Daniel S. Hamilton and Bradley T. Smith, "Atlantic Storm," *EMBO Reports* 7, 4-9 (January 2006); Daniel Hamilton and Tara O'Toole, "Facing Up to the Bioterror Threat," *International Herald Tribune*, January 31, 2005; G. Kwik, J. Fitzgerald, T.V. Inglesby, T. O'Toole, "Biosecurity: responsible stewardship of bioscience in an age of catastrophic terrorism," *Biosecurity and Bioterrorism* 1, pp. 27-35, (2002); Bengt Sundelius and Jesper Grönvall, "Strategic Dilemmas of Biosecurity in the European Union," *Biosecurity and Bioterrorism* 2, pp. 17-23, (2004); R. Danzig, "Proliferation of biological weapons into terrorist hands," in *The Challenge of Proliferation: A Report of the Aspen Strategy Group* (Washington, DC: Aspen Institute, 2005), pp. 65-81.

<sup>7</sup> For further details and recommendations, see Anja Dalgaard-Nielsen and Daniel S. Hamilton, *Transatlantic Homeland Security* (London/New York: Routledge, 2006); Esther Brimmer, ed., *Transforming Homeland Security: U.S. and European Approaches* (Washington, DC: Center for Transatlantic Relations, 2006); Daniel S. Hamilton, "Transforming Homeland Security: A Road Map for the Transatlantic Alliance," in Brimmer, op. cit.; Antonio Missiroli, ed., *Disasters, Diseases, Disruptions: a new D-drive for the EU*, Chaillot Paper No. 83 (Paris: EU Institute for Security Studies, 2005); Arjen Boin, "Enhancing Societal Security in the Face of Transboundary Crises: Pointers for Transatlantic Cooperation," unpublished paper prepared for Center for Transatlantic Relations/PACER, January 2009; Bob Whalley, "Improving International Co-ordination and Co-Operation on Homeland Security/Societal Security and Resilience Issues," unpublished paper prepared for Center for Transatlantic Relations/PACER, January 2009; Jonathan M. Winer, "An Initial International Cooperation Agenda on High Consequence Events for the Obama Administration," unpublished paper prepared for Center for Transatlantic Relations/PACER, January 2009.

<sup>8</sup> For further perspectives, see Daniel Hamilton and Gerhard Mangott, *The Wider Black Sea Region in the 21<sup>st</sup> Century: Strategic, Economic and Energy Perspectives* (Washington, DC: Center for Transatlantic Relations, 2008); Ronald D. Asmus, ed., *Next Steps in Forging a Euroatlantic Strategy for the Wider Black Sea* (Washington, DC: German Marshall Fund of the United States, 2006).

<sup>9</sup> See James Dobbins, "Obama's Af/Pak strategy," in de Vasconcelos and Zaborowski, op. cit.

<sup>10</sup> For some further suggestions, see Andrew M. Exum and Richard Fontaine, "On the Knife's Edge: Yemen's Instability and the Threat to American Interests" (Washington, DC: Center for a New American Security, 2009), <http://www.cnas.org/node/3771>; Tamara Cofman Wittes and Richard Youngs, "Europe, The United States, and Middle Eastern Democracy: Repairing the Breach," Brookings Institution, Saban Center for Middle East Policy, Analysis Paper 18, January 2009.

<sup>11</sup> *Alliance Reborn: An Atlantic Compact for the 21st Century* [http://transatlantic.sais-jhu.edu/bin/i/y/nato\\_report\\_final.pdf](http://transatlantic.sais-jhu.edu/bin/i/y/nato_report_final.pdf) (Washington, DC: The Washington NATO Project, 2009).

<sup>12</sup> For related concerns, see Ronald D. Asmus, "New Plumbing, New Purposes – Rebuilding the Transatlantic Alliance," *American Interest*, November/December 2008.

<sup>13</sup> See Annegret Bendiek and Heinz Kramer, "Die EU als globaler Akteur. Unklare „Strategien“, diffuses Leitbild (Berlin: SWP, April 2009); Stephan Keukeleire and Jennifer MacNaughton, *The Foreign Policy of the European Union* (London, 2007); Christopher Hill and Michael Smith, *International Relations and the European Union* (Oxford: Oxford University Press, 2005).

<sup>14</sup> National Intelligence Council, *Global Trends 2025*, op. cit.

<sup>15</sup> See Jeremy Shapiro and Nick Witney, *Towards a Post-American Europe: a power audit of EU-US relations* (European Council on Foreign Relations, 2009).

<sup>16</sup> Remarks by Hillary Clinton during Senate Foreign Relations Committee hearing on January 13, 2009. Available at <http://www.state.gov/secretary/rm/2009a/01/115196.htm>.

<sup>17</sup> Remarks by Vice President Joseph Biden at 45<sup>th</sup> Munich Conference on Security Policy, February 7, 2009. Available at [http://www.whitehouse.gov/the\\_press\\_office/RemarksbyVicePresidentBidenat45thMunichConferenceonSecurityPolicy](http://www.whitehouse.gov/the_press_office/RemarksbyVicePresidentBidenat45thMunichConferenceonSecurityPolicy).

<sup>18</sup> Shapiro and Witney, op. cit., p. 11.

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- <sup>19</sup> For a review, see John Bruton, "EU-US transatlantic relations: the Obama moment," in Vasconcelos and Zaborowski, op. cit.
- <sup>20</sup> See Dalgaard-Nielson and Hamilton, op. cit.
- <sup>21</sup> For more on the international aspects of resilient networks, see the chapter by Bengt Sundelius, "Beyond Anti-Terrorism: Ensuring Free and Resilient Societies," in *Shoulder to Shoulder*, op. cit.; Esther Brimmer and Daniel S. Hamilton, "Introduction: Five Dimensions of Homeland and International Security," in Esther Brimmer, ed., *Five Dimensions of Homeland and International Security* (Washington, DC: Center for Transatlantic Relations, 2008); Stephen Flynn, *The Edge of Disaster* (New York: Random House, 2008); David Omand, "The International Aspects of Societal Resilience: Framing the Issues," in Brimmer, op. cit.; Heiko Borchert and Karina Forster, "Homeland Security and the Protection of Critical Energy Infrastructures: A European Perspective," in Brimmer, op. cit.; Wesley K. Clark and Peter L. Leven, "Securing the Information Highway," *Foreign Affairs*, Nov./Dec. 2009; "Mobilizing Information to Prevent Terrorism," Third Report of the Markle Foundation Task Force, July 2006.
- <sup>22</sup> Examples include the World Customs Organization's Standards to Secure and Facilitate Global Trade Framework (SAFE) and the U.S.–EU agreement on the transmission of Passenger Name Record data to facilitate screening of international air passengers.
- <sup>23</sup> This idea is drawn from a report by IBM Global Business Services, "Global Movement Management: Commerce, Security, and Resilience in Today's Networked World," and 2005 paper entitled "Global Movement Management: Security the Global Economy," available through [www.ibm.com/gbs/government](http://www.ibm.com/gbs/government). See also Stephen E. Flynn and Daniel B. Prieto, *Neglected Defense: Mobilizing the Private Sector to Support Homeland Security* (New York: Council on Foreign Relations, 2006).
- <sup>24</sup> Daniel S. Hamilton and Joseph P. Quinlan, *The Transatlantic Economy 2009: Annual Survey of Jobs, Trade and Investment* (Washington, DC: Center for Transatlantic Relations, 2009).
- <sup>25</sup> Although transatlantic trade in goods is not tariff-free, average tariff rates are modest and the few sectors that are protected by high rates – agricultural products, textiles and clothing -- make up less than 10 per cent of transatlantic trade. For more on managing system "friction," see Mark A. Pollack, "Managing System Friction," in Ernst-Ulrich Petersmann and Mark A. Pollack, eds., *Transatlantic Trade Disputes: The US, the EU, and the WTO* (Oxford University Press, 2003).
- <sup>26</sup> For an overview of the transatlantic economy, see Hamilton and Quinlan, op. cit.; Bruce Stokes and Hugo Paemen, "The Transatlantic Economic Challenge," A Report of the Global Dialogue between the European Union and the United States (Washington, DC: CSIS, 2009). Also Philip Whyte, *Narrowing the Atlantic: The way forward for EU-US trade and investment* (London: Centre for European Reform, 2009); F. Cabrillo, P. Schwartz, and J. Garcia-Legaz, "The Transatlantic Economic Area," available at [www.fundacionfaes.org](http://www.fundacionfaes.org). See James Elles, "The Transatlantic Market: A reality by 2015?" Paper presented at the CSIS TPN meeting, April, 2005; also recommendations made by the Transatlantic Business Dialogue to the Transatlantic Economic Council. Some proposals stem from these studies.
- <sup>27</sup> See Charles Ries, "Is it Time to (Re) Consider a TAFTA?" in the full volume *Shoulder to Shoulder: Forging a Strategic U.S.-EU Partnership* (Washington, DC, 2009).
- <sup>28</sup> See Daniel S. Hamilton and Joseph P. Quinlan, *Sleeping Giant: Awakening the Transatlantic Services Economy* (Washington, DC: Center for Transatlantic Relations, 2006); Patrick A. Messerlin and Erik van der Marel, "Leading with services: The dynamics of transatlantic negotiations in services," <http://www.voxeu.org/index.php?q=node/3830>; Whyte, op. cit.
- <sup>29</sup> See calculations by the Brattle Group in Daniel S. Hamilton and Joseph P. Quinlan, *Deep Integration: How Transatlantic Markets are Leading Globalization* (Washington, DC: Center for Transatlantic Relations/CEPS, 2005).
- <sup>30</sup> The HLRCF should initiate an independent review of the U.S. and EU approaches in selected sectors, looking to whether both sides are essentially driving to similar outcomes and whether the conditions in which each side regulates essentially equivalent. Those studies should be given to U.S. and EU regulators individually to comment on. They would then comment on one another's papers. Their responses and the study would then be open for public comment. The results of that comment period would again be commented on by the regulators. The results would be presented to the HLRCF to make a judgment as to whether the two approaches are essentially equivalent; if so, the HLRCF would recommend a finding to that effect, which would obligate both sides to undertake to make the legal changes to allow a finding of equivalence (products regulated in one market accepted in the other).
- <sup>31</sup> These recommendations closely follow those of the Transatlantic Consumer Dialogue, which we support.
- <sup>32</sup> The U.S. and EU could build on the February 2008 Statement of the European Commission and the U.S. Securities and Exchange Commission on Mutual Recognition in Securities Markets. It is estimated that transatlantic securities market integration would yield more than \$48 billion in annual cost savings.
- <sup>33</sup> See C. Fred Bergsten and Lori Wallach, "Cooling the Planet Without Chilling Trade," *Washington Post*, November 13, 2009.
- <sup>34</sup> See C. Fred Bergsten, "A Blueprint for Global Leadership in the 21st Century." <http://www.iie.com/publications/papers/paper.cfm?ResearchID=1323>.
- <sup>35</sup> For more discussion of the need for a new type of transatlantic leadership, see *Transatlantic Leadership for a New Global Economy*, Report of the Atlantic Council Task Force co-chaired by Stuart E. Eizenstat and Grant D. Aldonas, with Frances G. Burwell as rapporteur. Policy Paper, Atlantic Council of the United States, April 2007.
- <sup>36</sup> Bergsten, "Blueprint," op. cit.
- <sup>37</sup> About 2.5 percent has already been agreed and a remaining package (now set for "at least 5 percent") is to be finalized by January 2011. See Bergsten, "Blueprint," op. cit. Also Alan Ahearn, Jean Pisani-Ferry, Andre Sapir, and Nicholas Veron, *Global Governance: An Agenda for Europe* (Brussels: Bruegel, 2006).
- <sup>38</sup> The Peterson Institute has recommended a new code of "best practices" on greenhouse gas emission controls, including establishment of "policy space" for countries to limit emissions without sacrificing the competitive position of their industries.

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The Institute also recommended that countries adopt a time-limited "peace clause" in which pursuit of new trade barriers would be suspended while the negotiations proceeded, and that a global climate accord be linked to a new global trade accord. Public Citizen issued a 2008 report outlining WTO trade provisions that need to be renegotiated to align with ambitious climate goals.

<sup>39</sup> This section draws on a CSIS summary of this project's conference on energy issues, hosted by CSIS and the German Embassy in October 2009; John Lyman, "A Shared Vision for Energy and Climate Change: Establishing a Common Transatlantic Agenda," in *Shoulder to Shoulder: Forging a Strategic U.S.-EU Partnership*, the complete companion volume in this project; and on Franklin Kramer, and John Lyman, "Transatlantic Cooperation for Sustainable Energy Security: A report of the Global Dialogue between the European Union and the United States" (Washington, D.C.: CSIS, 2009).

<sup>40</sup> A number of these suggestions are drawn from John D. Podesta, "Toward a New Climate Treaty: Opportunities for Progress Under President Obama," in Heinrich Böll Stiftung, *Toward a New Climate Network: Transatlantic Solutions for a Low Carbon Economy* (Washington, DC: Heinrich Böll Stiftung, 2009).

<sup>41</sup> Kramer and Lyman, op. cit.

<sup>42</sup> Proposals in this area are drawn with thanks from Keith Smith, "Russian Energy Dependency and the Conflicting Interests of Old and New Europe," CSIS, May 12, 2009; Keith Smith, "Russia and European Energy Security: Divide and Dominate," A Report of the CSIS Energy & National Security Program, 2009.

<sup>43</sup> See Daniel Hamilton, "20 years after Berlin Wall, other walls to fall," *San Francisco Chronicle*, November 8, 2009 <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/11/08/IN661AEUBA.DTL>.

<sup>44</sup> For further discussion, see Daniel S. Hamilton, "Unsettled: The New Eastern Europe and the West After the Russian-Georgian Conflict," *Welttrends*, 63/2008; Eugene Rumer, "Mind the Gap: Russian Ambitions vs. Russian Reality," in Ashley J. Tellis, Mercy Kuo, and Andrew Marble, eds., *Strategic Asia: Challenges and Choices* (Washington DC: The National Bureau of Asian Research, 2008), pp. 167-196; For commentary on Russian views on eastern Europe, see Angela Stent, "The Lands In-Between: The New Eastern Europe in the Twenty-First Century," in Daniel Hamilton and Gerhard Mangott, eds., *The New Eastern Europe: Ukraine, Belarus and Moldova* (Washington, DC: Center for Transatlantic Relations, 2007).

<sup>45</sup> The Eastern Partnership is a joint Polish-Swedish initiative that so far has limited momentum. It is designed to channel resources and expertise to countries like Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine – countries that have no current prospect of EU membership, but could be given some hope of much closer affiliation with the EU over the long term. Black Sea Synergy is providing €3.7 billion in assistance to the non-EU countries in the region; the EU Cross-Border Cooperation Program for the Black Sea (2007-2013) is contributing an additional €17 million; and the region's countries will benefit from other EU funds amounting to some €4 billion for the same period. See Commission of the European Communities, *Black Sea Synergy — A New Regional Cooperation Initiative*, [COM(2007) 160 final], Brussels, April 4, 2007.

<sup>46</sup> The Black Sea appears to be a region with little in common except the sea that divides it. Regional institutions such as the Black Sea Economic Cooperation (BSEC) are working to change this, with some success. Basically, however, the countries themselves have yet to decide whether they form a region in terms of common goals or even interaction with each other. This dissonance reinforces bureaucratic inertia in the West and hesitations about approaching the region as a whole. Moreover, a wider Black Sea strategy faces considerable competition for resources and policy attention in both the U.S. and the EU. For views on this approach see Daniel S. Hamilton, "Transforming Wider Europe: Ten Lessons from Transatlantic Cooperation," in Per Carlsen and Hans Mouritzen, (eds.), *Danish Foreign Policy Yearbook 2005* (Copenhagen: Danish Institute of International Studies, 2005); Ronald D. Asmus, ed., *Next Steps in Forging a Euroatlantic Strategy for the Wider Black Sea* (Washington, D.C.: German Marshall Fund of the United States, 2006); Michael Emerson, et.al, *Synergies vs. Spheres of Influence in the Pan-European Space* (Brussels: CEPS, 2009).

<sup>47</sup> These proposals draw on excellent suggestions from Adrian Basora and Mitchell Orenstein, based on an October 2009 conference on "Countering Democratic Regression in a Newly Divided Europe and Eurasia." Their summary is available at <http://www.sais-jhu.edu/academics/regional-studies/europe/conferences/countering-regression/index.htm>. See also Amichai Magen, Thomas Risse, Michael A. McFaul, *Promoting Democracy and the Rule of Law: American and European Strategies* (London: Palgrave, 2009)

<sup>48</sup> Specific suggestions for NATO-Russia relations are outlined in *Alliance Reborn*. For an assessment of the U.S. "reset" with Russia, see See Andrew Kutchins, "The Obama administration's 'reset button' for Russia," in de Vasconcelos and Zaborowski, op. cit.

<sup>49</sup> We are indebted to Daniel Serwer and Megan Chabalowski of the U.S. Institute of Peace and Daniel Korski of the European Council on Foreign Relations for their views on this topic. See their chapters as part of the full volume accompanying this report: Daniel Korski, "Preventing Crises and Managing Conflicts: U.S.-EU Cooperation," in *Shoulder to Shoulder*, op. cit; Daniel Serwer and Megan Chabalowski, "U.S.-EU Cooperation in Managing and Resolving Conflicts," in *Shoulder to Shoulder*, op. cit.

<sup>50</sup> See James Dobbins, "Friends Again?" in Marcin Zaborowski, ed., *Friends Again? EU-US Relations after the crisis* (Paris: EU ISS, 2006).

<sup>51</sup> See U.S. National Intelligence Council, *Global Trends 2025: A Transformed World* (Washington, DC, 2008) and Nicole Gnesotto and Giovanni Grevi, eds., *The New Global Puzzle: What World for the EU in 2025?* (Paris: EU Institute for Security Studies, 2006)

<sup>52</sup> See F. Stephen Larrabee, "The United States and the European Security and Defense Policy: Old Fears and New Approaches," in *Strategic Yearbook 2006: European Security and Defence Policy: A European Challenge* (Stockholm: Swedish National Defence College, 2006); Robert E. Hunter, *The European Security and Defense Policy: NATO's Companion – or Competitor?* (Santa Monica: RAND, 2002).

<sup>53</sup> In a speech that came to be seen as a milestone in the U.S. policy towards ESDP, on February 22, 2008 in Paris, then U.S. Ambassador to NATO Victoria Nuland noted: “With 15 missions now on three continents, the EU has proven its ability to deliver a whole which is greater than the sum of its parts.” Accessed here: <http://www.america.gov/st/texttrans-english/2008/February/20080222183349eaifas0.5647394.html>. See also Esther Brimmer, *Seeing Blue: American Visions of the European Union*, Chaillot Paper, no. 105, Paris, EU Institute for Security Studies, 2007.

<sup>54</sup> For reviews of European capacity, see Daniel Korski and Richard Gowan, *Can the EU Rebuild Failing States? A Review of Europe's Civilian Capacities* (London: European Council on Foreign Relations, October 2009); Giovanni Grevi, Damien Helly and Daniel Keohane, eds, *European Security and Defence Policy: The First Ten Years* (Paris: EU ISS, 2009).

<sup>55</sup> There is only one defense expert. A slightly larger but inadequate team works on security cooperation: two State pol-mil officers, two USAID officers, one from State/PRM, one from State/Consular, two from U.S. Customs, one senior DHS attaché, one senior person from Justice, one from State/INL, one from DEA. A related problem is that as functions move from capitals to the EU, the State Department tends to reassign the officers fulfilling those functions but doesn't send any new people to the U.S. Mission to the EU to track that function with the EU.

<sup>56</sup> Office of the Coordinator for Reconstruction and Stabilization, “Introduction to the Civilian Response Corps.” <http://www.crs.state.gov/index.cfm?fuseaction=public.display&shortcut=4QRB>; *Play to Win: Final Report of the Bipartisan Commission on Post-Conflict Reconstruction* (Washington, DC: CSIS, 2003); Nora Bensahel, Olga Oliker, Heather Peterson, *Improving Capacity for Stabilization and Reconstruction Operations* (Arlington, VA: RAND, 2009); Julian Lindley-French, “Enhancing Stabilization and Reconstruction Operations,” *A Report of the Global Dialogue between the European Union and the United States* (Washington, DC: CSIS, 2009).

<sup>57</sup> Hans Binnendijk and Patrick M. Cronin, *Civilian Surge: Key to Complex Operations, A Preliminary Report* (Washington, DC: The National Defense University, December 2008).

<sup>58</sup> The EU has also been active in security sector reform (SSR), providing assistance to weak governments through two current ESDP missions. In EUSEC DR Congo, the EU provides technical and logistical support to military institutions, and in EUSSR Guinea Bissau, the mission is helping implement the country's national security strategy.

<sup>59</sup> Interview with General Henri Bentégeat, head of the EU Military Staff, in *Défense EU/European Voice*, October 9, 2009, and Leo Michel, “Bentégeat's bonne idée,” published in EUobserver.com.

<sup>60</sup> We thank Victoria Nuland for engaged thinking on this idea, but take responsibility for this specific suggestion. To be really effective, such a center would need to fully incorporate the major international NGOs and other organizations, UN and OSCE for example, if it were to truly develop workable plans based on likely scenarios – such a center could be funded and operated jointly by NATO and EU but should be open as an international community planning office.

<sup>61</sup> U.S. Institute of Peace, *Guiding Principles for Stabilization and Reconstruction* (Washington, DC: Endowment of the United States Institute of Peace, 2009); United Nations Department of Peacekeeping Operations, *United Nations Peacekeeping Operations: Principles and Guidelines* (New York, NY: United Nations, 2008).

<sup>62</sup> See David T. Armitage, Jr., and Anne M. Moisan, “Constabulary Forces and Postconflict Transition: The Euro-Atlantic Dimension,” *Strategic Forum* No. 218, November 2005.

<sup>63</sup> See Joseph Cirincione and Alexandra Bell, “Prague and the transformation of American nuclear policy,” in de Vasconcelos and Zaborowski, op. cit.

<sup>64</sup> B.T. Smith, et al., “Navigating the Storm: Report and Recommendations from the Atlantic Storm Exercise,” *Biosecurity and Bioterrorism* 3, pp. 256-267 (2005); For a fuller explication of these and other initiatives, see Marc L. Ostfield, “Strengthening Biodefense Internationally: Illusion and Reality,” *Biosecurity and Bioterrorism* 6, pp. 261-267 (2008).

<sup>65</sup> COM 2009/458.

<sup>66</sup> This section is based on analysis and recommendations made by the Center for Transatlantic Relations and the Global Public Policy Institute (GPPi) as part of a two-year project, involving 16 field-based case studies, on improving transatlantic cooperation in humanitarian assistance. See Julia Steets and Daniel Hamilton eds., *Humanitarian Assistance: Improving U.S.-EU Cooperation* (Washington, DC: Center for Transatlantic Relations/GPPi, 2009); Julia Steets, Dan Hamilton, Andrea Binder, Kelly Johnson, Kai Koddenbrock, Jean-Luc Marret, *Improving Humanitarian Assistance: A Transatlantic Agenda for Action* (Berlin: Center for Transatlantic Relations/GPPi, 2009); Abby Stoddard, *Beyond the Transatlantic Divide: Deepening Western Cooperation and Broadening Donor Engagement in International Humanitarian Assistance* (Berlin: Center for Transatlantic Relations/GPPi, 2009).

<sup>67</sup> This section is based on Jeffrey P. Bialos, Stuart Koehl, and Christine Fisher, *Fortresses and Icebergs: The Evolution of the Transatlantic Defense Market and the Implications for U.S. National Security Policy* (Washington, DC: Center for Transatlantic Relations, 2009). We thank them for permission to draw on this two-volume study.

<sup>68</sup> Anne-Marie Slaughter, the Director of the State Department Policy Planning Staff, has drawn attention to the possibilities: “The leading countries of the Atlantic hemisphere are more peaceful, stable and economically diversified than those in the Asian hemisphere...It is quite a promising neighborhood, home to a wealth of human, economic, material and natural resources.” She points to the enormous potential for further integration of the Hemisphere, underscoring that Canadian oil sands and Brazilian sugar cane are more promising than depending on Russian pipelines, and that markets for renewable energy -- such as from biomass, wind, geothermal technology and other sources -- are growing in Latin America. See Anne-Marie Slaughter, “America's Edge: Power in the Networked Century,” *Foreign Affairs*, January/February 2009, pp. 94-113.

<sup>69</sup> The EU has an ambitious framework of strategic collaboration on a wide range of issues, from trade or security to the environment, in the Joint EU-Africa Strategy signed in 2007.

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<sup>70</sup> See Michael Smith, “Perceptions, Misperceptions, and Transatlantic Relations,” in Fernandez Sola and Smith, op. cit.

<sup>71</sup> Some of this review and individual suggestion are related to those made in John Peterson, et.al, *Framework for Relations Between the European Union and the United States* (Brussels: European Commission, 2005); we have benefited from insights offered by Charles Ries in his chapter, “Organizing a More Strategic U.S.-EU Partnership,” appearing in the full volume book *Shoulder to Shoulder: Forging a Strategic U.S.-EU Partnership* (Washington, DC, 2009). For a variety of suggestions for a new “architecture,” see Jolyon Howorth, “A New Institutional Architecture for the Transatlantic Relationship?” (Paris: IFRI, June 2009); Daniel Korski, et. al, *Rewiring the US-EU Relationship* (London: ECFR, 2008).

<sup>72</sup> See *Mapping the Global Future*; and *The World Transformed, Global Trends 2025*, op. cit.

<sup>73</sup> *The New Global Puzzle* (Paris: EU ISS).

<sup>74</sup> A pilot project is currently underway in which the Atlantic Council and the EU ISS are conducting an assessment of global governance gaps with the informal participation of NIC and EU experts.

<sup>75</sup> See Simon Serfaty, ed., *A Recast Partnership? Institutional Dimensions of Transatlantic Relations* (Washington, DC: CSIS, 2008); Franklin D. Kramer and Simon Serfaty, “Recasting the Euro-Atlantic Partnership,” available at [http://www.csis.org/media/csis/pubs/csis\\_euroatlantic\\_feb07.pdf](http://www.csis.org/media/csis/pubs/csis_euroatlantic_feb07.pdf).

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