



**Testimony before the
Subcommittee on Europe and Emerging Threats
Committee on International Relations
United States House of Representatives**

**“OVERVIEW OF TRANSATLANTIC
RELATIONS PRIOR TO PRESIDENT
BUSH’S VISIT TO EUROPE”**

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A Statement by

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Introduction

Chairman Gallegly, members of the Committee, thank you for convening this hearing at a moment when the United States and the states of Europe are working to re-energize the transatlantic partnership after a very difficult last three years. Thank you also for giving me this opportunity to share with you my thoughts about the state of transatlantic relations ahead of President Bush's visit to Europe next week, which will be an important step in this process.

Let me state at the outset that I believe the transatlantic partnership to be vital to the ability of the United States and Europe to meet the many international challenges that we face in common. In fact, there is no challenge, in my opinion, which we cannot confront more effectively and expeditiously with an element of transatlantic cooperation and coordination at the core of our response.

Let me also state, however, that I believe the transatlantic partnership to be very fragile at this time. As I will argue below, the United States and Europe may share common interests in most areas of international affairs, but we often take different or uncoordinated approaches to pursuing these interests. Iraq has been emblematic of this dichotomy, and the wounds inflicted during the debate over the merits of going to war in Iraq during 2002-2003 run deep and have not yet healed. The U.S. administration and a large part of Europe split over the question, with each side perceiving the approach and actions of the other to run counter to their long-term security interests. This has created a dangerous breach in the Atlantic Alliance.

Sealing this breach so that we can make use of the transatlantic partnership in the years ahead will take time. It also requires two specific sets of actions, around which I will build the core of my testimony. The first is to avoid the emergence of serious new rifts. The second is to use the next couple of years to build a record of successful joint transatlantic actions that will confirm the practical value of this partnership, not because of nostalgia for the past, but because of the necessities of the future. In the closing section, I will briefly remind members of the committee of the complex domestic political environments within which governments on both sides of the Atlantic must operate at the moment and which constitute a serious constraint on the speed with

which we will be able to rebuild the transatlantic partnership. In sum, this is not a moment for over-confidence in the state of U.S.-European relations.

1. Common Challenges, Different Approaches

It is remarkable to note that, some fifteen years after the end of the Cold War, the United States and Europe share as much in common today in terms of our fears, hopes, and aspirations, as we did during the era when the Atlantic Alliance was at its strongest. In three key areas, however – our economic interests, our security concerns, and our broader international political priorities – U.S. and European approaches often diverge.

Economic Interests

Today, the transatlantic economic relationship is the largest and most integrated economic relationship in the world, accounting for 41% of world GDP, 27% of world exports, 32% of world imports, 58% of the world stock of inward foreign direct investment, and 77% of the world's outward stock¹. This means that both the United States and Europe now face the same sorts of challenges from the new wave of investment-driven globalization that is tempting multinational companies to transfer not only investment capital, but also value-added and well-paying jobs to markets outside the transatlantic area. It also means that U.S. policy makers and their European counterparts have the same interests in strengthening the competitiveness of their domestic economies and of ensuring that emerging markets are as open as possible to U.S. and European products and services; and that they promote laws to improve market transparency, respect rules for intellectual property protection; and combat corruption.

Despite this shared interest in making the global economy more transparent and despite recent cooperation over re-launching the WTO Doha Round of multilateral trade negotiations, the United States and Europe spend the bulk of their political energy on the relatively small issues that divide us economically—the Foreign Sales Corporation Tax, access to genetically modified

¹ Daniel S. Hamilton and Joseph P. Quinlan, *Partners in Prosperity: The Changing Geography of the Transatlantic Economy* (Center for Transatlantic Relations, 2004) p.177

farm products, the safety of beef hormones, the appropriate scope of subsidies for the aerospace industry, for example – rather than on thinking how closer transatlantic economic integration or joint U.S.-EU initiatives could promote our common interests in the global economy.

Security Interests: The Fight Against International Terrorism

Following the terrorist attack in Madrid in March 2004, it is arguable that European governments have joined the U.S. government in perceiving international terrorism, driven by radical Islamist groups, as the principal direct threat to their security and prosperity. Europe's proximity to North Africa and the Middle East, its large domestic Muslim populations, its porous external and internal borders, and disjointed law enforcement agencies together make European cities and societies tempting potential targets. And radical Islamist groups have equal grievances with European governments, all of which supported the overthrow of the Taliban and many of which contributed and continue to contribute to the fight against Taliban and Al Qaeda fighters there. European governments have also taken tough domestic measures against radical Islamist groups in their midst, exacerbating their sense of grievance.

Europeans' growing perception of the seriousness of the terrorist threat has been an important contributing factor to the good cooperation that has emerged over the past year between U.S. and European intelligence, justice, and law enforcement officials. This has been confirmed by a series of transatlantic agreements, including over Passenger Name Recognition, the Container Security Initiative, and the signing of a U.S.-EU Extradition and Mutual Legal Assistance Agreement. The United States and Europe have also taken the lead on multilateral counterterrorist efforts, helping create the UN Counter-Terrorism Committee and the G-8's Counterterrorism Action Group.

Nevertheless, there are important differences in U.S. and European approaches to the fight against international terrorism. At heart, the U.S. administration sees itself as engaged in an all-out war against an external enemy – notwithstanding the constant vigilance for enemies that may lie within. The emphasis of the administration is on defeating these enemies abroad, so that it does not have to fight them at home.

European governments, on the other hand, see the new international terrorism as bearing the hallmarks of the nationalist or anarchist movements that they confronted in the past. Defeating them involves not primarily their elimination, as necessary as that might be in the near-term, but winning the long-term struggle for legitimacy through a focus on the political, social, and economic drivers of Islamic radicalization.

Iraq crystallized this difference in approach. For the U.S. administration, overthrowing Saddam Hussein was a necessary pre-emptive action in a world where the potential combination of WMDs and global terrorist groups fundamentally changed the calculus of security. For most European policymakers (whether their governments supported the war or not), attacking Iraq ran the risk of undermining the struggle for legitimacy, intensifying the radicalization of Arab youth, and, therefore, increasing the terrorist risk. The problem for the future of the transatlantic relationship is that both the administration and those who opposed the war in Europe believe that they have been proved right by events in Iraq.

International Political Priorities

No two parts of the world have more invested in sustaining and strengthening international order than do the United States and Europe. However, two developments, in particular, threaten to upset current patterns of international security and stability. The first is the rise of China, and the second is Russia's struggle to stave off decay.

While both U.S. and European policymakers are paying close attention to China's increasing political and economic influence in the world, there has been little, if any strategic dialogue to date between U.S. and European officials on how to ensure that they do not pursue contradictory policies toward China. As a result, both sides have been caught unprepared by the transatlantic impact of the EU's imminent decision to lift its arms embargo on China; despite the fact that this decision has been under discussion in the EU for over 18 months and is but one step in a comprehensive program of diplomatic initiatives by the EU over the past seven years to engage China in a strategic partnership.

On Russia, both the United States and European governments share a deep concern over the path that President Vladimir Putin has taken in the last year. The U.S. administration, however, appears to have wanted to sustain a strong bilateral relationship with Russia on a larger set of strategic priorities, such as the war on terrorism and support for containing Iran's nuclear ambitions. Most European governments, for their part, want to maintain good bilateral relationships with Russia for a host of reasons, not least of which is access to Russia's energy sector. One result of this transatlantic ambivalence toward President Putin's reassertion of centralized power in Russia was that Russia's effort to impose its will on the Ukrainian presidential elections came dangerously close to succeeding. Viktor Yushchenko's eventual victory benefited in the end from strong transatlantic diplomatic cooperation vis à vis the Kuchma government between the two presidential run-offs. But in the early stages of the election campaign, U.S. and European governments saw Ukraine's fate more lying in Russia's hands than in theirs.

The purpose of this quick snapshot of the state of transatlantic relations is to show that America and Europe share profound economic, security, and international political interests. The challenge in each case, however, is to determine how the United States and Europe can make the transition from their present community of shared interests to a future community of coordinated action. This will be a difficult process given the diversity of the challenges we face in common, in contrast to the relative simplicity of the common threat that the United States and Europe faced from international communism during the latter half of the twentieth century.

There are two vital steps in the near term to building a renewed transatlantic partnership: first, avoid new transatlantic rifts and, second, take advantage of opportunities to build a record of successful joint action.

2. Avoiding New Transatlantic Rifts

The two most imminent transatlantic rifts concern China and Iran. Each has the potential to undermine the improvement in transatlantic relations that has preceded and accompanied the visits of Secretary Rice and President Bush to Europe.

Lifting the EU Arms Embargo on China

There is a very strong likelihood that EU governments will decide to lift their 1989 arms embargo on China before June this year. This decision is driven by a number of factors, including:

- The sense among EU governments that the embargo, which was imposed to punish China specifically for its brutal repression of the pro-democracy demonstrators in Tiananmen Square, no longer corresponds to a China that has made huge economic strides over the past decade and raised the welfare of its people in the process;
- That the embargo is ineffective at preventing sales of the sorts of dual-use and defensive items to China that are the greatest source of concern to U.S. and European governments alike;
- That the far more elaborate and comprehensive EU Code of Conduct on Arms Exports provides a better institutional framework for controlling future military sales to China;
- And that, given the preceding factors, there is little harm in agreeing to China's demands that it should not be included as an "embargoed" country with the likes of Burma and Zimbabwe
- While there may be important indirect economic benefits for European companies competing for large infrastructure projects and government purchases in China in the future.

The EU's decision to lift the embargo must be taken by unanimous vote and will require two additional steps. First, the Chinese People's Congress meeting in March will need to ratify the UN International Convention on Civil and Political Rights, one of the explicit demands that the EU has made for China to show its commitment to improved human rights. And, second, EU

governments will have to agree to a strengthened Code of Conduct. Senior U.S. officials have met intensively with their European counterparts over the past few months to stress the need for EU governments to make the Code more transparent, especially as concerns reporting what governments sell and not just what they deny, and underscoring the need for European governments to recognize publicly which types of technologies are of greatest concern in terms of the specific threats posed by China to Taiwan and to U.S. forces that might help defend the island.

Providing that EU governments take specific steps to meet U.S. security concerns, the EU's new code of conduct will have a greater potential to stem the transfer of weapons and sensitive technologies to China than does the current embargo. As such, the EU's decision should not be used as a reason to drive a new wedge into the transatlantic relationship. The decision should be used as a spur for U.S. and European governments to consult far more regularly on their approach to China's role in regional security.

Preventing Iran's Acquisition of a Nuclear Weapons Capability

The discovery of Iran's quest to develop its own capacity to produce highly enriched uranium (HEU) has convinced U.S. and European policy-makers that the Iranian government wants to acquire a nuclear weapons capability. The U.S. administration and its European counterparts believe that a nuclear-capable Iran poses unacceptable risks to global and regional security. Unfortunately, while agreeing that a pre-emptive military strike is unlikely to destroy Iran's nuclear capability, the U.S. and European governments appear to disagree fundamentally on an alternative way to dissuade Iran from taking this course.

Acting on behalf of the European Union, France, Germany, and the UK (the EU-3) have convinced the Iranian government to suspend temporarily its production of HEU in return for the EU-3 entering into negotiations on EU incentives for Iran to give up HEU production permanently. These include economic incentives, such as supporting Iran's accession to the WTO and offering to conclude an EU Trade and Cooperation Agreement with Iran. The

incentives would also include a guarantee to provide Iran in the future with reactor fuel for its civilian nuclear reactors and retrieval and storage of spent fuel.

For its part, the United States has remained aloof from the EU negotiations with Iran, not blocking the negotiations, but refusing to join in offering any incentives and making clear that it does not think the negotiations will work. It is pressing instead for Iran to be referred to the UN Security Council and be subject to sanctions unless it agrees to renounce producing HEU immediately.

The problem with this approach is that the United States risks creating a self-fulfilling prophesy. Iran is highly unlikely to strike a deal with the EU-3 so long as the United States remains on the side lines of the negotiations. This is because, for all of its economic incentives, the EU cannot address Iran's fundamental concerns about its security, which are tied in part to fear of U.S. military encirclement and of the public hostility of the U.S. administration to Iran's current regime.

The only option that has a chance of success, therefore, is for both the EU and the United States to modulate their approaches. The EU needs to be explicit now about the serious consequences for Iran of any decision on its part to resume the uranium enrichment process, including escalation beyond the Security Council to full sanctions. For its part, providing Iran does not resume the production of highly enriched uranium, the U.S. administration, while maintaining its critique of Iran's clerical regime, should enter into bilateral discussions with Iran on some of the topics where Iranian and U.S. interests may ultimately converge, such as the future of Iraq and Afghanistan, to the more contentious, such as the status of Al Qaeda members being held in Iran and Iran's approach to the Middle East peace process. In other words, if preventing Iran from moving toward possessing a nuclear weapons capability is truly the near-term priority for both the U.S. and the EU-3, then they must develop a coordinated and supportive approach toward this mutual objective.

3. Taking Advantage of Opportunities for Successful Joint Action

Avoiding rifts can only be one part of a strategy to rebuild the transatlantic partnership over the coming year. There are also a number of policy areas where U.S.-European cooperation could bring positive mutual benefits and some which, in addition, could become successful joint actions.

Helping Resolve the Israeli-Palestinian Conflict

The death of Yasser Arafat and the election of Mahmoud Abbas open up new opportunities for the United States and Europe to cooperate in support of the peace process. While both sides agree on the importance of a successful Israeli withdrawal from the Gaza strip, they appear to diverge on the speed with which this withdrawal should be followed by negotiations on an overall Arab-Israeli peace deal. Although the United States and Europe agree on the broad outlines of what would be an acceptable solution to the conflict, the U.S. administration would prefer to ensure that Gaza works before opening up a new set of negotiations. Europeans want to keep the momentum moving, fearing otherwise that the Israeli withdrawal from Gaza and some limited closing of settlements in the West Bank will mark the end of progress for the foreseeable future. Making a success of Gaza in the near-term, therefore, will serve as an important test for an effective U.S.-EU division of labor and for collaborative action (perhaps including the dispatch of NATO forces under NATO command to help keep the peace after the withdrawal), that will be vital to support progress toward the broader peace in the medium-term.

Securing Iraq

Following the recent parliamentary elections in Iraq, Europe and the United States have moved beyond the conceptual stalemate that preceded and immediately followed the campaign to overthrow Saddam Hussein. Both the U.S. and European governments need to see Iraq make a successful transition to a stable and democratic state, and European governments demonstrated a new level of engagement recently when they reached agreement with the United States on forgiving the bulk of their portion of Iraq's foreign debt. While the United States is in Iraq for the long haul, those European states not involved in the coalition can no longer simply wait for security to materialize before committing people and resources to securing Iraq's future.

Following through on commitments to train Iraq security forces is vital, but so is EU support for training judges, police, and the broader infrastructure of government. EU officials could also help with the drafting of the new Iraqi constitution.

Ukraine

Having helped Ukraine make its democratic transition this December, the U.S. and European governments need to realize how precarious is Viktor Yushchenko's position and provide him with the full economic and political support he will need in order to consolidate democracy and economic reform over the next two years. Some of the most valuable support in the near-term will be economic, such as lifting the U.S. Jackson-Vanik amendment, offering Ukraine market economy status, and expediting its membership negotiations to the WTO. Ukraine should also be encouraged to become a signatory to the Energy Charter Treaty, which would help import improved levels of transparency to this critical sector of Ukraine's economy. Currently, Ukraine's energy production and transit sectors permit the channeling of political as well as economic influence from Moscow and by oligarchs whose only loyalty is to their own bank accounts.

Counterterrorism

Transatlantic cooperation between intelligence and law enforcement agencies has been one of the relative success stories of the past couple of years, and has contributed to the arrest of suspected terrorists across Europe. Further improvements will depend in part on the continuing efforts to streamline and strengthen information sharing and counterterrorism operations within the United States and across Europe. There are also a number of opportunities for further strengthening practical aspects of transatlantic counterterrorism cooperation, including agreeing common technical standards for radio-frequency identification devices (RFIDs) and biometric scanners, for example; tackling impediments to the sharing of classified information in judicial cases (which are limiting the potential effectiveness of the U.S.-European Extradition and Mutual Legal Assistance Treaty); and giving courts greater ability to seize suspected terrorist finances on administrative order.

Strengthening Cooperation to Prevent on the Proliferation of WMD

The United States and Europe agree that the combination of terrorist groups and weapons of mass destruction (WMD) poses the biggest danger of all to our societies and economies in terms of its potentially catastrophic impacts. U.S. and EU governments have already demonstrated their collective determination to confront this threat by signing up to the objectives and financial commitments of the G-8's "Global Partnership" program to identify and secure or destroy WMD stockpiles in Russia and the former Soviet Union. Over the coming years, they could work together to assist countries to secure or destroy vulnerable radiological material worldwide; share lessons learned from specific programs, such as nuclear submarine dismantlement in Russia; and build additional facilities to destroy chemical weapons in Russia.

Setting the Goal of a Transatlantic Market

A central near-term objective for governments on both sides of the Atlantic should be to build on the close transatlantic economic relationship and start to make progress on overcoming the pervasive regulatory barriers to transatlantic trade and investment. One of the most effective ways to help promote innovation, create new well-paying value-added jobs, and improve the national and international competitiveness of the U.S. and European economies in an increasingly competitive global economy will be for the Bush administration and its European counterparts to make the easing of regulatory, non-tariff barriers to transatlantic trade and investment a central priority for the coming years. In order to launch and oversee such an ambitious objective, U.S. and EU leaders should make a formal commitment to use their annual U.S.-EU summits to review progress made against specific milestones. There remains huge untapped potential in the transatlantic economy.

4. Europe and the United States – Distracted Partners

This is just an illustrative list of some of the key opportunities and risks facing the U.S.-European relationship in the lead-up to the president's visit to Europe. Others will or should be on the agenda, including making real the U.S. and European commitment to the Broader Middle East and North Africa Initiative; ensuring that Kosovo does not relapse into violence, possible

U.S. engagement in negotiations to reduce greenhouse gas emissions outside the Kyoto protocol framework, and supporting European efforts to invest in better integrated defense capabilities.

Before concluding, however, it is worth noting briefly that a central constraint on taking advantage of this sort of proactive transatlantic agenda will be the distracted nature of governments on both sides of the Atlantic over the coming two years.

The second Bush administration has placed an ambitious domestic agenda of social security, tax, and tort reform before the people and Congress. To the extent that pursuing transatlantic initiatives in some of the areas described above will require compromises by the United States as well as by Europe, the President will have to gauge how much of his political capital he can afford to expend on rebuilding the transatlantic partnership while husbanding that capital also for the tough negotiations that will accompany the pursuit of his domestic agenda.

European governments, on the other hand, have their own pressing distractions. In 2005, these include:

- Insuring there will be sufficient domestic political and popular support to ratify the EU's new Constitutional Treaty, including through at least ten national referendums through 2005-2006 in several key EU countries such as France and the UK;
- Managing the integration of the ten new EU members from central and eastern Europe into EU structures and bargains;
- Re-launching the so-called "Lisbon Agenda" of domestic and EU-wide reforms to make European economies more competitive in the global marketplace, following several years of lackluster economic growth and continuing high unemployment;
- Finalizing the EU budget for the next five-year period;
- Continuing with painful efforts to reform Europe's generous retirement policies and worker protection regimes.

Given these competing U.S. and European domestic agendas, the Bush administration, EU governments, and EU officials will have to make a concerted and sustained effort to make real the opportunities available to strengthen the transatlantic partnership.

Conclusion

The President has placed a close relationship with a strong Europe at the top of his near-term priorities. He is investing his and his administration's time and energy into trying to overcome the differences and into taking advantage of the opportunities described above. Given the fragile state of transatlantic relations, I would urge members of this Committee and other members of the legislative branch to give the President, the Secretary of State, and those involved in managing U.S. diplomatic relations with the EU and the governments of Europe both their support and the flexibility they will need to work successfully to strengthen the transatlantic partnership this year and next.