

Working with the European Union

by Leslie S. Lebl

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The past year saw growing uncertainty about the future of the European Union. Whether it becomes weaker or stronger, and whether it acts as a global partner or competitor, the United States cannot afford to ignore the EU. By understanding the different EU decision-making processes for defense, foreign policy, counter-terrorism, and economic issues, the United States can do a better job of advancing its interests in Europe.

The French and Dutch votes against the European Union's draft constitutional treaty last spring unleashed a wave of uncertainty about the future of the EU, an uncertainty that has been compounded by the inconclusive outcome of the September 2005 German parliamentary elections. Is the EU dead, as some pundits proclaimed this fall?¹ Or is it alive, with the referenda votes having created the perfect opportunity for the United States to jump in and save the day for the EU, as another expert argues?² Would doing so be in the United States' interest?

Technically, the impact of the constitutional referenda is fairly clear. The draft treaty consolidated existing EU treaties as much as it proposed further European integration. Without it, the previous treaties remain in force and business continues as usual. The EU has sufficient authority, based on previous treaties, to pursue all existing economic, political, and security policies.

Politically, however, the question is harder to answer. The EU has surmounted many crises in the past, but those crises arose from disputes between member-state governments and were resolved by new intergovernmental deals. This time, the crisis was caused by the lack of public support within two of the founding members of the EU—a much more serious problem. The EU's elite bureaucracy has never dealt well with public opinion and has a

¹ John C. Hulsman and William L. T. Schirano, "The European Union is Dead," *The National Interest*, Fall 2005.

² Ronald D. Asmus, "Rethinking the EU: Why Washington Needs to Support European Integration," *Survival*, Autumn 2005.

widely acknowledged “democratic deficit.” The referenda votes make it much more difficult for EU political leaders to maintain momentum or to reach painful compromises on issues like the EU budget or economic reform.

Is it in the United States’ interest for the EU to be weakened, either temporarily or permanently? Shortly after the French and Dutch votes, the Bush administration reaffirmed the advantages to the United States of a strong Europe that can help advance a broad range of global issues. However, the administration refrained from taking sides on the outcomes of the referenda, implicitly acknowledging that it is not for the United States to “save” European integration, but rather for EU leaders to persuade their own electorates.

If the EU is weakened, does that mean the United States can largely ignore it? One likely scenario is that the EU would become preoccupied with its internal issues in the short run and less ambitious about its political role—i.e., less likely to try to be either a partner or a counterweight of the United States. Nor would it be as energetic in developing or deploying its military forces. The longer run is harder to predict: the EU could continue along that glide path, or it could rebound, as it did after its disarray over Iraq.

Even in a weakened state, however, the EU would not vanish off the radar screen. The EU already shapes an estimated half of all European legislation, and few observers believe that it will halt further integration, although the timing and nature of the steps may vary. And weakness would bring new problems: a weaker Europe would be less able to resist the threat of Islamist terrorism, less willing to participate in bringing democracy and prosperity to the greater Middle East, and less likely improve its military capabilities. U.S. interests might change, but they will not diminish.

In fact, whether the EU will be strong or weak is not the issue. As it is, the United States is not doing a good enough job of advancing its interests in Europe, as evidenced by the high level of frustration in Washington with regard to the EU. Conceptually, the United States lacks a plan for dealing with a big, complex entity that is not a unitary state. In practical terms, it often does an inadequate job of advocating U.S. concerns as issues wend their way among 25 European countries and several central EU institutions. While all U.S. agencies suffer from this problem, the State Department is among the worst afflicted, as it is still organized on traditional lines to deal with countries, not regions. It is particularly unsuited for dealing with a unique regional entity like the EU. The net result of these problems: American officials and experts often feel that the United States has been outwitted; that it is playing a shell game and losing.

These difficulties can best be understood by examining the particular circumstances in four policy areas. Each of them illustrates a different dynamic, due to its bureaucratic or decision-making configuration.

Defense. With Europeans now discussing defense issues in NATO, the EU and national capitals, the United States must master the game of “multi-dimensional chess” to decipher these messages properly. EU weakness may

mean a lesser role for EU military forces; it is unlikely to mean more European support for NATO.

Foreign policy. The EU sets the agenda for the consideration and adoption by European countries of common foreign and security policies. On occasion, the United States has gotten ahead of this decision curve by consulting in an *ad hoc* manner before the EU had reached a decision. Were it to do so systematically, it would increase the chances of the EU's becoming a partner rather than a spoiler for the United States.

Counterterrorism. Most of the practical work of combating terrorism goes on in U.S. bilateral cooperation with European countries. However, the United States must also respond to the EU's growing authority in law enforcement, border and transport security, and other policies affecting Europe's internal security. U.S. officials who initially sought to circumvent Brussels have since become the models of U.S.-EU cooperation.

Economics: Economic competition between the EU and the United States is all too real, as is the increasing intertwining of the transatlantic economies. The United States needs a vision and a long-term plan for responding to this global competition, as well as cooperation, while promoting U.S. business interests in the European market—a governmental version of "coopetition."

Defense: The Multidimensional Chess Game

For over fifty years, when Americans thought of European security and defense, they thought of NATO. Today, however, the European defense environment consists of a dense web of interlocking and competing NATO and EU structures. With two overlapping organizations (19 countries are members of both the EU and NATO), it is not unusual for European officials to say one thing at NATO, another at the EU, and yet another to the U.S. embassy in their national capital. To achieve its objectives, the United States must master this multidimensional chess game rather than simply relying on NATO ties. It must be able to track what European governments say in different venues, challenging them when necessary in order to reach accurate assessments of their intentions and their capabilities.

Two organizations

Of all the relationships with Europe, defense ties are perhaps the most complex. For years, they appeared to be fairly straightforward: NATO was the primary security institution in Europe. Now, however, the EU has set up its own security institutions: a Political and Security Committee that in some ways is the counterpart of the North Atlantic Council in NATO; a Military Committee that, again, is somewhat like NATO's; and a military staff with many of the functions

of NATO's. And the EU has its own military forces, which, under the European Security and Defense Policy, have already deployed in the Balkans and in Africa.

It is absurd to assume, as many Americans do, that these developments reflect merely the ambitions of Eurocrats in Brussels. All of these institutions were approved by the heads of state and government of EU member states in a consistent, multiyear process. There is nothing these developments can reflect other than a desire to assert EU autonomy vis-à-vis NATO, or more precisely, European autonomy vis-à-vis the United States.

Similarly, European security cannot be viewed only through the prism of NATO. Many Americans constantly assert NATO's primacy (during President Bush's February 2005 trip to Europe, he described NATO as a "cornerstone"). But this continued insistence on NATO's primacy obscures the fact that many Europeans, particularly young people, view the EU as the future and NATO only as an "insurance policy." It also suppresses American doubts about whether NATO has outlived its time. While nostalgic for the past, many Americans increasingly refer to NATO as "them" instead of "us," as if NATO were a European organization, not a transatlantic one. While understandable, this inability to make the mental transition to the post-Cold War Europe is costly.

Unsurprisingly, the formal relationship between NATO and the EU is troubled. If Americans are bent on reasserting NATO's importance, many Europeans are preoccupied with ensuring that NATO does not dominate the EU. While cooperation between the two institutions works fairly well in the field, the political and bureaucratic rivalry in Brussels is fierce, as shown recently by the dispute over who would provide modest support to African Union operations in Darfur. For Americans the situation is even more irritating, as European allies sometimes delay a decision in NATO until a common EU position on the issue has been reached at the EU—thus introducing a de facto EU caucus into NATO deliberations.

Mixed Views

Dealing with two venues for discussing military and security issues is only the tip of the iceberg. The greater challenge for the United States is to interpret the mixed views emanating from Brussels and other European capitals about the United States' role in European security. Some Europeans want to reduce or eliminate its role; others want it to remain engaged. Some see a European military force as a hedge against a U.S. withdrawal from Europe; others want it as a means to hasten that day. Many Europeans want the NATO insurance policy, but increasingly wish to escape American tutelage or control. Lest there be any temptation to dismiss this as yet another French plot, here is what the conservative parties in Germany think:

[I]t is of vital interest to the European Union and its member states, including companies as well as citizens, that Europe presents a unified and powerful front to

the outside world . . . and [the EU] must therefore reinforce Europe's ability to stand up for itself within existing alliance systems."³

Nor is it easy for Americans to decipher Europeans' true feelings about the EU or NATO from what they say aloud. Some countries are constrained in what they say in NATO by what they feel is the overbearing U.S. presence there. Others, in particular the smaller countries and the new members from Central and Eastern Europe, may feel a different constraint in the EU, where they must navigate around the sensitivities and interests of the larger countries.

An Uncertain Future

U.S. policy must become more adept in maneuvering between NATO and the EU. It must also articulate a more realistic expectation for the future of European military force, and the role that Europe can play in regional and global security issues.

The sad fact is that European defense spending is not going to increase; indeed, it will be quite a feat if it does not fall. The very real possibility exists that most European militaries will abandon any serious war-fighting capability. While the United Kingdom, France, and perhaps Italy will most likely continue to maintain such forces, the expeditionary capabilities of other NATO allies will be limited. Moreover, the low levels of research and development spending, compared with those of the United States, suggest that the technological gaps across the Atlantic will only increase with time. Although NATO is seeking to respond to these problems, in part by developing the NATO Response Force, it is fighting an uphill battle.

The divergences are not limited to technical capabilities. Europeans tend to think very differently about military power, more often seeing it in an ambiguous or negative way. They want to be our equal (i.e., able to match or constrain us), but they do not want to pay for it. This pattern emerges consistently from public opinion polls: typically, some 70 percent or more support having the EU as a superpower, but less than half are prepared to pay for the requisite military force that would entail. Nor do many Europeans want the "militarism" associated with exercising military power or influence. Ironically, while many Americans often worry about the French role in the EU, here one can feel the direct influence of the Germans. They want the EU, like Germany, to be a "civilian power."

This lack of war-fighting capability does not mean that most European militaries will have nothing to offer. They will still be able to offer valuable troops and assets for stability and reconstruction missions, an essential

³ From the European Constitution Contract, CDU and CSU Proposal, November 26, 2001, p. 12, quoted in Wolfgang Wessels, "The German Debate on European Finality: Visions and Missions," in Simon Serfaty, ed., *The European Finality Debate and its National Dimensions* (Washington, D.C.: CSIS, 2003), p. 146.

component of virtually all out-of-area operations. Those are the types of missions that NATO and the EU are already performing or have performed in the Balkans, the Congo, and Afghanistan, and they are consistent with the political framework most European countries are willing to accept.

In addition, the Europeans are developing civilian crisis-management capabilities that will be very attractive for anyone conducting an out-of-area operation. In particular, the newly-formed European Gendarmerie Force may have the potential to bridge the gap between the end of combat operations and the start of stabilization and reconstruction phases, whether in an EU or a NATO operation.⁴

Based on the above analysis, even with a weaker EU, Europeans are unlikely to gravitate back to NATO. Barring the return of a direct military threat, European publics are unlikely to support a greater NATO role, especially given the unpopularity of the United States. Instead, Europeans can be expected to defend EU prerogatives even more fiercely.

Foreign Policy: Staying Ahead of the Curve

In the 1990s, the EU set itself the goal of becoming a political as well as an economic union, with a Common Foreign and Security Policy, or CFSP. Europeans typically say CFSP will give the EU a greater voice in global affairs. What they actually mean, though, is that first and foremost they want the EU to hold its own with an overwhelmingly powerful United States, either as a partner or a counterweight. Staying ahead of the curve as common policies are elaborated and adopted is therefore an important tactical goal for the United States.

Influencing CFSP

Agreeing on common policies has not been easy, given the differing traditions and interests of the EU member-states and the requirement for unanimity in decision-making. While the most difficult issues, like the 2002–03 dispute over the Iraq war, cannot be resolved, some estimate that today around 95 percent of European foreign policies are agreed in common. Mostly EU policies parallel U.S. ones, as in the Balkans, Afghanistan, or India-Pakistan, and when the two sides agree, they frequently set the global agenda. In other cases, the EU has sought to block or change U.S. foreign policy, such as support for Israel or opposition to the International Criminal Court. European efforts to deny international legitimacy to U.S. policies have had some impact, but have yet to inhibit U.S. actions.

The United States in turn has sought to influence or change EU foreign policies, with varying degrees of success. While sometimes there

⁴ See David T. Armitage, Jr., "The European Gendarmerie Force: An American Perspective," *EuroFuture*, Summer 2005.

are deep political differences that cannot be bridged, often it is a case of timing. The EU develops a common policy gradually; it is first discussed among working-level officials who travel to Brussels from the 25 national capitals. If agreement cannot be reached at that level, it works its way up to the Political and Security Committee, 25 ambassadors from member states permanently assigned to Brussels that, as mentioned earlier, is the counterpart of NATO's North Atlantic Council. Still unresolved issues then wend their way up to the level of foreign ministers or heads of state and government.

For practical reasons, agreed policies are almost never overturned at higher levels—to do so would be to raise the possibility of reopening all other agreed positions. Hence, the United States has the greatest chance of success if it can consult with the EU before it agrees on a common policy. Afterwards, the chance of changing the policy is slim and requires at the least very high-level engagement.

It is obviously most effective to intervene in capitals at the working level, before officials leave for the meeting in Brussels. In practice this is a daunting task, as in any six-month period there are some 1,600 working-level meetings on both foreign and domestic issues, making it very difficult to track more than a few issues. The United States has had more success in pursuing informal consultations with the Political and Security Committee, where a significant percentage of issues are either decided or prepared for consideration by foreign ministers. Both sides profit from these exchanges: The EU gains first-hand information about U.S. positions before it makes its decision, while the United States has an opportunity to influence that decision.

This process thus far has been used in a piecemeal fashion, and is dependent on the degree of interest of senior-level U.S. officials in engaging with the EU. Without a system providing strategic guidance, the risk always remains that an EU initiative like the lifting of sanctions against China will slip through the cracks. (The resolution of that dispute included an agreement to hold high-level consultations on East Asia policy in the future.)

The Greater Middle East and Anti-Americanism

The reader may be probably wondering if all this effort is worth the trouble if the EU's political star is falling: a weaker political union would deprive the EU of any realistic chance to act as a counterweight. In fact, the reader might be thinking that U.S. engagement will only encourage common foreign and security policies, thus contributing to "building Europe." It is therefore worth looking at European policy toward the greater Middle East and its consequences.

Historically, the Middle East has been the source of some of the bitterest transatlantic disputes; it is a region where major European powers

have longstanding ties and important commercial interests. It is also an area where the EU has pursued common policies for more than a generation, particularly with respect to the Israeli-Palestinian dispute.

Some elements of EU policy are clearly positive from a U.S. perspective. The EU has already been helpful with regard to the war on terror in Afghanistan and Iraq.⁵ EU engagement with Iran has also been constructive. These negotiations, begun in the hope of improved trade relations, have forced the Euro-3 (France, Germany, and the United Kingdom) to grapple with problems that previously seemed either remote or exaggerated by the United States. The situation remains very difficult, and it does not appear that the Europeans will respond forcefully if negotiations fail. But the exercise has at least gotten those three countries to oppose Iranian support for terrorism against Israel. It may also have contributed to a more realistic approach to combating the spread of weapons of mass destruction—only a few years ago, the typical European answer was simply to strengthen international legal regimes.

Until recently, EU policy toward the greater Middle East was mired in the conviction that nothing of significance in the region could be achieved until the Israeli-Palestinian issue—on which the Europeans were united in differences with the policies of Israel's prime minister Ariel Sharon—was resolved.⁶ That position has begun to change, but movement will be difficult. The European nations know that they need to appeal to their Muslim communities, who are sometimes represented by radical Islamist ideologues and terrorists who would be jailed elsewhere and who are very unlikely to favor supporting U.S. positions.

It would be unfair, though, to blame Muslim immigrants for these views, given how widely they are shared among the European political elite. This elite has conflated anti-Semitism with anti-Americanism, a problem that is greatly enhanced by Europe's intellectual leadership on many issues. In a dynamic reminiscent of money laundering, in which ill-gotten gains are made respectable, European intellectuals and media elites often engage in "ideological laundering." If prominent Europeans say that the Jews control the U.S. government and media, or if they embrace elaborate conspiracy theories about 9/11, those theories then circulate to the Middle East with a patina of respectability.

To combat this problem, the United States needs a comprehensive approach. Promoting democracy in the greater Middle East, and seeking to engage the Europeans in that endeavor, has many benefits. It helps to focus EU Middle East policy on values such as democracy, market economics, rule of

⁵The EU never condemned the U.S. invasion of Iraq. It committed itself to the January 2005 elections in Iraq beforehand, urged increased regional cooperation to improve the country's border security, and recently hosted a conference to build international support.

⁶See Suzanne Gershowitz and Emanuele Ottolenghi, "Europe's Problem with Ariel Sharon," *Middle East Quarterly*, Fall 2005.

law, and human rights that the EU promotes elsewhere in the world. And over time it should create a political and intellectual alternative to radical Islam in Europe as well as in the Middle East.

That policy will face entrenched resistance in Europe, however, and the United States will need all available tools to succeed. Above all, it will need a clear vision of where it is going that includes the European dimension of the problem. In addition, it will have to make systematic use of the consultative mechanisms described above. Whether Europe is strong or weak, these requirements will remain the same.

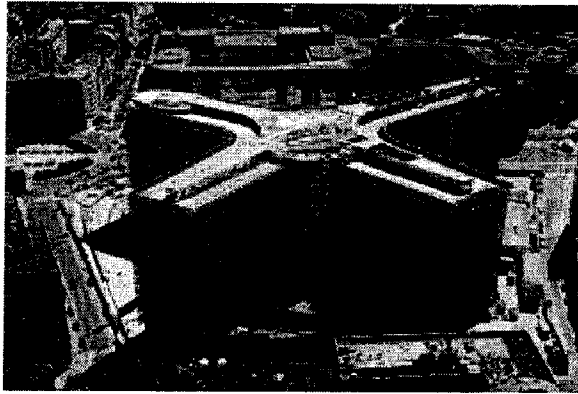
Counterterrorism: Circumventing Brussels Doesn't Work

The first secretary of homeland security, Thomas Ridge, in his farewell speech, said that his biggest regret was not having worked more closely with the EU from the start. Behind that statement is a little-known but revealing record of how to deal—and how not to deal—with Europe and the EU. While the EU decision-making process in counterterrorism and homeland security is different from that in defense and foreign policy, the basic pattern is the same: Brussels must be included, even when most authority remains at the national level. Unfortunately, today's cooperation offers only a partial solution; most steps to address the Islamist threat in Europe must be taken by the Europeans themselves.

The New Frontier

Within a week of the 9/11 attacks, EU leaders committed themselves to closer cooperation with the United States. While genuinely wishing to help, EU officials also knew that the impetus of 9/11 would allow them to construct Europe as an “area of freedom, security, and justice,” as set out in the 1997 Treaty of Amsterdam. As they could finally launch initiatives that had been languishing because of opposition from EU national governments, the leverage derived from closer ties with the United States was for them a valuable asset.

In technical terms, the EU was seeking to remove decision-making authority on a range of issues, from law enforcement cooperation to immigration policy to border security, from the unique purview of national governments. Rather than pursuing the intergovernmental approach, with EU decisions reached on the basis of unanimity as is the case with foreign and defense policy, authority for these sectors is being transferred to the European Commission and other central agencies such as the European Police Office, or Europol. That is the classic EU pattern used in economics and agriculture. Most likely, it will be a long-term process for these new areas, given their political sensitivity and related issues of national sovereignty.



The European Commission building in Brussels.

European efforts to develop common policies in these emerging security areas do not suffer from the ambiguities that cloud EU foreign and defense policy. Rather, in an era of rapid globalization, member states sharing open internal borders must find common responses to such ills as Islamist terror or organized crime. This need pushes them, despite domestic resistance, toward a role for the EU. The EU may demand a larger role in determining global container security procedures, law enforcement parameters or visa policies, but its primary goal here is not to rival the United States.

Nevertheless, the United States has been cautious about forging new relationships with the EU. Worried that such ties might interfere with its valuable links with national European governments, it wanted to ensure that dealing with the EU brought “value added.” In addition, U.S. officials, reacting to the urgency of the situation as well as to congressional pressure, put a premium on cutting through red tape and finding solutions. They worried that dealing with EU officials in Brussels would be less efficient, if not counterproductive, compared to working with national and local officials in EU member states.

But a Similar Outcome

The first discovery that U.S. officials made was that the “EU” consists of both Brussels authorities and national governments—they are organically linked, not separable. Once authority has been transferred to Brussels (even if only partially), Brussels cannot be circumvented by going only to national capitals. The U.S. Customs Service learned this the hard way after 9/11, when it signed Container Security Agreements with European ports and national governments, only to discover that the Commission also claimed jurisdiction in this area. It took over a year to straighten things out. A dispute over the use of personal data on airline passengers for security purposes was even more difficult, as it also engaged the European Parliament and raised public concerns about the protection of personal data.

U.S. officials drew several conclusions from this turbulence. First, they realized that it was better to deal directly with EU authorities in Brussels rather than seek to go around them. Some also saw the value of senior-level engagement to set policy direction and consult personally with the Europeans. Former attorney general John Ashcroft was one of the first to meet jointly with his EU law-enforcement counterparts. Although adequate senior-level attention remains a problem, there has been progress from informal policy meetings twice a year and expanding liaison arrangements between U.S. and new EU law enforcement entities. These ties will be given a more formal shape when the U.S.-EU extradition and mutual legal assistance agreements soon come into force.

Similarly, U.S. border and transport security officials and their EU counterparts set up a high-level U.S.-EU Policy Dialogue to serve as a form of early-warning system, in which the two sides exchange information about new policies and technologies. These consultations allow both sides to resolve, for example conceptual problems involving data privacy, as well as technical issues such as how best to secure containers or which biometrics should be used in passports. Officials can then coordinate common approaches in multilateral organizations like the UN and the World Customs Organization.

For the foreseeable future, the real work of transatlantic counter-terrorism cooperation will be done mostly in national capitals, reflecting the balance of power between those governments and EU central institutions. That period will be longer rather than shorter if EU integration in these sectors slows as a result of the French and Dutch referenda, and future EU-U.S. cooperation would be affected accordingly. But in all likelihood, the next five to ten years will see the emergence of a more formal U.S.-EU relationship supplementing bilateral ties.

Islamist Terrorism in Europe

Any EU-U.S. security relationship will be constrained, not only by general European anti-Americanism and suspicion of U.S. motives, but also by specific concerns about such things as data privacy. Like cooperation on foreign policy, any security relationship will also be limited by European sympathy with, or pandering to, Islamism. That is a more serious threat to U.S. security interests long-term than European opposition to actions like the Iraq war.

The March 2004 Madrid bombings and the London bombings in July 2005, as well as the assassination of Dutch filmmaker Theo van Gogh in the Netherlands in November 2004, have revealed to European publics the danger of allowing Europe to serve as a convenient recruitment, training, and operational center for Islamist terrorists. Yet solving this problem will be difficult, as many European nations already have large, unassimilated, and alienated Muslim minorities, and due to their declining populations, these

countries will require even more immigrant labor in future if current social spending is to be maintained.⁷ A Europe in thirty or fifty years that is no longer “Western” would profoundly alter global politics.

As these issues have traditionally been considered internal matters, the United States has few ways to influence European policymaking, aside from moral suasion. All it can do is seek to deny potential and actual terrorists access to the United States. The United States has made progress in persuading European countries to tighten up their rules concerning passport issuance and has shared with EU authorities the list of lost and stolen U.S. passports. U.S. lawmakers have criticized the U.S. visa-waiver program as it allows European nationals, including Islamist terrorists with European nationality, to enter the United States without a visa.⁸ But removing European nations from the visa-waiver program could prove to be a very blunt instrument, as the EU could respond by imposing its own visa requirements on U.S. citizens.

Given the scope of these problems, transatlantic counterterrorism cooperation has a lot of ground yet to cover. The U.S.-EU link will be more or less relevant, depending on how the role of the central authorities evolves within the EU itself. However, it will not disappear. The problems are too pressing, and it is too difficult for individual European governments to solve them on their own.

Economic and Commercial Policy: A Candidate for Coopetition?

Americans may wonder whether the EU is a partner or an adversary in foreign policy, but things seem much simpler in the economic realm. There, the rivalry is real, as is the sense, among many Americans, that they have been outmaneuvered in a bureaucratic game they don't enjoy playing. Yet the two rivals must cooperate, in order to manage economies that are ever more closely intertwined and to advance global economic prosperity. The United States needs a vision of how to compete and cooperate at the same time, and an approach that integrates the activities of all the U.S. agencies engaged in economic relations with the EU.

Global Economic Rivalry

The Europeans believe that their economic system, with its greater social protections and more leisure time, is better than the American one. They also feel that, with an economy big enough to match that of the United States, they should have an equal if not greater influence on global economic affairs.

⁷ See John Schindler, “Defeating the Sixth Column: Intelligence and Strategy in the War on Islamist Terrorism,” *Orbis*, Winter 2005, and Zachary Shore, “Can the West Win Muslim Hearts and Minds?” *Orbis*, Summer 2005.

⁸ See Jan C. Ting, “Immigration and National Security,” in this issue of *Orbis*.

The EU today comprises a market of almost 500 million people and has a larger gross domestic product than that of the United States. When it challenges the United States, at the World Trade Organization or elsewhere, everyone is watching. And in this area, unlike on political, defense, or counterterrorism issues, the European Commission has the right to speak for Europe; the member states set the parameters but do not negotiate with third parties such as the United States.

The only dispute is over estimates of how long this will last. Some experts, looking at current European economic stagnation and demographic trends, predict growing divergences between the EU and the United States. According to one estimate, “[b]y 2050, the United States will produce 26 percent of global GDP, whereas Europe’s share will fall to 10 percent.”⁹ Yet another study argues that “only under the most favorable economic conditions could one expect the joint global leadership provided by the transatlantic relationship since the end of World War II to survive in its current form through 2020.”¹⁰

Other projections are rosier, citing the benefits from European integration and the future effect of the liberalizing reforms the EU is making now. One expert argues that some of today’s tensions, such as labor unrest, are positive, as they arise from important reforms in the product and financial sectors that have already occurred.¹¹

Transatlantic Ties and Global Prosperity

Certainly recent transatlantic trade and investment trends reflect very little pessimism. On the contrary, they show tremendous growth since the end of the Cold War, with the transatlantic economy today generating roughly \$2.5 trillion in total commercial sales a year and employing over 12 million workers.¹² This trend included a big surge in 2003, in the middle of the political dispute over Iraq. While about twice as much foreign direct investment was made by Europeans in the United States (nearly \$87 billion) as by Americans in Europe (\$36.9 billion), those numbers reflected increases of about 30 percent and 40 percent, respectively, over the previous year’s level.¹³ These numbers

⁹ Walter Russell Mead, “American Endurance,” in Todd Lindberg, ed., *Beyond Paradise and Power* (New York: Routledge, 2005), p. 176, referring to a European Commission report, “The EU Economy: 2002 Review,” (Brussels, Dec. 11, 2002), pp. 198–99.

¹⁰ “The Transatlantic Economy in 2002: A Partnership for the Future?” Atlantic Council of the United States Policy Paper, Nov. 2004, p. x.

¹¹ Olivier Blanchard, “The Economic Future of Europe,” NBER Working Paper 10310, at www.nber.org, Feb. 2004.

¹² Daniel S. Hamilton and Joseph P. Quinlan, *Partners in Prosperity: The Changing Geography of the Transatlantic Economy* (Washington, D.C.: Center for Transatlantic Relations, 2004), p. xi.

¹³ *Ibid.*, p. 13. In part, this was a rebound from the recession in 2001–02.

suggest that Europe's biggest economic problems, such as permanent high unemployment rates and sluggish growth, do not loom that large in American investors' calculations.

It is much more difficult today to talk about "European" and "American" firms—although that does not seem to have stopped anybody from doing so. But the situation has put a premium on finding ways to ease bilateral strain, whether through regulatory convergence or, in the U.S. case, better commercial diplomacy to help American companies find their way through EU as well as national laws and regulations.

When the EU and the United States agree on international economic issues they can, as in other areas, set the global agenda. In fact, economic cooperation underlies most successful joint political and security initiatives, whether regarding the Balkans, the greater Middle East, or global standards for shipping containers or air passenger data. And it is an essential component of many economic initiatives, such as the Doha round of trade talks that began in 2001 and the policies of the International Monetary Fund or the World Bank. If the United States wants to promote free markets around the globe, it needs the support, not the opposition, of the EU.¹⁴

The "Relationship"

It is striking how often U.S. officials talk about the need for cooperation, and how little they acknowledge the competitive aspect of the relationship—at least in public. Yet U.S. policy should address both. Perhaps it could borrow some ideas from the private sector, where businesses now talk about "coopetition," situations in which companies both compete and cooperate with each other. The result would be a more dynamic policy, rather than the current one in which the United States seems to spend most of its time "managing" disputes. A unified vision would also help in focusing available resources on the problem.

On economic issues, unlike political and security policy, the European Commission has the authority to speak for the Union, and the relationship between the Commission and various U.S. agencies is well-established. That does not mean, though, that the United States can or should deal only with the Commission. On regulatory issues, as well as trade issues like beef hormones and genetically modified foods, the national capitals are key. In addition, the European Parliament, the Council of Ministers and the European Court of Justice play important roles.

Advocating U.S. positions therefore requires active lobbying in national capitals as much as in Brussels. Here again, embassy personnel are not focused on this task as much as they are on working bilateral issues. Some engage very actively; others content themselves with faxing a *démarche*

¹⁴ See Erich Weede, "Living with the Transatlantic Drift," *Orbis*, Spring 2005.

from Washington to the appropriate office. The level of frustration with the EU would be lower if this link in the chain were mended.

Another weak link in the chain is the one between U.S. officials working on EU issues and those working in the U.S. missions to the international organizations that set global standards. A key element of the global competition between the United States and the EU is the question of who sets these standards. Increasingly, that issue will be discussed in organizations where United States has one vote, while the EU has at least 25 (one for each member state, and often one for the Commission).

Some problems can be fixed by better internal coordination, but others will require new thinking. Going head-to-head on bilateral trade issues, for example on U.S. agricultural exports into European markets, is exhausting and remarkably unproductive. (The United States exports fewer agricultural products to the EU, with 450 million people, than it does to Canada, with 32 million people.) The United States achieved better results when it circumvented restrictive European wine standards by setting up a rival international association, with other non-EU producers. That approach, particularly tailored to the wine market, demonstrates the value of flexible, non-traditional initiatives. The target is the global market.

As the transatlantic economies grow closer, the need for compatible regulations takes on ever greater importance. The United States and the EU are pursuing several initiatives on the regulatory front. They include a high-level Regulatory Cooperation Forum to facilitate trade and investment, and a Financial Markets Regulatory Dialogue to promote the convergence of accounting standards, as well as deeper and wider capital markets. The idea is to ensure that the impact of new regulations on both economies is well-understood before they are adopted. Further, the goal is to promote convergence where possible, so that businesses will not have to master two different regulatory systems overseeing the same activities.

While better and more similar regulations may help, American businesses operating in Europe, particularly those seeking to enter the market, will continue to encounter difficulties arising from the complexity of the EU system and lack of knowledge about it, as well as from any specific barriers. Helping these companies is the classic task of commercial diplomacy—the principal occupation of American diplomats for most of U.S. history. However, embassies today give commercial diplomacy only a low priority. Sometimes ambassadors work hard at it, but their staffs are less able to handle the numerous lower-level cases where difficulties arise from lack of experience in dealing with the EU.

Conclusion

The EU is increasingly becoming a player in policies that matter a great deal to the United States, but the United States has yet to find an effective

strategy for advancing its interests with the EU. On the contrary, the EU is frequently a source of frustration to U.S. officials, to the foreign policy community, and occasionally to the public at large.

This article has highlighted some of the specific problems in U.S.-EU cooperation, using examples from the areas of defense, foreign policy, counterterrorism, and economics to demonstrate the dynamics of different sectors. The relationship between the United States and the EU is huge, and it requires more attention than it currently receives from either U.S. officials or European experts. It also requires imaginative approaches, reflecting the fact that the EU is unlike any other governmental entity. These requirements will remain whether the EU continues its internal integration, giving the central authorities more power, or whether it is weakened by the "no" votes in the French and Dutch referenda.

By its nature, the EU will remain both a partner and a competitor for the United States. So far, the number of Europeans preferring an equal partnership with the United States is greater than the number who want the EU to be a counterweight. More constructive bilateral ties will do much to reinforce the EU's role as partner rather than spoiler.

