

The Agenda

for the EU-US strategic partnership

Edited by
Álvaro de Vasconcelos



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Introduction: The agenda for the EU-US strategic partnership

Álvaro de Vasconcelos

Nothing is perhaps more fundamental to EU foreign policy than the imperative of defining a common agenda with the US. Unfortunately, however, in Europe relations with the United States are marked by ideological divergences or antagonisms which are largely a legacy of the Cold War era. But such a rift is clearly dysfunctional in a polycentric world, which is no longer characterised by a bipolar world order, but by the need to define much larger coalitions, across ideological divides, than just the Euro-American one.

The transatlantic alliance is no longer automatic as the divisions over Iraq have proved, even if back in 2003 some still believed that Europe should ally with the US in all circumstances and acted accordingly, with the tragic consequences that we know today.

This all goes to show that the Euro-American alliance needs to be built issue by issue and renewed time and time again. The exception in this context is a transatlantic military alliance against a common security threat emanating from another major power, which is not generally regarded as a likely scenario today.

What is essential right now is to seek concrete answers to a large number of challenges common to most of the planet, and not just to Europeans and Americans. These cover a broad spectrum ranging from economic development to climate change, from nuclear proliferation to regional peace. Therefore both the EU and the US need to be able to identify what are the specific areas of common interest, analyse them in depth and act accordingly.

But the perception on both sides of the Atlantic is that those issues have not been defined with sufficient consistency and that the dialogue is in many cases a waste of time. What is of even more grave concern is the fact that bilateral dialogues and initiatives conducted between individual states often seem easier to achieve than concerted action at EU level, as we have seen during the recent Libyan crisis.

At the 2010 EU Washington Forum the EUISS sought to define a transatlantic agenda around four major internal and external challenges facing the Europeans and Americans. These four major issues were defined in consultation with a number of American experts

and officials, and formed the thematic focus of the project around which this book has been structured. The working groups which explored these themes and formed the nucleus of the 2010 Washington Forum addressed the following topics:

- The transatlantic economic partnership
- Unfinished business in Europe – The Balkans and Eastern Europe
- The Middle East peace process: EU-US cooperation
- Disarmament and non-proliferation: the road to global zero.

The working groups were composed of both European and American experts. The conclusions of these working groups were presented and debated during the 2010 Washington Forum, which featured the collaboration of think tanks from both sides of the Atlantic. Enriched by those discussions, the reports were subsequently revised and updated by the authors to take account of major political changes that have taken place on the international scene in the interim (most notably, the Arab democratic wave) and are now being published as chapters in this book.

On most of these issues there is today a broad convergence of views between the EU and the US. This is certainly the case regarding how to deal with the ‘unfinished business’ in Europe, as F. Stephen Larrabee refers to it in his chapter in this volume – the unresolved fallout from the wave of democratic revolutions in Eastern Europe in 1989, and ongoing tensions in the EU’s eastern neighbourhood. Europe is not yet wholly democratic and united and in its eastern neighbourhood some dangerous areas of conflict persist. The commitment pledged by the United States to the goal of a free and united Europe after the fall of the Berlin Wall has always been welcomed by the Europeans. In the Balkans, the US has consistently supported European integration as the best way to guarantee the consolidation of fragile democracies, although the persistence of nationalistic and extremist tendencies has made this process a protracted and uncertain one. The US still stands by this commitment even if the Americans have repeatedly expressed their astonishment at the intractable European divisions over Kosovo. In the eastern neighbourhood America’s ‘reset’ of its relations with Russia, announced by President Obama in 2010, was considered as going a long way towards contributing to alleviating the ongoing tensions in Georgia. As a Georgian expert put it, ‘it is more important to have good relations between Washington and Moscow than good relations between Washington and Tbilisi’, indicating the need to give priority not only to the consolidation of the democratic processes in the region, but also to the involvement of Russia in the quest for peaceful solutions to the so-called frozen conflicts (which might indeed more accurately be described as ‘festering conflicts’). Furthermore Turkey, as F. Stephen Larrabee points out in the concluding part of his chapter, is today a critical partner for the EU in the Balkans, the South Caucasus and the Caspian region.

Turning to the Middle East, the resolution of the Palestinian question is a common Euro-American objective and presents a challenge that needs a strong *rapprochement* of positions between Washington and Brussels. However in the past couple of years this convergence has taken place to the detriment of the peace process itself. The Americans have now re-embraced the illusion of long-term bilateral negotiations and have adopted the failed European strategy of building a Palestinian state ‘from the bottom up’. The Europeans have gone along with the Americans in supporting the Israeli position of refusing to include Hamas in the peace process. The failure of that common strategy should, as Bassma Kodmani writes in her chapter on this subject, signal that the time has come to consider an alternative approach; as she puts it, ‘the US and EU need to prepare for the formal failure of Plan A by spelling out precisely the possible alternative routes.’

The wave of democratic uprisings that has swept the Arab world is creating new favourable conditions for the implementation of a two-state solution. Due to the new political landscape that is emerging in the Middle East, in future Europe and the US will need to take the views of regional actors like Egypt and Turkey into consideration and work actively with them to consolidate inter-Palestinian reconciliation, to engage Hamas in the peace process and to make Israel understand that it must now agree to a Palestinian state with its capital in East Jerusalem.

The other major issue confronting the US and the EU in the Middle East is the ‘ticking clock’ of Iran’s nuclear programme. Engagement with the Islamic Republic has proved difficult given Iran’s failure to reciprocate Obama’s early overtures. The West has pursued a constant policy of sanctions against the Islamic Republic over the past number of years: as Bassma Kodmani says, ‘coercion rather than negotiation has been the dominant strategy for dealing with Iran and it has produced some results if measured against the military option.’ Clearly, however, a strategy that relies exclusively on sanctions will not deliver a solution. There is now ‘a pressing need for diplomatic compromise’, and one way in which this might be facilitated would be by reviving the role of Turkey and Brazil as intermediary interlocutors in a negotiation process.

Another major topic on the transatlantic policy agenda is of course the economy. In the current circumstances of world recession, economic policy must be guided by the objective of ‘jobs, jobs, jobs’, as an American diplomat put it in one of the preparatory meetings for last year’s Washington Forum. For this, as Maria João Rodrigues points out in her chapter, both Europeans and Americans need to be guided by a long-term strategy, based on a new growth model inspired by the central principle of ‘innovation for sustainable development.’ But in order for these objectives to be successfully achieved, looking beyond the present debt crisis, it is essential that a common Euro-American strategy be

implemented to regulate the financial system and put it at the service of society and the real economy. In today's globalised and multipolar world this cannot be done by the EU and the US alone: they need to work in close cooperation with other global economic players like China, India, Brazil or Japan.

President Obama's strategic vision of a world without nuclear weapons is an objective shared by many Europeans, in particular in countries with a strong tradition of opposition to nuclear weapons and indeed nuclear energy. However the nuclear disarmament strategy faces opposition in certain political circles in the US, in particular within the Republican Party, and is viewed with suspicion in some European countries. This being said, there is a strong Euro-American consensus regarding the need to preserve the nuclear non-proliferation treaty (NPT) and prevent the proliferation of nuclear weapons. A joint NPT Action Plan for the next four years could be agreed based on this consensus, as Patricia Lewis proposes in her chapter in this volume. In order to advance the agenda of nuclear safety and disarmament, it is necessary to overcome the main divergences in Europe and the US and set some concrete objectives, for example the withdrawal of tactical nuclear weapons from Europe, and to strive towards a Middle East free of weapons of mass destruction. Progress on achieving the goal of nuclear disarmament needs the active involvement of civil society in both Europe and the US.

This book is born of two convictions: the first is that the new era in transatlantic relations that appeared to be heralded by 'the Obama moment'¹ has not fulfilled its promise, the second is that during the Bush era the failure to build a constructive transatlantic partnership was first and foremost the result of deep disagreements between Europe and the US due to the unilateralist, militaristic and expansionist foreign policy of the American administration. At the current point in time, it is clear that that the EU-US relationship will be hampered as long as the Europeans fail to act together and to speak with a single clear voice. Only by acting in unison can they build a concrete agenda for a real strategic partnership with their American counterparts. Both the EU and the US need to demonstrate their commitment to forge a common policy agenda to confront the challenges that they face and share with many all over the world.

1. See Álvaro de Vasconcelos and Marcin Zaborowski (eds.), *The Obama Moment: European and American perspectives* (Paris: EU Institute for Security Studies, 2009).

1. Unfinished business in Europe

F. Stephen Larrabee

Introduction

The fall of the Berlin Wall in November 1989 marked the end of the Cold War. In the two decades since then the former communist states in Central and Eastern Europe have been integrated into Euro-Atlantic institutions. Today they enjoy a degree of economic prosperity, political stability and external security exceeding anything that most of them have experienced in their history.

The process of knitting Europe together and projecting stability eastward, however, remains incomplete. Two areas – the Western Balkans and the EU's eastern neighbourhood (the western periphery of the former Soviet Union) – have not been fully integrated into Euro-Atlantic institutions. Both regions are characterised by weak democratic institutions and contain a number of ethnic conflicts that pose a potential threat to European security. Stabilising these areas constitutes important 'unfinished business' on the transatlantic security agenda.

However, the two regions differ in several important ways. The EU has made an explicit commitment of EU membership to the countries of the Western Balkans if they eventually are able to meet the 'Copenhagen criteria' for membership. By contrast, the EU has been reluctant to grant the countries in the EU's eastern periphery a membership perspective. The prospect of EU membership has been the 'golden carrot' that has provided the incentive – and political cover – for leaderships in Central and Eastern Europe to carry out difficult and often unpopular internal reforms needed to qualify for EU membership. Without this incentive, many leaderships in the EU's eastern neighbourhood may not be willing to undertake the onerous reforms necessary to qualify for membership.

Second, in the EU's 'eastern neighbourhood' the West needs to be more mindful of Russian interests and sensitivities than is the case in the Balkans. Russia regards the EU's eastern neighbourhood as part of its sphere of 'privileged interests' and it is much more wary regarding efforts to expand Western influence – especially NATO – into the region. The initial rounds of NATO and EU enlargement took place at a time when Russia was weak. Today Russia is much stronger and more willing to defend its interests in the post-Soviet space – as the Russian invasion of Georgia in August 2008 highlighted.

The Western Balkans

The Western Balkans are an important part of the unfinished business on the transatlantic security agenda in Europe. While the political situation in the Balkans has considerably improved in the last decade, the Western Balkans remain plagued by a number of negative trends – virulent nationalism, high levels of crime, deep-seated corruption, pervasive economic underdevelopment and weak political institutions – which threaten regional stability and their integration into the EU. Unless these problems are addressed more systematically and coherently, the potential for violence and regional instability is likely to increase. Both the United States and Europe have a strong interest in securing lasting stability in the region and have invested significant political and financial capital in pursuit of that goal over the course of the last two decades. It is essential that they make a consolidated effort to bring the era of instability in the Western Balkans to a close once and for all.

However, the integration of the Western Balkans into a broader Euro-Atlantic framework is fraught with a number of difficulties. Central Europe's transition to democracy and market economies does not provide a useful model that can be transposed lock-stock-and-barrel to the Western Balkans. The conditions that contributed to the successful integration of Central Europe into Euro-Atlantic institutions largely do not exist in the Western Balkans.

Second, time is not on the side of political reform and stability in the Western Balkans. If greater regional stability and security are to be achieved, the pace of reform needs to be accelerated. The longer the process of reform is delayed, the more difficult the task of stabilising the Western Balkans will be.

Third, US interest in the Western Balkans has significantly declined in the last decade. US policy attention today is increasingly focused on threats and challenges *outside Europe*. However, instability in the Western Balkans, especially Kosovo, could pose challenges to security in Europe. It is important, therefore, that the United States, together with the EU, remains actively engaged in the effort to achieve greater regional stability and security in the Western Balkans.

Finally, US-EU cooperation is critical for solving the region's problems and needs to be strengthened. The United States and the EU therefore need to coordinate their policies more closely in the future.

Specific challenges

The United States and the EU face three major challenges in the Western Balkans: Bosnia, Kosovo and the Former Yugoslav Republic of Macedonia. These three challenges are quite different in nature and thus need to be discussed separately.

Bosnia

More than 15 years after the signing of the Dayton Accords, Bosnia continues to face significant economic, social and political problems.¹ Dayton stopped the war – no mean achievement – but it failed to create a viable, self-sustaining, democratic state in Bosnia. In the first decade after the signing of the Dayton Accords, Bosnia made modest progress toward stability and reform, particularly during Paddy Ashdown's tenure as High Representative.

However, the last four years there has seen a serious deterioration in Bosnia's capacity to function as a viable independent state. Relations between ethnic groups have become increasingly polarised and have resulted in increasing political paralysis. The country's three main ethnic groups – Bosniaks, Serbs and Croats – remain segregated and political relations between them are too often virulent and potentially destabilising.

The cultural and political divide, moreover, is growing. Politically, leaders in Bosnia have proven willing to engage in ethnic politics that undermines confidence in Bosnia's future. The continued segregation of the educational systems is particularly worrisome. The three different ethnic groups use different textbooks, syllabi and course material that provide different views of Bosnian history and reinforce ethnic intolerance. Bosnia's chances of joining the EU in the next decade – if not longer – have significantly dimmed.

One of the main lessons of the last two decades is that both a European and transatlantic consensus is crucial to the implementation of a successful policy toward Bosnia – and the Western Balkans more generally. Without such a consensus, the various parties on the ground are able to play the United States off against Europe or Europe off against itself, undermining the international effort. Thus close US-EU cooperation is an important prerequisite for breaking the current deadlock in Bosnia and enhancing stability there.

To date, achieving a clear US-European consensus has been difficult. Prospects appeared to improve in the aftermath of Vice-President Biden's speech in Sarajevo in May 2009.

1. For details, see Christopher S. Chivvis, 'Back to the Brink in Bosnia', *Survival*, vol. 52, no. 1, February-March 2010, pp. 97-110. See also Christopher S. Chivvis, 'The Dayton Dilemma', *Survival*, vol. 52, no. 5, October-November 2010, pp. 47-74.

However, the 'Butmir process' that emerged in the wake of Biden's speech failed to achieve the hoped-for results. This was in part a result of the intractability of Bosnia's problems, but it was also due to a lack of agreement between Washington and European capitals over the nature of Bosnia's problems and how to resolve them. While Washington focused on the issue of constitutional reform, Europe's primary concern was accelerating the closure of the Office of the High Representative (OHR) and handing responsibility over to the EU Special Representative for the Balkans. The United States and Europe also disagreed on what pressure they were willing to apply to obstructionists on the ground, especially those in the Republika Srpska. As a result, the Butmir process failed to result in significant progress towards reducing tensions between the various ethnic groups in Bosnia.

The elections in Bosnia on 3 October 2010 did not provide the hoped-for political breakthrough. Rather, they reinforced the ethnic divisions that existed before the elections. The obstructionist tactics of Milorad Dodik, the leader of the Bosnian Serbs – particularly his support for Republika Srpska's secession – remain a major obstacle to improved cooperation between the three ethnic groups. These problems have been compounded by differences between the United States and the EU over the role and authority of the Office of the High Representative.

Given the deep divisions and lack of consensus between the three ethnic groups in Bosnia, the United States and the EU need to step up efforts to devise a joint strategy toward Bosnia. In particular:

- A US Special Envoy to the Balkans should be appointed. This would give the Balkans higher visibility in US policy and help to ensure that the United States remained strongly engaged in the Balkans – an important concern given the other pressing international problems on the US foreign policy agenda. It would be important that the Special Envoy have sufficient stature and political weight that he/she is perceived as having the strong political support of the key US officials concerned – above all President Obama. The real danger is not that the United States will again dominate the diplomatic process as it did at Dayton. Rather, it is just the opposite: that Washington will become distracted by the large number of pressing international issues on its plate and not pay sufficient attention to the Balkans, especially Bosnia. Appointing a capable Special Envoy could mitigate that danger and help to ensure that the United States remained sufficiently engaged in the effort to stabilise Bosnia.
- Europe should take the lead, working closely with Washington. Not only is this preferred politically by both Europe and the United States, but it is also likely to be more

effective. Brussels can offer the main things Bosnians need and want most: visa liberalisation, candidate country status, negotiations over each of the *acquis* chapters, pre-accession funds, and, most of all, eventual EU membership. Each of these is a potential carrot to elicit reform-oriented behaviour from the parties on the ground. However, the EU needs to abandon its past arms length approach and develop a more active strategy designed to overcome the current dangerous polarisation and stagnation of reform in Bosnia.

- The Office of the High Representative has become increasingly dysfunctional. It needs to be either radically transformed or closed down. However, before it is mothballed, the United States and EU need to agree on the mandate and authority of the institution that will replace the OHR. Here the onus is on the EU to present a clear and convincing plan for a transition. Otherwise the problems that have hindered progress to date will not only be perpetuated but reinforced, leading to increased ethnic rivalries and political tensions.
- Finally, Bosnia badly needs constitutional reform. To aid this process and enhance its chances of success, the US and EU need to define what is needed to create a functioning Bosnian state. What would a capable Bosnian state look like? What needs to be done for such a state to emerge? This would provide a framework for the Bosnians to devise a Constitution. Without such a framework, there is a danger that the process of constitutional reform may result in endless internal bickering and paralysis – or simply break down altogether.

Kosovo

Kosovo presents a second major challenge. Kosovo declared its independence in 2008, backed by the United States and a majority of EU members. However, its declaration was opposed not only by Serbia, but a number of other important UN members, including Russia and China.

The decision by the International Court of Justice (ICJ) in July 2010 that Kosovo's declaration of independence did not violate international law was a significant victory for Kosovo's struggle to be recognised as a full and legitimate state and a blow to Belgrade's efforts to delegitimise Kosovo's independence. While Belgrade continues to refuse to recognise Kosovo's independence, in September 2010 Serbia agreed to open EU-mediated discussions with Kosovo on practical ways to improve cooperation with Kosovo.

Several factors will be important in breaking the current deadlock over Kosovo and preventing a resurgence of ethnic tensions that could threaten peace and stability in the Western Balkans.

First, close collaboration between the United States and the EU. While the EU should take the lead, strong US engagement and support will be essential. As noted earlier, the appointment of a US Special Envoy could be helpful in ensuring that the US remains strongly engaged.

Second, unity and cohesion within the EU. The EU's effectiveness and ability to contribute to a viable solution to the Kosovo issue is severely hampered by the lack of internal unity. The majority of EU members support Kosovo's independence. However, five EU members – Spain, Romania, Cyprus, Slovakia and Greece – are opposed to independence. To address the difficult challenges ahead, the EU needs to speak with one voice.

The EU's inability to forge a common policy towards Kosovo will have an impact on other issues, particularly Bosnia, and could undermine confidence in the EU's ability to act as an effective manager on other important regional and international issues. This is all the more reason why it is important that the US and EU closely coordinate their policies.

Third, the United States and EU should work to erode the political value of the Kosovo issue in Serbia itself by speaking directly to the Serb people about the direct financial and longer-term political costs that Serbia's recalcitrance incurs. In particular, they should press Serbia to publicise the cost of sustaining parallel Serbian public services and other operations in Kosovo and link progress on EU accession to Serb acquiescence of the *status quo* (if not recognition) of Kosovo independence.

Some Serbs have suggested partitioning Kosovo as a way of resolving the Kosovo problem. However, partition is not a viable solution because it would spark irredentism. Indeed, even public discussions of territorial swaps would be liable to create great insecurity from the Republika Srpska through the Sandzak and Presevo Valley into northern Macedonia and would thus be extremely risky.

Fourth, the United States and EU should press the government in Pristina to improve the protection of the Serb minority in Kosovo. The Serbs in Kosovo need to see that they have a future in Kosovo and that their rights will be respected.

Fifth, EULEX control of the territory north of the Mitrovica, should be increased and thereby ensure Kosovo's future unity. This requires regularising border controls at Gates 1 and 31.²

Sixth, the United States and EU should strengthen measures to reduce corruption in Kosovo. Corruption is the biggest obstacle to state-building in Kosovo.

Seventh, the EU needs to speak with one voice. The internal disunity on Kosovo prevents the implementation of a common strategy and enables Balkan governments to play one EU member off against another, thus preventing the EU from pursuing a coherent policy.

The Former Yugoslav Republic of Macedonia

The internal situation in the Former Yugoslav Republic of Macedonia (FYROM) is still fragile, though better than the situation in Bosnia or Kosovo. The moderates in the Albanian community are reportedly becoming weaker, while the radicals are gaining in strength. Diplomatic inertia and neglect could prove costly, especially as long as the Kosovo issue remains on the table.

Here, as elsewhere in the Balkans, close US-EU policy coordination is needed. Top priority should be given to resolving the name issue. Resolution of the name would allow the Former Yugoslav Republic of Macedonia to join NATO and could give new impetus to the search for peace and stability in the Western Balkans. It would also give new momentum to the discussion about EU membership. Any solution, however, needs to be one that both Greek Prime Minister George Papandreou and FYROM Prime Minister Gruevski can sell at home. The name issue is highly emotive and polemical and can easily be manipulated by nationalist forces in both countries.

The EU's eastern neighbourhood

The second area that remains unfinished business is the EU's eastern neighbourhood or 'Wider Europe', as it is sometimes called. This group of states includes Ukraine, Georgia, Azerbaijan, Armenia, Moldova and Belarus.

The United States and the European Union share a common interest in extending the space of democratic stability into this region and promoting greater security there. As Daniel Hamilton and Nikolas Foster have noted, failure to deal with the region's problems risks destabilising competition and confrontation among its regional and exter-

2. Gates 1 and 31 at Brnjak and Jarinje are the border crossing points with Serbia.

nal actors, leading to festering separatist conflicts, greater international challenges and dysfunctional energy markets, the negative consequences of which could spill over into Europe and Eurasia.³

However, bringing stability and democracy to the states on Europe's eastern periphery is likely to be more difficult than in the Balkans.

First, Russia's influence is much stronger and more deeply rooted than in the Western Balkans. Unlike the states in the Western Balkans, the states on the western periphery of the post-Soviet space have close economic and political ties to Russia and are regarded by Russian officials as part of what President Dmitri Medvedev has termed Russia's sphere of 'privileged interests'.⁴ Moscow regards the extension of Western influence and institutions, particularly NATO, into the region as a threat to its political influence and security.

Second, the countries in the EU's eastern neighbourhood lack a strong sense of regional identity. The legacy of Soviet autocratic rule and economic centralisation left the countries of the region poorly prepared for the transition to democracy and the development of a market economy.

Third, the region lacks strong regional institutions that can promote regional cooperation and mitigate conflict. Efforts have been made to foster closer regional cooperation, such as the establishment of the Black Sea Economic Cooperation (BSEC) organisation. However, the organisation lacks strong mechanisms for policy coordination and strong and effective leadership. It is also not equipped to address security issues.

Fourth, the region is plagued by a number of deep-seated historical animosities, border disputes and 'frozen conflicts.' These include the conflict between Azerbaijan and Armenia over Nagorno-Karabakh, the Transnistria dispute in Moldova, and the separatist movements in Abkhazia and South Ossetia in Georgia. These conflicts are a major source of instability and a major obstacle to regional security and cooperation.

Finally, many European states have reservations about whether countries like Georgia and Ukraine – not to mention Azerbaijan, with its Muslim population and historical and cultural ties to Iran – are really part of Europe and European culture. This Western ambivalence about the 'Europeanness' of the countries in the region is an important obstacle to the integration of these countries into European and Euro-Atlantic institutions.

3. Daniel Hamilton and Nikolas Foster, 'The Obama administration and Europe', in Álvaro de Vasconcelos and Marcin Zaborowski (eds.), *The Obama Moment* (Paris: The EU Institute for Security Studies, 2009), p. 52.

4. See George Friedman, 'Geopolitical Diary: The Medvedev Doctrine', *Stratfor*, 2 September 2008.

The changing context of Western policy

Moreover, the international context in which Western policy has to operate has shifted significantly in the last several years. For the past two decades, enlargement has been the main vehicle for promoting stability and security eastward in both NATO and the EU. But this 'go-go period' of NATO expansion to the East has ended. FYROM and perhaps Serbia may at some point become NATO members. However, further expansion of the Alliance into the post-Soviet space has essentially been put on hold.

Within the EU as well, the momentum behind enlargement has slowed visibly in the last few years. The top EU priority since 2006 has been ensuring ratification of the Lisbon Treaty. Other major initiatives have been subordinated to that goal. As a consequence, there has been little active support for new initiatives aimed at further enlargement to the East. The Eastern Partnership – the EU's main policy instrument for dealing with countries on its eastern periphery – emphasises trade and soft power as instruments for fostering closer ties with the countries in the EU's eastern neighbourhood. However, unlike the association agreements with the states of the Western Balkans, the Eastern Partnership does not offer a prospect of membership. This ambiguity about the end goal – the lack of a perspective on membership – has been, and continues to be, a source of great dissatisfaction for many states in the eastern neighbourhood, especially Ukraine.

The global financial crisis has forced a shift in European priorities and outlook. Today the emphasis in Europe is on internal retrenchment, not external expansion. European governments are concerned with managing the growing sovereign debt crisis in the EU and reducing the costs of maintaining the social welfare systems built up in the decades since World War II. They have little enthusiasm for – and are less ready to underwrite – expensive policies aimed at integrating the EU's eastern neighbourhood.

At the same time, the election of President Obama has led to an important shift in US policy toward Russia and the western periphery of the post-Soviet space. The Bush administration strongly supported Georgian and Ukrainian membership in NATO. This support precipitated sharp divisions within the Alliance. However, the Obama administration has adopted a much more cautious approach towards expanding Western interests in the post-Soviet space. While the door to Georgian and Ukrainian membership in NATO has been kept open rhetorically, in practice membership for both countries has been put on hold and subordinated to the administration's effort to 'reset' relations with Moscow. This has brought US policy more in line with EU policy. As Philip Gordon, As-

sistant Secretary of State for European and Eurasian Affairs, has stressed: ‘We share the same strategy because we share the same goals.’⁵

The policy agenda in the EU’s eastern neighbourhood

The United States and the EU face several important challenges in the EU’s eastern periphery. Developing a common strategy towards these challenges should be easier because US and EU policy and goals are more closely synchronised than was the case under President Bush. The United States and the European members of NATO both agree that NATO membership should be put on hold for the time being. In addition, the Obama administration’s desire to reset relations with Russia also coincides with the general policy line favored by the key West European EU members, particularly Germany, France and Italy. On Belarus as well there has been a closer coincidence of views since the December 2010 elections.

Ukraine

Ukraine presents a difficult policy challenge. The election of Viktor Yanukovych as president of Ukraine in February 2010 has resulted in an important shift in Ukrainian policy. Yanukovych’s predecessor Viktor Yushchenko pursued a pro-Western policy. However, in his first year in office, Yanukovych has intensified economic and security ties to Russia and withdrawn Ukraine’s application for NATO membership. These developments have resulted in closer coordination between Russian and Ukrainian policy, particularly in the economic and energy fields.

However, the United States and EU should not write off Ukraine. While it is hard to be optimistic about Ukraine at the moment, the United States and the EU need to take the long view. Ukraine, like Turkey, is going through an identity crisis between Ukraine’s eastern orientation, promoted by the elites in the Russified eastern portions of Ukraine, and a western orientation advocated by the pro-western elites in Central and Western Ukraine. This identity crisis is likely to take time to sort out – at least a decade, perhaps longer.

As Ukraine struggles to define its identity and find its place in the new European security order, the door to Europe should be kept open to Ukraine. US and European policy should be aimed at strengthening democratic institutions and promoting the growth of civil society, especially an independent media. The issue of NATO membership should remain on the back burner for the immediate future. Focusing on NATO membership

5. See Philip H. Gordon, ‘The Obama Administration’s European Agenda,’ Remarks at the Atlantic Council, Washington D.C., 19 November 2010, <http://www.state.gov/p/eur/rls/rm/20110/151110.htm>.

now will only inflame the political atmosphere and make progress in other important areas more difficult. Instead the emphasis in the near future should be on expanding trade, improving Ukraine's gas transit system and strengthening democratic institutions and civil society.

The main threat to Ukrainian security is the slow progress of economic and political reform, corruption and weak democratic institutions and procedures. The EU's Eastern Partnership is more capable of addressing these issues than NATO is. Moreover, initiatives in these areas will be seen as less threatening by Russia and thus less likely to provoke strong opposition in the Kremlin.

This is not to suggest that the United States should neglect Ukraine or leave the heavy lifting to the EU. US political and economic support for Ukraine will be vitally important. However, it should be closely coordinated with EU policy in order to ensure maximum effectiveness. At the same time, US and EU policymakers should continue to firmly reject a policy based on a division of Europe predicated on 'spheres of influence.' The goal of Western policy should be to overcome dividing lines in Europe and the post-Soviet space, not create new ones.

Georgia

Policy differences between the United States and Europe over Georgia, which were quite pronounced during the Bush administration, have also become much more muted under Obama, particularly regarding NATO membership. This should make it easier to pursue a more consistent and closely coordinated US and EU policy towards Georgia. The United States and EU should give priority to encouraging the development of strong democratic institutions and strengthening civil society. The door to NATO membership should be left open. But the issue of NATO membership should not be actively pushed for the time being. As in Ukraine, the emphasis instead should be on intensifying political and economic reform.

In the foreign policy area, the United States and EU should insist that Russia withdraw its troops from Georgian territory, as called for in the ceasefire that Moscow signed ending the Five Day War. Closer cooperation between Russia and NATO over missile defence and other issues, as envisaged at the NATO-Russia summit in Lisbon, could make Russia more amenable to withdrawal of its troops over the medium run. However, given the disparities in power between Georgia and Russia, achieving a Russian agreement to withdraw its troops will require firmness of purpose and a closely coordinated approach on the part of the United States and the EU.

The issues of Abkhazia and South Ossetia present a much more difficult problem. Here too the United States and EU need a firm, coordinated policy. The United States and the EU should encourage Georgia to increase economic, political and human contacts with Abkhazia and South Ossetia. The goal of these contacts would be to weaken the dependence of both entities on Russia and prevent their *de facto* annexation by Moscow.

Belarus

Belarus remains Europe's 'last dictatorship' and has the worst human rights record in Europe. However, in the past several years Belarus has shown some small but important signs of change. These changes have been forced on Belarus by shifts in Russian policy. After 2004 Russia began to push for a restructuring of its economic relations with Minsk, especially energy ties. The loss of Russian energy subsidies posed an existential threat to the regime in Minsk and forced Lukashenka to seek a controlled opening to the EU after January 2007.⁶

Lukashenka's search for a controlled opening with the EU after 2007 resulted in a growing divergence between US and EU policy. Prior to 2007, both the US and EU sought to isolate the Lukashenka regime and use coercive diplomacy to force Minsk to liberalise. However, after 2008 this unity began to crack. The EU increasingly pursued a policy of greater engagement with Belarus while the United States continued to pursue a policy of 'hard conditionality' designed to isolate the Lukashenka government.

Since the 19 December 2010 presidential elections in Belarus, Lukashenka has adopted a much harder line. The elections, which were characterised by ballot-rigging and repression of the democratic opposition, marked a sharp rebuff of the EU's engagement strategy. The brutal crackdown in the aftermath of the 19 December election dashed hopes of any meaningful liberalisation in Belarus and left the EU's policy of engagement in tatters.

In the aftermath of the elections the United States and the EU need to rethink their policy toward Belarus. However, it is important that the United States and the EU speak with one voice and that their policies be closely coordinated. This policy should involve targeted sanctions, including visa bans and asset freezes, against Belarusian officials responsible for the current crackdown and human rights violations and a demand that all political prisoners detained by the Belarusian authorities during and after the December presidential election be immediately released.

6. For a detailed discussion of the reasons for the shift in Belarusian policy, see Margarita M. Balmaceda, 'At the crossroads: The Belarusian-Russian energy-political model in crisis,' in Sabine Fischer (ed.), 'Back from the Cold? The EU and Belarus in 2009,' *Chaillot Paper* no. 119 (Paris: EU Institute for Security Studies), November 2009, pp. 79-91.

At the same time, the door should be left open to future cooperation if Lukashenka shows signs of moderating his repressive policies. As in the case of Ukraine, Washington and Brussels should take a long-term approach and support grassroots democratic movements and institutions where possible, although this is likely to prove difficult. Faced with a public debt that has doubled to 30 percent of GDP in the last two years and a steeply rising trade deficit, Lukashenka is likely to be forced to turn increasingly to Moscow for support, diminishing the prospects of a liberalisation of his autocratic regime in the near future.

Moldova

The July 2009 parliamentary election, which brought the pro-European Alliance for European Integration (AEI) to power, raised hopes that Moldova would embark upon an overtly pro-European course. However, Moldovan politics have been deadlocked since the July 2009 elections because the Communist Party has blocked the election of the AEI's presidential candidate.

The elections on 28 November 2010 failed to break the deadlock. The three-party AEI coalition formed in December 2010 has 59 seats in parliament – enough to form a government but 2 seats short of the 61 votes necessary under the constitution to elect the president. Thus unless the AEI can work out a deal with a few Communist deputies in the parliament or amend the constitution by referendum, the government's chances of surviving a four-year electoral cycle look dim.

Moldova's heavy dependence on outside assistance provides an important potential source of Western leverage. Over 50 percent of Moldova's trade is with the EU while only about 15 percent is with Russia. Romania, with whom Moldova has close cultural, linguistic and historical ties, acts as an important window and gateway to the West. Some 200,000 Moldovan citizens hold Romanian passports, which makes them citizens of the EU and enables them to work and travel in most of the EU. Moldova is the only country in the post-Soviet space that is more dependent on remittances from the EU than from Russia. The United States and EU should utilise this leverage to encourage Moldova to expand and deepen economic and political reforms. US and EU assistance should be directed at projects designed to strengthen democratic institutions and civil society in Moldova. In supporting these programmes, Washington and Brussels should work closely with Romania, which has been actively engaged in promoting projects aimed at strengthening civil society and cross-border contacts in Moldova.

Initiatives aimed at instilling new life into the '5 plus 2' talks on the 'frozen' conflict in Transnistria should also be high on the US-EU policy agenda. Transnistria has become a haven for drug trafficking and arms smuggling. It poses a threat not only to Moldova's stable political evolution but also to regional stability more broadly. The Eastern Partnership should focus on visa liberalisation and the creation of a free trade zone. It could also provide a useful vehicle for promoting closer cooperation between Moldova and Ukraine in the areas of customs and border control.

Engaging Turkey

Finally, the United States and the EU need to engage Turkey more actively in the effort to enhance stability and democratisation in the Western Balkans and the EU's eastern neighbourhood. Strengthening ties with Turkey is strongly in the US and European interest. Turkey is emerging as an increasingly important factor in Europe's effort to enhance energy security and reduce its dependence on Russian energy. It is a key transit route for the transport of Caspian gas and oil to European markets and stands to be one of the major beneficiaries if the EU-sponsored Nabucco pipeline is eventually built. The pipeline will enhance Turkey's role as an important regional actor and make Turkey a key cog in Europe's effort to achieve energy independence. It will also enable Turkey to expand its influence with its immediate neighbours, especially Iran and Iraq.

While participation in the Nabucco project is Turkey's top priority, Ankara has been careful to keep open the door to cooperation with Moscow. Today, Russia is Turkey's largest trading partner and its largest supplier of natural gas. In October 2009, the Erdoğan government gave the Russian energy conglomerate, Gazprom, permission to conduct exploratory work in Turkey's Black Sea exclusive economic zone in preparation for laying the South Stream pipeline's seabed section. In return, Russia agreed to support construction of the Samsun-Ceyhan pipeline (SCP), which will connect the oil terminal in Samsun on Turkey's Black Sea coast with a terminal in Ceyhan on the Mediterranean coast.⁷

Turkey's growing role in the Balkans, Caspian basin and the Middle East underscores the need to find ways to engage Turkey more directly in discussions and projects related to Balkan and Eurasian security. This is particularly true in regard to the South Caucasus and Caspian region. This would help to ensure that Turkish initiatives reinforce rather than conflict with or undercut US and EU initiatives. It would also help to strengthen Turkey's ties to the West more broadly at a time when these relations have begun to show signs of weakening. Part of Turkey's recent foreign policy activism in the Middle East

7. See Vladimir Socor, 'Samsun-Ceyhan Pipeline Project to Divert Kazakhstani Oil,' *Eurasia Daily Monitor*, vol. 6, no.195, 23 October 2009.

has its roots in the growing frustration and disenchantment with Europe and the problems encountered in its EU membership bid. As Turkey's problems with Europe have increased, Turkey has sought to broaden its connections elsewhere, especially with those areas and countries where it has long-standing historical and cultural ties.

Integrating a country as large and diverse as Turkey clearly presents a major challenge to the EU. But Turkish membership would strengthen the EU over the long run and help put to rest the claim that the West – especially Europe – is innately hostile to Muslims. This could have a salutary effect on the West's relations with the Muslim world. Indeed, a moderate, democratic Turkey could act as an important bridge to the Middle East. Conversely, rejection of Turkey's candidacy could provoke an anti-Western backlash, strengthening those forces in Turkey that want to weaken Turkey's ties to the West. Such a development is in the interest of neither the EU nor the United States.

Of course, Turkey will have to meet the criteria for membership. This process is likely to take at least a decade, perhaps longer. However, by that time a very different Turkey – one economically more prosperous, politically more democratic and internationally more influential – will be standing at the door. It is on the basis of the qualifications of that Turkey, not the Turkey of today, that the EU will have to make its decision. In the meantime, the door to Turkish membership should be kept open.

Given the decline in pro-EU sentiment in Turkey, the Erdoğan government has felt little pressure to accelerate the EU accession process. EU membership remains an important long-term goal, but Turkish officials today stress that Turkey is 'not in any rush' to join the EU.⁸ The accession negotiations, meanwhile, have stagnated. The danger is not that Turkey or the EU will break off negotiations, but rather what Katinka Barysch has termed the 'risk of slow death' – that the relationship will collapse by default as Turkey and the EU run out of things to negotiate.⁹ The two sides have so far opened 12 chapters, but closed only one (science). Of the remaining chapters the EU has suspended eight because of Turkey's failure to open its ports and airports to Cypriot vessels, as required under the Ankara protocol. France has vetoed talks on five others that it claims prejudice full membership.

It is possible that in the end Turkey, like Norway, may decide not to join the EU for reasons of its own. Indeed, there is increasing discussion in Turkey these days of the 'Norwegian model.' But this decision should be the result of a deliberate choice by Turkey, not an option forced on Ankara because the EU continues to move the goal posts for membership.

8. See President Gül's interview in the German weekly *Der Spiegel*: 'We're Not in Any Rush to Join the EU,' *Spiegel Online*, 20 October 2008.

9. Katinka Barysch, 'Can Turkey combine EU accession and regional leadership?', *Policy Brief*, Centre for European Reform, London, January 2010, p.3.

Conclusion: the challenges ahead

The Balkans and the EU's eastern periphery represent the key unfinished business on the transatlantic agenda. These challenges are too complex and difficult for either the United States or the EU to successfully manage on their own. They require close coordination and cooperation on both sides of the Atlantic. The challenges, moreover, must be managed at a time of increasing economic austerity.

The success of the effort to enhance stability and promote democratic reform in the Western Balkans and the EU's eastern periphery will depend on several factors. The first is continued US engagement in European affairs. Close cooperation with Europe, especially the EU, has been a cornerstone of Obama's foreign policy. However, the strong Republican victory in the US mid-term congressional election and the mounting US deficit have generated new uncertainty about Obama's capacity to provide bold and decisive leadership during the remainder of his term in office. With the House of Representatives now in Republican hands and the position of the Democrats weakened in the Senate, Obama will have to give increasing priority to domestic issues – particularly lowering the unemployment rate and reducing the US deficit – if he hopes to be re-elected. This will leave little scope for major foreign policy initiatives. Given the political dynamics in Washington resulting from the mid-term elections and upcoming presidential elections in 2012, the burden for stabilising the 'eastern neighbourhood' in the next couple of years is likely to fall mainly on the EU.

The United States and the EU both face growing internal challenges that could make it difficult for officials on both sides of the Atlantic to give the 'unfinished business' in the Balkans and the EU's eastern neighbourhood the attention and assistance these regions need to consolidate their transitions and avoid future political and social discontinuities. This could result in the growth of new instability and crises in these regions that could endanger the consolidation of a Europe whole and free and at peace. Thus as the United States and the EU seek to address mounting internal challenges at home, it is important that they continue to work together to complete the 'unfinished business' in Europe.

2. Security deadlocks against a backdrop of change in the Middle East

Bassma Kodmani

Introduction

The year 2011 has been a year of momentous change in the Middle East. It started with revolutions in two Arab countries, Tunisia and Egypt, and upheavals across the whole region. These events were followed by the uprising in Libya. Those who rose up against Gaddafi, aided by direct international military intervention to prevent a major humanitarian crisis, eventually succeeded in overthrowing the regime. The country is now set to address the same challenges of building new institutions and laying the foundations of a democratic society. Meanwhile, the other key regional challenges relating to security, namely the Israeli-Palestinian conflict and Iran's nuclear programme, have seen a lowering of the swords on all sides even though mediation processes have so far not produced any concrete results.

The attention of the international community has been diverted from these two looming crises by 'the Arab spring' and its consequences. Washington and the countries of the European Union are scrambling to respond adequately to a new set of challenges emerging from the upheavals and transformations in the Arab world. All regional and international parties are conscious that these changes will have a decisive impact on the Israeli-Palestinian equation and most probably on Iran's regional posture.

The failure so far of both the Americans and Europeans to deal with these two key challenges leaves the question of diplomatic alternatives unanswered for now. In the absence of credible diplomatic efforts, both situations are following divergent courses: Palestinians are actively pursuing a unilateral diplomatic strategy to gain recognition for the independence of the Palestinian state; the Israeli government is talking about an interim agreement that it might propose or impose through unilateral moves; while Iran's nuclear programme seems to have suffered a serious setback due to covert activities on its territory and cyber-attacks on its programme, although the damage remains difficult to assess given the opacity of the Islamic Republic and the Iranian government's silence on the issue.

For over three years, those interested in a settlement of the Israeli-Palestinian conflict, both within the region and outside, have been increasingly concerned that the last chance for a two-state solution is disappearing rapidly. Iran pundits, on the other hand, are either sounding the alarm bell about the ‘ticking clock’ on Iran’s access to nuclear weapon capability, or warning that a protracted impasse and slow suffocation under sanctions sets this issue on a dangerous track leading to confrontation.

American and European efforts to launch and keep alive direct negotiations between Israel and the Palestinian Authority (PA) materialised after an intensive multilateral diplomatic campaign for sanctions designed to increase the pressure on Iran and force a policy shift on its nuclear programme.

The time and effort invested by the US and Europe in attempting to find a resolution to the two issues have produced little or no results. It is therefore legitimate to question the strategy adopted and to critically assess whether it is worth continuing on the same path – whether the objectives pursued in each case were realistic in the first place, whether there are alternative paths to handling these situations more effectively and if, from a political cost/benefit perspective, Western countries are likely to continue to invest their efforts and credibility in seeking compromises on each of these issues.

Understanding the deadlock

The Israeli-Palestinian conflict

While from the outset Barack Obama made peace in the Middle East a top priority of his presidency, it was only after 18 months of unrelenting efforts at the highest level that his administration was able to formally re-launch the peace process at a three-way summit between President Obama, Prime Minister Netanyahu of Israel and the President of the Palestinian Authority, Mahmoud Abbas, on 2 September 2010.

The summit was designed to re-start bilateral negotiations, but the format and the very principle of bilateral negotiations had already lost much of its credibility. Most parties outside the US and critics both inside and outside the government were at this stage exploring alternative paths and discussing new strategies.

The intensive efforts of the Obama administration delivered little over two weeks of negotiations and two summit sessions between President Abbas and Prime Minister Netanyahu in Sharm el-Sheikh and Jerusalem. Everything came to a halt on 26 September when Netanyahu failed to extend the moratorium on settlements which Israel had declared 10 months earlier.

To speak of a deadlock is only relevant when talking about the diplomatic process. It must be remembered that the conflict itself is not in deadlock, if by this we understand an impasse resulting from the unrelenting opposition of the two antagonistic forces. In the context of at least four major dimensions of the conflict we see sometimes rapid, sometimes gradual, shifts in the situation on an almost daily basis: (i) in terms of territory and demography, in the West Bank and in East Jerusalem due to settlement growth and work on the barrier/wall; (ii) in terms of the armed capacity of the groups on the ground and their propensity to resort to the use of force; (iii) in terms of political developments, Palestinians now have two political systems that are moving further away from each other; (iv) in terms of third party views of the conflict, we see the line between opposition to specific Israeli policies and questioning of Israel's basic legitimacy and viability increasingly blurred.¹

The US

From the very first days of his mandate, President Obama showed a strong commitment to work on brokering a settlement. He set a deadline of one year and mobilised the most senior figures in his administration, thus setting himself and his advisors a major challenge. The administration took a comprehensive approach to the process by engaging simultaneously with Syria and preparing a detailed security plan designed to respond to the security concerns of Israel, but it was clear that in Obama's view the nucleus of the conflict lies in the Palestinian question.

The renewed negotiations in September 2010 gave the administration some hope that it would be able to bring the parties to an agreement once it decided to put its full weight behind it. A difficult and protracted process of negotiations with the Israeli government started immediately after the Washington summit in which the US administration promised a generous package of financial aid, military equipment and other 'carrots' to convince Netanyahu to extend the moratorium on settlements. However, Israeli domestic politics prevailed and Prime Minister Netanyahu chose to save his right-wing coalition: he declined the US package and settlement construction resumed.

For President Obama, the desperate attempts to reach some kind of resolution in September 2010 represented the last steps in a painful and ultimately fruitless episode as the administration had entered the mid-term elections campaign and was already under pressure from the Republicans who were seeking to score points on the issue of the Middle East.

1. Esra Bulut Aymat, 'Understanding the deadlock in the Arab-Israeli conflict', discussion paper, EUISS-New American Foundation, Working Group meeting, The Challenge of Middle East Peace and Regional Security, Washington, October 2010.

Since the September 2010 summit, two developments have dealt a quasi-fatal blow to the bilateral negotiation process or 'Plan A'. The first is the resumption of settlement construction and wholesale confiscation of land, including in East Jerusalem. The second is the organised leak of confidential documents from official Palestinian sources that revealed a set of concessions that the Palestinian negotiating team secretly proposed to Israel. These revelations sparked outrage among Palestinians and the chief negotiator of the Palestinian team, Saeb Erekat, had to resign. However, the leaks were largely a non-event as they occurred in a context in which no real negotiation process was actually taking place to consider the alleged concessions that the Palestinian Authority was making to Israel.

In spite of the US administration's lack of success, the White House gave few if any signs to the Europeans encouraging them to move ahead of where Obama had said he wanted to go, i.e. to contribute to the implementation of his vision for a two-state solution as initially spelled out when he arrived at the White House. There was also little critical assessment of the US approach and why it failed. The failure can be ascribed largely to the following reasons: state-building and the improvement of the Palestinians' economic situation is not helping build a two-state solution; the negotiations needed more than plain mediation to address the points of contention between the parties; the Israeli Prime Minister Netanyahu represents the sum of the pressures of the parties in his coalition and is well aware that he will not incur any adverse consequences by continuing to pursue the same policy.

The diplomatic game clearly lacked a well-defined and coherent strategy. The US had a strategy in terms of cajoling the parties to the table, but not in terms of extracting a specific sustainable end-result. It was the Turkish flotilla incident of May 2010, rather than diplomacy, that generated some attempts to reconsider policy options, particularly *vis-à-vis* the siege on Gaza, though with no decisive change forthcoming as a result.

With the loss of credibility of the overall process, a paradigm shift seemed inevitable but was unlikely to come from the US. The question thus arose with renewed urgency: if the solution is not in Washington, then the Palestinian Authority's strategy of total reliance on the US and Europe's reasoning that it should stand behind Washington to support its policies both seem fundamentally flawed.

The EU

In Europe, the level of frustration and criticism had been growing. Many take the view that the EU has become a prisoner of the Quartet and is paralysed by its commitment

to remain within this framework. In their view Europe has been reduced to a bystander, tentatively deploying what some diplomats call ‘micro-bureaucratic actions’ or various tentative measures which are then distorted on the ground with the result that they fail to achieve their intended aims and ultimately undermine EU policies. The feeling is that conciliatory policies towards either party are interpreted as a sign of weakness and erode the EU’s credibility. In this context, the dilemma for the EU is no longer to prove its commitment to the process but rather to define what it can actually do as a player in its own right.

The stated positions emanating from the Union are clear: the EU continues to affirm that it is risky to launch negotiations without a platform or clear terms of reference, that there are insurmountable obstacles and a general fatigue with the peace process. But it either does not see that these shortfalls call for an alternative approach, or thinks that there is no viable prospect of an alternative approach, and is willing to continue underwriting the peace process through its role as the largest donor to the Palestinian Authority. As one diplomat put it, the reality of the process launched in Washington in September 2010 is that it is more about Israel negotiating with itself about what it is prepared to give to the Palestinians rather than true bilateral negotiations. If European policy continues to be entirely deferential to the US, the argument goes, Europe is depriving itself of an opportunity to secure its own interests in the region.

Europeans continue to be averse to discussing ways of pressuring Israel to abide by commitments it made under the Oslo agreements of 1993 and later the Roadmap in 2003 as well as the joint declaration at the Annapolis conference in November 2007. EU and American support to the Palestinian Authority has taken a new direction since Salam Fayyad was appointed Minister of Finance and later Prime Minister of the PA. As a functioning authority started operating underpinned by security cooperation with Israel, Europe’s financial and institutional support to the PA took a strategic turn and appears to be inscribed in a coherent path leading to the emergence of a Palestinian state ‘from the ground up’.

Voices opposed to the continuation of Plan A – as the direct bilateral negotiations option is called – have come mainly from unofficial sources who argue that it has failed despite having been given every chance to deliver. Indeed Europeans, Arabs and international organisations such as the UN and the World Bank have all contributed in a sustained way to strengthening this bilateral option through the massive financial contribution they have provided to the development of Palestinian institutions. Supporting the PA as opposed to pressing Israel is within Europe’s political comfort zone. Some warn that the strategy is fundamentally flawed because it puts uneven pressure on the parties – specifi-

cally that Mahmoud Abbas is subjected to different forms of pressure and told that he should spend his political chips in exchange for the EU and US guaranteeing his security, while Netanyahu is rarely asked to spend any of his political chips.

A key complicating factor for both Europe and the United States throughout this period of ‘peace processing’, as critics have dubbed it, was the stalemate in the diplomatic talks with Iran on its nuclear programme.

Understanding the connection with Iran

Things were at a critical juncture when the Obama administration inherited the Iranian dossier. It had to juggle with four different ticking clocks. First, it needed to back off from the military option for dealing with Iran’s nuclear clock; second, as the first clock was tied to an Israeli clock, the US needed to deter Israel from taking military action; a third challenge arose in the summer of 2010 when a domestic uprising flared up in Iran, putting the US to the test on its commitment to uphold human rights and democracy but also requiring careful monitoring of the jockeying inside the Iranian ruling elite and the possible implications for Iran’s position in negotiating its nuclear programme with the international community; and fourthly, a US domestic political clock tied to the mid-term elections of November 2010 as Republicans decided early on to make Iran a central issue in their attacks on Obama’s foreign policy in order to reduce his room for manoeuvre.

A first achievement from the administration’s perspective was that it managed to put the Israeli clock on hold by securing enough international support to impose biting sanctions against Iran. Intensive diplomatic efforts led the UN Security Council (UNSC) to adopt Resolution 1929 in June 2010 imposing sanctions, which were then enhanced with an additional set of US and European sanctions.

Another dimension to the strategy followed in the form of a covert yet aggressive series of attacks aimed at jeopardising Iran’s nuclear programme: a wave of kidnappings and killings of Iranian nuclear scientists took place both within and outside Iran; and a cyber-attack on its computer system seems to have seriously disrupted the programme and set it backwards although it remains very difficult to accurately assess the degree of damage it has suffered.

It is widely believed that these covert actions were the work of the Israeli intelligence services, a theory confirmed almost explicitly by former intelligence leaders.² Israel, they say,

2. Ephraim Halevy, conference at the Foreign Policy Forum, Paris, 18 January 2010.

pursues a clandestine war and considers it legitimate as this represents the only viable alternative to all-out war. From Israel's perspective, it is essential to buy time and to force Iran in the meantime to consider its options: basically the choice is between a secret war and an open and violent war.

Coercion rather than negotiation has been the dominant strategy for dealing with Iran and it has produced some results if measured against the military option.

There is concern however among experts and policy circles regarding the current strategy *vis-à-vis* Iran. While they regard a military showdown as unlikely, they also see a serious dialogue as unlikely and fear that Iran has been put on 'automatic pilot' with a straitjacket of sanctions that have crippled the country, but without Western governments being able to ascertain whether the regime is actually backing down. The US and Europeans have found a fairly comfortable position in which no imminent threat comes from this front. But how sustainable this situation is remains an open question. Iranian society is expressing its anger and opposition to the authoritarianism of the regime. Sanctions have frozen the situation but it is slowly deteriorating under the ice. Spurious linkages between dealing with Iran and pursuing an Israeli-Palestinian peace settlement need first to be discounted. It is misleading for example to say that until the Iranian nuclear issue is dealt with, Israel cannot make peace, therefore Iran needs to be tamed first; or that it will be easier to press Iran to back down on its nuclear programme if a peace agreement is reached between the Israelis and the Palestinians.

Connections with the peace process are complex and multidimensional. Israeli incentives to stress the connection are double-edged: if Israel is happy with the peace process, it will not seek to launch an attack on Iran, but if Israel is concerned about the direction that the peace process is taking and feels cornered, it might decide to attack. Such an attack is more likely to target Hezbollah in Lebanon than Iran. On the other hand, if a peace agreement is reached between Israel and the Palestinians, Iran's nuclear programme will become a concern of the same magnitude as that of Pakistan.

The discussion over engagement with Iran is trapped in the process of the P 5+1 where the nuclear question colonises all other issues and leaves little room for a genuine discussion of human rights, Iraq, Afghanistan and the Israeli-Palestinian conflict. The 5+1 framework is itself flawed. Iran has little trust in the five parties and Turkey's mediation attempts have been dismissed. The sanctions satisfy the West more than they affect Iran. While they are certainly causing some pain and creating a sense of isolation in Iran, the regime has succeeded so far in presenting the pain as inflicted by outside powers.

The danger in the current strategy is the militant tone of the public discourse and of the media which, as in the case of Iraq before 2003, is preparing public opinion for military action while it is clear that there is no appetite for such intervention either in Washington or Europe. If sanctions do not work (they would need to seal Iran off from the outside world totally to have the desired effect) American and European leaders will have a hard choice to make and will find it difficult to justify why military action is not taken without risking accusations that they are 'appeasers' of the Mullahs' regime.

Engagement has proven difficult as Iran has not reciprocated Obama's early overtures and Germany's signals and gestures of willingness to engage. A new round of talks within the framework of the P 5+1 will show if the Iranian regime's attitude is changing.

Alternative options for changing course

The timeframe of Prime Minister Salam Fayyad's two year plan to build the institutions and infrastructure of a viable Palestinian state from the ground up expired in September 2011. The vital link between building the institutions of the Palestinian state and ending the occupation of the territories on which the state is to be built remains missing. There is no reason to believe that Israel will simply recognise that Palestinians are ready for statehood and withdraw from the lands that it has so far refused to yield. No European leader is offering a response to this question and official circles in Brussels and in European capitals are reluctant to address it. This avoidance of exploring the options is worrying. For over seven years, Europeans and Americans insisted that the Roadmap was the only game in town and refused to explore other options while frustration with the Roadmap was growing.

Several options for a Plan B are currently being discussed, particularly among Palestinians backed by European and American circles. Most of these revolve around the two-state solution as the end objective and are founded on the assumption that the United States needs the support of other key players. Both Palestinians and Israeli opposition leaders call for a carefully orchestrated choreography of actors and actions involving European countries, Arab states, Turkey and the United Nations Security Council, each taking different but concerted moves. They believe this could pave the way for the United States to take decisive action at the end of the process.

The UN Security Council

Since negotiations stalled again in September 2010, momentum has grown around the idea of involving the UN Security Council in one way or another, either as a mere instru-

ment of leverage that the US could use in its efforts to convince Israel to make the necessary concessions or as the alternative framework for the implementation of a different diplomatic strategy altogether. From the perspective of the Palestinian Authority, the alternative options range from taking the issue to the UN Security Council to ask for recognition of the Palestinian state, to requesting UN custodianship over Palestinian territories for a period of time.

Palestinians and Arab countries sought to test the option of the UNSC by putting forward a resolution condemning Israeli settlement activities. A sustained diplomatic campaign was led by the Palestinian Authority over several months in 2010 to secure support from all members of the Council. The draft text prepared by the Arab representatives in February 2011 was eventually vetoed by the United States alone, leaving all parties to conclude that the UNSC framework would remain paralysing. While European members of the Council, including Germany, voted in favour of the text, no serious European initiative followed outside the Council.

The resulting message is alarming as it signals to Palestinians that for now, all options that rely on the international community have failed. PA leaders regularly float the idea that the ultimate option for them would be to hand civilian responsibility back to Israel and dissolve the Authority thus forcing Israel to carry the burden of the occupation again.

Plan B could also imply a more radical scenario, namely the one-state solution which has gained impetus in the last few years as the Israeli political scene has moved further to the right. It would imply a transformation of the Palestinian strategy from a struggle for gaining their national rights to a struggle for gaining their civil rights as equal citizens within a bi-national state. This option remains an idea debated among Palestinians and has never as yet been presented as a policy option that the PA might seriously consider. If it were to be pursued as an objective, it would face at least two major obstacles: Israel's insistence on the Jewish identity of the state on the one hand, which precludes the inclusion of a quasi-equal number of non-Jews, and on the other hand the fate of Gaza which would be left adrift.

As for Iran, there is a pressing need for a diplomatic compromise but the threshold set by the Europeans and the US, partly under Israeli pressure, remains too high. Increased efforts and subtle diplomacy would allow for compromise formulas which may not have been fully explored yet. Although President Obama's initial approach and language were different, the threatening language of the Bush era remains. Iran seems to be undergoing a process of 'Iraqisation' i.e. following a similar trajectory to that experienced by Iraq

in the 1990s: a protracted deadlock and slow suffocation of the country as a result of sanctions with no prospect of a way out of the deadlock. Analysts denounce an ambiguity about the true goal of the sanctions on Iran, namely to obtain compliance with the international conditions on its nuclear programme or actual regime change.

Deadlock amidst rising new challenges: what way to go?

The deadline for a comprehensive settlement to the Israeli-Palestinian conflict set by Prime Minister Fayyad and adopted by the Quartet and the US expired in September 2011. The expiry of this deadline therefore signals that the time has come for an alternative policy to kick in. Put differently, the US and EU need to prepare for the formal failure of Plan A by spelling out precisely the possible alternative routes.

The principle of ‘only what results from bilateral negotiations will be accepted’ finds almost no support anymore among Palestinians and is met with scepticism almost everywhere. It begs for a new format for negotiations to be defined. In the meantime there are ways for the EU to play a more effective role, first by being more critical of the US strategy and by helping in what the US is *not* doing, even if this is ultimately to contribute to a deal brokered by the United States.

Specific steps that Europe could take include engaging with Hamas in a constructive dialogue. This is one area where the Obama administration has no room for manoeuvre due to the rigid and uncompromising views that still prevail on Capitol Hill. This implies dealing with the Gaza embargo as a political issue – which is of course what it is. Engaging Hamas now would ensure that Gaza is dealt with. The dialogue should be aimed at building confidence with the movement rather than promoting reconciliation with Fatah which might be neither possible nor desirable at this particular juncture. For the dialogue to start, the EU would need to drop their insistence on the three Quartet conditions of renunciation of violence, recognising Israel and recognition of past agreements to set benchmarks with which Hamas can comply more easily.

In the meantime, facilitating imports and exports from Gaza and promoting the role of the private sector as a countervailing force to balance Hamas is paying dividends.

Europeans could establish a link between the current support to Palestinian institutions and measures leading to an end to occupation. This involves showing more firmness on settlements. The EU might address Israel directly on the issue of a settlement freeze, possibly by proposing guarantees on the exchange of territories. It should bring to the parties’ attention the simple reality that the future of both Israelis and Palestinians lies in

close ties with the European bloc. This could involve for example linking the upgrading of relations with Israel not with the peace process itself but rather with the implementation of agreements with the PA on trade and other issues as these are currently hampered by Israel. The key concern here is that the Palestinian Authority is rapidly losing political credibility and will very soon find it impossible to justify its strategy based on trust in the US and Europe *vis-à-vis* its population.

As a start, however, a broad international consensus clearly exists on the need for Americans and Europeans to clearly distance themselves from the occupation and be more consistent in their policies with regard to Israeli settlements, East Jerusalem and the terms of reference for negotiation, especially with regard to the demarcation of the border along the 1967 Green Line.

Concerning Iran, sanctions are working there and there are good reasons to acknowledge that. Hence, what is needed is a compromise agreement to be tabled now. For the moment a strategy that relies on sanctions alone will not deliver a solution. In addition it fails to take account of the human cost for the Iranian population and runs the risk of creating a buildup of resentment within Iranian society. Such a compromise agreement could be facilitated by opening the process of 5+1 to other parties who have a good rapport with Iran. Reviving the role of Turkey and Brazil as intermediary interlocutors of Iran could serve as part of a confidence-building process.

In the meantime, it seems urgent to consider off-ramps to the strategy that relies exclusively on pressure and offer a safety valve to the Palestinian leadership.

Faced with the multiple challenges arising from the uprisings in Arab countries, the US and Europe are weighing their options, assessing their capacity to influence the processes and taking concrete measures to cope with a new period of volatile Middle Eastern politics.

The wave of uprisings in Arab countries that began in early 2011 is transforming the political and strategic scene in the Middle East. These upheavals might turn world leaders' attention away from the Israeli-Palestinian conflict for the coming period. While the Palestinian Authority was successful in putting the issue at the top of the US agenda and sustaining some international momentum over the last two years, it is left today with the feeling that a chapter is about to be closed and that the momentum is all but lost. In the absence of a renewed forceful initiative led by the US and the EU in the latter part of 2011, Palestinians are likely to start weighing up their other options.



3. Transatlantic cooperation for jobs and a new growth model

Maria João Rodrigues

Introduction: renewing the EU-US economic partnership¹

Against the background of globalisation and a changing international system, the EU and the US are today facing new challenges and urgently need to review their economic strategic partnership.

The international order is being reshaped by new actors, in particular the emerging economies, with significant implications for global governance and the multilateral institutions. As the world is becoming more multipolar, much more strategic convergence will be needed to update and modernise the multilateral framework. The ‘common transatlantic *acquis*’ (common rules, values, assets) is a crucial factor to be taken into consideration in dealing with the world’s diversity and in reshaping the global order. The EU and the US are the two most natural counterparts in the international system and a lot will depend on their joint work.

There is a need today not only to open up trade and investment opportunities but also to pursue economic recovery and reform of the financial system. It is also imperative that climate change be addressed and that more balanced and sustainable development is achieved on the planet. The combined US-EU share in world GDP, trade, FDI and research capacity make them indispensable but no longer sufficient to achieve global changes on their own.

Both the US and the EU are overhauling their internal and external agendas. The US, due to a change of leadership and political direction, as well as due to the fact that the economy is mired in the most severe economic crisis the country has known since the 1930s; the EU, due to a major change in its institutional setting (the entry into force of the Lisbon Treaty) and to the current update of its internal and external strategies. More particularly, the EU 2020 Strategy for Growth and Jobs is being launched and it seems that the current crisis of the eurozone is likely to lead to a major reform of its economic governance.

1. The author would like to acknowledge the valuable collaboration provided by Daniel Hamilton, Director of the Center for Transatlantic Relations, Johns Hopkins University.

In both the US and the EU, promoting growth with more and better jobs will be a central concern in the coming years. This will require building new long-term competitive advantages, which will be stronger if they are based on a new growth model, one that is more sustainable, knowledge-intensive and socially inclusive. More transatlantic cooperation is needed to bring about this new growth model.

A renewed strategic partnership is essential to develop this joint enterprise. The relevant priorities should be clearly identified and the tools for cooperation reshuffled, notably to ensure a permanent, comprehensive and fruitful strategic dialogue leading to more effective common action.

The case for a new growth model

Even if in the view of many Europe and the US present the best international examples of quality of life and of a growth model combining economic, social and environmental dimensions, this model no longer seems sustainable and efforts to maintain it, exactly as it is, may lead to a difficult situation.

First, this growth model seems unsustainable because our patterns of consumption and production are damaging the climate and the ecological balance of the planet. The inefficient way in which our houses use energy, our transport systems are organised and our factories operate is reflected in high levels of carbon emissions which will lead to a major disturbance of this balance, if this trend is not reversed before 2020.

Second, this growth model seems unsustainable because our financial system is undermining the conditions for the long-term investment which is necessary to ensure sustainable growth and jobs in the transition to a low-carbon and knowledge-intensive economy. Over the last two decades, a major transformation has taken place in capitalism, starting with the Anglo-Saxon model but spreading to others, including the European continental model. By increasing their role in funding companies, the financial markets have taken the driving seat in the economic system, leading to chronic instability and to a new rule of profitability: not the long-term profitability of productive investment which is necessary to sustain growth and job creation, but short-term profitability which is demanded by most of the shareholders.

Third, this growth model is unsustainable because our demographic trends (most notably, ageing populations) are undermining the financial basis of our social protection and welfare systems. This will become a major problem unless other options and factors are actively considered or come about, such as an increase in the birth rate, in the length

of people's working lives or in immigration flows, generalised equal opportunities, new priorities in the redistribution of income or an unexpected leap in labour productivity, based on new sources of growth. In fact, the relevant discussion for the future is about the right mix of all these factors, if we want to avoid a major deterioration of our social welfare systems.

Clearly, these are fundamental questions that Europe and the US can no longer afford to postpone, and ones that have acquired a new urgency at a crucial moment when long-term growth strategies need to be designed and adopted by the European and American institutions involving all the relevant stakeholders.

The debate on financial reform has been quite intensive on both sides of the Atlantic, with the US taking a natural lead in this regard. In contrast, with regard to the quest for a new environmental and social paradigm, it seems that Europe is taking the lead, even if confronted with major problems relating to the sustainability of its generous social model, now rendered more complicated because of the eurozone crisis. Nevertheless, a more fundamental debate is needed in both cases about how to define prosperity and progress.

How should we define prosperity and progress?

The first question to be answered is what do we mean by prosperity and by progress? Defining prosperity on the basis of the level of material resources as measured by GDP, and assessing living standards in terms of habitat, mobility, food and health, even if they remain basic, seems to be an unsatisfactory approach. First, because it fails to take account of the reality of global resource constraints. Second, because such an approach ignores the other dimensions which are necessary for people's well-being. These other dimensions of well-being include: access to lifelong learning, to useful activities, to conditions that foster entrepreneurship, environmental and physical security, social protection, democratic rights, social integration and the sense of belonging to a larger community.

This should have several implications for the central principle of a new growth model. This principle is quite simple: once fundamental needs in terms of material resources are ensured for the whole population, all the other dimensions of well-being should evolve in a more balanced manner and not be sacrificed in order to increase consumption of material resources. In this new framework, traditional methods of measuring and comparing progress and growth need to be thoroughly revised. The indicators for measuring growth should go beyond the limitations of GDP in order to take into account these various dimensions of well-being.

The implications of this approach are that recovering growth and raising GDP levels are not enough. It is also necessary to promote the transition to a new growth model. Hence the new long-term growth strategy of the European Union and the US could be inspired by a central principle: innovation for sustainable development. This would comprise technological, economic, social and political innovation. To drive this transformation, some strategic priorities should be clearly defined.

Shifting to a low-carbon economy

A shift should take place in our patterns of consumption, production and mobility. This shift should concern all sectors, but particularly those which are the most polluting such as transport, manufacturing and construction. The expansion of services, including business, personal and collective services such as health, education, leisure, creative and communication activities, should be encouraged but, if we want to avoid deindustrialisation, this should be combined with a new industrial revolution focusing on smarter and safer low-carbon products. Creating new jobs and ‘greening’ existing jobs should be accompanied by measures designed to facilitate social transition such as re-skilling of workers.

Making innovation the main engine for job creation

Innovation needs to be driven by new demands, but also by new interactions in supply between companies and research and education institutions. This requires generalising the conditions for innovation in companies, i.e. organisational change and competence-building, access to technologies and expertise, to venture capital and to markets as well as the reduction of administrative burdens and red tape. Finally, this means not only generalising secondary education and increasing access to higher education, but also extending access to lifelong learning based on open learning centres and on learning organisations, whose role will increase in the competence-building process. New competences such as networking, ‘learning to learn’, and sustainable behaviours should be generalised.

Building a welfare system to support change and reduce social inequality

To underpin all these changes, we need to build a developmental welfare state, facilitating transitions at all stages of the life cycle, maximising people’s potential and reducing social inequalities. The first concern should be, of course, to reduce long-term unemployment and youth unemployment. A period of unemployment should be transformed into a transition phase leading up to a new job, with the focus on relevant training or a useful activity or a combination of both. Active ageing policies should be coupled with a better

use of the experience and competence possessed by older people. Equal opportunities between men and women should be actively promoted at all professional levels. Reconciling family life and working life should be made possible by improved family care services and better sharing of family responsibilities. Immigration with active social integration policies should also be promoted. Finally, poverty should be actively combated, first of all by reducing social inequalities and the working poor, second by providing general access to active labour market policies and good public services.

Making the financial system support the real economy

We need to refocus the financial system on providing support to the real economy. Financial institutions and products should be better regulated in order to control financial instability and to channel financial resources to support the real economy, sustainable growth and jobs and, more particularly, the long-term investments required by the above-mentioned strategic priorities. This will also imply putting an end to tax havens and speculative practices such as short-selling and many high-risk derivatives. Stronger supervision of the banks should be coupled with a tighter control of liquidity. Public finances should also be retargeted to support growth and job creation which is, incidentally, the best way to progress towards balanced budgets. More precisely, this means redirecting public expenditure and taxes to support public and private investment for smarter, greener and inclusive growth.

Exchanging views on the domestic growth agenda

The EU has just launched its new long-term strategy for growth and jobs – *Europe 2020* – building on the previous experience of the Lisbon Strategy adopted in 2000. The US does not have the European tradition of the systematic definition and implementation of a comprehensive growth strategy, but nevertheless some of its main building blocks may be discerned.

When comparing the EU and US growth strategies, it is possible to identify some convergence regarding the central role of innovation, the move towards a greener economy, the need to reform the financial system and the quest for new skills and stronger social inclusion. Nevertheless, specific differences are also clear: in the American case, more concern with the major global imbalances and their impact on the domestic economy, and a special focus on creating a more inclusive health system. In the European case, more concern with fully exploiting the potential of the single market, with reforming the welfare systems and with rebalancing the public budgets. It is also clear that in the American case, macro-economic policies play a much more central role in promoting

growth and jobs, whereas Europe puts more emphasis on structural reforms to enhance the growth potential. A good alternative that might be considered is to combine both: this is certainly an issue where deeper transatlantic dialogue could certainly be useful for both sides.

Innovation policies

In this transition towards a smarter, sustainable and inclusive economy many new opportunities to create jobs can be exploited, notably in: renewable energies and energy efficiency, information and communications technology (ICT), biotechnologies, nanotechnologies, creative industries, fashion, specialised equipment, business services, health and education. The central engine for job creation should be innovation in the large sense: not only in products but also in services; not only in technologies, but also in management and organisation; not only in things, but also in people; not only using supply-side policies, but also demand-side policies; not only economic, but also social innovation. This larger approach is being recognised by the most recent generation of innovation policies in both the EU and US, creating a fertile ground for cooperation.

Some key questions can be raised regarding smarter growth: what are the new activities that will boost jobs creation? How can innovation in companies be fostered? How can the interplay between companies, universities and S&T institutions be strengthened? How can venture capital be developed?

Environmental and energy policies

This is an area where an in-depth dialogue is needed not only for domestic reasons of moving to a greener economy, but also to identify possible solutions for the post-Kyoto agreement. The EU is preparing two initiatives in the framework of the *Europe 2020* Strategy, which are particularly relevant in this context. As greening the economy is a common concern in Europe and the US, this is a natural field for stronger collaboration regarding research, technological developments and joint corporate initiatives which can be influential in shaping a new growth model. Some key issues can be identified with regard to greener growth: how should consumption, production and mobility patterns be renewed? How can relative prices be changed in order to encourage energy efficiency and renewable energies? What should be the role of cap-and-trade and of green taxes?

Employment and education policies

In the transition to a new growth model, the transfer of workers from old to new jobs should be supported by active labour market policies coupled with a massive investment

in new skills. This concern is now central in both American and European cases, paving the way for direct and promising collaboration. The differences in the respective approaches should also be used for mutual learning, notably the European focus on sophisticated systems of re-skilling and the American focus on a proactive policy to support job creation. The role to be played by immigration should also be re-examined. Some key issues can be identified regarding inclusive growth: what are the new skills required by this new growth model? How should the education and training systems be developed to cope with these requirements? How can unemployment be reduced?

Macro-economic policies

This is an area where there are some obvious differences between the European and the American approach. They were clear during the stimulus packages which were launched to fight against the ‘Great Recession’ following the 2008 financial crisis and they have also been visible during the recovery process. These discrepancies derive, first of all, from different starting points. The American economy operates within a federal system and with a reserve currency, while the European economy is constrained by the need for stronger discipline within the monetary union, further handicapped by weak economic union. Nevertheless, they are also explained by a stronger American preference for using counter-cyclical macro-economic policies, whereas Europe is more divided about this choice. Moreover, the EU official doctrine is evolving to assume that re-balancing the budgets is a pre-condition for recovery. Of course it is possible to argue the other way round: recovery will make it easier to re-balance the budgets. In fact, a more detailed discussion is needed to understand how this interplay can work. There are different ways to combine spending cuts with tax priorities in order to re-balance the budgets and which can be more or less effective in supporting growth, job creation and the structural change towards a greener, smarter and more inclusive economy. Therefore some key issues for debate seem to be: how can we foster recovery while re-balancing the budgets? What should be the role of macro-economic policies in supporting this transition to a greener, smarter and inclusive economy?

Economic governance

Even if the governance of the American economy has been challenged by the recent recession, this is not comparable to the disruption that has taken place in European economic governance. Europe has been confronted with the need to undertake broad and deep reforms, particular in relation to the ongoing ‘Greek crisis’, leading to the invention of new instruments of financial stability and of fiscal and economic coordination. We can now understand that the long-term sustainability of the Economic and Monetary Union

will depend on several conditions being met:

- Fiscal responsibility coupled with a last resort solidarity regarding sovereign debt
- A reformed financial system to ensure financial stability and promote growth
- A stronger coordination of economic policies combined with structural reforms to enhance growth potential
- The reduction of the internal divergences between the Member States. In the long term it is difficult to ensure the nominal convergence between the eurozone members without increasing their real convergence.

Several European instruments are now being developed to meet these conditions and the need for urgent reforms in economic governance is made clear by the current challenges:

- Credible instruments to tackle the sovereign debt crisis
- Pursuing the economic recovery while improving fiscal consolidation
- Launching a long-term strategy for a smarter, greener and more inclusive growth model with the means to ensure success
- Strengthening the external credibility of the eurozone, in both financial and political terms.

These challenges are closely intertwined: the strength of the eurozone depends not only on fiscal consolidation but also on ensuring a stronger recovery while reducing internal divergences between Member States. This complex equation can only be solved by combining national and European instruments. At the current level of interdependence, the Member States' efforts regarding fiscal consolidation, growth and structural reforms can only succeed if they are supported by stronger coordination and stronger European instruments in these areas.

Moreover, all EU governments are now being confronted with a difficult dilemma: how can they begin to reduce their public deficits and debt levels while simultaneously fostering the economic recovery they badly need to counter rising unemployment? This 'catch-22' situation certainly requires new developments of the available instruments of European economic governance, and it must be borne in mind that the level of interdependence among EU Member States is such that the time has come to coordinate, not simply to avoid negative spill-over effects, but also to take full advantage of the positive ones.

Therefore some topics to be addressed as part of a constructive and fertile dialogue could be: how should the governance system evolve in order to support this transition to a new

growth model? And what needs to be done in order to put countries' public debt on a sustainable path? What should be the role of the federal, state and local levels? How can their interplay be improved?

Exchanging views on global governance

The transatlantic partnership is particularly needed to update the global agenda and to reform global governance in order to reflect the new challenges and the emergence of new global players. This joint work to reshape the global order is also necessary to support the US and the EU's internal choices. This move to a new growth model can only be successful if this is not undermined by unfair competition based on low basic standards. That is why the US and the EU should work for a 'strategic convergence' of all global players towards common strategic priorities and better standards in the financial, economic, environmental, social and intellectual property areas.

Working for a global strategic convergence

The G-20 process seems to be the main driver to reform the multilateral system of global economic governance and to gear this strategic convergence. After defining a framework for strong, sustainable and balanced growth, the G-20 has launched a process of mutual assessment of policy frameworks and their implications for the pattern and sustainability of global growth, while trying to identify potential risks to financial stability. The 20 members are supposed to agree on shared policy objectives for fiscal, monetary, trade and structural policies to collectively ensure more sustainable and balanced trajectories of growth (Pittsburgh Summit, September 2009). Moreover, in September 2009 the G-20 also adopted a Charter of core values for sustainable economic activity: macro-economic policies for long-term objectives, rejection of protectionism, regulation of the markets for sustainable development, financial markets serving the needs of households, businesses and productive investment, sustainable consumption and production, international development goals, the need for a new economic and financial architecture.

Delivering financial reform

The transatlantic partners have had and will continue to have a central responsibility in delivering the new global agenda defined by the G-20, particularly:

- with regard to financial reform: more universal legislation covering all financial entities, products and transactions; covering tax havens and offshore financial centres;

monitoring and identifying the operations of financial market players which could cause systemic risks; stronger international supervision and more cooperation between all national regulatory bodies; defining mandatory 'capital requirements' for all financial players; aligning executive pay and remuneration schemes with long-term performance goals; guaranteeing accountable and transparent credit risk rating and robust and reliable accounting regimes should be ensured

- with regard to a fairer representation of world realities in international financial institutions, including the IMF and the World Bank, through the reallocation of share quotas.

Development: a promising new area for collaboration

The development agenda should also provide fertile ground for transatlantic cooperation in order to renew the approach to be taken, which should go beyond Official Development Assistance (ODA) and direct aid. If developing countries are to catch up, this certainly calls for not only the right choices in their internal development strategies and in their governance structures, but also the appropriate framework conditions. Beyond the need to raise the levels of development aid, fight hunger and to comply with the write-off of the debt in the highly indebted countries, the following framework conditions should be underlined:

- a fairer trade regime to promote development
- a better use of knowledge as a global public good and a key leverage for development; financial and technological support to the transition to low-carbon economies in the developing countries
- financial and technological support to the transition to a more balanced demographic regime in the developing countries
- financial and technological support to building of social protection systems and labour standards enforcement; access to basic education and basic health care should be extended to the entire population
- shifting the focus of the multilateral development banks towards institutional building for economic and social policies and construction of infrastructure and energy systems.

Dealing with different perspectives: recovery and climate change

We should conclude by underlining that, in this new global agenda, there are two issues where the differences between America and Europe require further discussion. The US would like to have more from the EU regarding its contribution towards global recovery, whereas the EU would like the US to take a stronger position in striking a post-Kyoto agreement to tackle climate change.

A more open discussion is needed to overcome these different views. On the one hand, the EU can eventually do more by developing European instruments to support growth and on the other hand, the US should eventually not only assume its responsibility in the post-Kyoto negotiations but also engage in a more pragmatic process to green the economy: spreading new standards and exploiting investment opportunities in the sectors willing to move forward. This can be the starting point to launch a broader partnership for energy sustainability.

Conclusion

The strategic priorities previously described in this chapter do not constitute a wrong or a risky choice because they might create a competitive handicap for the US and Europe. On the contrary, they can provide them with the long-term competitive advantage of being at the vanguard of setting an agenda of global priorities which will be emulated by other powers, if the planet is able to create a win-win game and thus avoid extreme fragmentation and collapse. We are assuming that countries are condemned to a certain level of strategic convergence if they want to secure the planet's future.

Moreover, these strategic priorities can be seen as realistic as most of the required technological solutions are already known. The real difficulty is whether the political process is large and democratic enough to drive this kind of 'grand transformation'. It is important to make the right choices when dealing with the various dilemmas that these priorities entail.

Recovering growth and jobs creation and reducing carbon emissions are not irreconcilable objectives: these goals can be achieved by refocusing investment, production, consumption and jobs creation on low-carbon solutions. It is also possible to recover growth and speed up the transition to a smarter economy by actively supporting innovation at all levels and in all companies as well as by providing people with the skills and training that will enable them to transition to the new jobs. Finally, it is possible to recover growth and reduce the public debt – which is now much higher after the massive expenditure entailed by the recent stimulus packages and the financial bail-outs – by actively supporting job creation, redirecting public expenditure to key investments and by reviewing the sources of taxation.

This active search for a new growth model, involving not only policymakers but also the relevant civil society stakeholders, urgently needs to be put higher on the agenda of transatlantic cooperation.



4. EU and US cooperation for nuclear security and disarmament: enhancing the impact

Patricia Lewis

*'The United States has no stronger partner than Europe in advancing security and prosperity around the world. The United States and the European Union are continually working together to advance a broad agenda based on a common history, shared values, and enduring ties.'*¹

*'The European Union is working for general disarmament, notably nuclear disarmament...'*²

Introduction

In recent years, the European Union and the United States have established strong cooperation on a wide range of nuclear disarmament and non-proliferation endeavours. Central to these efforts has been a renewed partnership in multilateral negotiations: the EU and US have set out to address intricate international problems with the necessary sustained concerted action.

Joint work on implementing the agreed action plans from the 2010 Nuclear Security Summit and the 2010 Non-Proliferation Treaty Review Conference would be feasible to undertake and is strongly proposed. Although residual tactical nuclear weapons in Europe remain within the purview of NATO deliberations, the topic is also of great concern to European non-NATO states and so is dealt with in this chapter. Verification of nuclear disarmament as part of a series of practical steps towards nuclear abolition garners much support on both sides of the Atlantic. Regional approaches to nuclear disarmament, in particular the development of a zone free of weapons of mass destruction in the Middle East, is an area where Europe and the US could be increasingly active. This approach would be most effective in conjunction with joint nuclear non-proliferation and security measures in the region.

1. 'President Obama to Participate in Summit with European Union', Office of the Press Secretary, The White House, 17 August 2010. See: <http://www.whitehouse.gov>.

2. HE Lady Catherine Ashton, High Representative of the European Union for Foreign Affairs and Security Policy, UN Nuclear Non-Proliferation Treaty Review Conference, New York, 3 May 2010.

The European Union – containing a mix of states that possess nuclear weapons and states that are vehemently opposed to them, as well as a mélange of countries that are in NATO and those that remain resolutely outside of its structures – can be a useful melting pot of ideas and compromise. If the EU and US fail to find common ground, the paralysis that ensues benefits nobody. When the EU and the US work together on security matters – as in the case of the Iranian nuclear programme (where the EU measures enacted on 26 July 2010 are the strongest ever adopted by the EU against a single country) – the combination is powerful.

Partnership for security

Each of the twenty-seven countries of the European Union has its own relationship with the United States, forged through trade and cooperation as much as through troubled times of both bloody and cold wars. Shared values of democracy, human rights, the rule of law and collective security are woven into the fabric of these relationships. In addition, through the unique structure of the European Union and its newly established foreign relations institutions, there are new conduits for discussion and joint action in which the EU has the potential to become more than the sum of its parts and work with the United States as an equal cooperative partner in all aspects of international security. However, the world is changing rapidly. Old and long-cherished certainties might well be slipping away. Are the EU and US paying attention to the changes afoot in the international system and are they ready to respond to these transformations?

From the perspective of nuclear security, arms control and disarmament, the EU and the US have made significant strides in their political and practical partnering. Since the 2003 European Security Strategy, the EU Strategy against Proliferation of Weapons of Mass Destruction,³ and the 2005 Action Plan on Combating Terrorism, the EU has become a key actor in supporting international treaties and organisations in an effort to reduce the threat of nuclear terrorism.

The EU's membership includes two nuclear weapon states - France and the United Kingdom – and a significant number (twenty-two) of NATO states. It is worth noting that there are some key European NATO members that remain outside the European Union (Albania, Croatia, Iceland, Norway and Turkey) and there are influential states that are in the EU and not part of NATO (Austria, Cyprus, Finland, Ireland, Malta and Sweden). An understanding of the EU Strategy against the Proliferation of Weapons of Mass Destruction and the European Security Strategy depends very much on an understanding of the

3. The EU Strategy against Proliferation of Weapons of Mass Destruction, 15708/03, 10 December 2003, <http://register.consilium.europa.eu/pdf/en/03/st15/st15708.en03.pdf> and 'Report on the Implementation of the European Security Strategy – Providing Security in a Changing World', available at: <http://www.consilium.europa.eu/showPage.aspx?id=266&lang=EN>.

delineation and membership of European security institutions and the consequential tensions and contradictions that may arise.

Fundamental to the relationship between the EU and the US is the shared commitment to multilateral engagement in nuclear non-proliferation, arms control and disarmament. Nuclear weapons, although possessed by few countries, have the potential to affect all. The whole world has a stake in steps taken by the possessors of nuclear weapons to prevent their use and promote their elimination. Given that Europe was assigned the role of nuclear battlefield during the Cold War, it is acutely aware that there can be no such thing as a small mistake with nuclear weapons. The end of the Cold War engendered hope that the spectre of nuclear weapons use could be laid to rest. There are however growing concerns that the popular expectation of a renewed commitment to nuclear disarmament, created in part through the April 2009 speech given by President Obama in Prague, may be too high. The entry into force of the New Strategic Arms Reduction Treaty (New START) on 5 February 2011 through the exchange of ratification documents between the US and the Russian Federation has delighted Europe – particularly given the bipartisan support demonstrated by a vote of 71-26 in the US Senate, in what has otherwise been a very polarised atmosphere in Washington DC. This may bode well for further progress, although senior Washington analysts are quite sceptical, suggesting that the apparent bipartisan consensus is merely a veneer, and pointing out that procedural threats have already been issued against any discussion of the Comprehensive Test Ban Treaty (CTBT). In addition, the loss of five Democratic seats in the mid-term elections and the retirement of some key Republican supporters will increase the degree of difficulty in getting the CTBT ratification through.⁴ New START does not in itself make a significant dent in the total Russian and US nuclear arsenals; that is held out as the hope for the next round of negotiations. The lack of tangible progress towards the US ratification of the CTBT – a global legal instrument that is seen as a litmus test of commitment to nuclear non-proliferation and disarmament by virtually all other members of the Nuclear Non-Proliferation Treaty (NPT) – is of serious concern to Europe. The tactical/nonstrategic nuclear weapons (TNW), which remain assigned to and would affect a heavily populated Europe, are fostering concern. Not since the unilateral declarations of the Presidential Nuclear Initiatives in 1991-2 has serious attention been paid to their elimination. It is hoped by most Western European countries that the US and Russia will now address the TNW hangover in the follow-on to New START. Hopes have been raised thanks to the US Senate's Resolution of Advice and Consent to Ratification for

4. Nikolai Sokov and Miles A. Pomper, 'New START Ratification: A Bittersweet Success', James Martin Center for Nonproliferation Studies (CNS), 22 December 2010. Available at: http://cns.miis.edu/stories/101222_new_start_ratified.htm.

the New START Treaty⁵ that ‘calls upon the President to pursue, following consultation with allies, an agreement with the Russian Federation that would address the disparity between the tactical nuclear weapons stockpiles of the Russian Federation and of the United States and would secure and reduce tactical nuclear weapons in a verifiable manner.’ The US Senate further sets out objectives of establishing cooperative measures regarding accounting and security of tactical nuclear weapons.

Certainly the successful outcome of the NPT Review Conference in May 2010 has helped renew optimism. The agreed outcome document focused on a range of action items for nuclear disarmament and non-proliferation, as well as beginning the implementation of the 1995 resolution on the Middle East nuclear weapons-free zone. However, frustration is being expressed by some countries at what they perceive as the reluctance of the nuclear weapon states to begin serious work to honour these recent commitments. The Conference on Disarmament (CD) – the sole multilateral treaty negotiating body housed in the Palais des Nations and serviced by the United Nations in Geneva – remains stalled and negotiations on a treaty to ban the production of fissile materials (the FMCT) are continually blocked while an increasing number of countries wonder if it is time to bypass (at least temporarily) the consensus-bound multilateral disarmament machinery. The US Senate’s ratification of New START may have altered that equation, particularly if it heralds a renewed bipartisan approach in the US with regard to international affairs.

New START, next stride

The European Union and the United States government share a common appreciation of the significance of the New START bilateral arms reduction treaty⁶ both in terms of the impact on US and Russian nuclear weapons doctrines and on the relationship between the two countries.

In the lead-up to the November 2010 NATO Summit in Lisbon, thirty-six senior European statesmen and women⁷ called for a complete rethink of NATO nuclear policies

5. ‘New Start Treaty Resolution of Advice and Consent to Ratification’, US Library of Congress, Control Number: 111TD00005, 22 December 2010. Available at: <http://thomas.loc.gov/cgi-bin/ntquery/z?trty:111TD00005>.

6. Set to replace the 1991 Strategic Arms Reduction Treaty that expired in December 2009, and build on the 2002 Strategic Offensive arms Reduction Treaty (SORT), New START places limits on the strategic arsenals of the United States and Russia of 1,550 deployed strategic warheads on no more than 800 deployed and non-deployed strategic nuclear delivery vehicles. The new limit on deployed strategic warheads will be 30% lower than the ceiling agreed in SORT and will continue an intrusive, cooperative verification regime that will build confidence in the Treaty, and in the possibility of future reduction agreements.

7. Michael Ancram, Egon Bahr, Margaret Beckett, Kjell Magne Bondevik, Laurens Jan Brinkhorst, Hans van den Broek, Des Browne, Francesco Calogero, Menzies Campbell, Willy Claes, Uffe Ellemann-Jensen, Jacques Delors, Hans Dietrich Genscher, Juraj Horvath, Wolfgang Ischinger, Jan Kavan, Tom King, Vladimir Lastuvka, Ruud Lubbers, Mogens Lykketoft, Giorgio La Malfa, Federica Mogherini, Klaus Naumann, Odvar Nordli, Bernard Norlain, David Owen, Niels Helveg Petersen, Malcolm Rifkind, Volker Rühle, Jaroslav Sabata, Helmut Schmidt, Ivo Slaus, Thorvald Stoltenberg, Richard von Weizsäcker, Kåre Willoch, Shirley Williams. For the full text of the statement, see <http://www.europeanleadershipnetwork.org/static/nato-nuclear-policy-statement.html#sigs>.

including: reducing the roles of nuclear weapons in security policies globally; verifiable reductions and consolidation of non-strategic nuclear weapons across the whole of Europe, leading to their eventual elimination; and a constructive role for the NATO-Russia Council to support and work towards binding agreements on the role of missile defence in Europe. Senior military figures in Europe – including in the UK and France – have also called for the elimination of nuclear weapons.⁸ In addition to the original statements made in the *Wall Street Journal* in 2008 and 2009 by Henry Kissinger, Sam Nunn, William Perry and George Schultz, there are other ‘Gangs of Four’ in Europe that have made similar calls for a world without nuclear weapons.⁹ The report of the International Commission on Nuclear Non-proliferation and Disarmament, *Eliminating Nuclear Threats: A Practical Agenda for Global Policymakers* has had a reinforcing impact on such high-level statements around the world. Support in Europe for the abolition of nuclear weapons seems to be growing both in the general population and among the leadership. European leaders are again looking to the United States for the strong partnership that was seen during the INF and CFE Treaty negotiations of the 1980s and the CWC, CTBT and NPT multilateral negotiations of the 1990s. Common themes echoed throughout these statements include: a commitment to the goal of the global elimination of nuclear weapons; a determination to address immediate issues such as deeper cuts between the US and Russia, in both strategic and tactical systems; the need for investment in verification technologies and methods; and a desire to be engaged in what is a global issue.

The United States government has strongly indicated that it aims to include non-strategic nuclear weapons in the next set of bilateral negotiations with Russia alongside strategic and non-deployed nuclear weapons. In addition, the US is keen to increase transparency on non-strategic nuclear weapons in Europe and relocate them away from European territory.¹⁰

Poland and Norway announced a joint initiative in May 2010 that would include sub-strategic nuclear arsenals in the arms control framework. At the NPT Review Conference, the head of the Polish Delegation stated that rather than enhancing security, sub-strategic nuclear weapons make it more volatile and that the challenge of reduction and elimi-

8. For example, General (Ret.) Bernard Norlain (former Air Defence Commander and Air Combat Commander of the French Air Force). Recently Field Marshal Lord Bramall, General Lord Ramsbotham, General Sir Hugh Beach and Major-General Patrick Cordingley stated that a world without nuclear weapons ‘would undoubtedly be a safer place.’ ‘Money spent on Trident can’t go on troops: Four former senior military commanders ask if our nuclear deterrent is value for money’, *The Times Online*, 21 April 2010. Available at: http://www.timesonline.co.uk/tol/comment/columnists/guest_contributors/article7103196.ece.

9. See the statements by: Ingvar Carlsson, Hans Blix, Karin Söder and Rolf Ekeus; Douglas Hurd, Malcolm Rifkind, David Owen and George Robertson; Helmut Schmidt, Richard von Weizsäcker, Egon Bahr and Hans-Dietrich Gensche; Steven Vanackere, Guido Westerwelle, Jean Asselborn, Maxime Verhage and Jonas Gahr Store; Alain Juppé, Bernard Norlain, Michel Rocard and Alain Richard.

10. Secretary of State Hillary Rodham Clinton, Excerpt from Remarks at NATO Working Dinner on Nuclear Issues and Missile Defense, Tallinn, Estonia, 22 April 2010; Arshad Mohammed and David Brunns, ‘U.S. Signals its Nuclear Arms Stay in Europe For Now’, *Washington Post*, 22 April 2010.

nation of tactical or sub-strategic nuclear weapons have not yet been the subject of any legally binding international agreements – the goal of a world without nuclear weapons must address that issue ‘head-on’.¹¹

At the 2010 NATO Summit in Lisbon, Heads of State and Government adopted the new NATO Strategic Concept for the ‘Defence and Security of The Members of the North Atlantic Treaty Organisation’¹² that lays out the collective vision for the Alliance for the coming decade. Referring to a range of potential threats (including ballistic missiles, the proliferation of nuclear weapons and other weapons of mass destruction, nuclear, chemical, biological and radiological terrorism, and cyberattacks), the 2010 NATO Strategic Concept made very little headway in altering its long-held common approach to nuclear weapons. The core element of NATO’s overall strategy is the concept of deterrence, based on an ‘appropriate mix’ of nuclear and conventional capabilities. Although the document explains that due to changes in the security environment since the end of the Cold War, NATO has ‘dramatically reduced’ the number of nuclear weapons in Europe and the Alliance’s reliance on nuclear weapons, and that the circumstances in which use of nuclear weapons could be contemplated are ‘extremely remote’, nonetheless – so long as nuclear weapons exist – NATO will remain a nuclear alliance. The Strategic Concept reiterates that the ‘supreme guarantee’ for alliance security is provided by the strategic nuclear forces of the Alliance, particularly those of the United States (the nuclear forces of the United Kingdom and France are said to have a deterrent role of their own).

However, the 2010 NATO Strategic Concept does address specifically the issue of nuclear disarmament and tactical nuclear weapons in Europe. In stating that NATO seeks its security at the lowest possible level of nuclear forces, the Alliance is said to be seeking to create the conditions for further reductions in the future. The goals of any future reductions will be aimed at Russian nuclear weapons in Europe: to increase transparency; relocate away from the territory of NATO members; and to address the disparity with the greater Russian stockpiles of short-range (also known as tactical or sub-strategic) nuclear weapons.

Although the issue of tactical nuclear weapons has been largely seen as a matter for NATO, it is important to remember that EU non-NATO countries such as Austria, Ireland, Finland and Sweden hold strong views on the matter. For example, as part of the New Agenda Coalition (NAC), Ireland and Sweden have made repeated calls for the removal of tactical nuclear weapons from Europe, most recently at the 2010 NPT Review

11. H. E. Witold Sobków, Head of Delegation to the 2010 NPT Review Conference, Statement of 6 May 2010, available at: <http://www.un.org/en/conf/npt/2010/statements/statements.shtml>.

12. ‘Active Engagement, Modern Defence: Strategic Concept For the Defence and Security of The Members of the North Atlantic Treaty Organisation’ adopted by Heads of State and Government in Lisbon, 19 November 2010. Available at: http://www.nato.int/cps/en/natolive/official_texts_68580.htm.

Conference in which the NAC urged all nuclear weapons states to engage in a process leading to further substantial reductions and eventual elimination of all nuclear weapons, deployed or non-deployed, strategic or non-strategic. Indeed, at the 2010 NPT Review Conference, Austria, Belgium, Finland, Germany, Ireland, Luxembourg, the Netherlands, Norway, Slovenia and Sweden made a collective call for the inclusion of non-strategic nuclear weapons in the US-Russian bilateral process. They proposed a number of steps to build on the unilateral Presidential Nuclear Initiatives, including transparency and confidence-building measures such as information exchanges on existing deployed and stockpiled arsenals, a lowering of numbers for non-strategic nuclear weapons, and the eventual elimination of both strategic and non-strategic nuclear weapons. **Using EU diplomacy in cooperation with the US to help resolve the issue of tactical nuclear weapons could forge a European consensus on the withdrawal of these weapons.**

In addition, **the EU and the US could develop dialogues on addressing conventional forces in Europe, on European theatre missile defences, including joint assessments and potential impact, and on concerns raised over the US 'Global Strike' conventional capabilities.** Needless to say, such discussions would have to be structured so as to complement and not undermine discussions within NATO and with Russia.

Implementing the nuclear security summit work plan

Recognising that 'nuclear terrorism is one of the most challenging threats to international security, and strong nuclear security measures are the most effective means to prevent terrorists, criminals, or other unauthorized actors from acquiring nuclear materials', countries participating in the Washington DC Security Summit on 13 April 2010 committed themselves to strengthening nuclear security and reducing the threat of nuclear terrorism. Their joint Communiqué stated that: 'Maintaining effective nuclear security will require continuous national efforts facilitated by international cooperation and undertaken on a voluntary basis by States. We will promote the strengthening of global nuclear security through dialogue and cooperation with all states.'¹³ The Summit agreed a fifty action-point Work Plan as a guiding document for national and international action. In addition, all joined President Obama's call to 'secure all vulnerable nuclear material in four years'. Heralded as a great success, much depends on the willingness and ability of the global community to implement the work plan. In addition, the perception of success depends greatly on the ability to communicate effectively the activities undertaken. The next Nuclear Security Summit will take place in 2012 in the Republic of Korea. The US and EU joint discussion on the implementation of the Nuclear Security

13. Communiqué of the Washington Nuclear Security Summit, The White House, 13 April 2010. See: <http://www.whitehouse.gov/the-press-office/communiqu-washington-nuclear-security-summit>

Summit Work Plan is a welcome step and should be sustained and deepened with a view to securing all vulnerable nuclear material over the next four years and simultaneously ensuring that export controls are in place and strengthened around the world to prevent the spread of the technology that produces this material. In particular, the EU and US could reach out to others who need assistance in securing nuclear materials. The EU and the US could report on their joint implementation and implementation assistance activities to the Korean Summit in 2012. In addition, the EU and US could establish a focused discussion on new nuclear security initiatives beyond those approved in 2010 with a view to new proposals to be tabled at the 2012 Nuclear Security Summit.

Implementing the NPT action plan for disarmament and non-proliferation

As part of the agreed outcome of the NPT Review Conference in 2010, treaty members committed to implement sixty-four action items on nuclear disarmament, non-proliferation and the peaceful uses of nuclear energy. The action items address principles and objectives; disarmament of nuclear weapons; security assurances; nuclear testing; measures in support of nuclear disarmament (reporting, confidence-building, education and so on); nuclear non-proliferation; and the peaceful uses of nuclear energy.

In particular, in Action 5 – the focus of considerable discussion – the nuclear-weapon states commit to accelerate concrete progress on the steps leading to nuclear disarmament, contained in the Final Document of the 2000 NPT Review Conference, in a way that promotes international stability, peace and undiminished and increased security. This includes: (a) rapidly moving towards an overall reduction in the global stockpile of all types of nuclear weapons; (b) addressing the question of all nuclear weapons regardless of their type or their location as an integral part of the general nuclear disarmament process; (c) further diminishing the role and significance of nuclear weapons in all military and security concepts, doctrines and policies; (d) discussing policies that could prevent the use of nuclear weapons and eventually lead to their elimination, lessen the danger of nuclear war and contribute to the non-proliferation and disarmament of nuclear weapons; (e) considering the legitimate interest of non-nuclear-weapon states in further reducing the operational status of nuclear weapons systems in ways that promote international stability and security; (f) reducing the risk of accidental use of nuclear weapons; and (g) further enhancing transparency and increasing mutual confidence. The nuclear-weapon states are called upon to report on the undertakings to the Preparatory Committee in 2014. The 2015 NPT Review Conference will then take stock and consider the next steps for the full implementation of article VI of the Treaty.

Given that there are three nuclear weapons states involved in EU-US discussions, **it would be beneficial for the US and EU to develop a joint discussion on the implementation of the NPT Action Plan over the next three years.** If they were able to work out details of implementation and achieve progress in the lead-up to the 2015 NPT Review Conference, then it would send a strong signal to all NPT states that the EU and United States are moving forward in a cohesive manner. Non-nuclear (NATO and non-NATO) states within the EU would form a useful sounding board for the US, the UK and France in working through how best to implement the 2010 NPT Review Conference action points for reporting at the 2014 Preparatory Committee.

Regional nuclear weapon-free zones

One significant outcome of the 2010 NPT Review Conference was the agreement that the UN Secretary-General and the co-sponsors of the 1995 Resolution on the **Middle East**¹⁴ (Russia, UK and US), in consultation with the states of the region, will convene a conference in 2012 – taking the 1995 resolution as its terms of reference – ‘to be attended by all States of the Middle East, on the establishment of a Middle East zone free of nuclear weapons and all other weapons of mass destruction, on the basis of arrangements freely arrived at by the States of the region, and with the full support and engagement of the nuclear-weapon States’. In order to organise the 2012 conference, a facilitator, to be appointed by the UN Secretary General, will begin conducting consultations in the region and will be charged with assisting in the implementation of any follow-on steps agreed at the conference.

In June 2008, the European Union hosted a seminar to assist in the implementation of the 1995 Resolution and has since offered to host a follow-on meeting in support of progress towards both the 2012 conference and a Middle East zone free of nuclear weapons and all other weapons of mass destruction. **The US and EU could work constructively in developing content for the 2012 meeting and thinking through how to maximise participation in the region and the benefits of any agreed outcome.**

The EU has been very supportive of all US and regional efforts to address the nuclear weapons programme of the Democratic People’s Republic of Korea (DPRK) and security concerns in **North East Asia**, but it has not been seriously engaged in the process. Given

14. The 1995 Resolution on the Middle East was an integral part of the decision to extend the NPT indefinitely. The resolution, co-sponsored by the three Depositary States of Russia, the UK and US, called upon all States in the Middle East to ‘take practical steps in appropriate forums aimed at making progress towards, *inter alia*, the establishment of an effectively verifiable Middle East zone free of weapons of mass destruction, nuclear, chemical and biological, and their delivery systems, and to refrain from taking any measures that preclude the achievement of this objective.’ It also asks all states party to the Treaty, particularly the nuclear-weapon states, to ‘extend their cooperation and to exert their utmost efforts with a view to ensuring the early establishment by regional parties of a Middle East zone free of nuclear and all other weapons of mass destruction and their delivery systems.’

the strong trade ties between the EU and North East Asia, it may be worth **exploring possible ways and means in which the EU could be creatively involved in the Six-Party Talks framework. One area of potential cooperation could be practical aspects of nuclear materials handling and nuclear security.** Europe's experience with EURATOM – particularly *vis-à-vis* the inspections of nuclear facilities in France and the UK – has been a unique experience that could have application in North East Asia.

Although no longer energetically addressed at the international and governmental levels, the proposal for a nuclear-weapon-free zone in **South Asia** is long-standing and could be a useful approach to what is proving to be an intractable situation. Despite such a zone in South Asia being an unlikely short-term outcome, there have been considerable arms control and confidence-building successes between the India and Pakistan.¹⁵ The 2005 Joint Statement between President George W. Bush and Prime Minister Manmohan Singh regarding civilian nuclear energy cooperation and all subsequent action¹⁶ has unnerved a number of European countries. Although there is an acceptance of India's nuclear exceptionalism, many EU countries fear that the agreement has undermined the NPT (and indeed the continued inability to find agreement at the Conference on Disarmament with regard to the ban on fissile material production – the FMCT – bears this out).

The visit of President Obama to India in early November 2010 was aimed at expanding and strengthening the India-US global strategic partnership. In a welcome move, India signed the international Convention on Supplementary Compensation for Nuclear Damage (CSC) on 27 October and stated its intention to ratify within a year. Via a joint statement,¹⁷ India reaffirmed its unilateral and voluntary moratorium on nuclear explosive testing and the United States reaffirmed its testing moratorium and its commitment to ratify the Comprehensive Test Ban Treaty and bring it into force at an early date. Both President Obama and Prime Minister Manmohan Singh affirmed the two countries' shared commitment to a world without nuclear weapons. This commitment was framed as a responsibility to forge a strong partnership to lead global efforts for non-proliferation and universal and non-discriminatory global nuclear disarmament in the twenty-first century. They affirmed the need for a meaningful dialogue among all states

15. For example, the 1988 Agreement on the Prohibition of Attack against Nuclear Installations and Facilities that came into force in 1991. This agreement produces an annual information exchange between the two countries on the latitude and longitude of nuclear installations and facilities, including notification of any changes. In addition, the 1999 Lahore Memorandum of Understanding pledges both countries to prevent accidental or unauthorised use of nuclear weapons and establish communication channels for the early notification of a nuclear accident.

16. Including the Hyde Act, the adoption of a bilateral 123 agreement between India and the United States under the U.S. Atomic Energy Act, approval of a safeguards agreement between India and the International Atomic Energy Agency (IAEA), the 2008 waiver by the Nuclear Suppliers Group and the recent agreement by India to the Convention on Supplementary Compensation for Nuclear Damage).

17. Joint Statement by President Obama and Prime Minister Singh of India, 8 November 2010. Available at: <http://www.whitehouse.gov/the-press-office/2010/11/08/joint-statement-president-obama-and-prime-minister-singh-india>.

possessing nuclear weapons to build trust and confidence and for reducing the salience of nuclear weapons in international affairs and security doctrines, including strengthening the six decade-old international norm of non-use of nuclear weapons. Many Indian commentators interpreted the call for dialogue among all states possessing nuclear weapons to mean a dialogue between the five NPT nuclear weapons states and the three states that remain outside the NPT, India, Israel and Pakistan.

The meeting between the two leaders has gone a long way to address the perception that the US and others have missed an opportunity to encourage India (and Pakistan) to become more engaged in arms control and disarmament arrangements. In addition, there have been recent visits by Russian Prime Minister Dmitry Medvedev, Chinese Premier Wen Jiabao, UK Prime Minister David Cameron and French President Nicolas Sarkozy. **The welcome engagement of India in nuclear restraint and disarmament measures needs to be matched by a similar effort with Pakistan – both countries have long-standing policies supporting global nuclear disarmament and this may be a useful area for the EU and the US to explore as part of a wider nuclear non-proliferation and disarmament strategy.**

Finally, a number of proposals have been made regarding the creation of nuclear weapons-free zones that encompass various European countries.¹⁸ However, such ideas rarely gained traction during the Cold War because of the continent's bipolar political structure. Nevertheless, there is now an increasing interest in pursuing a **European NWFZ** in the light of the discussions on sub-strategic nuclear weapons in Europe. Parliamentary groups have been discussing the idea and non-governmental organisations have been making proposals at international conferences. **Exploration of what a zone free of nuclear weapons in Europe could entail – its potential scope and geographic application – may be of interest in future EU-US discussions. Consideration could be given to establishing zones free of highly enriched uranium (HEU) in Central and Eastern Europe and in the longer term, in the whole of Europe.**

Proliferation prevention: the cases of Iran and Syria

As noted above, the US and EU have established a close working collaboration to address the Iranian nuclear programme. Since the UN Security Council passed Resolution 1929, which expanded the existing arms embargo on Iran and tightened restrictions on financial and shipping enterprises related to proliferation-sensitive activities, a number of countries have

18. For example, the USSR proposed a Central European NWFZ in 1956 and in 1958, Poland proposed a zone (known as the Rapacki plan) covering Poland, Czechoslovakia, and both East and West Germany. From the 1960s to 1980s, a number of ideas for European zones – seen as confidence-building measures, firebreaks or buffer zones – were suggested (Sweden, Finland, and Romania all made such proposals). In 1990, Belarus also proposed a Central and Eastern European Zone but – like similar proposals – it was politely received as a well-meaning contribution with little chance of success.

stepped up their sanctions on Iran. In July 2010, President Obama signed into law a set of far-reaching sanctions contained in the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010 (CISADA). The European Union also adopted a set of far-reaching sanctions on Iran in July that came into legal effect in October 2010. As a consequence on 6-7 December 2010, following a hiatus of over a year, Iran resumed talks with the United States, Russia, China, Britain, France and Germany (EU3&P3 or P5 + 1) in Geneva. The P5 + 1 met with Iran again in January 2011 in Istanbul but there was little tangible progress and no date set to meet again. Reports did suggest that Turkey would push to hold a new round of talks¹⁹, but as of mid-2011, despite Iran, the US and the EU calling for such talks, none have yet to be scheduled. However, Russia has put forward a ‘step-by-step’ approach to a gradual lifting of sanctions on Iran in exchange for Iran addressing unresolved issues.

Perhaps as a counterweight to negotiations – should the Istanbul talks continue to stall – the United States, France and the United Kingdom (representing the EU) have also been in Paris discussing possible new and tougher sanctions against Iran.²⁰ It is widely believed that the targeted sanctions on Iran are having an impact²¹ and these are vital components in the global effort to prevent Iran’s nuclear programme becoming a fully-fledged nuclear weapons programme. The cooperation between the EU and the US in this regard is an example of the enhanced impact that such collaboration engenders. **Furthermore, it would be useful for the EU and US to discuss potential synthesis between EU trade cooperation agreements and US nuclear cooperation agreements. In particular, what changes could be made to lever efforts towards mutual benefit in the areas of enrichment and reprocessing technology, the Additional Protocol, and similar non-proliferation confidence-building measures?** This approach has been beneficial in discussions on EU trade cooperation agreements regarding Syria and could be extended further. **As part of this effort, the evaluation of the G8 Global Partnership Against the Spread of Weapons and Materials of Mass Destruction could be addressed at the EU-US level prior to the 2012 review and proposed renewal.**

Verification

Both the United States and EU possess a wealth of experience in verifying nuclear treaties. In the US case the bulk of hands-on knowledge has been built in the bilateral realm

19. See: ‘Davutoglu discusses Iran’s nuclear program’, News.az, 11 February 2011. Available at: <http://www.news.az/articles/turkey/31376>.

20. ‘EU, U.S. Prepare to Further Penalize Iran’, 20 December 2010. Available at: http://www.globalsecuritynewswire.org/gsn/nw_20101220_6384.php

21. Note too that sabotage efforts, including the malware (the Stuxnet ‘worm’) that has reportedly infected and affected the Iranian enrichment programme, are also believed to have had an impact but these are not part of any EU-US collaboration.

of US-Russian missile reduction treaties, and the US scientific community has experience of IAEA safeguards inspections and technology development. On the European side, extensive experience has been gained from being the recipient of inspections – both in the non-nuclear and nuclear weapons states – thanks to the European Atomic Energy Community (Euratom) safeguards created by Chapter 7 of the 1957 Euratom Treaty.

On the international stage, the United Kingdom and Norway have taken the lead on cooperative disarmament verification research. In follow-on work based on the 1997-8 Strategic Defence Review, the UK Atomic Weapons Establishment (AWE), Norwegian Institute for Energy Technology, NOR SAR, Norwegian Defence Research Establishment, Norwegian Radiation Protection Authority and VERTIC (the London-based non-governmental think-tank on verification) launched a practical verification initiative. The purpose of the project was to explore how warhead dismantling by a nuclear weapon state could be verified by a non-nuclear weapon state without leaking sensitive information. The results from the experiment have been published and analysed and the evaluation produced by VERTIC reported that the experiment has ‘shown that it is possible for a nuclear weapon state (NWS) and a non-nuclear weapons state to “collaborate within this field and successfully manage any risks of proliferation” while doing so.’²² The approach minimised proliferation risks while enabling a non-nuclear weapons state to participate in developing verification technologies and methods for warhead dismantlement. One of the main conclusions reached was that ‘designing an effective verification regime relies on the cooperation of not only states but between different communities of experts also’. The UK and Norway are now considering future work based on this ground-breaking research, such as further developing the information barrier system.

There is certainly plenty of work to do. The US has enormous experience in verification technologies and methodologies through its long-standing bilateral nuclear arms reduction treaties with the Russian Federation and the development of safeguards technology for the IAEA. However, Washington has not entered into any nuclear verification research projects with non-nuclear weapon states. It would be beneficial to build a community of non-nuclear weapon states and NWS that together understand the practical challenges of verifying nuclear disarmament, as well as the potential for building trust. Developing a joint understanding of, and common practices for, chain of custody and managed access, for example, will be necessary for building trust in any future disarmament process as foreign inspectors will not have access to warhead disassembly details. Therefore, practices need to be devised that prevent the inadvertent transfer of sensitive information while at the same time satisfying verification requirements. A series of

22. D. Cliff, H. Elbahtimy and A. Persbo, ‘Verifying Warhead Dismantlement: Past, present, future’, *Verification Matters*, Research Report no. 9, September 2010. Available at: www.vertic.org.

verification experiments in which both parties learn the possibilities and the pitfalls of verifying nuclear weapons reduction would provide a stepping-stone towards the establishment of long-term confidence.

Together, the European Union and United States are well placed to begin developing a community of practice among the UK, US, France and non-nuclear weapons states of the EU. This work would complement the work of the UK and Norway, and the work of the P5 meetings on ‘confidence-building measures towards disarmament and non-proliferation issues’ that began in September 2009 in London. In that inaugural meeting – the first of its kind²³ – senior policymakers, military officials and technical experts from the five permanent members of the UN Security Council considered the ‘confidence-building, verification and compliance challenges associated with achieving further progress toward disarmament and non-proliferation, and steps to address those challenges.’²⁴ In a follow-on meeting on 30 June -1 July in Paris, the five nuclear weapon states agreed on new confidence-building disarmament initiatives. The initiatives include a working group on nuclear weapons terminology and a UK-hosted P5 expert-level meeting to discuss lessons learned from the UK’s work with Norway on the verification of nuclear warhead dismantlement.²⁵ **One proposal is that the newly named and tasked Nevada National Security Site could be designated a laboratory for joint verification experiments that involve non-nuclear weapon states in the development of verification technologies.**

Future potential

The collaboration between the EU and the US in the field of nuclear disarmament and non-proliferation has developed steadily since 2008 and clearly has the potential to bolster a constructive international agenda. There are considerable constraints such as the wide range of views within Europe on what constitutes European policy action and the severe strains on bipartisanship in the US. However, there are areas where EU-US institutional cooperation across the Atlantic – in addition to and separate from bilateral collaboration and NATO consensus – have been significant.

The ratification of New-START by the US Senate is in itself an important development but it also increases European confidence in US leadership and a return to pragmatic bipartisanship in the US political system. However, there is a healthy sense of realism that

23. Answer to Mr. Dai Davies MP (Blaenau Gwent, Independent) by Mr. Ivan Lewis (Minister of State, Foreign and Commonwealth Office), Hansard, Written Questions, Column 1627W 22 October 2009. See: www.publications.parliament.uk/pa/cm200809/cmhansrd/cm091022/text/91022w0016.htm#09102243000723

24. P5 statement on disarmament and non-proliferation issues, 4 September 2009. Available at: <http://ukunarmscontrol.fco.gov.uk/en/statementsandspeeches/statements>.

25. See: <http://ukun.fco.gov.uk/en/news/?view=PressS&id=627529382>.

US ratification of the CTBT will be far harder to achieve and that all within the US polity do not share President Obama's nuclear disarmament vision.

For that reason alone, the EU will want to work with the US in certain areas and not in others. This chapter has identified some of the areas most ripe for development and impact. Further reductions in nuclear weapons, particularly in so-called tactical or sub-strategic nuclear weapons, is an area in which European, US and Russian interests converge – notwithstanding a range of views and disagreements on solutions to the problem. Commitment to the NPT in its entirety – peaceful uses and strong safeguards, nuclear disarmament and preventing the spread of nuclear weapons – is a shared project of many years. A joint discussion on the implementation of the NPT Action Plan over the next four years could reap handsome rewards at the 2015 NPT Review Conference. Similarly, concerted action over the next phase of the Nuclear Security Summit could yield dividends if the EU and the US collectively make new proposals and report on their joint implementation and implementation assistance activities to the Korean 2012 Nuclear Security Summit. One useful area to explore could be potential synthesis between EU trade cooperation agreements and US nuclear cooperation agreements to lever efforts towards mutual benefit in the areas of enrichment and reprocessing technology, the Additional Protocol, and similar non-proliferation confidence-building measures.

With respect to the next steps for nuclear disarmament, concerted joint action could forge a European consensus on the withdrawal of tactical nuclear weapons. In addition, the EU and the US could develop dialogues on addressing conventional forces in Europe, on European theatre missile defences, including joint assessments and potential impact, and on concerns raised over the US 'Global Strike' conventional capabilities. In the longer term, the European Union and United States could complement the work of the UK and Norway and the work of the P5 meetings on 'confidence-building measures towards disarmament and non-proliferation issues' by developing a community of practice among the UK, US, France and non-nuclear weapons states of the EU to develop verification technologies and methodologies. The Nevada National Security Site could be designated a laboratory for joint verification experiments.

Regional approaches, playing to the various strengths and influences of the US and the EU, hold much promise. Striving to support a WMD Free Zone in the Middle East by working together constructively in developing content for the 2012 Middle East Zone meeting could pay serious dividends whatever the outcome. In addition, engaging the EU in the Six-Party Talks framework especially with practical aspects of nuclear materials handling and nuclear security could benefit security in North East Asia. Likewise, engaging Pakistan in nuclear disarmament as part of a wider nuclear non-proliferation and

disarmament strategy may be a useful area for the EU and the US to explore. Although not on the international agenda, the EU and the US could make some headway by exploring the potential scope and geographic application of a NWFZ in Europe, including a zone free of highly enriched uranium (HEU).

Appendix 1

Comparison of membership of EU states in other international forums

Membership of the European Union	NATO Membership	CD Membership	2010-11 IAEA Board Membership	2011 UN Security Council Membership
Austria		✓		
Belgium	✓	✓	✓	
Bulgaria	✓	✓		
Cyprus				
Czech Republic	✓		✓	
Denmark	✓		✓	
Estonia	✓			
Finland		✓		
France	✓	✓	✓	✓
Germany	✓	✓	✓	✓
Greece	✓			
Hungary	✓	✓		
Ireland		✓		
Italy	✓	✓	✓	
Latvia	✓			
Lithuania	✓			
Luxembourg	✓			
Malta				
Netherlands	✓	✓	✓	
Poland	✓	✓		
Portugal	✓		✓	✓
Romania	✓	✓		
Slovakia	✓	✓		
Slovenia	✓			
Spain	✓	✓		
Sweden		✓		
United Kingdom	✓	✓	✓	✓

Conclusion: Transatlantic integration and the practice of cooperation

Patryk Pawlak

Introduction

The new ‘American unilateralism’ that characterised the Bush era in the aftermath of the 9/11 terrorist attacks led to a revival of the debate about conflict versus cooperation in transatlantic relations. Advocates of the conflict paradigm quickly announced the end of the transatlantic alliance, arguing that European and American visions of the world are fundamentally extremely different. Others cast doubt on the ability of the EU-US partnership to survive. At the other end of the spectrum were those convinced of the strength of the transatlantic community and its capacity to maintain the ‘strategic alliance’.¹ They put forward all sorts of arguments to counter the pessimistic rhetoric – emphasising the common security agenda, the strength of economic ties, similar values and the complex web of institutions that bind the two.

Despite ‘continuity or change’ and ‘rift or drift’ featuring permanently as themes of conferences and titles of publications, certain elements of the European and American political systems remain the same, independently of who will become the next president of the United States or who will be appointed as the EU’s next High Representative. The clear identification of these can be helpful in avoiding basic misapprehensions. Naturally, the approach to conducting foreign policy may change under new leaderships, but the foundations and limitations remain the same. Certain political leaders may inspire more hope than others (as demonstrated for example by ‘the Obama moment’), but voter euphoria is all too often replaced by disillusionment given that their actions are substantially constrained by the domestic political system within which they must operate. Understanding these aspects is essential if we want to avoid disappointment and be more realistic and strategic about what the EU-US partnership is and what it can achieve, not on paper but in practice.

1. Daniel S. Hamilton (ed.), *Shoulder to Shoulder. Forging a strategic US-EU Partnership* (Washington, D.C.: Johns Hopkins University Center for Transatlantic Relations, 2010).

Looking at the EU-US relationship as a 'polity in the making',² with *de facto* policymaking taking place at the transatlantic level, can help us to better understand this conflict-cooperation dichotomy. A primary difference between the process of European integration and the process of 'transatlantic integration' is that the latter is not a formal process presided over by a supranational authority, supranational courts or an intergovernmental decision-making body. What is also distinctive about transatlantic integration is that it is fostered primarily through a dense web of formal and informal networks: decisions about future policies are taken by consensus as a result of deliberations and their implementation is not subjected to the overview of any supranational authority. This situation leads to growing interaction between policymaking circles from both sides of the Atlantic and increased reciprocal exposure. In some cases, different decision-making mechanisms may lead to tensions. Paradoxically, disagreements about various policy options are a sign of the EU and US becoming closer rather than drifting apart. For instance, sporadic transatlantic tensions over transportation security, the economy or agriculture are a sign of deepening integration rather than divergence between the European Union and the United States.

This alternative approach and the acceptance of the conflict-cooperation dichotomy³ as a permanent feature of transatlantic relations may offer certain benefits. Most importantly, it helps to nurture an independent vision focusing on long-term objectives and a more strategic approach to the relationship. The lack of a clearly defined European strategy towards the United States explains why the EU-US partnership – at least in the eyes of some political analysts – remains rather weak. Whereas some authors have underlined the need for Europe to find its own way in a 'post-American world',⁴ others have suggested that Europeans will just have to live with a United States that does not always accord them the same privileged status to which they were used. Even though numerous ideas and projects on how to advance transatlantic relations have been put on the table over the years, hardly any of them came to fruition due to political or institutional constraints. If the ideas presented in this volume are not to share a similar fate, the challenge that needs to be addressed is how to overcome those obstacles. While political differences are often difficult to surmount, the institutional set-up should be easier to fix. As technical and humdrum as it might sound, the administrative oversight of this partnership and day-to-day activities is what keeps this relationship going.

2. Philippe Schmitter, 'Imagining the future of the Euro-Polity with the help of new concepts', in Gary Marks, Fritz W. Scharpf, Philippe Schmitter and Wolfgang Streeck (eds.) *Governance in the European Union* (London: Sage, 1996), pp. 121-50.

3. For more on conflict-cooperation and obstacles to transatlantic governance see: Patryk Pawlak, 'Transatlantic homeland security cooperation: the promise of new modes of governance in global affairs', *Journal of Transatlantic Studies*, vol. 8, no. 2, 2010, pp. 142-60.

4. Jeremy Shapiro and Jack Whitney, *Towards a post-American Europe: A power audit of EU-US relations* (London: European Council on Foreign Relations, 2009).

This chapter is structured as follows. First, it briefly discusses a number of issues that will likely come to dominate transatlantic cooperation in the near future. Because of their highly political nature and the need to be addressed jointly through the transatlantic partnership, these issues have the potential to trigger new debates – and possibly conflicts. Next, the chapter outlines the evolution of the transatlantic institutional architecture to demonstrate how its capacity to deal with the transatlantic agenda has expanded from the loosely defined New Transatlantic Agenda (NTA) created in the 1990s to a broad transatlantic network of more focused groups and dialogues, of which the NTA structure is but one part.

Beyond the foreign policy monopoly

A quick look at the agendas of the Transatlantic Relations Working Party (COTRA) leaves no illusions about the content of the EU-US relationship. In the period between January 2010 and January 2011 the agenda was 49 percent dominated by issues like energy, the economy or justice and home affairs. Almost 28 percent of the meeting agendas were devoted to preparations of summits or other meetings and only 4 percent to the discussion of strategic orientation and priorities for transatlantic relations.⁵ In addition, almost 90 percent of items on agendas referring to the US in the public register on the Council website concerned internal security issues, including the EU-US agreement on the protection of personal data, the Terrorist Finance Tracking Program or the EU-US Passenger Name Record Agreement. It is striking that hardly any classical foreign policy issues (e.g. the Middle East, the Western Balkans or human rights in China) are discussed. This could be interpreted as a sign that the EU's foreign policy is formulated independently of the United States; however the more obvious explanation is less sanguine. If almost one third of the agenda is devoted to preparation of meetings, the most important of which – the EU-US summit – lasts only for ninety minutes, it is not surprising that the EU has no coherent and strategic position towards the US.

This is further complicated by the fact that the EU-US agenda is no longer about foreign policy only. The fact is that the EU's competence in foreign policy is rather limited and this situation is unlikely to change any time soon. Whereas respective services of the European Commission have quickly built their own external relations divisions, the EU foreign policy machine has been slower in embracing this change and capitalising on new opportunities emerging from the creation of the European External Action Service (EEAS). The realisation of the EEAS's biggest ambition – a more cohesive and truly

5. These numbers represent the frequency with which these issues appeared on the agenda of the COTRA group as shown in the Council search engine under 'COTRA'. It would be interesting to compare this information with how much time was devoted to specific issues but such information is unavailable.

European foreign policy as the result of socialisation and learning processes within the service – will take several years, maybe even decades, to be completed. In this context, the fact that the external relations of the European Union extend beyond foreign policy and diplomatic relations is the good news. They encompass extensive relations with third countries on issues like border management, security, trade, agriculture or health.

The area of homeland security is a good illustration. While HR/VP Ashton and State Secretary Clinton exchange notes or meet in the margins of major international events in different corners of the world, the officials of the Department of Homeland Security meet their counterparts in Brussels much more frequently. The intensity of this relationship has resulted in the permanent introduction of ‘transatlantic homeland security’ to the transatlantic lexicon and resulted in concrete policy recommendations. The Report of the Informal High Level Advisory Group on the Future of European Home Affairs Policy, known as ‘The Future Group’, advocated that ‘by 2014 the European Union should make up its mind with regard to the political objective to realise a Euro-Atlantic area of cooperation in the field of freedom, security and justice with the United States’.⁶

A future-oriented agenda

During his first visit to Europe in April 2009 President Obama clearly presented American expectations towards European partners: ‘We want strong allies. We are not looking to be patrons of Europe. We are looking to be partners of Europe’. This approach has been the constant posture of all US presidents regardless of their party affiliation. It is also a signal that each side is expected to come to the table with their own vision. Different authors in this volume have outlined specific areas in which the EU and US could advance their cooperation. These feature among more general policy challenges where a clear transatlantic vision will need to be elaborated – whether in cooperation or in an atmosphere of conflict.

International peace and security for less money

The United States will remain interested in international cooperation as long as it represents good value for every taxpayer’s dollar spent. The lessons drawn from Iraq, Afghanistan and Libya have led to a more selective approach towards international engagements. At the same time, the case of Libya clearly demonstrates that any future US military involvement falling under ‘global policing’ will be dependent on the contribution of other countries, most notably from Europe. Domestic opposition to military interven-

6. The Future Group, *Freedom, Security and Privacy – European Home Affairs in an Open World*, Report of the Informal High Level Advisory Group on the Future of European Home Affairs Policy, June 2008.

tions abroad will further enhance this trend. According to the survey conducted by the Chicago Council on Global Affairs in 2010, 90 percent of Americans think it is more important for the future of the US to resolve pressing problems at home than to address challenges to the US from abroad.⁷ It is problematic, however, that amidst budgetary cuts in US defence expenditure there is no clear strategy and long-term vision on how to adapt to new realities. Some suggestions came recently from NATO's Secretary General Anders Fogh Rasmussen who urged allies to pursue a series of 'Smart Defence' initiatives 'ensuring greater security, for less money, by working together with more flexibility', including through pooling and sharing of capabilities or better coordination of national defence plans. The real challenge – and potentially a conflict – will arise once the time comes to fill these slogans with content. The input of the European Union, in addition to burden-sharing, can be in providing the impetus for a concrete discussion on objectives, means and resources needed.

Improving relations with the Muslim world

One of the challenges for the United States will be normalising its relations with the Arab countries and Muslims around the world. Despite many efforts undertaken by President Obama and his Administration, the Muslim world remains sceptical and suspicious of the US. This is due to the perception of the US as a primarily unilateralist actor and an extremely negative assessment of US policies in the Middle East, Iran, Afghanistan and in the context of the Israeli-Palestinian conflict. It also explains why majorities in Jordan (57 percent), Lebanon (54 percent) and Pakistan (54 percent) believe their countries' governments cooperate too much with the US.⁸ This is particularly important in the light of current changes in the Arab world and forecasts suggesting that the world's Muslim population will increase by about 35 percent between now and 2030.⁹ In 2030 Muslims will constitute 1.7 percent of the total US population – a share comparable to that of the Jewish community in America today. In that context accommodating the increasing importance of Arab and Muslim organisations in global governance will increasingly become a challenge and will require transatlantic attention.

Fixing problems at home

Dealing with the economic crisis and stimulating growth are the biggest challenge for the United States. While most of the answers will need to come from within the US and deci-

7. The Chicago Council on Global Affairs, *Constrained Internationalism: Adapting to New Realities. Results of a 2010 National Survey of Public Opinion* (Chicago: The Chicago Council on Global Affairs, 2010).

8. Pew Research Center, *Obama's Challenge in the Muslim World*, Global Attitudes Project, 17 May 2011.

9. Ibid.

sions be taken by the current and next Administrations, they will have to be accompanied by a number of initiatives at the international level, including in the areas of financial regulation or global trade. In that context, more important than a limited European contribution to military operations will be how the European Union will deal with its own economic difficulties. With transatlantic economic linkages providing about 14 million jobs and strong foreign direct investment dependencies, any damage to the transatlantic market will constitute a real blow to the US economy.¹⁰

Maintaining a decisive voice in global affairs

Responding to global challenges will be increasingly conducted not through multilateral institutions but rather through regional and sub-regional groups – either because it is more efficient or because of difficulties in obtaining consensus to generate collective action. The involvement of the UN, the Arab League, the African Union, the European Union and NATO in the Arab democratic wave is a perfect example. How the United States and the European Union will be able to navigate within this system and benefit from the opportunity it offers, will determine their future international standing. The challenge will not be maintaining or gaining hegemonic power status but rather managing to prevail in the ongoing ideological debate which will allow them to maintain a central role within the global ‘network of networks’. This will be particularly important whenever new rules of the game will need to be established or renegotiated (e.g. cybersecurity, financial regulation, humanitarian intervention).

Transatlantic integration in practice

Addressing this catalogue of issues requires efficient architecture that stimulates cooperation and reduces the opportunities for conflict. This challenge to transatlantic relations has become particularly prominent over the last decade. The responses designed to meet this challenge resulted in the emergence of a transatlantic network of experts and stakeholders drawn from wide-ranging domains – a macro-structure that brings together various actors and structures with diverse qualities, including specialised networks dealing with trade, regulatory cooperation, etc.

The transatlantic network has significantly developed since its formalisation in the 1990s, both in terms of the number of actors participating and the specialised fora that have been established. There are two factors that explain this development. First, the growth of the transatlantic policy agenda made it necessary to involve new actors and deepen

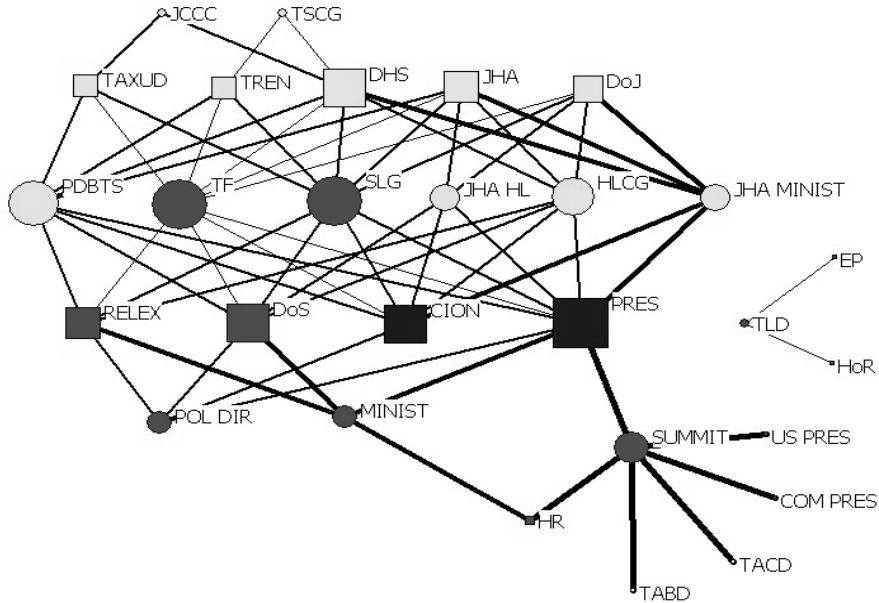
10. See for instance: Daniel Hamilton, *Europe 2020: Competitive or Complacent?* (Washington, D.C.: Center for Transatlantic Relations, 2011).

cooperation at various levels of political and bureaucratic structures. The biggest change occurred between 1995 and 2004 when the number of fora almost doubled, bringing new actors to the process. Consequently, a process once dominated by diplomats and trade experts became more diverse and open to experts on transportation, internal security, customs, finance, data protection or cybersecurity. Second, the nature of contacts became much more informal and took place on a multi-level basis with an increase of cross-hierarchical contacts between different levels, in particular between lower and senior level officials.

These changes in the structure have generated interesting developments in terms of positions that particular actors occupy within this diverse network and the role they play in policymaking. The emergence of new actors representing various levels of bureaucracies has diminished the importance of hierarchical dependencies, including the EU-US summits considered generally as the most prestigious forum for cooperation at the highest political level. This means that the role of top politicians decreased while the role of Senior Level Group meetings, Task Forces and groups like Political Dialogue on Border and Transportation Security (PDBTS) increased. As a result, officials at lower levels of the transatlantic network (desk officers, heads of units, directors) have become protagonists of transatlantic relations and play a more central role in the process in comparison to their political masters. The diagram on the next page demonstrates this trend in the transatlantic network in the specific case of homeland security cooperation.

Following the increased cooperation between actors from non-diplomatic circles, there has been a substantial shift towards more homogeneity and specialisation in networks. The development and functioning of networks depends on the degree to which their members share a common understanding of their tasks and common cultural norms. The shift in this dimension of transatlantic networks has been the most explicit. While the NTA structure gradually expanded to include more and more actors, which hampered its own efficiency and functioning, fora like the Political Dialogue on Border and Transportation Security gave a voice to ‘securocrats’ within the decision-making process, while others were included to the extent where their presence would not undermine the functioning of the network. This reveals a general trend at the transatlantic level where homogeneity becomes crucial to the success of the network, at least as perceived by its members. This consequently impacts on their level of commitment to the achievement of network objectives and as a result stimulates cooperation. In contrast, the ideological debate is mostly taking place informally or outside network boundaries.

Figure 1. Transatlantic homeland security network in 2008



NB: Squares stand for actors and circles fora at transatlantic level. Size of circles and squares corresponds to their centrality within the network. Thickness of lines corresponds to the level of officials participating: the thicker a line, the higher the level of participants.

Abbreviations and acronyms:

CION = Council; COM Pres = European Commission President; COTRA = Transatlantic Relations Working Party; DHS = Department of Homeland Security; DoJ = Department of Justice; DoS = Department of State; EP = European Parliament; HLCG = High Level Contact Group on Data Protection; HoR = House of Representatives; HR = High Representative; JCCC = Joint Customs Cooperation Council; JHA = DG Justice and Home Affairs; JHA HL = High Level Justice and Home Affairs meetings; JHA MINIST = JHA Ministerial; MINIST = EU-US Ministerial Meeting; MS = Member States; PDBTS = Political Dialogue on Border and Transportation Security; POL DIR = EU-US Political Directors' Meeting; PRES = Presidency; RELEX = DG External Relations; SLG = Senior Level Group; TABD = Transatlantic Business Dialogue; TACD = Transatlantic Consumers' Dialogue; TAXUD = DG Taxation and Customs Union; TF = Task Force; TLD = Transatlantic Legislators' Dialogue; TREN = DG Transportation; TSCG = Transportation Security Cooperation Group; US Pres = US President.

In the light of controversies triggered by political considerations on a number of issues, there has also been an increasing trend towards taking the work of networks outside of the political context of negotiations. For instance, the creation of the High Level Contact Group on data protection represented an attempt to discuss the issue of data protection in an objective way which was supposed to focus the debate on content rather than the political elements surrounding the issue. A similar objective provided the basis for the creation of the EU-US Working Group on Cybersecurity and Cybercrime or the EU-US Senior Level Working Group on development.

Therefore, as all the above trends suggest, the nature of the transatlantic network has shifted towards a more closed structure – with a more selective membership and even less oversight mechanisms. Such a development, although beneficial from the policymakers’ perspective, has given rise to several objections on the part of legislative branch and civil society representatives. Their major criticism targets the limited legitimacy of the whole process and the lack of transparency. Altogether, a number of features explain why more specialised fora have emerged as the format most favoured by policymakers: the ‘right people in the room’, ongoing consultation, more regular and credible interaction, advance warning of delicate matters and ‘much less formality’. The participants themselves have suggested that the success of these new dialogues is more attainable because they bring together experts in a more informal setting and force both sides to get their respective ‘houses in order’ by developing a unified joint intra-agency position.

This section would be incomplete without mentioning one puzzling aspect of the networks’ development: what decides their success or failure? Why do certain networks decline in terms of importance while others grow? Networks are more suitable than hierarchies for dealing with increasing uncertainties and challenges. It is their flexibility, informality and the potential for building trust that make them valuable when increasing uncertainties need to be confronted. At the same time, the proliferation of informal and personal relationships between policymakers creates the ground for the emergence of more flexible and imaginative ‘soft’ policy instruments.

Although they have a lot of potential for enhancing cooperation, networks can also have the opposite effect and increase the possibilities of deadlocks. This is because networks are not machines but operate through their members – parts of bureaucracies – who are represented in networks by individuals. The final outcome of the policymaking process (i.e. cooperation or deadlock) depends to a large extent on network politics. However, the importance of individuals who, at the end of day, set the boundaries of the network, deciding who is in and who is out, cannot be underestimated. It is also individuals who set the objectives for their own organisations – and often for themselves – which may serve as

a motivation for their particular decisions. People who designed a network might change their approach or might be replaced by new people with a different approach.

Conclusions: from paper to action

The remaining question is to what extent the evolution in the transatlantic architecture and the instruments at the disposal of the US and EU can enhance the capacity of the partnership to respond effectively to major challenges ahead. While the institutional framework indeed plays a role, its impact should not be overestimated since politics often prevails. The following section highlights a number of institutional and political issues that need to be addressed by all transatlantic stakeholders in order to maximise the efficiency and effectiveness of the transatlantic partnership.

Defining a transatlantic ambition

In times where the importance of the transatlantic partnership is questioned, it is necessary to reaffirm once again the commitment of both sides to the transatlantic project. Since the 1990s no US president has left office without bequeathing an idea or initiative for structuring the EU-US relationship: President Bush Senior had the Transatlantic Declaration, President Bill Clinton had the New Transatlantic Agenda and President George. W. Bush the Transatlantic Economic Council and Transatlantic Energy Council. President Obama, in contrast, has instead seemed to put more stress on daily working relations rather than on structures and institutions. What is still missing, however, is an overarching strategy for EU-US relations. The New Transatlantic Agenda included a number of concrete policy ideas. Given that circumstances have changed, the next EU-US summit in 2012 should present a new transatlantic vision for the years and decades to come, taking into account the tectonic changes taking place domestically and globally.

Working beyond political cycles

In order to make the EU-US partnership more strategic, the EU needs to be clear about its short- and long-term objectives in relations with the United States. What are the issues that should constitute the backbone of a strategic transatlantic relationship? In that vein, EU Member States should abandon the idea that the next US President will (following in Obama's footsteps) improve or (harking back to the Bush era) worsen the state of the partnership. They should rather accept the fact that there will always be differences between the EU and US. What is more important is therefore: (i) establishing where we are willing to strike compromises with the US, at what price, and which issues are too important for the EU to compromise on; (ii) finding effective modes of governance for

transatlantic relations that would help to identify potential problems as soon as possible and take the necessary steps to counteract them. It is also high time that the EU started talking to those elements in the American audience who are not always the most receptive to European arguments. The US has embraced this philosophy quite successfully by talking regularly to the European Parliament and EU agencies.

Streamlining activities

If the world is indeed being redefined as is commonly argued, how should the EU and US prepare for the world as it will be ten or twenty years from now? In order to answer this question there is a clear need for more strategic cooperation extending beyond rigidly defined administrative structures. For years now the EU has been providing support for the EU Centers of Excellence in the United States and has sponsored various projects under the Seventh Framework Programme. All these efforts should be streamlined and follow clearly prescribed objectives. Political leaders on both sides should provide their backing for such projects and should be closely involved at the minimum through the EU Ambassador in Washington and the US Ambassador in Brussels.

Engaging in network diplomacy

As the transatlantic agenda evolves from one predicated purely on foreign policy to embrace a broader spectrum of policy fields there is a need to connect all stakeholders better. The introduction of new policy areas into the transatlantic relationship is already happening but it should be taking place with the guarantee of ownership to those responsible for policy design and implementation. Better communication is necessary between different Directorates and the External Action Service. There is also a need for more coordination between HR/VP Ashton and other Commissioners. As previously mentioned, network diplomacy offers many opportunities for successfully conducting external action but all stakeholders should be given a due place in the process. Otherwise, there is a risk that turf wars will continue and the European external action will fail. At the same time the EU should also clearly define its long-term and short-term outreach strategy towards a broader US audience, including policymakers, opinion-makers and American society at large.

Defining the vocabulary

One of the major problems in advancing transatlantic cooperation – even where there is political will – is that putting ideas into practice is too often hindered by details stemming from differences in vocabulary. Differences in the EU and US understanding and

implementation of basic concepts such as privacy, oversight or rule of law make it far too often difficult to agree on common action. What could improve this cooperation is a joint EU-US initiative to design a lexicon of commonly used terms in various areas of collaboration that could become an authoritative reference for future actions. A similar exercise has already been undertaken for privacy and data protection but its results unfortunately do not constitute the basis for current discussions on data protection.

Once the objectives are identified, they need to be matched by appropriate resources and tools. Are currently available resources sufficient and appropriate for the strategic partnership or is there a need for their redefinition? The establishment of the EEAS was intended to provide a comprehensive vision to underpin the EU's external action. Interestingly enough, the most significant change introduced by the Lisbon Treaty may not necessarily be the EEAS but rather the participation of the European Parliament in foreign policymaking. It remains to be seen how this development will impact on EU-US relations – not only bilaterally but also at the global level.

As this chapter has also demonstrated, the EU and the US are closer today than they have ever been in the past – not only in theory but also in practice. The nature of the challenges they are facing calls for a lot of innovative thinking and redoubling efforts to enhance cooperation and resolve conflicts. The EU and US would be well advised to take this task seriously if they do not want to become sidelined on the world stage.

Annexes

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Abbreviations

AEI	Alliance for European Integration
BSEC	Organisation of the Black Sea Economic Cooperation
CFE	Treaty on Conventional Armed Forces in Europe
CTBT	Comprehensive Test Ban Treaty
CWC	Chemical Weapons Convention
DPRK	Democratic People's Republic of Korea
FDI	Foreign Direct Investment
FMCT	Fissile Material Cut-Off Treaty
FSU	Former Soviet Union
FYROM	Former Yugoslav Republic of Macedonia
GDP	Gross Domestic Product
HEU	Highly Enriched Uranium
IAEA	International Atomic Energy Agency
ICT	Information and Communications Technology
IMF	International Monetary Fund
INF	Intermediate-Range Nuclear Forces Treaty
MAP	Membership Action Plan
NAC	New Agenda Coalition
NATO	North Atlantic Treaty Organisation
NPT	Nuclear Non-Proliferation Treaty
NWFZ	Nuclear Weapons-Free Zone
NWS	Nuclear Weapon State
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OHR	Office of the High Representative
PA	Palestinian Authority
S&T	Science and Technology
SORT	Strategic Offensive Arms Reduction Treaty
TNW	Tactical Nuclear Weapons
UN	United Nations
UNSC	United Nations Security Council
WEU	Western European Union
WMD	Weapons of Mass Destruction

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Nothing is more imperative for EU foreign policy than defining a common agenda with the US. Regrettably, in recent times transatlantic relations have all too often been marred by ideological divergences that are largely a legacy of the Cold War era. Such dissensions are clearly dysfunctional in today's multipolar world, which calls for a concerted effort to build broader coalitions that transcend ideological divides.

This volume brings together contributions based on reports originally presented at the 2010 EU Washington Forum, where the EUISS sought to define a transatlantic agenda around four major internal and external challenges facing both Europe and the United States. The four main chapters focus specifically on Europe's 'unfinished business' in the Western Balkans and the eastern neighbourhood, the Middle East, transatlantic cooperation on the economy and nuclear non-proliferation.

In order to respond effectively to these pressing challenges, both the EU and the US need to demonstrate their joint commitment to forging a common policy agenda. For this, it is essential not only that they put past differences behind them but also that Europe overcomes its inner divisions and projects itself as a more cohesive actor in world affairs.

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