TEST OF WILL, TESTS OF EFFICACY

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CSIS was founded four decades ago by David M. Abshire and Admiral Arleigh Burke. Former U.S. senator Sam Nunn became chairman of the CSIS Board of Trustees in 1999, and since April 2000, John J. Hamre has led CSIS as president and chief executive officer.

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PREFACE

CSIS launched the Initiative for a Renewed Transatlantic Partnership in September 2003. Its objective was to focus attention on the many interests that the United States and Europe share in common on the world stage and to propose ways for governments to take advantage of those shared interests.

In 2003, transatlantic relations reached a nadir in their post-1945 history, in the wake of the personal recriminations and deep mutual mistrust that accompanied the transatlantic debate over the merits and legality of attacking Saddam Hussein's regime in Iraq. Eighteen months later, at the start of President Bush's second administration, governments on both sides of the Atlantic are making genuine efforts to reach out to each other and put the profound disagreements of recent years to rest. Simply put, the U.S. government has learned that persistent friction with its European allies on its central foreign and security policy priorities carries real costs. European governments have learned that trying to develop policies in opposition to the United States leads to division and ineffectiveness.

The question, then, is where to take the U.S.-European relationship? This year sees the tenth anniversary of the New Transatlantic Agenda, and there are those who argue that there is a pressing need for the United States and the states of Europe to draft some form of new Atlantic Charter that would make clear the nature of the transatlantic bargain for the new challenges of the twenty-first century. The emerging consensus of those involved in this CSIS Initiative for a Renewed Transatlantic Partnership is slightly different. At their first meeting on January 17–18, 2005, most members of the Initiative's Steering Committee concurred with Simon Serfaty's argument in the final section of this report that some form of new Atlantic Compact will be important ultimately to define a common sense of strategic mission and organizational purpose for the United States and Europe. In the near term, however, as the cochairs of the Steering Committee indicate in their Opening Statement to this report, the priority for governments on both sides of the Atlantic needs to be on "asserting a new record of successful joint action on the international stage."

In this first report of the Initiative, therefore, we have followed two objectives. The first is to challenge governments, legislators, and others involved in the policy making process to a test of will on a few specific areas where the United States, the European Union, and its members states could pursue shared interests, and where each can contribute actively to the solution of the shared objective over the coming months and years. This list is not designed to mirror every pressing current topic on the transatlantic agenda. At the start of 2005, the U.S. and European governments are engaged actively in trying to seize difficult opportunities, such as the chance for a lasting peace between Israelis and Palestinians, and avoid new crises, such as might be caused by European governments lifting their arms embargo on China this year. Nor does the report try to encompass every major global challenge where there are shared U.S. and European interests and where joint action could be fruitful in the future. The topics we have chosen do reflect, however, tests of efficacy—areas where there are both shared interests and a clear potential for joint action, including an effective transatlantic division of labor, in the near term.

Our second objective is to avoid focusing on either a U.S. or a European agenda for action and to try to develop instead a Euro-Atlantic agenda for what both sides should do together to rediscover, through successful joint actions, the sense of shared purpose and interests that define any genuinely strategic partnership.

I am especially grateful to the cochairs of our Steering Committee, who bring a wealth of expertise and experience not only to the topics we have tackled, but also with building transatlantic solutions. Their guidance and motivation have given life to this Initiative. I also want to thank each of the members of the Initiative's Steering Committee, some of whom are actively involved in cochairing specific projects under its aegis, and all of whom have lent their reputation and support to the Initiative's work. Their comments through the report do not reflect endorsement of the specific recommendations in each section. They do reflect their sense of the importance of these topics and of the need for effective transatlantic cooperation to meet our shared objectives.

The contents of the seven sections in this report are the sole responsibility of their contributing authors. I want to thank them personally for their time, energy, and intellectual commitment to thinking through possible transatlantic approaches to their areas of policy expertise. The involvement of so many of my CSIS colleagues in this report reflects the fact that, in Washington, the transatlantic relationship has moved from being an area of study solely for specialists on Europe, the European Union, and the history and structures of the Atlantic Alliance. It has now also become a central component for those interested in finding credible and effective responses to the many diverse policy challenges that this and future U.S. administrations will face on the world stage.

I need to thank also my colleagues in the CSIS Europe Program—Michelle Sparkman, Derek Mix, and Raffaello Pantucci—for their constant dedication, hard work, and determination to manage the Initiative and bring this report to fruition. And I want to give special thanks to Simon Serfaty for his wise counsel on the Initiative as a whole and this report in particular.

We are also grateful to those whose financial support has made the work of the Initiative possible. In particular, I would like to recognize the European Aeronautic Defence and Space (EADS) Company which provided the very generous launch grant that enabled us to start our work. We value greatly their continuing support.

Robin Niblett
Director, Initiative for a Renewed Transatlantic Partnership

INTRODUCTORY STATEMENT

by the Initiative's cochairs

We agreed to serve as cochairs of the Steering Committee of the CSIS Initiative for a Renewed Transatlantic Partnership because we share two important convictions. First, every major global challenge in the world today is one faced both by the United States and the European Union and its Member States, even though we may in some cases view them differently. Second, each of these challenges can be confronted more effectively and more expeditiously with a dimension of transatlantic cooperation at the core of the response.

These convictions are clearly underscored by our shared vulnerability to the spreading manifestations of international terrorism. More than at any stage in the past, U.S. and European economies and societies depend for their growth, dynamism, and well-being upon the uninterrupted functioning of "just-in-time" economic production, energy supplies, and all forms of supporting critical infrastructure, as well as the smooth flow of goods, capital, services, and people across the Atlantic and with the wider world. The level of transatlantic integration of trade and investment provides a constant reminder of the benefits that deeply integrated societies can offer to their citizens. Yet, the dependence of the U.S. and European economies upon integrated national and international networks also offers potent targets for asymmetric attacks from determined enemies who see in the developed world—preeminently represented by the United States, the states of Europe, and the transatlantic alliance—the obstacles and alternatives to their own deeply held vision of a separate and radically different future.

The future security of the United States and Europe will depend to a significant extent on our ability to confront collectively the threat of international terrorism and the driving forces that have facilitated its growing appeal over the past decade. Our vulnerability to that threat demands joint action in a number of areas, from counterterrorism to foreign assistance, even as we recognize that one of the principal drivers of the threat is the ongoing civil war within Islam itself.

At a tactical level, this will include more effective sharing of information across the Atlantic, as much as within the United States and within Europe, about the transnational terrorist threats we face, and developing a shared understanding of the nature of the new terrorist groups, their motivations, and their recruitment strategies. It also requires a renewed focus on preventing the proliferation of weapons of mass destruction (WMD) and materials and technologies that could be used as WMDs. At a strategic level, we need more concerted transatlantic efforts to promote actively a resolution to the Israeli-Palestinian conflict; to integrate the countries of the greater Middle East into the wider international community; and to coordinate foreign assistance and other overseas programs so as to help build functioning and prospering societies from Africa through Central Asia and South East Asia that reduce the appeal of revolutionary alternatives to current corrupt and inefficient governance.

In and beyond all these instances, the relevance of the transatlantic partnership is not confined to the defensive agenda of protecting U.S. and European prosperity and security from these new threats and risks. The partnership is equally relevant to ensure that the other major powers on the world stage—countries that only now appear to be finding their stride in terms of economic and social development—can become partners in safe-guarding international security and prosperity rather than acting as free-riders or destabilizing forces. U.S. and European relations with China, Russia, and India—each of them different in history, political form, and economic development—can be effective in promoting a peaceful and stable evolution of the world community only if they are coordinated, while not being seen as an attempt to check these countries' growth and influence. Whether in the areas of economic governance, or the protection of intellectual property and the control of arms exports, a lack of effective transatlantic coordination toward the world's rising or troubled powers could undermine the strength of Western norms and policies that have served us well during the past half century and that could bring equal long-term benefits to the international system as a whole.

Giuliano Amato

Every major challenge in the world today is one faced both by the United States and the European Union and its Member States.

WHY DO WE NEED A "RENEWED" TRANSATLANTIC PARTNERSHIP?

Both these sets of challenges—confronting the new security risks and taking advantage of the geopolitical opportunities of the new century—demand a renewed transatlantic partnership. By "renewing" we do not simply mean reenergizing the existing transatlantic relationship after the upheavals that it has experienced since the end of the Cold War. The transatlantic partnership must be thought of "anew"; and be reconfigured to focus on the broad and global range of new external challenges that the United States and the countries of Europe face in common.

During the Cold War, governments on both sides of the Atlantic concentrated much of their effort on strengthening their bilateral ties—economic, institutional, and security—in order to remain steadfast and strong in the face of a clear and present danger from the Soviet Union. The United States and the states of Europe did more than enter into an Atlantic Alliance, they also organized the North Atlantic Treaty Organization (NATO) that gave the Alliance the tools needed to fulfill the strategic goals that its members had endorsed.

Today, even as significant efforts continue to be made to give NATO the global reach it needs, an enlarged Alliance seems to lack the shared strategic vision that would enable its members to address collectively the many multi-faceted external challenges that they face in common. These challenges are as diverse as Iran's search for a nuclear weapons capability, a more assertive Russian policy toward countries in its "near abroad," promoting political and economic reform in North Africa, preventing a new SARS-like outbreak in East Asia from penetrating into Europe and the United States, or promoting at an international level the relatively transparent and predictable forms of governance that support Europe and America's economic competitiveness.

To be successful in this external agenda, the United States and Europe need not construct a grand new bargain to replace the bargains that sustained the alliance during the Cold War. A European emphasis on "soft power" versus the U.S. capacity to implement "hard power," for example, may be partially correct as an analytical observation of the dominant capabilities that each side brings to today's crises, but leaving one role exclusively to each side cannot serve as a prescription for an effective transatlantic partnership during the coming years. Instead, the United States and Europe need to concentrate their efforts on developing new habits of consultation and asserting a new record of successful joint action on the international stage.

FIVE REQUIREMENTS FOR A RENEWED TRANSATLANTIC PARTNERSHIP

With this in mind, we see five broad requirements for a successfully renewed transatlantic partnership across a range of policy challenges in the near future.

The first requirement is for each side to be willing to talk openly to the other, not only among officials, but also at the highest political levels, about their perceptions of the external challenges at hand. If the United States and Europe cannot take the time to arrive at converging perceptions of the threats that they face in common, then coordinated, let alone joint responses will be all the harder to manufacture. Admittedly, the United States and Europe often approached developments during the Cold War from different perspectives. But what is different today is that Americans and Europeans lack the disciplining motivation of the threat that helped sustain the Atlantic Alliance through its periodic disagreements during the Cold War. Without this discipline, temporary differences can grow more easily into permanent rifts. In order to compensate for this loss of an external discipline toward compromise and unity, U.S. and European leaders need to acquire the instinct of consultation.

Each of these challenges can be confronted more effectively and more expeditiously with a dimension of transatlantic cooperation at the core of the response.

Harold Brown

Consultation, however, cannot mean inaction. A second requirement for a renewed transatlantic partnership is for the United States and Europe to think anew about the common principles and strategies that will be best suited to this new environment. Although traditional concepts of nuclear and conventional deterrence are no longer relevant to the Atlantic Alliance, little time has been given in recent years to arriving at shared views on the viability and applicability of alternatives to these Cold War strategies, whether in the fields of international law, punitive economic and diplomatic sanctions, or preemptive and preventive military actions.

A third requirement is for both the United States and Europe to strengthen their capabilities to act in unison where they are currently weakest. European leaders are already well aware of the need to invest their substantial collective defense spending more wisely and efficiently in order to have the capacity to confront the security challenges of the twenty-first century, not the twentieth. The EU's new Constitutional Treaty also contains provisions for a more unified EU foreign and security policy decisionmaking structure that would provide an additional context for U.S. partnership with its European allies. For its part, the United States should follow through on the necessary U.S. force planning and technology control reforms that will better enable U.S. and European forces to fight side by side in the future. Greater U.S. investment in its diplomatic corps and public diplomacy will also strengthen transatlantic as well as U.S. national effectiveness abroad.

A fourth requirement for a successful and renewed transatlantic partnership is for both sides to adapt to the loss of the substantially dominant role that the United States played within the Atlantic Alliance during the Cold War and immediately thereafter. There are numerous factors that have contributed to this structural change in the transatlantic relationship, but the result is that coordination between the two sides of the Atlantic has become harder even as challenges have become more complex. Both sides will need to demonstrate new levels of flexibility—with the EU ensuring that its understandably complex processes for foreign and defense policy do not encumber rapid transatlantic responses, and the United States not undermining the intra-European consultation and coordination that the "unfinished" state of its Union still demands.

Fifth, and perhaps most importantly, a renewed transatlantic partnership requires U.S. and European leaders to seize the opportunity of the next few years to build a record of successful joint action in a targeted set of areas. We should not underestimate the deep damage done to transatlantic relations during the bruising debate over going to war in Iraq in 2002–2003, when the United States and some of its core security allies ended up in active opposition to each other over an issue that each perceived as central to its security. But we should not allow this episode alone, however significant it might be, to undermine our partnership to an extent that would stand in the way of future cooperation. Instead, this is the time for the two sides to rebuild trust and respect around the shared experience of developing specific common solutions to specific common challenges. Common solutions need not mean joint action in every case, but should mean converging policies, building a joint sense of purpose, and lending appropriate levels of support. It is encouraging to note that coordinated rather than joint transatlantic action has born fruit recently in the case of Ukraine and is being tested in the cases of North Korea and Iran.

SIX AREAS FOR JOINT TRANSATLANTIC ACTION

The rest of this report contains proposals for joint transatlantic action in six areas where CSIS experts, working with their colleagues in U.S. and European institutions, believe there exists both a pressing need and also the potential for success in the short to medium term. These are:

Carla Hills

A renewed transatlantic partnership requires U.S. and European leaders to seize the opportunity to build a record of successful joint action.

Lord George Robertson

- Preventing Iran's acquisition of a nuclear weapons capability;
- Securing Ukraine's democratic future;
- Common transatlantic approaches to fight international terrorism;
- Controlling WMD proliferation: strengthening the Global Partnership;
- The United States and the EU in the global economy: long-term challenges and near-term steps;
- Achieving an effective global military capability for the Alliance: the need for European defense integration.

In each case, the report examines the status of the five requirements we have laid out above: Do we have common, or, at least, compatible perspectives? Can we agree on the appropriate strategies? Does each side bring capabilities to the table for joint action? Who will take the lead and what will be the division of responsibilities? What are the prospects for joint action?

Our intent is not to suggest that this agenda is comprehensive. Indeed, because of our conviction that all of the challenges we face can be confronted more effectively and more expeditiously under conditions of transatlantic cooperation than under conditions of discord, the list of such proposals can be extended at will. Over the coming year, the CSIS Initiative and its Steering Committee will look to propose practical transatlantic policies in a range of other important areas. Yet, these proposals are singled out because of their urgency and because successful joint action in a few of these important cases would be an important down payment for the future.

In addition to these six areas, however, there is one challenge of truly strategic proportions we wish to highlight as requiring urgent transatlantic attention, but where credible proposals for successful joint action first require further reflection and coordination. Today, the United States and the states of Europe face a historic challenge in the Arab and Muslim world. In terms of scope, complexity, and stakes involved, this challenge is without parallel; failure to address it would compromise every other goal, whether for the security and prosperity of the Euro-Atlantic space we share or for the stabilization and integration of the geopolitical and geoeconomic conditions we envision. The combination of poverty and social repression, religious divisions and political instability, technological backwardness, and daunting demographics makes for an explosive mix to which no one state can afford to be indifferent. It is there that the partnership will meet its most demanding test—but it is also there that the partnership can least afford to fail that test. When it comes to that region, the Euro-Atlantic predicament is that there is no alternative to working together as each other's ally of choice lest, working separately, each becomes the inescapable victim of the other's failings.

Faced with the new opportunities opened by the Palestinian elections of January 9, 2005, and with a sovereign, elected government now fighting to bring durable political and economic stability to Iraq, it would be historically tragic to allow past tensions and parochial interests to overshadow our common stakes in that crucial part of the globe. The time to act together can no longer be postponed, and we intend to make specific suggestions to this effect in coming months as well. Whatever the opportunities of the moment, however, this is a test of vision that will take sustained effort and continued commitment for any agreed strategy to come to realization.

PREVENTING IRAN'S ACQUISITION OF A NUCLEAR WEAPONS CAPABILITY

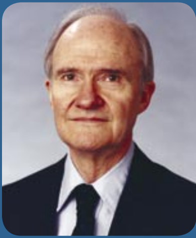
The ability of the United Status and Europe to develop a cogent and effective joint strategy toward Iran's search for nuclear weapons or a nuclear weapons capability is a significant near-term test of the power of the transatlantic relationship to affect change in international relations. More importantly, it is also an urgent requirement for international security. Only a closely coordinated transatlantic strategy is likely to divert Iran from its current intentions.

COMMON PERSPECTIVES

Both the U.S. administration and European leaders believe Iran's acquisition of nuclear weapons and a nuclear weapons capability to be unacceptable. The reasons are clear, even if there are some differences of emphasis between the United States and Europe. In the first place, both sides believe that Iran's acquisition of a nuclear weapons capability would have a profoundly destabilizing effect on the Middle East as a whole and on the Gulf region in particular. Saudi and Egyptian reactions are difficult to predict, but the potential for a nuclear arms race cannot be discounted. From the U.S. perspective, certainly, and for many European governments also, an Iranian nuclear capability would also constitute an existential threat to the state of Israel.

Second, as a party to the Nuclear Non-Proliferation Treaty (NPT), Iran's acquisition of nuclear weapons in violation of the treaty would send a very dangerous signal, weakening the international non-proliferation regime as a whole, even beyond the Middle East. Third, the United States and Europe cannot accept the long-term risks of nuclear blackmail or a nuclear exchange taking place in a region with 63 percent of the world's proven oil reserves and 41 percent of the world's proven natural gas reserves[1]—reserves on which they are especially reliant for their oil imports. Finally, neither U.S. nor European leaders trust the Iranian leadership to be able to exercise effective control over a nuclear capability, should it acquire one. The Iranian political system remains authoritarian and opaque, with the conservative clerical Guardian Council and the Revolutionary Guard wielding ultimate power and both appearing entrenched for the foreseeable future.

Successful transatlantic cooperation also depends on the United States and Europe sharing a common understanding of Iran's nuclear intentions. Here, again, there appears to be significant agreement between the United States and France, Germany, and the United Kingdom, collectively known as the EU-3 since they have taken the lead on managing this issue for the EU. They all believe that the Iranians are, at a minimum, seeking a uranium enrichment capability that will have the potential to fuel a nuclear weapons program, as well as the civilian nuclear reactors that they are permitted to construct and feed as NPT signatories. The United States, the UK, and France are also convinced that the Iranian leadership has already taken the decision actively to achieve a nuclear weapons capability in parallel to its civilian program, most probably in military installations that are off-limits to inspectors of the International Atomic Energy Agency (IAEA). Germany and some other European countries, believe that it is at least plausible that the Iranians are pursuing the means



"This is a critical moment in the international community's ability to prevent the emergence of a nuclear armed Iran; a coherent transatlantic strategy is indispensable to this effort. If we do not act effectively soon, our ability to influence the outcome will wane over time." — Brent Scowcroft

to manufacture fissile material in order to have the indigenous capability to proceed with nuclear weaponization at a later date.

This difference need not undermine transatlantic determination to confront Iran. The EU-3 and the United States have the evidence that Iran has been pursuing a clandestine uranium enrichment program. They have concluded that this could only be for nuclear weapons purposes, whether this is a near-term or long-term ambition. Given that they consider a nuclear-armed Iran to be an unacceptable outcome, they must prevent Iran now from acquiring and retaining the indigenous capacity to produce highly enriched uranium or other fissile materials. Otherwise, Iran could continue to produce fissile material for its civilian program under IAEA supervision and, then, at the moment of its choosing, withdraw from the NPT, expel the IAEA inspectors, and start making nuclear weapons.

STRATEGIES TO CONFRONT IRAN

Developing a strategy that reads the Iranian regime's intentions is difficult. For the current clerical regime, the desire for a nuclear weapons capability goes back to its need to find ways to deter Iraq, which launched a disastrous war against Iran in the early 1980s, and Saddam Hussein's own nuclear program. Since Saddam Hussein's fall, the presence of the U.S. military on the Iranian border, combined with Iran's designation by President Bush as a member of the "axis of evil" go some way to explaining the persistence of its nuclear ambitions. Nor can the example of India and Pakistan, their ability to become part of the nuclear club, and the heightened international standing that they have subsequently acquired be discounted in Iranian thinking. A rising sense of nationalism around the country's right to pursue the development of its own nuclear capability further complicates the Iranian government's willingness to compromise with the international community. Finally, the Iranians may calculate that neither the United States nor the EU-3 have the means nor the will to prevent them from achieving their long-term goal.

Using a military attack to try to destroy Iran's nuclear capability is considered a last resort by both sides, for a number of reasons. In the first place, Iran has dispersed its nuclear enrichment facilities and made them very hard to target in their entirety. There is little likelihood, therefore, of a successful decapitating strike of Iran's nuclear program such as the one that the Israelis carried out on Iraq's Osirak reactor in 1981.

Furthermore, Iran has many options to retaliate in ways that would impose a heavy price on the region, on the United States, and on Europe. One option would be to use Iran's considerable influence over the dominant Shia population in Southern Iraq to undermine U.S. and coalition efforts to stabilize Iraq. Another would be to destabilize the region more broadly and the Arab/Israeli peace process, in particular. Iran could also try to curtail oil exports from the Gulf region, either directly through retaliatory military strikes or indirectly through proxy groups. With energy demand and prices still at their highest levels since the crises of the 1970s and a fragile global macroeconomic environment, the costs to the United States and to Europe could be considerable.

Both the United States and Europe have focused their efforts to date, therefore, on the diplomatic route. However, since clear indications first emerged of Iran's clandestine nuclear enrichment program in August 2002 and subsequent discoveries by the IAEA, despite Iranian denials, that the program had been in existence for some 18 years, differences in the best diplomatic approach have become apparent between the United States and the EU-3. Reflecting the historical animosity between Iran's clerical regime and the United States, Iran's support of anti-Israeli terrorist groups, and a conviction that Iran is determined to acquire nuclear weapons at the earliest opportunity, the Bush administration has pushed for Iran to be taken before the UN Security Council and for punitive sanctions to be considered if Iran does not renounce its program to produce fissile material. For their part, the EU-3 have advocated a more cautious approach. On the one hand, they are concerned that, if backed into a corner, the Iranian regime will miscalculate and go ahead with its enrichment program, claiming that it is for legal, civilian purposes. Once sanctions are imposed, the EU-3 fear that achieving progress will be harder and that it will entrench and radicalize further the conservative leadership. The Iranian regime might also withdraw from the NPT and evict the IAEA inspectors. Without a military option, the EU and the United States would end up negotiating in a more difficult environment, while the Iranians continue their enrichment program.

The EU has sought, therefore, to keep the Iranian nuclear question out of the UN Security Council at this stage. Instead, they reached agreement with Iran in November 2004 that Iran would suspend its uranium enrichment program temporarily, under IAEA inspection, while the EU negotiated a package of incentives for Iran to renounce its uranium enrichment program permanently. During this period, the EU would hold off having Iran referred to the UN Security Council and keep Iran off the IAEA Board of Governors agenda.

"An Iran with nuclear weapons would add substantially to the instability of the Middle East. This is particularly true under its present unpredictable regime. The United States and Europe need to work closely together to co-ordinate a combination of soft and hard policies which offers the best hope of diverting the government and people of Iran from that dangerous objective." — Lord Hurd

The negotiating package is broken into three baskets. The first concerns the provision of a binding guarantee that major nuclear fuel producers (which include certain European countries, Russia, and the United States) would supply Iran on a commercial basis with fresh reactor fuel as well as retrieval and storage of spent fuel for all of its nuclear power needs. The second basket concerns technical and economic cooperation. Under this basket, the EU would seek to complete a Trade and Cooperation Agreement (TCA) with Iran that would institutionalize bilateral ties and put Iran's trade and co-operation relations with the European Union on a contractual basis. The third, and perhaps hardest basket, concerns ways to improve Iran's security.

DigitalGlobe

For its part, the U.S. administration has remained convinced that Iran will only give up its nuclear ambitions if it has a clear sense of the punitive consequences of its actions. As a result, it is skeptical of the EU efforts; believes that Iran will resume its enrichment; and has remained aloof from the EU-3's negotiating process.

The problem with this approach is that U.S. detachment from the negotiations and its continuing designation of Iran as a principal threat to global security compound Iran's own sense of insecurity, and, without a clear plan on how to improve Iran's long-term security needs, the negotiations with the EU-3 will not induce a radical shift in Iran's calculus of the benefits and risks of its quest for a nuclear weapons capability. Iran currently has little incentive to move from interim suspension to permanent prohibition of uranium enrichment. At best the negotiations might freeze the program in a relatively advanced state while running the risk that it might be restarted even after the EU has offered its incentives.

U.S. AND EU CAPABILITIES

Taken separately, U.S. and EU capabilities to influence Iran may indeed be insufficient to convince the Iranian regime to abandon its nuclear weapon ambitions. The United States has sought to isolate Iran, not only by including it in its axis of evil, but also by refusing to reopen any bilateral contacts, opposing all forms of nuclear cooperation with Iran, and taking the lead in recommending that Iran be referred immediately to the UN Security Council. Without broad-based international support, especially from the EU, these policies have no leverage over Iran, much as has been the case with the U.S. Iran-Libya Sanctions Act (ILSA) passed under the Clinton administration in 1996 in retaliation for Iranian support of international terrorism and continuing development of a nuclear weapons program.

While ILSA has prevented American investment in the development of Iranian energy resources, it has done little to prevent European companies investing in the sector. Threats of sanctions against foreign companies breaking ILSA and investing in the massive South Pars field (France's TotalFinaElf, Malaysia's Petronas, and, Russia's Gazprom) were waived by President Clinton in the late 1990's following angry reactions about ILSA's extra-territorial reach from allied nations. Recent investments by European companies include a Shell and Repsol liquified natural gas (LNG) project for Iran signed in September 2004 that will involve an investment of $4 billion,[2] and Total signing a framework deal to go ahead with the Pars LNG project by 2006.[3] At the same time, however, and notwithstanding ILSA, many experts believe that Iran has probably created more barriers to investment in the energy sector than have U.S. sanction policies.[4]

For its part, the EU has preferred to play the "good cop" to America's "bad cop." But its offer to guarantee nuclear fuel supplies in return for Iran abandoning its enrichment program would leave Iran at the mercy of the international community's willingness to meet those supplies. If one assumes that Iran wants the flexibility to sustain a parallel nuclear weapons program, then this dependence will be unacceptable, especially if the United States is not part of the deal and could always pressure suppliers to cut Iran off at a later date.

"Of all the issues facing the transatlantic relationship, Iran is the most serious. But Brussels and Washington disagree over how to restrain Tehran's nuclear ambitions. The Europeans have championed engagement while the Clinton and Bush administrations have favoured a combination of unilateral economic sanctions and public criticism of Iran's regime. On their own, neither approach has worked." — Eduardo Serra

The negotiation of an EU trade and cooperation agreement may also be of limited value to Iran in the near-term given the patterns of bilateral trade. While the EU may be Iran's main import and export partner, trade flows are concentrated in certain specific areas. 80 percent of the EU's imports from Iran, for example, are oil products, while Iran's imports from the EU are predominantly (approximately 60 percent) in heavy machinery and transport.[5] What the Iranians need most urgently is investment in their energy sector, and it is unclear whether signing the TCA will make much near-term difference.

Fundamentally, none of the EU's incentives reach to the heart of Iran's concern about its long-term security needs and its fear that, at heart, the United States is bent on pursuing a policy of regime change in Tehran. So long as the United States remains a spectator as opposed to a participant with the EU in its initiatives, the Iranians will hesitate to reach a durable bargain with the EU-3.

RECOMMENDATIONS FOR JOINT ACTION

A solution to this impasse can only be found if the United States and Europe radically alter Iran's calculations of benefit and risk. By working together over the coming months, the United States and Europe can devise a joint framework of incentives and disincentives that confronts Iran with a stark choice: Iran can become a pariah with nuclear weapons or a respected, fully integrated member of the international community without them.

1. European Action

Specifically, even while continuing the negotiations, the EU-3 need to make explicit to Iran the redlines that will trigger an EU response. These red lines should include Iran's failure to implement and maintain a comprehensive suspension of enrichment activities; IAEA detection of clandestine nuclear activities or facilities; and failure by Iran to cooperate with the IAEA as if Iran were a party to the Additional Protocol (i.e., denial of access to suspect locations). Second, the EU-3 need to make explicit the actions that will flow from Iran crossing these redlines, actions that would not only defer EU incentives, but would also be punitive. In the near-term, this would include immediate EU backing for referring Iran to the UN Security Council and their intention not to use their veto to block sanctions.

But the EU-3 would need to go further to underscore the seriousness of Iran crossing the redlines. Iran cannot assume that its transition to becoming a nuclear weapon power would eventually find the same level of acceptance as has been the case with India and Pakistan, neither of which were signatories to the NPT. The EU would need to commit itself to an escalating series of sanctions that would start by excluding Iran from assistance, trade, and investment by EU and its member sates indefinitely, irrespective of the economic pain this would cause, and would rise, ultimately, to EU support and implementation of the sorts of sanctions imposed in the recent past on apartheid South Africa or Libya at the height of its support of international terrorism.

The pain for the EU of such an approach would be real, complicating the EU's patterns of oil imports and jeopardizing highly profitable future investment contracts (the Iranian South Pars field has been estimated to represent approximately 10 percent of the world's gas reserves). Immediate EU sanctions would have the greatest impact on Germany, which, as the EU's biggest trading partner with Iran, registered €2.5 billion in exports in 2003.

In order not to elicit an immediate negative counter-reaction from Iran, each of these messages should be delivered confidentially, but no less emphatically.

2. U.S. Action

For its part, the United States would need to act simultaneously and in parallel with this shift in European strategy with its own shift toward an opening of informal and formal bilateral negotiations with Iran, ideally before Iran's June elections, on the host of specific issues that are of mutual concern. These extend from those topics where U.S. and Iranian interests may ultimately converge, such as the future of Iraq and Afghanistan, to those that are more contentious, such as the status of Al Qaeda operatives being held in Iran, to Iranian support of terrorist groups in the Middle East, to the nuclear question itself.

Engaging Iran in a serious dialogue on these topics, even while joining Europe on the redlines and responses and sustaining the U.S. critique of the clerics' anti-democratic actions, would go some way toward allaying Iranian fears that the U.S. immediate objective is the overthrow of the Iranian government or its indefinite isolation and undermining by the United States. For Iran to change course, the U.S. promise to support Iran's eventual international engagement must be as credible as the Europeans' threats of punitive actions should Iran continue on its recent course.

Working together, the United States and the EU could offer the Iranian government some creative proposals to allay the country's

security concerns; including the development of a regional security arrangement in which the Permanent Five members of the UN Security Council would commit to come to Iran's help should it be the victim of an unprovoked external attack. And, in return for a complete and verifiable commitment by the Iranians not to continue with uranium enrichment, the United States could join the EU-3 in developing a UN Security Council guarantee to provide Iran with the necessary fuel and to remove the spent fuel.

At the heart of the potential success of such an approach lie two assumptions. The first is that that Iran will think differently from a country such as North Korea. Whereas Pyongyang's elite may prefer isolation to the regime-threatening dangers of exposure to foreign influences, Tehran's pragmatic conservatives appear to recognize that their hopes for regime legitimacy and survival rest heavily on their ability to deliver material benefits for their increasingly disenchanted population, benefits that Iran cannot generate through economic autarky, but that will depend upon the country's gradual integration into the regional and international economy.

3. International Dimension

The second assumption is that the United States and EU can convince both Russia and China to support the transatlantic approach. Russia may support this approach, given that it would reap significant economic benefits as a supplier of enriched fuel for Iran's nuclear power plants, should Iran stick to the suspension of its own enrichment program, although it is questionable how expansive its civilian nuclear program might be if the potential for using it as a springboard for nuclear weapons development were removed. Russia has little to gain and much to fear from a nuclear-armed Iran.

Neither of these assumptions can be taken for granted. China may prove to be a more complex partner, primarily because of its pressing need to maximize and diversify its sources of oil and gas imports for its growing economy. Iran is a critical part of this strategy, accounting already for 13 percent of China's energy imports in 2003,[6] second only behind Saudi Arabia. And, in October 2004, China's Sinopec signed a $70 billion oil investment deal with Iran. Bilateral trade links have also grown deeper, with Iran seeing China as a potential alternative source for high technology and military imports. Iran's value as an energy supplier is important to Japan and to India also, further complicating the diplomatic environment for a successful transatlantic approach.

A transatlantic strategy toward Iran would need, therefore, to incorporate an important diplomatic effort to engage both Russia and China as well as other significant energy importers in its successful outcome.

CONCLUSION

Transatlantic cooperation toward Iran's apparent pursuit of a nuclear weapons capability is critical. If the United States and Europe do not work together on this strategy along the lines suggested above, Iran is far more likely to find ways to continue with its clandestine program with the very negative impacts this would mean for regional and international security. Just as important, both the EU and the United States need to adapt their strategies to demonstrate to the other that they are serious about avoiding this outcome. If Europe does not get tougher, this will strengthen the suspicion in Washington that, although Europeans say that a nuclear-armed Iran is unacceptable, they have already concluded that it is inevitable. However, if the United States does not recalibrate its strategy, this will confirm the impression in European capitals that its priority is regime change and punishing Iran rather than the vital near-term goal of ensuring that the country does not acquire nuclear weapons.

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SECURING UKRAINE'S DEMOCRATIC FUTURE

The United States, the EU, and its member states need to work urgently together and, where possible, with Russia to help create the conditions and provide the incentives and rewards that will enable Ukraine to consolidate its recent political gains and achieve a sustainable path of economic growth. Success is not guaranteed, and the need for a new level of transatlantic coordination is now critical.

COMMON PERSPECTIVES

Ukraine stands at a crossroads in its history between independence and democracy, on the one hand, and a form of quasi-authoritarianism and external dependence, on the other. Ukraine occupies a strategic position in Europe—economically, in terms of the size of its potential market and as a conduit for trade, and politically, in terms of the influence that its development will have on regional stability and prosperity.

Both the United Sates and the European Union (EU) agree that the current situation in Ukraine is precarious. The results of the recent presidential elections reflect the aspirations of the Ukrainian people. If those aspirations are not properly and perceptibly realized, there is a real danger that its vulnerability to internal division and external influence from Russia will revert Ukraine to a closed-off, introverted state that is incapable of living up to its potential.

There is little difference in U.S. and European perceptions of the principal domestic challenges that Ukraine faces or in the strategic importance of supporting its transition to democratic forms of governance and a market economy. The first challenge concerns the significant problems that Ukraine has experienced trying to pursue this dual reform track since it gained its independence in 1991. In the first few years of transition following independence, the communist party devolved into a plethora of special interests, and state assets were doled out usually on the basis of influence and nepotism. These assets are now held by a few oligarchs, who are fearful that reform will erode their power and wealth. As such, Ukraine's economics and politics are deeply entwined. A transparent political environment will help speed economic reform and vice-versa, but both will need to overcome the opposition of the entrenched few who favor the status quo. The civil service is similarly underdeveloped. With a lack of governmental coordination, a weak judicial system, and low pay, government lacks transparency and accountability. As a consequence, corruption and criminality are rife.

The second challenge arises from ethnic and regional divisions in Ukraine between, on the one hand, a Russian ethnic and a Ukrainian Russophone population, resident primarily in the southern and eastern parts of the country bordering Russia, and, on the other, a Ukrainian-speaking population with clear aspirations to redirect Ukraine toward Western institutions, principally the EU and NATO. This split was exposed clearly in the voting for the presidency. However, it is unclear whether this reflects an explicit division in external allegiances between the two halves of the country or different approaches to statehood.

Admittedly, one reason that the Western regions are vocal about their inclusion in Europe is to offset what they perceive as Russian dominance. The Eastern regions, however, are vocal about promoting a Ukraine more allied with Moscow, partly to offset what they perceive as unwelcome influence from Europe and the United States.

The third challenge concerns Russia's extensive and abiding interest in Ukraine's future. The Russian leadership and population tend to see Ukraine as Russia's principal western province, not as a fully independent and sovereign state. To the extent that Russia is committed to following its own path to political and economic liberalization, this historical perspective need not determine Russia's future relations with Ukraine. However, in steering away from democratic norms, Russia may itself become a threat to Ukraine's independent development as a democratic state. In the last year, President Vladimir Putin has sought to centralize the presidency's political control over the country, reestablish state control over strategic sectors of the economy, and stifle dissent in the media and nongovernmental organizations. The external face of this internal strategy has been to try to reassert Russian influence over the countries in its immediate "near-abroad," from the Caucasus to its western border.

Ukraine is a prize piece on this Russian regional chessboard. If the newly elected government of President Viktor Yushchenko is unable to deliver economic improvements to the Ukrainian people, Russia's potential to influence Ukraine's development will be enhanced, especially by mobilizing the Russia-leaning Eastern part of the country. And to the extent that President Putin can reassert control over Ukraine, he and his advisers will be strengthened in the belief that they can reconstitute a zone of neo-imperial political control over the countries around their periphery, thus insulating them from the need to follow through on democratic domestic reforms.

European and U.S. interests in Ukraine are also geo-economic, given Ukraine's pivotal position as a transit route for the majority of Russia's oil and gas exports to Europe. European oil and gas consumption is on the rise and, as North Sea reserves diminish, Europe will be increasingly reliant on imports from Russia and the Caspian region. Already, OECD countries rely on gas shipments through Ukraine for 30 percent of their needs, and by 2020, up to two-thirds of the EU's total energy requirements and 75 percent of its natural gas will need to be imported.[1]

Nevertheless, despite these strategic considerations, the United States, the EU, and its member states have been ambivalent about Ukraine since the end of the Cold War. On the one hand, they appreciate Ukraine's strategic geographic position, the aspirations of its people, and the linkage between its fate and that of the reform process in Russia. On the other hand, there has been a genuine hesitation to offer Ukraine a "Western" perspective for its future as a full member of the West's two principal institutions, the EU and NATO.

CURRENT STRATEGIES TO ENGAGE UKRAINE

Since the dissolution of the Soviet Union and Ukraine's emergence as an independent state, U.S. and EU efforts to engage Ukraine and support its transition from communist control have been significant, but ultimately limited when compared to their approaches to other former communist states that lay further from Russia's self-declared sphere of influence.

The EU has been preoccupied for the past 15 years with balancing its internal integration agenda and its pledge to enlarge the Union eastward to European states that were closest to meeting the so-called Copenhagen criteria of democratic governance—the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; and the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union. Ukraine's slow progress toward market and political reforms and its proximity to Russia placed it in an informal third rank of countries after the Central and East European countries and the Balkan countries from the EU's perspective.

Nevertheless, Ukraine was the first country from the Moscow-dominated Commonwealth of Independent States (CIS) to sign a Partnership and Cooperation Agreement (PCA) with the EU in 1994. In 1999, the EU adopted its four-year "Common Strategy

"Viktor Yushchenko's victory in the Ukraine has marked a new high point for democratic liberalization in the former Soviet states. We should not fear its effects on U.S. and European relations with Russia. By helping Ukraine succeed, we are supporting the forces of democratic reform in Russia itself." — Zbigniew Brzezinski

between the European Union and Ukraine" designed to set some overall policy guidelines to coordinate the trade, economic, and assistance policies of the EU and its member states toward Ukraine. In 2002, the EU Cooperation Council identified the broad policy areas that Ukraine would need to address in order to develop a closer relationship with the EU, including legislative approximation, trade policy, energy and nuclear safety, transport and infrastructure, and justice and home affairs.

In March 2003, the EU took an important step in the evolution of its relations with those neighboring countries that did not yet have a "membership perspective." The Commission launched its European Neighborhood Policy (ENP) as part of its Communication on a Wider Europe which included Ukraine. The goal of the ENP is to avoid establishing new dividing lines in Europe by providing customized incentives (such as gradual integration with EU markets, increased trade liberalization, and enhanced political dialogue) to help ENP states implement economic and institutional reforms. In the case of Ukraine, the bilateral dialogue under the ENP would also include discussions on issues ranging from terrorism and nonproliferation to human rights and freedom of the press. Importantly, the ENP represents the EU's long-term strategy for countries that it does not consider will become members of the Union. Hence, Ukraine found itself in the same category as North African neighbors of the EU such as Algeria and Morocco.

President Yushchenko's overt campaign to redirect Ukraine toward integration into Western institutions, Russia's resistance to such a strategy, the arrival of new EU members bordering Ukraine and committed to Ukraine's integration into the EU, and the dramatic events that surrounded the presidential election have all thrown the EU's long-term strategy for Ukraine into question. On December 9, 2004, in a demonstration of the EU's commitment to Ukraine's future, the EU Council quickly approved the EU-Ukraine Action Plan under the Neighborhood Policy, outlining the areas of cooperation between the two sides for the next three years. However, the EU's policy to keep Ukraine tied to the ENP process has become a matter of intense intra-EU debate.

The United States has also taken a cautious approach toward Ukraine over the past 15 years, giving primacy after the Cold War to its relations with Russia on a host of policy questions (from nonproliferation to arms control, NATO expansion, and WMD destruction) and not wanting actively to undermine the efforts of various Russian governments to construct a Commonwealth of Independent States (CIS) that would evolve into an economic or even a political and security bloc. Indeed, under both the Clinton and Bush administrations, Russia was largely viewed as a stabilizing influence among its undeveloped and quasi-authoritarian neighbors. However, following the "Rose Revolution" in Georgia and the "Orange Revolution" in Ukraine during 2004, the depth of public dissatisfaction with the existing systems became visible.

The United States has preferred to use NATO as a vehicle for reaching out to Ukraine, as it has to other countries from the former Soviet Union. NATO-Ukraine relations were launched in 1991, when Ukraine joined the North Atlantic Cooperation Council (later renamed the Euroatlantic Partnership Council), after the break-up of the Soviet Union. In 1994, Ukraine became the first of the Commonwealth of Independent States to join the Partnership for Peace (PfP). The formal basis for NATO-Ukraine relations, however, is the 1997 NATO-Ukraine Charter on a Distinctive Partnership, which recognizes the importance of an independent, stable and democratic Ukraine to European stability. The Charter identified areas for consultation and cooperation and established the NATO-Ukraine Commission (NUC) to develop specific programs.

Ukraine has not been a passive partner in this process. It has demonstrated its desire to contribute to Euroatlantic security through its support for the NATO-led peacekeeping operations in the Balkans during the 1990s, accession to the Nonproliferation Treaty, settlement of outstanding disputes with its neighbors concerning borders and minorities, and ratification of the Open Skies Treaty, which contributes to transparency and arms control by permitting reciprocal over-flights of its national territory.

Despite occasional rifts, NATO and Ukraine have continued to strengthen their relationship. In May 2002, President Leonid Kuchma announced Ukraine's goal of eventual NATO membership. In response, NATO Foreign Ministers agreed to explore ways to take the NATO-Ukraine relationship to a qualitatively new level. At the Prague NATO summit of November 2002, Ukrainian and NATO Foreign Ministers adopted the NATO-Ukraine Action Plan. The Action Plan is designed to identify Ukraine's strategic objectives and priorities for Euroatlantic integration, and to provide a strategic framework for existing and future NATO-Ukraine cooperation. It sets out jointly agreed principles and objectives, covering political and economic cooperation; sharing of information; security, defense,

"A successful conjoined transatlantic effort to foster prosperity in the Ukraine could reap immediate rewards in Kiev. However, such an approach must be a prelude to strengthening the United States' and the EU's relations with Russia by ensuring that policies toward Ukraine have the best possible chance of producing a positive spill-over toward Russia." — Paavo Lipponen

and military relations; information protection and security; and legal coordination.

As part of the Action Plan, Target Plans are developed each year outlining the steps to be taken to work toward the plan's objectives as well as joint activities for the following year. During negotiations of the 2004 Target Plan, the Allies delivered a strong message to Ukraine about the need to ensure free and fair elections and freedom of the media. The agreed plan included specific measures to strengthen democratic and electoral institutions (such as equal access to the mass media), to strengthen judicial authority and independence, and to update Ukraine's foreign and security policy to reflect the goal of Euroatlantic integration.[2] On December 8, NATO decided to postpone the year-end meeting of the NATO-Ukraine Commission amidst the political turmoil in Ukraine.

Similarly to its relationship with the EU, Ukraine has developed an Action Plan with NATO, but not a Membership Action Plan (MAP) that would recognize and formalize concrete steps toward NATO accession. The new Ukrainian leadership has reiterated its desire to join the North Atlantic Alliance, and, unlike the Kuchma regime, it seems committed to meeting the criteria for accession.

U.S. AND EU CAPABILITIES TO SUPPORT UKRAINE

Through NATO and the EU, the U.S. administration, EU governments, and the European Commission possess powerful institutional instruments to support Ukraine's economic and political reform and, to the extent it wishes, Ukraine's gradual integration into Western and other international institutions. At the same time, bilateral or transatlantic strategies need to take into account U.S. and EU relations with Russia and Russia's strategic relationship with Ukraine. Therein lies the conundrum for U.S. and European policymakers.

The geographic proximity of the EU means that it is must play the central role in supporting Ukraine's new government, especially following the EU's May 2004 eastward enlargement which makes Ukraine a direct neighbor. The EU's experience and existing programs to support transition economies and the fact that many of its members are themselves former transition economies also makes it a partner of choice for Ukraine.

One of the EU's greatest assets is access to its Single Market. The EU—Poland and Germany in particular—has a significant trading relationship with Ukraine. Ukrainian exports to the EU increased from 36 percent of total exports in 1998 to 41.6 percent in 2003. That economic relationship can be leveraged to promote deeper reform. In addition, EU foreign assistance programs such as TACIS (Technical Assistance to the CIS) can support the creation of the necessary regulatory and institutional capacity to oversee Ukraine's economic reform agenda. However, the prospect of EU accession has served as the EU's most powerful tool vis à vis the former communist countries of central and eastern Europe. Prior to its most recent enlargement and the Yushchenko victory, the prospect of EU membership had not been considered an option for a country such as Ukraine which has a retarded reform program and is tightly linked economically to its Russian neighbor.

Ukraine's economic relationship with Russia is complex. On the one hand, Ukrainian exports to Russia declined between 1998 and 2003 as a percentage of overall exports from 23 percent to 18 percent, even though they increased in dollar terms from $2.9 billion in 1998 to $4.3 billion as Ukraine started to register a sustained period of economic growth.[3] And imports from Russia decreased from 42 percent to 35.9 percent in roughly the same period.[4]

On the other hand, a large proportion of foreign direct investment into Ukraine continues to come from Russia. And, perhaps more importantly, in April 2004, Ukraine's parliament ratified the country's entry into a Single Economic Area (SEA) with Russia, Belarus, and Kazakhstan. Drawn up as a regional free trade area, the purpose of the SEA is to foster cooperation across a range of policy areas, principally trade and the movement of goods, capital, and labor, but also with a view to coordination in monetary, tax, and fiscal policy. At the very least, implementation of the SEA will complicate Ukraine's ability to enter into other multilateral economic agreements, whether with the EU or WTO because it would need to coordinate its terms of entry with other SEA members. Since his election, President Yushchenko has underscored that Ukraine's future in the SEA will be determined by whether this arrangement actually enhances or hinders Ukraine's bid for entry into the EU. The clear implication is that he is willing to curtail Ukraine's economic integration eastward in order to accelerate its economic integration westward.

Finally, one of Russia's strongest cards to counter EU or U.S. influence is the fact that roughly 80 percent of Ukrainian oil consumption is imported—mostly from Russia and lesser amounts from Kazakhstan.[5]

The United States does not possess the same economic leverage over Ukraine as does the EU (Ukrainian exports to the United States account for only some 4 percent of its total). However, U.S. support for Ukraine's evolving partnership arrangements with NATO can serve as a counterweight to the pressure that Russia may try to exert to draw Ukraine back into its political orbit in the near future. In this context, it is notable that the 2004 Memorandum of Mutual Understanding between Ukraine and NATO treats Ukraine as a full partner of the Alliance, providing NATO forces with prompt access to Ukraine if both sides deem it necessary, allowing NATO's airplanes, helicopters, tanks, and ships transit across Ukrainian territory, and providing a legal framework for Ukraine's support of the alliance's military and peacekeeping operations as part of the PfP program. The memorandum also envisions that Ukraine could provide technical, informational, medical, and other kinds of assistance to NATO's military units during military operations and exercises.

Finally, apart from these institutional ties, both the EU and the United States have a strong range of influential nongovernmental and party political organizations which can engage their Ukrainian counterparts to discuss ways to assist Ukraine with representative party political development and consolidating a genuine civil society.

RECOMMENDATIONS FOR JOINT ACTION

The ultimately successful conduct of free and fair presidential elections in Ukraine should be viewed as a positive chapter in the transatlantic relationship. Bilateral support by the U.S. government and many European states helped to train political parties, elections monitors, media, and other democracy support groups in a nonpartisan fashion that created a true indigenous capacity not only to motivate society to demand free and fair elections, but provided the capability to insure them. The Organization for Security and Cooperation in Europe (OSCE) played a vital role in providing a credible and legitimate international presence to deter and detect election fraud, as did the Parliamentary Assembly of the Council of Europe. American and European diplomatic commitment and engagement enabled the international media to report the story, and to provide moral support and ultimately concrete mediation assistance to Ukrainian politicians and citizens demanding an honest election.

In other words, all the best traditions of the transatlantic alliance came together in the case of the successful democratic elections in Ukraine. Transatlantic and European institutions, commitment to liberal values, long-term capacity building for democracy and human rights: these have been the key elements of transatlantic partnership for 60 years. At a time when many doubt the capacity of the transatlantic community to tackle contemporary global challenges, Ukraine offers hope and an example for the future.

But another key tradition of the transatlantic partnership has been commitment to a long-term strategy of integration and reconciliation, and that tradition must move to the forefront of U.S. and European policy toward Ukraine. There is no simple formula for integration: different European countries have chosen a different mix of international institutions and have combined integration with preserving historic traditions and societal differences as they work toward cooperation and harmonization. The same successful approach should be adopted by the United States and Europe in outlining a future strategy to support Ukrainian integration. The first principle must be that the Ukrainian people themselves must decide how and to what degree they wish to integrate. The second is that the transatlantic community must be ready to work with the Ukrainian government to implement integration where the country has made the commitment and has demonstrated its capacity.

1. Economic Integration

In the short term, this means eliminating barriers to Ukrainian trade that are already irrelevant, like the Jackson-Vanick amendment. On January 24, 2005, Senators Carl Levin and Richard Lugar introduced legislation to grant normal trade relations to Ukraine. They rightly contended that the Cold War-era trade restrictions that deny "most favored nation" trade status to imports from former Soviet bloc countries are no longer applicable to Ukraine. Such proactive steps can make a near-term difference, and should include the decision to offer Ukraine the status of a market economy.

It also means expeditiously moving to negotiations on Ukraine's membership in the WTO, as President Yushchenko has pledged to

meet WTO membership requirements by November 2005. WTO membership would create a reciprocally more transparent market environment for Ukrainian and WTO member companies to operate in each other's economies, spurring much-needed reform in Ukraine in particular.

In this vein, Ukraine should be encouraged to become a signatory to the Energy Charter Treaty, to help provide more transparency to the country's energy markets. This must be a priority at a time when the interlinkages between Russian and Ukrainian companies and between Russian companies and the Ukrainian political process are shrouded in a veil of secrecy that could undermine broader foreign direct investment in the country.

2. The Role of NATO
In the longer term, Ukrainian membership in both NATO and the EU has to be on the agenda. There are no guarantees or short cuts, and Ukraine must be held to the standard requirements for membership. But, if the Ukrainian people prove themselves ready to meet those requirements, the transatlantic community must be ready to live up to its traditions in full measure. According to the new Ukrainian Foreign Minister Boris Tarasyuk, Ukraine's participation in the system of collective security within NATO is preferable to constantly swaying between two military groups—the Tashkent treaty and NATO.

3. An EU Membership Perspective
The question of EU membership for Ukraine has been thrust most immediately onto the agenda by Viktor Yushchenko's electoral victory. The Ukrainian president applied pressure on the EU at the World Economic Forum in Switzerland in late January by asserting that it was essential that Ukraine commence entry negotiations by 2007. The European Parliament has already taken a nonbinding vote in favor of its eventual accession, and the Commission has found itself having to defend Ukraine's inclusion in the ENP, despite its efforts to give its ENP Action Plan a fast-track treatment.

The fact is that the EU's decision to open membership negotiations with Turkey, a country that few Europeans view as "European," whether they are in favor or against its membership of the EU, makes a policy of permanent exclusion for Ukraine untenable. To the extent that the Ukraine and the EU can make real progress on the neighborhood Action Plan, Ukraine will be preparing itself to be eligible for eventual EU membership at a later date, and reducing its potential entry negotiating period. Most important for the EU is to find ways to open its markets further to Ukrainian exports, while using its political leverage and assistance programs to encourage genuine economic and institutional reform within Ukraine.

4. Engaging Russia
The United States and Europe have another, equally important, strategic task of integration and reconciliation as part of a coordinated Ukraine policy, and that is engaging Russia as far as possible in the process. Russia and Ukraine have already begun to develop a more constructive relationship after the tensions of the election crisis in November and December 2004. Ukraine's global and European integration, in whatever form or time-period it ultimately takes, cannot be achieved at the expense of its strong economic, political, social, and cultural ties with Russia. At the same time, Ukraine's relations with Russia cannot be developed at the expense of Ukraine's possible integration into the EU and NATO. Ukraine and Russia will remain major trading partners, and some sectors of their economy will remain highly integrated. Geography and history makes them neighbors and their security concerns are also closely linked. The United States, the EU, and its member states have every interest in making Ukraine's global and European integration a positive sum matter for both Ukraine and Russia.

Each country's entry into the WTO, for example, will be achieved more easily if both are handled as mutually reinforcing rather than competitively. The development of Ukraine's partnership with NATO in the coming years will come at a time when the Russia-NATO relationship has been making concrete progress in practical areas of security cooperation ranging from counterterrorism to joint programs for search and rescue operations. U.S. and European policy makers should resist viewing Ukraine's increasing Western integration as a means for containing or balancing Russia—a position that is sometimes expressed in the West and is often raised by officials in Moscow. The Ukrainian people have made it clear that

their country will be democratic, independent, and sovereign. They have also made it clear that they want good relations with Russia, based upon equality and mutual respect and not on subservience and domination. A truly comprehensive transatlantic strategy should view the goal of Ukraine's Western integration as complementary to the goal of engaging and integrating Russia into global and European economic, political, and security partnerships.

CONCLUSION

Consolidating Ukraine's future as a democratic, market-oriented country must be a strategic priority for the transatlantic partnership. This approach is not only important for the well-being of Ukraine's citizens who have so courageously chosen the path of democracy, but also to give a clear sense of strategic perspective to Russia's leaders that they should support and participate in this dynamic process of economic, political, and institutional reform and international integration. Given the inherent weaknesses in Ukraine's political system and economy, this will require a concerted and concentrated effort on the part of the transatlantic community throughout 2005 and beyond.

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COMMON TRANSATLANTIC APPROACHES TO FIGHT INTERNATIONAL TERRORISM

The sudden appearance of international terrorism as one of the central threats to U.S. and European security has changed the strategic landscape not only for the governments and peoples of America and Europe, but also for their Atlantic Alliance. Despite the devastating attacks of September 11, 2001 and subsequent attacks around the world, building a coherent, long-term transatlantic approach to confronting the new threat in its international dimensions is still in its infancy. The start of the new Bush administration offers an opportunity for both sides to reflect on what is working well and to consider what should be new priorities for transatlantic cooperation.

COMMON PERSPECTIVES

Both the U.S. National Security Strategy of 2002 and European Security Strategy of 2003 confirm the perspective that, while other security threats persist around the world, international terrorism presents the most imminent and serious threat to U.S. and European security and prosperity.

In particular, both documents emphasize the existential nature of the threat, given the apparent determination of Al Qaeda and its offshoots to acquire weapons of mass destruction so as to inflict the maximum damage and political impact possible on the West. The acceleration of globalization in recent decades and the profound interdependence of Western nations means that the consequence, in particular a nuclear or biological attack, would be profound, widespread and lasting, threatening the economic, social and political bonds of the Atlantic Community.

Even if European societies are less consumed by the perceived imminence of the threat, it is arguable that the emergence of radical Islamist terrorist groups has started to build for the first time since the end of the Cold War a shared sense of threat among both U.S. and European governments and publics (the German Marshall Fund's *Transatlantic Trends 2004* poll showed that 76 percent of U.S. respondents and 71 percent of European respondents placed international terrorism at the top of their list of security threats, both by a margin of 20 percent greater than the next perceived threat). The reason for U.S. concern is clear, given the cataclysmic effect of the September 11, 2001, attacks. The March 11 bombings in Madrid also demonstrated the very real threat posed by radical Islamists to the European homeland.

Europeans have well-formed reasons to fear international terrorism. First, neither governments nor the population at large are under any illusion that the threat is limited to the United States or to countries that have supported the United States in Iraq. Most EU members have supported and/or participated in the U.S.-led war against the Taliban and Al Qaeda in Afghanistan. European nations have also provoked the ire of Islamist extremist groups: examples include the French government's decision to ban wearing of the veil in public schools and Holland's permissive media, which provided the backdrop to the murder in November 2004 of TV producer Theo van Gogh. The fact that Spain's new socialist government uncovered a plot in December 2004 to blow up Madrid's National Court, even after the government had withdrawn Spanish troops from Iraq, underscores the continuity of the threat to European countries in general.

Second, Europeans are well aware that their geographic proximity to the Middle East and porous internal and external borders make potential attacks against them relatively easy to plan and execute.

Third, European nations have large domestic Muslim populations within which extremist cells, such as those uncovered over the past three years in Hamburg, London, Madrid, Amsterdam, and Paris, can hide. Although national intelligence and law enforcement agencies have effectively penetrated national terrorist groups such as ETA and the IRA, the activities of loosely knit Islamist extremist groups pose new and unfamiliar challenges. Fourth, European law enforcement agencies face many of the same internal coordination problems that have bedeviled U.S. efforts to deal with the terrorist threat. They also have the disadvantage of having to coordinate their work across national borders and laws.

European and U.S. policymakers understand that, following the military defeat of the Taliban in Afghanistan, the terrorist threat has metastasized from a network of groups linked to Al Qaeda's leadership to today's apparently unconnected, self-motivated, and self-sufficient groups that lack the past level of operational interconnections, even if there does still appear to be some consistency in their strategy. Confronting it will require flexible and imaginative new strategies.

STRATEGIES TO CONFRONT THE THREAT

Despite a shared awareness of the threat from international terrorism, the U.S. administration and many European governments continue to favor different strategies to respond to the threat in the near term. This is a result of different national capabilities (in terms of financial resources, intelligence assets, and military forces) as well as differences in geography, in national experiences of terrorism and fighting it, in commitment to the role of international organizations, and in the diplomatic style of governments on each side of the Atlantic.

Importantly, by international and historical standards, the terrorist attacks of September 11, 2001, were exceptional in the scale of their effects. They were also exceptional in that, to this date, no second attack has taken place on U.S. soil. The consequence of the first of these factors has been the determination of the Bush administration to take every possible step to prevent the reoccurrence of such an attack. The fact that the attackers all came from outside the United States has focused the administration's attention largely on defeating an external enemy, even if there is a constant awareness and focus on the potential threat from within. Indeed, the Bush administration has emphasized that its actions in Iraq involve fighting terrorists abroad so that the United States will not have to confront them at home.

Moreover, the scale of the attack and the accompanying rhetoric of Osama bin Laden and his henchmen have led the U.S. administration to conclude that it is engaged in a full-out war against international terrorists—a war that pits the U.S. way of life and its basis on individual freedoms against a tyrannical and totalitarian opposing philosophy. Notwithstanding its likely long duration, the administration has affirmed that this war must be won at all costs.

In this context, the United States will not only employ defensive measures, but will try to win the war as far from its borders as possible, much as it did during the Cold War when the frontlines against the communist threat were drawn across the globe from West Germany, through Afghanistan, Vietnam, South Korea, and on to Latin America. Offensive actions are as important as defensive actions in a comprehensive strategy whose ultimate goal is the total defeat of the enemy. International law, whether over the treatment of noncombatants or over interpretations of what constitutes a defensive action, must help and not hinder the overall objective of achieving victory and defeating the enemy. The administration buttresses its argument by pointing to the fact that there has not yet been a second major attack on U.S. soil.

Most European policymakers, while recognizing the potentially devastating impact of future terrorist attacks, still see the new international terrorism as bearing similarities to past nationalist or anarchist movements. They point to the fact that many of the terrorists were and are either based in Europe or in neighboring countries of the Northern and Eastern Mediterranean, meaning that they are integrated into domestic populations or the populations of former colonies. Their experience with such groups leads European policymakers to conclude that they are not engaged in a war, but rather in a long-term struggle for legitimacy; a struggle in which there are no winners and losers, just slow and painful progress toward legitimate governments that

"The struggle against international terrorism will continue to be a core task for the United States and the European Union and we need to increase our cooperation without any reservation. At the same time, in order to gain a lasting success, we have to deal together with the roots of Islamist extremism." — Jacques Lanxade

do not foster terrorists. In this context, police, intelligence, and other enforcement measures against the terrorists are an integral part of the long-term struggle to manage, contain, and defeat those who choose violence. Equal near-term priority must be given, however, to tackling the underlying political and social drivers of this new terrorism. Success is possible ultimately only through political means. Military options to try to eliminate the terrorist threat, in many Europeans' minds, are often counterproductive and almost always insufficient.

European leaders believe that, in this sort of struggle, the rhetoric of good versus evil does not capture the essence of a conflict that contains only different shades of gray, in which everyone believes in the correctness of their motives. It fears that the moral absoluteness of U.S. strategies to defeat international terrorism will make it harder to disaggregate terrorist enemies from insurgents and nationalists.

Whereas the war against Al Qaeda and the Taliban in Afghanistan reflected a shared sense of the new threat, the falling out between many European governments (and many more politicians and political parties) and the United States over Iraq reflected these transatlantic differences over near-term strategic approaches. The failure to find weapons of mass destruction there and the coalition forces' inability to foresee or defeat the violent insurgency that emerged has created a sense of strategic separation between U.S. and European leaders over their common challenge of confronting international terrorism.

In fact, Europeans now feel less safe than they did prior to the Iraq war and blame U.S. belligerence for stirring up Islamic radicalism and motivating new recruits to the terrorist cause.[1] For their part, U.S. leaders resent the unwillingness of key European governments to contribute materially to what is the front-line of military action against some of the most hardened international terrorists. They are also frustrated by the grudging political and financial support of those same European governments to a struggle in Iraq that, if successful in terms of implanting a sustainable democratic government, could spark structural political change in the Middle East and undermine the legitimacy of radical Islamist groups.

The operative question is whether these differences in overall strategic approach and the specific dispute over the decision to go to war in Iraq have fatally compromised prospects for transatlantic cooperation in the fight against international terrorism. Fortunately, that has not been the case. Transatlantic cooperation against the new terrorist threats is not only working but in many areas is working well. Much remains to be done, but there is no doubt that both sides of the Atlantic have made a constructive start.

BRINGING TOGETHER U.S. AND EUROPEAN CAPABILITIES

Confronting the threat of international terrorism requires the simultaneous execution of strategies at multiple levels—domestic, bilateral, multilateral, and international. The United States, the European Union, and its member states have all engaged or launched strategies at each of these levels over the past three years, with varying degrees of success.

At the domestic level, the United States has undertaken the ambitious structural step of combining the majority of its agencies engaged in domestic security into a new Department of Homeland Security and launching a reorganization of its intelligence agencies around a new Director for National Intelligence. It has also passed the Patriot Act to better enable U.S. law enforcement and intelligence agencies to coordinate their operations against suspected terrorists.

For their part, the members of the EU have set in motion a number of efforts to coordinate and integrate better their separate counterterrorism capabilities. These include creating a new EU head of counterterrorism, agreeing upon a single EU Arrest Warrant, creating a common prosecutorial office ("Eurojust"), attempting to align criminal law for terrorism across all EU-25 member states, and approving shortly after the Madrid attack a "Declaration on Solidarity Against Terrorism" that calls upon each EU member state "to mobilize all of the instruments at their disposal, including military resources" to prevent a terrorist threat against another and to protect and assist it in the event of such an attack.

The United States and EU countries have scored a number of successes, often working in cooperation to share information and intelligence, and have uncovered individuals or groups with linkages to international terrorist organizations. This has led to a number of arrests in Germany, France, Italy, Spain, and the United Kingdom.

At the bilateral level, the United States and the EU took the significant step of signing in June 2003 a U.S.-EU Extradition and Mutual Legal Assistance Agreement in order to expand transatlantic law enforcement and judicial cooperation. U.S. and EU officials have also been active in the area of border protection, establishing a Policy Dialogue on Border and Transport Security (PDBTS), coming to agreement both on the

sharing of Passenger Name Records and opening 20 European ports to U.S customs officers as part of the U.S. Container Security Initiative.

At a multilateral level, the United States and EU countries have partnered closely over the past few years to strengthen international norms and structures for the fight against international terrorism. This has included joint initiatives between the U.S. government and its European allies to pass Resolution 1373 at the UN to combat terrorism and to create the UN Counter-Terrorism Committee; an expansion of the Paris based Financial Action Task Force to launch a regional Middle East-North Africa terror financing watchdog; and close U.S.-EU collaboration in the International Civil Aviation Authority and the International Maritime Organization, including establishment of the International Ship and Port Facility Code that went into effect in July 2004. Through the G-8, the United States and European G-8 members have helped set up the G-8 Counterterrorism Action Group and spearheaded efforts through the G-8 process to create guidelines to improve travel document security (including biometrics) and to set other standards and practices that can later be exported to other nations.

The United States and EU nations have also used the G-8 to launch a major effort, entitled "Global Partnership Against the Spread of Weapons of Mass Destruction" to try to control the unauthorized transfer of nuclear materials, especially from the countries of the former Soviet Union (for further information see the chapter in this report, "Controlling WMD proliferation: strengthening the Global Partnership"). The U.S. focus on reducing Russian stockpiles of strategic nuclear weapons and other WMDs is now slowly being complemented by European funds and initiatives to control nuclear materials at a more tactical level, including dismantling Russian nuclear powered submarines, disposing of fissile materials; helping safeguard nuclear installations, and employing former scientists.

The United States, EU member states, and the EU itself have been equally active at the international level in their fight against international terrorism. The United States has led efforts to take the battle directly to the terrorists and their state protectors or enablers, principally through its military operations in Afghanistan and Iraq and through special forces operations elsewhere in the world. EU states have been active participants in the Afghanistan operation, supporting the military phase at the outset and providing both peacekeeping and special operations forces to the post-conflict phase that persists to this day. European forces have led the UN military command in Kabul and are leading force providers to the Provincial Reconstruction Teams that are now trying to extend zones of stability beyond the capital.

In Iraq, despite the reservations of a number of European countries, the majority have provided political and material support to the immediate post-conflict phase of trying to bring security to the country. All EU member states and the EU itself have pledged financial resources to Iraqi reconstruction and have now agreed to forgive the bulk of Iraq's official debt. European members of NATO have committed to train new Iraqi security services as part of the current NATO Training Mission-Iraq with up to 300 troops, which will build up to the establishment of an Iraqi Training Education and Doctrine Centre, and the EU provided funding for the recent Iraqi elections.

Both the United States and European countries are starting to place an equal political emphasis on tackling some of the underlying drivers of the appeal of terrorist groups. As President Bush stated in his inaugural address in January 2005, "it is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture." The newly created U.S. Millennium Challenge Corporation, for example, will disburse U.S. aid to countries that explicitly commit to improve their legal and political governance infrastructure. The EU's new Neighborhood Policy rewards most actively those countries around the EU's periphery that commit themselves to programs of political and other reform and also agree, for example, to the nonproliferation of WMD. And, working cooperatively, the United States and Europe came to agreement in June 2003 at the U.S.-EU and NATO summits on a Broader Middle East and North

"At an operational and functional level, U.S.-EU interaction in combating global terrorism is excellent. Going forward, however, we can only succeed in defeating this complex threat if we also achieve a common outlook into the driving forces behind the rise of international terrorism." — Ana Palacio

Africa Initiative that serves as a strategic guide to supporting political and economic reform throughout its mandated area.

The framework of a comprehensive transatlantic approach to fighting international terrorism is in place. Notwithstanding their different strategic starting points, the actions that the United States and Europe have undertaken over the past three years, both individually and collectively, demonstrate the large range of capabilities that they can bring to bear in the fight against international terrorism. The challenge is to build on this nascent cooperation over the coming years.

RECOMMENDATIONS FOR JOINT ACTION

There are three broad areas where U.S. and European policymakers should apply their efforts in order to develop a more effective transatlantic approach to the long-term fight against international terrorist groups: (1) deepening practical areas of counterterrorism cooperation, (2) conducting joint contingency planning, and (3) tackling the underlying drivers of radicalization and terrorism.

1. Deepening Practical Areas of Counterterrorism Cooperation

It is important to note that the transatlantic gap in military capabilities and spending that has so often been cited as a structural impediment to transatlantic security cooperation need not be a central obstacle to transatlantic cooperation in the fight against international terrorism. Organizational coordination, political will, and bureaucratic flexibility will be as important as financial resources in this struggle, where the deliberately low-tech approach of the terrorists often bypasses the sophisticated defense systems we have put in place.

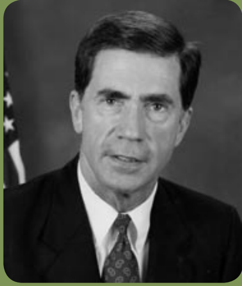
The potential for transatlantic cooperation will depend first and foremost on the continuing efforts by the United States and European countries to modernize and strengthen their domestic capabilities for information and intelligence sharing and homeland security. European countries face the added hurdle of needing to coordinate across the open borders of the EU as well as within their national borders. In this context, EU members need to follow through on their June 2004 action plan of 100 legislative and policy initiatives which are due to be in place by the end of 2005, amongst which are measures to streamline information sharing and facilitate cross border arrest warrants. There are a number of additional steps that need to be considered, such as creating an integrated threat analysis center within the European Council; moving forward with placing biometric identifiers in visas; having a centralized system for visa award information; and establishing a European Evidence Warrant to obtain and transfer information on suspects between states.

The ability of EU member states to better coordinate their counterterrorist operations would be enhanced by the passage of the EU Constitutional Treaty, especially to the extent that the treaty enables the EU to streamline decisionmaking for the operations of Eurojust and Europol and encourages an approximation of criminal law and cross-border recognition of judicial decisions.

By better coordinating their counterterrorism and justice and homeland affairs, EU countries individually and collectively can enter into a more effective partnership with the United States. While intelligence sharing on terrorist groups is probably best left to bilateral channels, there is enormous scope for better sharing of information and best practices between U.S. agencies and the European Union. And while there is probably no need to create formal new transatlantic institutional arrangements, governments need to provide the resources, incentives, and channels for regular, informal dialogues between officials covering the fields of home affairs, justice, law enforcement, intelligence, and emergency response. The goal of such dialogues need not be to find or share actionable intelligence, but rather to share information and knowledge about threats and terrorists. In addition, the dialogue needs to be extended to nongovernmental groups and individuals that are on the frontline of the fight against terrorism, such as scientists and business leaders.

The U.S. government and the EU should also make a special effort over the coming year to align standards and laws in those places where divergences could weaken efforts to strengthen homeland security and counterterrorism cooperation. For example, agreeing on common standards for radio frequency identification devices (RFIDs) and biometric scanners will be vital for internationalizing homeland security initiatives across the Atlantic. Perhaps more difficult, but no less important is the need to find ways to tackle the impediments that different national treatments of classified information in judicial cases are causing for the implementation of the recently signed U.S.-European Extradition and Mutual Legal Assistance Agreements. There is also scope for strengthening controls on the finances of terrorist groups, by giving courts greater ability to freeze assets on administrative order.

The search for transatlantic cooperation in the area of homeland security and counterterrorism cooperation can serve as a useful



"The existential threat posed by international terrorism presents the transatlantic community with an excellent opportunity for cooperation. Coordination between agencies and individuals at all levels will increase the safety and security of citizens on both sides of the Atlantic."
— Chuck Robb

catalyst for European efforts to achieve better intra-European coordination. The overarching goal of all of these efforts is to make the transatlantic space a less attractive one for terrorist operatives.

2. Joint Contingency Planning
One of the central functions of alliances is to plan for contingencies and think about threats in advance. The United States, European, and the EU governments must place a special emphasis on preparing coordinated responses to future terrorist attacks, both in terms of providing mutual assistance and having action plans ready for reconstituting economic and other links as quickly as possible after an attack, and in terms of knowing what sort of direct action could be taken jointly against potential perpetrators. This contingency planning should involve NATO, the EU, specific government agencies, and outside groups (research institutes and universities) with specialist knowledge or the ability to reach across constituencies.

Thinking through contingencies and preparing a range of potential responses in advance could serve a number of useful purposes—it can promote:

- An assessment of our common vulnerabilities;
- Calculations of shared interests;
- A willingness to take practical decisions rather than theorize;
- A preemptive alliance statement of potential responses, based upon concrete plans to counter specific contingencies;
- A sense that allied countries will not allow themselves to be divided by a catastrophic terrorist attack against one country—a factor that may, in itself, have a deterrent effect on potential terrorist attackers.

3. Tackling the Underlying Drivers of Terrorism and Radicalization
Perhaps the hardest, but most significant area for transatlantic cooperation in the fight against international terrorism over the coming years will be in implementing actionable plans to tackle the underlying drivers of radicalization and terrorist recruitment around the world. The priorities in this category of action are diverse, and each warrants and will receive from the Initiative its own separate analysis of potential transatlantic strategies.

- **Understanding the new terrorism.** If the United States and Europe are going to be successful in their fight against international terrorists, they must first develop a better understanding of what is driving the continued rise of radical Islam, its ideology and identity, and the overlapping and complex motivations of its adherents. Today, the ideological nature of the threat is one of its most dangerous aspects. "Bin Ladenism" provides a broad range of explanations to the grievances of disparate groups in the Islamic world, which means that it has the potential to spread far beyond its current group of adherents in the Middle East and Europe to radicalize Muslim minorities and recruit new converts in Southeast Asia, South and North America, and Africa. Americans and Europeans must share their views of the role of education, politics, poverty, demographics, radical Muslim NGOs, and the host of other elements which together combine to feed the process of radicalization.

- **The Israel-Palestine conflict.** The persistence of this conflict has served as a central source of radicalization for Arab youth not only in Israel and Palestine, but across the region. The United States, European governments, and the EU will each have to play an active role in promoting the negotiations and providing the guarantees necessary for a lasting peace now that the opportunity for resolving the conflict has reemerged following the death of Yasser Arafat.
- **Iraq.** Unless Iraq can enter onto a path of political stabilization, domestic security, and economic recovery, the country will grow as a haven for international terrorists determined to prove their prowess against the United States and its allies and as a base from which trained and battle-hardened terrorists can fan out to conduct attacks in other parts of the world. The United States and all European countries have a profound interest in ensuring that the terrorists and insurgents are defeated in Iraq. The United States is in for the "long haul." Those European countries not involved in the coalition cannot simply wait for security to materialize on the ground before committing people and resources to Iraq's stabilization. Training of security forces is vital, but so are other forms of support to which the EU and its member states are well-suited, such as the training of judges, police, and the broader infrastructure of government, and helping with the drafting of a credible new Iraqi constitution.
- **Broader Middle East and North Africa (BMENA) Initiative.** Transatlantic differences remain on the implementation,

geographic scope, and timing of this ambitious initiative. The challenge in the months and years ahead will be to develop a common transatlantic agenda accepted by all parties (including those in the region itself) as well as tailored strategies for each individual country included in the initiative. To be sure, continued commitment to resolving the Israeli-Palestine conflict and reconstruction efforts in Iraq are both prerequisites and core elements of the BMENA initiative. But the success of the initiative will also rely on the transatlantic partners' ability to deliver a consistent message and provide a coordinated set of incentives for reform for the region. This is an enormous and long-term undertaking, one that will require an unusually high level of transatlantic exchange, innovation, commitment, and flexibility in the years ahead.

- **Foreign Assistance Coordination.** In this context and taking into account the need for a better understanding of the sources of Islamic radicalization, the U.S. government, the EU, and European governments should use the coming months to determine how their respective foreign assistance and development programs are designed to promote improved levels of political governance, legal and institutional transparency, and economic performance in the BMENA countries. The explicit conditionality linked to both the Millennium Challenge Corporation's funds and the EU's Neighborhood Policy Action Plans should operate as mutually reinforcing initiatives wherever and whenever possible.

CONCLUSION

Moving from shared perceptions of a new external threat to common strategies and responses was never going to be easy. From September 11, though the war in Afghanistan, to the ongoing operation in Iraq, U.S. and European perceptions of strategic priorities diverged rather than converged—notwithstanding the increasing and good levels of transatlantic cooperation between officials involved in the operational levels of intelligence and homeland security.

Today, developing a multifaceted and coordinated transatlantic strategy toward the fight against international terrorism must be a priority for the U.S. administration and its European counterparts. We are, along with certain governments in the Middle East, the principal targets of the terrorists. They understand our vulnerabilities. They have the capacity to inflict enormous damage on our societies and are constantly searching for new ways to maximize the impact of their attacks. Our lack of coordination exacerbates our vulnerability. Making coordination, cooperation, and joint action a reality will not only diminish the level and potential impact of the threat that we face together. It is also the only way that we can embark with any chance of success on the "generational" struggle to discredit the lure of radical Islam and suicidal terrorism as a positive choice for young people around the world.

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1 See Pew Global Attitudes Poll: *A Year After Iraq War,* March 2004 and German Marshall Fund *Transatlantic Trends 2004*

CONTROLLING WMD PROLIFERATION: STRENGTHENING THE GLOBAL PARTNERSHIP

There is no more devastating threat to people and societies around the world than the potential use of a weapon of mass destruction (WMD) by a state or group. Ever since the use of chemical weapons in World War I and of atomic weapons to close World War II, states have sought to come to agreement on ways to limit the production, deployment, and use of such weapons. Today, while governments continue to try to limit the spread of WMD-capable nations, there is a new danger. Individuals and groups, taking advantage of the proliferation of communications and technology and animated by a desire to strike out for ideological rather than state-motivated reasons, seek to acquire and use WMD as an instrument of terror. Meeting this threat is one of the greatest challenges that the governments of the United States, Europe, and their allies will face over this decade. Success cannot be achieved independently; it will require new and unprecedented levels of cooperation—a true global partnership.

COMMON PERSPECTIVES

The United States and Europe already share a common perspective on the pressing threat to international security posed by the spread of weapons of mass destruction, especially to terrorist groups. The current security strategies of the United States and the European Union (EU) reflect this shared view. The 2002 U.S. National Security Strategy makes preventing the acquisition of weapons of mass destruction by rogue states and terrorist groups one of eight core principles of American national security strategy, declaring "the gravest danger to freedom lies at the crossroads of radicalism and technology." Similarly, the 2003 European Security Strategy highlights WMD proliferation as "potentially the greatest threat to our security."

Both the United States and the EU have also issued separate strategy documents for countering proliferation of WMD. The U.S. National Strategy to Combat Weapons of Mass Destruction, released in December 2002, presents a three pillar approach: counter-proliferation, nonproliferation, and WMD consequence management. The EU Strategy against the Proliferation of Weapons of Mass Destruction, released in 2003, emphasizes effective use of multilateral agreements, reinforcement of export controls, criminalization of proliferation activities, and enhancement of the physical protection of vulnerable sources. To implement the EU strategy, a Personal Representative for the non-proliferation of WMD was appointed by EU High Representative Javier Solana in October 2003.

Both sides also agree on the especially acute danger posed by terrorist groups acquiring a weapon of mass destruction. The security strategy documents echo one another: it is "the gravest danger" and the "most frightening scenario" according to the U.S. and European statements, respectively. In addition, the United States and European countries both recognize their shared risk as targets of terrorism, most visibly demonstrated by the attacks on September 11, 2001, in New York and Washington and on March 11, 2003, in Madrid. And the United States and EU members share the view that the terrorism threat is global in nature: as the European strategy statement says, "In an era of globalization, distant threats may be as much a concern as those that are near at hand."

Though there are several methods for states and terrorists to acquire the nuclear, radiological, biological, or chemical means for an attack, the United States and EU agree on the especially attractive nature of unsecured sources, such as those found in the former Soviet Union.

Dozens of reports over the past decade of nuclear material theft in Russia and the recent exposure of A.Q. Khan's black market trade in nuclear materials and related equipment have underscored this concern. The Statement of Findings from the recent International Atomic Energy Agency (IAEA) Global Threat Reduction Partners' Conference states simply: "Unsecured, high-risk nuclear and other radioactive materials pose a threat to the international community."

Finally, both sides of the Atlantic share the view that successfully preventing the proliferation of WMD will require close cooperation with allies. The U.S. National Security Strategy argues that an effective strategy to prevent WMD from reaching new states or terror groups "must take full advantage of strengthened alliances." The European Security Strategy includes similar logic, noting that "international cooperation is a necessity," since "no single country is able to tackle today's complex problems on its own" and the threat of WMD proliferation and terrorism are common threats.

STRATEGIES TO IDENTIFY AND SECURE OR DISPOSE OF VULNERABLE SOURCES OF WMD

Recognizing the serious proliferation and terrorism threat posed by vulnerable sources of nuclear, radiological, biological, and chemical materials, the United States and European nations are making it their goal to identify and secure or eliminate all vulnerable WMD sources, worldwide. U.S. and European policymakers are coming to the conclusion that they will need to work closely together to identify those stocks of material not adequately safeguarded, secure them, and dispose of them, if appropriate. In light of the potentially catastrophic consequences of even one use of WMD, this process must proceed urgently.

Their goal is guided by the principle that prevention is the only sensible option when dealing with WMD proliferation and terrorism. Stopping an attack once a terrorist group has acquired WMD by interdicting material in transit or disrupting an attempted use of the weapon is extremely difficult, as the CSIS-led scenario-based exercise *Black Dawn* has illustrated.[1] And there are no good options for managing the terrible consequences once a WMD attack occurs. Therefore, preventing acquisition must be the priority.

The scope of the task is daunting. The following statistics give a sense of the breadth of the challenge:

- More than 650 metric tons of weapons-usable fissile material exists in the former Soviet Union, located at dozens of civilian and military facilities. The vast majority is stored in Russia, where less than half the material has received security upgrades of any kind.
- More than 130 research reactors in over 40 countries around the world use highly enriched uranium, the most attractive source of nuclear material for potential terrorists. Fifty of these sites are in or near Europe.
- Annually, about 12,000 industrial radiography sources are supplied to industry globally, and more than 10,000 medical radiotherapy units are in use. These sources contain potentially lethal quantities of radioactive material.
- Over 40 institutes in Russia were formerly part of the Soviet biological weapons complex, and many still house insecure dangerous pathogen collections and employ thousands of underpaid scientists.
- Over 40,000 tons of chemical agents are stored in Russia and awaiting destruction, including some 4 million portable munitions.

Adding to the complexity, many of these materials are located in militarily or commercially sensitive sites, which makes joint work difficult or even impossible. For example, attempts to identify and secure Russia's Cold War-era biological weapons stocks have been held up by Russian reluctance to disclose data and allow access to sensitive military sites. Moreover, nuclear, radiological, biological, and chemical sources can take many forms, ranging from spent nuclear fuel aboard decommissioned nuclear submarines to anthrax strains stored in biological institutes. The table on the following page provides a notional list of materials and measures needed to identify and secure or destroy them.

"The effective implementation of the G8 Global Partnership Against the Spread of Weapons of Mass Destruction constitutes one of the central challenges to improving the security not only of America and Europe, but also the rest of the world. Political leaders on both sides of the Atlantic need to explain to their governments and their publics the seminal importance of this task, while also following through on their own nations' financial pledges." — Sam Nunn

The U.S. attempt to address these threats began in 1992 with the creation of the Cooperative Threat Reduction (CTR) program. The CTR program, also referred to as "Nunn-Lugar" after the co-sponsors of the original legislation, began as a Department of Defense-led program to assist the former Soviet Union (FSU) consolidate and destroy nuclear warheads and delivery systems. Over time, U.S. threat reduction activities have expanded to two other departments (Department of Energy, Department of State) and to areas of cooperation as diverse as chemical weapons destruction, nuclear material accounting and security, and redirection of former weapon scientists. The programs have averaged approximately $1 billion annually since 1999 and contributed over $9 billion in 12 years.

A number of European countries have also instituted programs to secure vulnerable WMD sources in the FSU, some beginning as early as the early 1990s.[2] The UK, France, and Germany have all given aid to former Soviet states for various projects, including nuclear warhead security and chemical weapons destruction projects. However, the overall scale of aid from Europe has historically been much more modest and the performance from country to country uneven. In addition, the European Union did not have the institutional authority until recently to act as an independent actor in many of the project areas.

Given the breadth and complexity of the challenge, an effective transatlantic strategy for addressing vulnerable WMD sources needs to include a sensible division of labor, an equitable sharing of burdens, and specialization by the United States, EU, or European countries in appropriate project areas. Only by closely coordinating project activities, dividing labor based on expertise and interests, and equitably sharing the burden of securing such a large quantity of nuclear, radiological, biological, and chemical materials can the United States and Europe minimize the risk of WMD proliferation and WMD terrorism.

Fortunately, the United States and Europe already have a vehicle for such an integrated approach. At the 2002 G-8 Summit in Kananaskis, Canada, the G-8 leaders announced the creation of a Global Partnership Against the Spread of Weapons and Materials of Mass Destruction (hereafter referred to as the Global Partnership). The partnership entails an agreement by the G-8 to raise $20 billion over 10 years to secure and/or destroy vulnerable WMD sources, starting in Russia: The funds will include $10 billion from the United States and $10 billion from Japan, Russia, and the European G-8 members. Current contributions, excluding Russia's own spending, total a little over $17 billion.

HIGHLY ENRICHED URANIUM	**Civil:** identify U.S., European, and worldwide stocks of civilian HEU in cooperation with IAEA; secure, remove, and/or dispose of all HEU, including conversion of research reactors to LEU fuel **Military:** secure HEU stocks and dispose of excess HEU worldwide
PLUTONIUM	**Civil:** identify U.S., European, and worldwide stocks of civilian plutonium (Pu) in cooperation with IAEA **Military:** secure Pu stocks worldwide; assist with Plutonium Disposition Program and Pu Production Reactor Shutdown Program, e.g. aid for development of commercially viable fuels, construction of fuel fabrication facility
NUCLEAR SUBMARINES	Fund dismantlement of decommissioned general purpose and attack submarines; fund related activities (e.g. equipment for dismantlement, storage facilities, rehabilitation of naval bases)
RADIOLOGICAL SOURCES	Identify U.S., European, and worldwide civilian radiological sources in cooperation with the IAEA; secure, remove, and/or dispose of vulnerable radiological sources worldwide; strengthen regulatory control of radiological sources
BIOWEAPONS	Account for, secure, and/or destroy stocks of biological munitions and biological strains, especially in the former Soviet Union
CHEMICAL WEAPONS	Provide aid for equipment, construction of destruction facilities and related infrastructure; secure stocks of chemical munitions and chemical agents awaiting destruction
NUCLEAR SAFETY	Fund physical safety upgrades, shutdown of unsafe nuclear reactors, training in safe operation
FORMER SCIENTISTS/ ENGINEERS	Fund programs to redirect former Soviet nuclear/biological/chemical scientists and related personnel; employ these programs in new countries such as Iraq, Libya
EXPORT CONTROLS, BORDER SECURITY	Improve U.S., European export controls and border security; bolster U.S.-European cooperation between law enforcement officials on interdiction Give aid to relevant countries for improved export controls, border security equipment and training of customs officials

The Global Partnership provides an effective forum to implement much of the strategy outlined above. Since 2002, the Global Partnership has become a truly transatlantic endeavor: membership has expanded beyond the original G-8 members to include a total of fifteen European donors including the European Union. In 2004, it also expanded its official recipient pool beyond Russia to include Ukraine and is considering further expansion in 2005. In addition, the G-8 has established a Global Partnership Working Group that meets regularly to coordinate current and potential future project activities. The Global Partnership has become the leading edge of U.S.-European efforts to prevent WMD proliferation at the source.

As currently structured, however, the Global Partnership does have limitations. For example, its official recipients are currently confined to two countries—Russia and Ukraine—and will most likely remain confined to the former Soviet Union in the near term.[3] In addition, most experts believe the Global Partnership's $20 billion pledge will not be sufficient even to complete the job in the FSU. Expanding the program to a worldwide threat reduction agenda will require significant additional pledges.

Nevertheless, the formation of the Global Partnership has laid the foundation for a comprehensive approach to the problem. With some modifications to expand and deepen its activities, it could become the vehicle of choice for U.S. and European efforts to prevent the spread of WMD materials and a vital area of cooperative transatlantic action in the face of a very real common threat.

DIFFERENT TOOLS, CAPABILITIES, AND CONSTRAINTS IN THE UNITED STATES AND EUROPE

A key component of an effective future transatlantic strategy will be an appropriate division of labor based on country expertise and constraints. The United States, European countries, and the EU each bring unique capabilities and limitations to the table.

European capabilities and constraints

- European governments have unique political relationships on which they can draw for threat reduction projects. For example, former British, French, and other colonies often share language, political, and diplomatic linkages with European participants in the Global Partnership. These relationships will be especially useful as threat reduction activities expand beyond the former Soviet Union.
- European governments and industries have expertise and experience in commercial fields that can be useful in threat reduction projects. For instance, France's experience in nuclear regulation, reprocessing, and its robust nuclear industry allow it to play a unique role in a number of project areas, especially disposition of excess military plutonium in Russia. Others in Europe have their own expertise in the nuclear, biological, and chemical industries. The European Union has notable expertise in nuclear safety and regulation as well.
- European governments share physical proximity to some of the most vulnerable sources of WMD material. As the EU expands east, it adds members who themselves house vulnerable material or who share borders with countries that do. Even Western European countries face a more acute threat than the United States given that transporting materials across borders in Europe is logistically easier than transporting them across the Atlantic. Many vulnerable sources exist within or near Europe itself, including 50 HEU-fueled research reactors.
- As part of European efforts to integrate and upgrade their combined military capabilities, some governments have developed expertise in fields related to WMD response. The Czech Republic, for instance, has taken a leadership role in developing the NATO Multinational CBRN [Chemical, Biological, Radiological and Nuclear] Defence Battalion. European countries' expertise in this and other contexts may also be useful in threat reduction projects.
- The EU's increasing capability to generate common foreign policies will provide the basis for expanded activity in many areas of the threat reduction agenda. In previous years, EU contributions to the

"The uncovering of the A.Q. Khan network demonstrated the very real threat of proliferation posed by current nuclear know-how. The United States and Europe need to exert all available influence on countries with nuclear weapons technologies to ensure that they do not fall into the hands of terrorist networks." — Carl Bildt

threat reduction agenda have been confined largely to nuclear safety and scientist redirection. As the Common Foreign and Security Policy (CFSP) matures and is provided more robust budgetary support, the EU may expand into new areas of cooperation to address vulnerable WMD sources. On the other hand, EU threat reduction programs may continue to be hampered by a cumbersome foreign policymaking bureaucracy.

- The EU can also provide a natural coordination function within Europe for threat reduction projects. In the past, the EU has supported information-sharing among members. It has also supported member-states' national threat reduction efforts by providing supplemental funding; providing assistance to Germany, for example, for the chemical weapons destruction facility at Gorny, Russia.

European governments also face unique constraints. Most important, European foreign assistance programs will face increasing pressure as EU government budgets try to cope with the medical, retirement, and other welfare costs of aging populations. Another constraint on European threat reduction is legal frameworks. Because of the sensitivity and danger in working on WMD projects, donors must work out bilateral or multilateral legal agreements with recipient countries before beginning implementation. European countries' legal frameworks, however, are patchy at best. Some countries, such as the UK and Germany, have relatively comprehensive agreements with Russia and other FSU countries. Others, such as France, Italy, and many of the smaller donors, do not yet possess the legal instruments necessary for work in most project areas. Negotiating these frameworks can be time consuming, sometimes taking over a year or more.

U.S. capabilities and constraints

- The United States has unmatched experience in almost every project area and a large pool of experts and bureaucrats to draw upon.
- U.S. government employees and contractors also have unparalleled access to and technology for working at sensitive sites like those in the nuclear materials protection, control and accounting program for Russia. Because trust and familiarity are essential in receiving approval for access to more sensitive facilities, the United States, with its long-standing CTR programs, will continue to be the best country to work at the most sensitive sites.
- The United States has the concentrated financial resources to fund the largest threat reduction programs. Examples of U.S.-funded, large-scale projects include the Shchuch'ye Chemical Weapons Destruction Facility (with the help of other international donors) and the Mayak Fissile Material Storage Facility. Though it faces budget pressures of its own, the United States currently contributes $1 billion annually to the threat reduction agenda and could contribute more if this were to become a major policy priority.
- The United States has the most comprehensive legal foundation for cooperation with Russia and the FSU in the world. Its Cooperative Threat Reduction "Umbrella Agreement," along with other subsequent agreements for other project areas, allows the United States to engage many of the project areas in Russia without freshly negotiating legal agreements.

The United States is constrained by several factors that some or all European donors do not share. One constraint concerns the sets of Congressional certification requirements that are imposed on CTR funds and chemical weapons destruction projects. Though presidents usually gain authorization to waive these requirements, inability to certify Russia's compliance with these funding requirements has interrupted projects in the past. U.S. threat reduction efforts are also plagued by problems with internal coordination—the large sums of money and number of projects makes communication between the three participating departments difficult. Lastly, the standards preferred by the U.S. government for access to sites for verification and oversight are very strict. These have caused problems in the past as Russia has hesitated at the depth of access demanded by U.S. auditors for verification.

U.S. programs also face some specific political constraints. The current disagreement between Russia and the United States over the liability protections for U.S. contractors working on all threat reduction projects, for example, will have reverberations even after it is resolved and contributes to Russia's hesitation to cooperate in some new programs. At a more strategic level, government and public resentment in recipient countries such as Russia over broader foreign policy questions—whether over NATO enlargement or the war in Iraq—can hinder the political environment for effective cooperation.

RECOMMENDATIONS FOR JOINT ACTION AND AN EFFECTIVE DIVISION OF LABOR

A clear commitment by the U.S. administration, EU governments, and the European Union as a whole to comprehensively and urgently address the threat of vulnerable nuclear, radiological, biological, and chemical materials will be a central component of a joint effort to minimize the paramount threats to international security—WMD proliferation and

WMD terrorism. As the EU Strategy Against Proliferation of Weapons of Mass Destruction concluded, a cooperative approach with the United States and Russia "is essential in order to effectively implement the WMD non-proliferation regime, and constitute[s] an important ground for reinforcing transatlantic relations."

The following are recommendations for practical next steps that the United States and Europe should take to foster an effective transatlantic partnership that will address the threat of vulnerable WMD sources.

1. **Institutional Priorities**

- Europe should move threat reduction higher on the CFSP agenda, dedicating more political and financial resources. Individual European countries should move aggressively to establish the bilateral legal frameworks necessary for Global Partnership projects or use alternative means to turn funds into progress on the ground. Finally, national European parliaments should fully support threat reduction projects and allocate sufficient funds for an ambitious European role.
- The United States must engage Europe as a full partner in global threat reduction. The United States often designs projects and programs and considers a role for its European counterparts only after implementation has begun. This is partly due to difficulties in U.S. interagency coordination. However, consideration of Europe's role earlier in the project planning process is essential to foster collaboration and maintain European enthusiasm. The Global Threat Reduction Initiative, announced in May 2004 by the Department of Energy, is a case in point. Despite being announced over six months ago and consisting of programs several years old, the DOE has still not given serious consideration to what role Europe can play.
- The G-8 should strengthen the Global Partnership Against the Spread of Weapons and Materials of Mass Destruction. Specifically, the United States and Europe should advance the partnership by broadly expanding its recipient base, improving reporting and coordination within the Working Group, reaching the $20 billion goal, and agreeing to consider the $20 billion figure a floor, not a ceiling.

2. **The Global Dimension**

- The United States and Europe should work together to comprehensively identify all vulnerable nuclear and radiological sources worldwide, especially nuclear and radiological materials exported as part of commercial and/or "Atoms for Peace"-type arrangements. This process should include U.S. and European sources where accounting has been done, but is not consolidated or comprehensive. The goal should be creation of a single list, prioritized by vulnerability, of all materials which could potentially be used in a nuclear or radiological terrorist attack.
- Europe should join the United States in securing and minimizing highly enriched uranium (HEU) worldwide. The U.S. Global Threat Reduction Initiative attempts to identify, secure, remove, and minimize the use of HEU. Europe should aggressively seek, and the United States should welcome, a role in this important effort. Europe can contribute in several possible ways: by facilitating HEU removal or security from countries with which European countries have unique political relations; by providing financial or other incentives for countries to agree to removal and conversion to less dangerous fuel; by providing assistance for security upgrades for reactors awaiting removal or shutdown; and, by offering aid for employing marginalized employees in exchange for agreement to shut down or convert reactors that use HEU.
- The United States, the EU, and its member states should conduct a coordinated diplomatic effort to urge states with significant military stockpiles of weapons-useable nuclear materials, such as India and Pakistan, to safely secure their stocks.
- The United States and Europe should work together worldwide to assist countries in securing and/or removing vulnerable radiological material. This should include a division of labor that pairs countries housing vulnerable materials with a donor or donors who share political linkages, whenever possible.

3. **Next Steps in Europe, Russia, and the former Soviet Union**

- European countries that still possess small amounts of U.S.-origin HEU and use HEU-fueled research reactors should agree to send back the fuel and, ideally, shut down or convert HEU-fueled reactors. The first step will help the United States complete its

program to repatriate U.S.-origin HEU fuel. Shutting down or converting HEU-fueled reactors to more proliferation-resistant fuel will also help address the concern of some lower-income countries that advanced industrial nations are hypocritical in asking them to forgo advanced nuclear technology.

- The United States and European governments should share "lessons learned" in submarine dismantlement to minimize the proliferation risk of spent nuclear fuel. The United States, which has spent considerable funds dismantling Russian decommissioned nuclear attack submarines, has great experience transporting, storing, and disposing spent nuclear fuel in a proliferation-resistant way. European donors should apply these lessons learned in their efforts to dismantle general-purpose nuclear subs.
- Europe should take the lead in identifying orphaned sources of chemical weapons in and around Europe, like those discovered in Albania in 2004. European leaders can use their relationships with newly admitted and candidate EU members to identify any hidden or forgotten stocks of chemical munitions.
- The United States and Europe should recognize the likely necessity for additional facilities to destroy chemical weapons in Russia and closely collaborate on strategies for aiding their construction quickly and effectively. Germany, the UK, and the United States have experience leading international, multi-donor efforts in this field and should, along with other European partners, designate leaders and make concrete plans for aiding construction of the additional facilities.
- The United States and Europe should continue to build trust with Russia in the sphere of bio-security. The United States and France, for example, which have recently initiated projects for security upgrades at biological institutes in Russia, should work persistently, but sensitively to cultivate trust with the goal to open up other institutes for future work. In addition, the United States and European governments need to recognize that continued Russian reservations about this course are fed by U.S. and European resistance to increasing transparency and openness to Russia at their own military and civilian biological institutes. A transatlantic commitment to openness and transparency may be the only way to finally convince Russia to open its institutes and military facilities for security upgrades.
- European countries should tap into their considerable biotechnology industries and foster private partnerships with institutes in the former Soviet Union. Either bilaterally, or perhaps through an EU organ like the new Agency for the Prevention of Contagious Disease, Europe should establish frameworks for and encourage development of partnerships between private biotech companies and biological institutes now operating in Russia and other former Soviet states.
- The U.S. and European governments should dedicate resources to improving their tools for surveillance of WMD trafficking and border security. Europe, especially in light of its expansion eastward, must improve its capacity to prevent or detect trafficking in WMD-related materials.

CONCLUSION

It is clear that the United States, the EU, and European governments already have a comprehensive range of programs under way to control the proliferation of WMD sources. The challenge over the next two years is to ensure that both sets of governments leverage their resources to the maximum by focusing on the areas that we have identified and by developing a more effective division of labor between their respective operational and political areas of comparative advantage.

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1 *Black Dawn*, a scenario-based exercise on catastrophic terrorism, was held in Brussels, Belgium, on May 3, 2004. The exercise gathered approximately 55 current and former senior officials and experts from the European Council, the European Commission, NATO, member states, and international organizations to analyze the challenge of preventing terrorist use of weapons of mass destruction.
2 For example, the United States, the United Kingdom, and France all provided nuclear warhead security, transportation, accounting, and dismantlement assistance in the aftermath of the Soviet Union's dissolution, owing to their unique experience as nuclear weapons states. In subsequent years, however, U.S. aid to former Soviet states far outpaced the UK and French.
3 On the other hand, Global Partnership donors agreed at the 2004 G-8 Sea Island Summit to coordinate activities in Iraq and Libya, signaling a willingness to coordinate projects in areas that do not officially qualify as part of the Global Partnership.

THE UNITED STATES AND THE EU IN THE GLOBAL ECONOMY: LONG-TERM CHALLENGES AND NEAR-TERM STEPS

How can governments on both sides of the Atlantic maximize the opportunities and mitigate the risks of the profound ongoing structural changes in the global economy? While the U.S. government and its counterparts in European capitals and in Brussels are constantly assessing how national (and in the EU's case, EU-wide) macro- and micro-economic policies might improve their long-term competitiveness, they have paid insufficient attention to the benefits that deeper transatlantic regulatory cooperation, convergence, and integration might offer. The start of the new Bush administration and the arrival of a new European Commission committed to improving the EU's economic competitiveness together offer an important opportunity for near-term action.

DIFFERENT PERSPECTIVES ON A COMMON CHALLENGE

Over the past few years, the world economy has entered a period of significant structural change. At its heart are two driving, interrelated forces. The first is the rise of China and India, after many false dawns, as emerging pillars of the world economy—both in terms of their growing role as bases for global manufacturing and the provision of services, and in terms of their potential as major consumers of these products and services. The second is the deepening effects of the information, communications, and technology revolution that started in the mid-1990s, but is only now revolutionizing the ways that companies—large and small—operate in the global economy.

U.S. and European policymakers, however, appear to take for granted the significant levels of integration between the U.S. and European economies. The transatlantic relationship is the dominant relationship in the world economy, accounting alone for 41 percent of world GDP, 27.2 percent of world exports, 31.7 percent of world imports, and 58 percent of world foreign direct investment (FDI) inward stock and 77 percent of world FDI outward stock. Transatlantic trade stood at $550 billion in 2003, with the United States absorbing roughly a quarter of total EU exports, while the United States sends a third of its exports to European markets.

However, it is not the transatlantic trade in goods and services that is the defining feature of this relationship, but rather the levels of transatlantic investment. The $2 trillion that European and U.S. companies now derive each year from their U.S. and European subsidiaries dwarfs two-way trade. Currently, nearly 60 percent of American foreign corporate assets are located in Europe, while European companies provide nearly 75 percent of all foreign investment in the United States. For comparison, U.S. affiliate sales in Sweden in 2003 were equivalent to all U.S. affiliate sales in China. Together these affiliates directly provide some 13 million jobs to their employees.[1]

Importantly, these tend to be well-paid and value-adding jobs in sectors such as the aerospace, automobile, pharmaceutical, and nanotechnology industries. For example, the German company Infineon and the American company IBM have partnered together in a company called Altis Semiconductor and invested some $222 (€170) million in a research center in Corbeil Essonnes (Essonne, France) that will do R&D into the creation of a new generation of semiconductors called high-performance SOC (System on Chip) devices.[2] Rather than "outsourcing" well-paid jobs to markets with lower wage levels and

"Building a more open transatlantic market will carry very substantial benefits not only for the U.S. and European economies. Just as important, third countries that do business with us will also benefit from the increased dynamism and transparency that will accompany coordination and convergence of our regulatory approaches." — Carla Hills

reimporting the products, transatlantic investment tends to be part of corporate growth strategies designed to take advantage of skilled labor, acquisition of strong brands, networks, and research expertise and intellectual property, and access to affluent consumers.

These figures beg two important questions: how will the two structural changes described above affect the strength and competitiveness of the U.S. and European economies and how will they affect the close bonds that the two economies have developed through the latter half of the twentieth century? At this stage, the answers to these questions are hard to quantify. On the one hand, there is strong anecdotal evidence that companies are indeed targeting increasing proportions of their foreign direct investments into China, India, and other emerging markets not only to secure local market access, but also to use them as a base for research and development and to reexport products back into their home markets. Some say this will lead to a hollowing-out of the important white-collar jobs in the United States and Europe that have escaped the previous ratcheting up of international competitive pressures as national economies have opened themselves to the global flow of goods, services, and capital. Others argue this simply represents another phase in the ongoing process of globalization, which will lower prices for consumers while opening up new opportunities for value-added employment in the mature U.S. and European economies, in knowledge-intensive areas of the manufacturing, IT, and service industries.[3]

Either way, the fear of the so-called process of "outsourcing" is real. The United States Bureau of Labor Statistics, has stated that the number of outsourced jobs increased from 6.5 million in 1983 to 10 million in 2000, and this next phase of economic globalization exposes some of the different and as well as common structural weaknesses that afflict the United States and Europe at this time.

In the case of the United States, there are two principal concerns. The first is the steadily growing costs of providing retirement benefits to the baby-boom generation at the same time that health care costs for a growing aging population are rising across the board. The second major concern are the declining relative levels of educational proficiency among America's K-12 students. If left untreated, each of these concerns could affect the overall performance of the U.S. economy, as consumers and companies struggle with their welfare costs and as companies find that knowledge-driven jobs can be performed equally effectively outside the United States at a lower cost of labor.

The countries of the EU face an even more daunting roster of challenges. First, productivity per worker lags some 25 percent behind the United States, due principally to the number of hours worked per head (productivity per hour is, on average, about equal on each side of the Atlantic) and to the large number of unemployed throughout Europe, averaging more than 9 percent to America's average of a little more than 5 percent. The level of unemployment in Europe reflects, in part, the persistence of rigid labor laws that protect the employed, but act as a brake on hiring. It also reflects the heavy nonlabor costs to companies and employees of having to pay for Europe's still lavish social welfare systems.

The other principal obstacle to improved European competitiveness is the persistence of national laws preventing the full integration and attendant economies of scale of an EU integrated market in areas such as financial services and energy or of coherent EU-wide policies on takeovers or patent registration. Then, there is the slow uptake of information and communication technologies by European companies and governments, especially relative to the United States. Finally, and perhaps most important, countries across "new" and "old" Europe are approaching the bow-wave of a dramatic aging of their societies, for which their welfare societies are not prepared. The age of the median German today is 40, but, by 2050, will be 47; in France, the rise will go from 38 to 45; in Poland 35 to 49; in Hungary 38 to 50. In contrast, the typical American is 35 today, and by 2050, this average will have risen to only 40.[4] GDP growth in Europe, stuck between 1 percent and 2 percent over the past couple of years, cannot rely on population growth in the coming years. It will need to be earned through improved productivity and wealth-generation at home and exports abroad.

This list of challenges does not mean that the United States and Europe are inevitably doomed to lose their dominant positions in the world economy any time soon. It does mean that they will have to work hard today to sustain their positions in the longer-term. While there is a vague awareness that this is a shared challenge, governments do not appear to think of it as something that would benefit, in part, from a coordinated transatlantic response. Instead, and in spite of the enormous positive elements of the transatlantic economic relationship, there is far more political focus on issues that divide the United States and Europe economically—from GMOs, to beef hormones and aircraft subsidies—rather than on the size of the functioning transatlantic market and the significant benefits that further expanding the relationship from its already strong base could bring to the U.S. and European economies.

"In order to ensure the ongoing success of the WTO and the revitalization of the Doha Round, it is essential that the European Union and United States show a common political commitment, even if they cannot agree on every issue of substance. They should continue to seek to minimize the impact of bilateral trade disputes which could damage the multilateral negotiating environment. At the technical level, they should pursue initiatives aimed at removing those remaining barriers that encumber transatlantic trade." — Peter Sutherland

A SEARCH FOR COMMON STRATEGIES

U.S. and European policymakers are investing considerable effort into national strategies to address the persistent challenge of sustaining global economic competitiveness. President Bush's proposed social security reforms and educational initiatives, Chancellor Schroeder's "Hartz" labor reforms, President Chirac's pension reform proposals, and the EU's "Lisbon Agenda" are all driven by the need to improve the competitive position of their national economies over time.

At the multilateral level, the U.S. and EU governments are committed to a successful conclusion of the current WTO Doha "Development" Round for the same reasons as in earlier rounds—reducing tariff barriers to trade across a broad range of sectors provides absolute gains to national economies and to the world economy as a whole.

The United States and the EU have also engaged actively in the last decade on bilateral trade agreements, with the United States signing the North American Free Trade Area (NAFTA), completing in the most recent Bush administration, Free Trade Agreements with Chile, Australia, Bahrain, and Morocco, and advancing talks towards an Andean Free Trade Area, encompassing Bolivia, Colombia, Ecuador, and Peru. Similarly, the EU has heavily engaged with Latin American countries on trade issues, signing a Free Trade Agreement with Mexico in 2000, and advancing its negotiations with Mercosur.

Efforts to deepen further the transatlantic economic relationship as a spur to improving the competitiveness of the U.S. and European economies, however, have proved difficult over recent years. Partly, the transatlantic economy is a victim of its own success. Tariff levels on transatlantic trade are already low: around 3-4 percent on average. Those tariffs that remain, especially on agricultural products, are the hardest to tackle, a fact which made talk of creating a Transatlantic Free Trade Area (TAFTA) in the mid-1990s particularly difficult to pursue. But, as the EU discovered in the mid-1980s, 15 years after creating its customs union, removing tariff barriers does not create an open market. Nontariff barriers—primarily in the form of national standards and regulations—can serve as far more durable, opaque, and difficult barriers to trade and investment than straight-forward tariffs or quotas.

Policymakers on both sides of the Atlantic are aware of the pent up economic dynamism that could be released if the transatlantic economy were to open up further in the future, especially by taking on the question of overcoming nontariff barriers not just to trade, but, just as importantly, on investment. In 1995, the United States and the EU signed the New Transatlantic Agenda (NTA) that laid out four major goals as a broad framework for conjoined action: Promoting peace and stability, democracy and development around the world; Responding to global challenges; Contributing to the expansion of world trade and closer economic relations; and Building bridges across the Atlantic. As part of the Building bridges across the Atlantic initiative, the TransAtlantic Business Dialogue (TABD) was formed, as a CEO-led group mandated to report back to the U.S. Department of Commerce and to the European Commission on an annual basis with recommendations for bringing the two economies closer together.

In 1998, under the British presidency of the EU, the two sides decided to give a further impetus to closer transatlantic economic ties and agreed to establish a Transatlantic Economic Partnership (TEP), which committed governments to a detailed agenda of issues that identified areas for common action both bilaterally and multilaterally, with a timetable for achieving specific results.

And, most recently, at the last U.S.-EU summit in Ireland in June 2004, both sides issued an Economic Declaration which asked the Senior Level Group to "assess on each side of the Atlantic our bilateral economic

relationship and to explore means to eliminate trade, regulatory and investment impediments to further economic integration." The group is due to report to the next U.S.-EU summit in 2005 with concrete plans to help "develop a forward-looking strategy to enhance our economic partnership and eliminate barriers" to building a seamless and integrated transatlantic economic relationship.

But these initiatives over the past 10 years have made only modest progress. Governments have negotiated some limited Mutual Recognition Agreements, establishing industry wide consensus on standards between EU and U.S. companies in certain sectors (for example, medical devices, recreational craft, and pharmaceuticals manufacturing); helped bridge EU and U.S. data privacy protection, and spurred tariff reductions on a range of technology products through the Information Technology Agreement. But the level and quantity of the breakthroughs have fallen far short of hopes and expectations when this process was first launched in 1995.

A key question is whether the structural changes now under way in the world economy will provide the political impetus for governments on both sides of the Atlantic to find genuine ways to enable a further deepening of the levels of transatlantic economic interaction. A more open transatlantic economy could serve as a magnet for innovation, a generator of value-adding jobs, and a driver of more rapid economic growth. And the increased openness and transparency of such a transatlantic market would improve levels of market access for third countries while serving as a beacon for positive regulatory reform in other markets around the world.

Before turning to how this administration and its European counterparts could seize the moment, it is worth recapping briefly the structural limitations facing the United States, EU countries, and the European Union in this policy area.

STRUCTURAL LIMITATIONS TO BUILDING AN OPEN TRANSATLANTIC MARKET

Nontariff barriers are among the hardest to tackle because they tend to represent the political priorities and cultural consensus of the state in question as much as any economic considerations. The EU's "precautionary principle," for example, which lies at the heart of a number of EU barriers to U.S. products, especially in the field of genetically-modified organisms, reflects as much a European cultural aversion to risk-taking in new product approval (particularly on environmental grounds within Europe's densely populated environment) as it does an emphasis on asking science to prove long-term safety as well as near-term benefits.

To compound this difficulty, conducting negotiations with third parties on nontariff barriers does not naturally reside within a central principal area of government, on either side of the Atlantic. In the case of the United States, the Office of the U.S. Trade Representative (USTR) currently leads U.S. negotiations with third countries on international trade agreements and tackles specific bilateral problems with the EU, such as the ongoing disagreement over commercial aircraft subsidies. USTR, the Commerce Department and other interested departments such as Agriculture and the Securities and Exchange Commission (SEC) are all involved in trying to coordinate initiatives within the U.S. government on differences in standards and regulations that affect transatlantic trade and investment. At the same time, it is the State Department which represents the United States on the Senior Level Group (SLG) that was asked by the 2004 Ireland summit to arrive at a common approach between the United States and its European counterparts on ways to achieve closer U.S.-European economic integration. Other, noneconomic agencies also have an important voice in agenda-setting. Since its creation, for

"Trade and investment are two of the most powerful links between the United States and Europe. Removing all remaining barriers in those areas could be the most important achievement that we could aim for over the next decade." — Felix Rohatyn

example, the Department for Homeland Security deals directly with third countries on security arrangements that can have important effects on transatlantic trade.

The variety of interested parties in the executive branch of U.S. government only constitutes the outer layer of government engagement in nontariff barriers. Regulatory barriers, by their very nature, tend to originate within the legislative process. Any effort to address nontariff barriers to trade and investment must, therefore, take into account two other interlocking layers—the U.S. Congress and the independent regulatory agencies that convert legislation into regulation, implement the regulations, and supervise compliance. Agencies such as the Food and Drug Administration (FDA) or the SEC are not answerable to the priorities of the executive branch, but rather receive their mandate from legislators. They act independently and focus on their domestic mission rather than the potential international implications of their decisions. The recent passage of the Sarbanes-Oxley legislation is a good example of laws leading to regulations which have unforeseen effects beyond U.S. shores and have raised new nontariff barriers to transatlantic investments.

Within the EU, the situation is equally complicated. EU member states contain their own mix of more or less-independent regulatory agencies in most sectors of the economy. On the positive side from a transatlantic perspective, these agencies are in the process or have come together to set common EU-wide standards and to establish mutual recognition agreements whereby the standards and regulations that pertain in one EU member are deemed to be equivalent and acceptable across the EU. Where agreement has been reached, the EU can negotiate with the United States with a relatively clear mandate. It does mean, however, that the United States has to wait until EU-wide agreement has been reached to be able to enter into a meaningful negotiation with the EU. Ongoing EU efforts to establish coordinated oversight of financial services and to agree EU-wide adherence to International Financial Reporting Standards (IFRS) are examples of areas where transatlantic progress depends on greater EU integration.

This situation also means that, once EU member states have reached agreement on a common standard or approach, it is very difficult for them to negotiate an agreement with an outside party such as the United States that risks unraveling the hard-fought EU-wide position. The EU's Registration, Evaluation and Authorisation of Chemicals (REACH) agreement is a good case in point. U.S. negotiators must also sometimes contend with the competitive dynamic between EU member states, whose priority is to defend a national position, and the European Commission, which as a principal negotiator on behalf of the EU, may have broader an EU perspective.

The result is that U.S. and European governments and the European Commission now point to a lengthy list of nontariff, regulatory barriers on each side of the Atlantic that impede the ability of their companies to take full advantage of the opportunities for transatlantic trade and investment. Clearly, the transatlantic initiatives taken since the New Transatlantic Agenda through 2004 have not succeeded in overcoming this problem. A new approach is needed that takes into account the structural impediments that the governance systems on each side of the Atlantic impose on progress.

RECOMMENDATIONS FOR JOINT ACTION

The experience of the past 10 years argues against the "building block" approach to establishing a more open and barrier-free transatlantic market. Rather, the U.S. government and its EU counterparts need to articulate a vision of their shared desired end-state and establish an institutional superstructure that will drive the political process on each side of the Atlantic toward this goal.

The goal or end-state should be a truly open "Transatlantic Market" that reflects the principle that standards and regulations developed on one side of the Atlantic can protect the economies, consumers, and businesses on the other side of the Atlantic. Arriving at such an end-state will be a lengthy process, given the different cultural, political, and regulatory starting points in Europe and the United States. Yet, such a goal should be possible for the world's two most advanced economic areas, whose companies and financial markets are already deeply intertwined and which have developed relatively robust and transparent forms of economic governance. The benefits of working toward such a goal are undeniable and provide the starting point for launching this process.

“Establishing the explicit goal of a barrier-free transatlantic market would represent one of the most fruitful potential joint actions for the United States and European Union in the next decade. By applying our collective energies toward the removal of regulatory and investment barriers, we will open a positive new phase of dynamic economic activity on both sides of the Atlantic.”
— Stuart Eizenstat

1. Quantify the Benefits
The first step, therefore, as Gordon Brown, the UK Chancellor of the Exchequer has argued, is for officials to try to quantify the potential economic benefits of removing the pervasive nontariff barriers to transatlantic trade and investment. Much as the Cecchini report helped launch the EU’s Single Market process back in 1988, so a thorough economic analysis of the boost to GDP growth and job creation that would follow the building of an open Transatlantic Market could generate the popular and broad-based political support necessary to move the process forward.

2. Provide Formal Political Oversight
Second, as the TABD and others are now arguing, the U.S. administration, the Commission, and EU governments need to use the annual U.S.-EU summits to provide the political and institutional framework that will drive the process forward. Specifically, the upcoming U.S.-EU summit planned for June 2005 should set the building of an open Transatlantic Market as one of its primary shared goals for the coming decade. Ideally, the summit should state the shared belief that, within such a Transatlantic Market, it will be possible for both sides to maintain their high standards of protection for consumers and society while finding ways to recognize each other’s different technical norms and standards.[5]

3. Define an Explicit Work Program
As a practical matter, the summit should aim to draw up a list of the areas that are most ripe for agreement in the near-term and, conversely, which areas will remain outside the purview of the process for the foreseeable future. This document could also determine which of these areas would benefit the most from convergence of regulatory approaches (such as competition law) and which might soon be ready for accepting standards and regulations as being equivalent (such as accounting reporting standards).

4. Milestones and Transparency
Finally, the U.S. government, the EU presidency, and the Commission, should use the summit to set a series of targets and milestones for first steps toward building an open Transatlantic Market. These targets would be addressed, in particular, to their respective regulatory agencies and their legislative supervisors. In the interim, governments should require of all regulatory agencies the need to conduct transatlantic impact assessments of new regulations and to commit to give business and other stakeholders the opportunity to comment on new regulations before these are implemented.

5. Engage the Legislative Branch
Finally, executive branch officials on both sides of the Atlantic need to engage legislators directly in the process of debating and proposing potential solutions to the creation of an open Transatlantic Market. For their part as a first step, legislators need to encourage (and provide the funds to) regulators to participate in meetings and dialogues with their colleagues on the other side of the Atlantic, to compare approaches, philosophies, and best practices.

CONCLUSION

The political will to undertake and make successful such an ambitious project cannot emerge simply from the desire to improve marginally the efficient functioning of the transatlantic market. It must come from the realization that a more open and barrier-free transatlantic market will have profoundly positive effects on the long-term competitiveness of the U.S. and European economies, while opening up and making more transparent the transatlantic market to entrants from around the world.

This focus on the transatlantic relationship should not substitute for the important work that lies ahead in the WTO to meet the goals and complete the Doha Round. Indeed, the United States and Europe cannot afford to turn inward at this stage, when all countries can benefit enormously from the agenda of items included in the Doha Round. However, it is Europe and the United States that need to take the first steps toward new models of market openness that tackle the pervasive effects of nontariff barriers on international trade and investment.

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ACHIEVING AN EFFECTIVE GLOBAL MILITARY CAPABILITY FOR THE ALLIANCE: THE NEED FOR EUROPEAN DEFENSE INTEGRATION

Fifteen years after the end of the Cold War, today's international security environment is creating more demands for the deployment of U.S. and European military forces than ever before. In this context, European countries must move quickly towards greater defense integration so that they can share with the United States where and when necessary the responsibility for promoting global security. Failure to do so will have a profound impact on the ability of European countries to protect and advance their own interests; the viability of NATO as an alliance; and Europe's ability to partner in any meaningful way with the United States to meet shared security challenges. For its part, the United States must actively encourage and serve as a helpful partner in this transformation of European nations' military capabilities.

COMMON PERSPECTIVES, INCOMPATIBLE CAPABILITIES

While the transatlantic relationship has been plagued in recent years by differences on the use of force, international law, and the role of multilateral institutions in international security, the two sides of the Atlantic continue to have a common interest in confronting a long list of global security challenges that cannot be adequately addressed without European and American cooperation. That list of challenges, outlined in a variety of European and American strategic documents such as the European Security Strategy and the U.S. National Security Strategy, may require the use of military forces at some stage in the process, either in the conflict or post-conflict phase. Common threats range from long-standing threats of conflict in the Middle East and North East Asia, to preventing the collapse of failing states, rooting out and destroying the new brand of international terrorism, and controlling the proliferation of weapons of mass destruction.

As evidenced by recent European and American missions in Africa, the Balkans, and the broader Middle East, tackling today's security challenges requires a wide range of capabilities that must be deployed and sustained on a global scale. The likely area of operations for both European and American forces no longer rests inside the Euro-Atlantic area. Military forces that can quickly protect and advance national interests both at home and abroad are essential.

In fact, U.S. and European troops, acting collectively or independently, are already engaged in peacekeeping or "peacemaking" operations around the world, in many cases following full military engagements, from Kosovo and Bosnia Herzegovina in the Balkans, to Sierra Leone and the Horn of Africa, to Iraq and Afghanistan.

However, the conclusion from these operations is that the U.S. and European militaries are not configured to operate well collectively outside NATO's traditional sphere of operations in the Euro-Atlantic area. European militaries, in particular, whose forces were designed for the defense of Europe rather than the conduct of expeditionary operations abroad, have struggled in recent years to respond adequately to the changing security environment. While the European Union (EU) and NATO have launched a number of initiatives in recent years aimed at improving existing capabilities and generating new ones, policymakers on both sides of the Atlantic recognize that none of those efforts have adequately succeeded in closing the gap between European defense goals and capabilities.

Due to a wide range of budgetary, political, cultural, and historical constraints that vary by country, most European states lack forces that are both interoperable and expeditionary in nature across the full spectrum of capabilities. Collectively, European Union member states have more than 1.7 million troops, but only a small fraction of them, perhaps 10 percent, are readily deployable. This has made it difficult for European forces to respond adequately to the changing security environment. Europeans excel at reconstruction and peacekeeping operations, but the recent missions listed above underscore the need for European militaries to train, equip, and organize their forces for combat operations as well.

European militaries also suffer from unnecessary levels of duplication in areas ranging from infrastructure (such as headquarters, training, and bases) to deployable military assets (such as fighter aircraft and large tank formations). Such duplication wastes precious defense resources that could be better directed to a more coordinated approach to research, development, and procurement that would ultimately improve European military effectiveness in operations.

STRATEGIES TO CLOSE THE GAP

To date, several efforts have been made inside national governments, the EU, and NATO, to alleviate these capability gaps.

EU Initiatives

As part of its ongoing evolution, the EU has undertaken initiatives over the last decade in the foreign and security policy arena largely aimed at improving the military capabilities of its members. This shift began with the creation of a crisis-management force for Europe in 1999 when EU member states outlined the Helsinki Headline Goal of being able to deploy a 60,000-strong force within 60 days and to sustain it for up to one year. Three years later and six months after the deadline expired, the European Rapid Reaction Force (ERRF) was declared operational. Critics argue, though, that the force still lacks the ability to be deployed rapidly and cannot safely sustain more than one operation at a time.

Because shortfalls still existed even after the creation of the ERRF, the European Union hosted a Capability Improvement Conference in late 2001 where it launched a new initiative called the European Capabilities Action Plan (ECAP). This program focuses on 14 areas of improvement and assigns individual EU member states responsibility for identifying possible solutions.

The ECAP studies have been slow to instigate major changes in European military capabilities, but they did spur the creation of EU Battle Groups in 2004. Conceived by the French and the British, the EU Battle Groups (each projected to be made up of 1,500 ground troops) are much smaller in scope than the ERRF, but are intended to correct some of the ERRF's shortcomings, especially its inability to be rapidly deployed. The Battle Groups should be able to reach the theater of operations in 15 days and sustain an operation for 30 days. Six or seven Battle Groups are scheduled to be ready by 2007, but, as with past EU defense initiatives, there is a risk that the deadline will slip back. Once operational, however, the Groups should provide the EU with the expeditionary capability it lacks and serve as a useful compliment to the political, economic, and diplomatic instruments that the EU currently possesses.

Finally, the European Union recently created the European Defense Agency (EDA) to further remedy capability shortfalls. The EDA, with its top-down approach, is intended to provide oversight and coordination to the development of pan-European military capabilities, research and armaments. If executed properly, the EDA will bring greater coherence to the defense planning process and, in turn, assist Europe in alleviating its transatlantic capability gaps. The EDA's focus, however, will be medium to long term. Many European governments are currently locked into five-year defense spending plans, making it difficult for them to implement immediate recommendations issued by the European Defense Agency.

NATO Initiatives

Like the EU, NATO has undertaken a significant number of efforts to improve European military capabilities—with limited success. In 1999, NATO launched the Defense Capabilities Initiative (DCI) to "ensure that all Allies not only remain interoperable, but that they also improve their capabilities to face the new security challenges." Three years later, when most of the 58 suggested capability improvements had not been realized, the alliance launched the

"One of the greatest challenges to the viability of future joint U.S.-European military actions is for European states to develop the capabilities and the interoperability to be credible partners with the United States. Lacking the financial resources to modernize across the board, European governments must grasp the painful nettle of better integrating their defense efforts beginning with requirements, research, and equipment purchases." — Klaus Naumann

Prague Capabilities Commitments (PCC), a streamlined version of DCI. Despite good intentions, the PCC has not yet produced the necessary changes in capabilities.

One NATO success, however, has been the creation of a NATO Response Force (NRF) designed to significantly enhance the alliance's ability to rapidly deploy forces in the event of a crisis. The NRF, which has reached initial operational capability, is a full spectrum force of 17,000 troops able to be sustained for up to three months. It is comprised of air, maritime and ground forces and is capable of performing high-intensity missions. One objective of the NRF is to help European countries build agility into their force planning process and move them away from reliance on U.S. or UK rapid deployment assets.

Similar to the European Defense Agency, NATO has also created its own body to focus on the transformation of its members' capabilities. Allied Command Transformation (ACT), launched at the 2002 Prague Summit, is designed to infuse transformational thinking into NATO and national force planning and is tasked with bringing greater coherence to the European defense planning process. One of the strong suits of ACT has been the establishment of "Centres of Excellence"—nationally funded centers that provide opportunities for the alliance and its partners to improve interoperability and capabilities, test and develop doctrine, and validate concepts through experimentation.

THE GAP BETWEEN AMBITIONS AND CAPABILITIES

While NATO and EU efforts are positive steps in the right direction, the gap between ambition and capability remains sizeable. Neither organization has produced sufficient progress in the area of European defense capability enhancement or integration. Even in cases where countries have pledged resources, it has become clear that the assets earmarked generally do not provide the capabilities needed to rapidly project and sustain forces out of area. For example, although Europe has roughly 4,000 combat aircraft, excluding the Eurofighter; only 400 to 500 are all-weather capable. Similarly, despite large numbers of troops, deficiencies in strategic airlift capacity make large deployments difficult. Other oft-noted shortfalls include C4ISR, tactical transport, and sophisticated combat capabilities. These key shortfalls continue to leave a serious gap between potential future political decisions about military interventions and the ability to translate them into military action.

In addition, if Europe fails to acquire the necessary capabilities, the interoperability gap between the United States and Europe could become insurmountable. Investments in the transformation of the United States armed forces have generated rapid advances in military capabilities that Europe has not duplicated. Although exact comparisons are difficult and reports vary, total European spending on defense is between a third and a half of the U.S. total. Moreover, with their spending divided between duplicative national defense budgets, Europeans are gaining a fraction of the transformational capabilities that the United States is achieving in return for their investment. As a result, achieving interoperability in transatlantic coalition operations will only become more difficult in the future.

Lacking the collective or national resources, European governments need to spend smarter on defense if they want to turn their commitments on paper into tangible capabilities that support European strategies and potential transatlantic requirements. This is especially true as constraints on European military spending are only becoming greater. Today, European countries spend an average of 1.9 percent of GDP on defense, down from a Cold War height of 3.5 percent. This figure is likely to remain static in years to come, with only slight adjustments for inflation. When coupled with the increasing costs of maintaining and repairing ageing equipment and building professional militaries, capability shortfalls could become even more severe in the future, as there will be fewer resources available to invest in transformational and expeditionary capabilities.

In some cases, European defense budgets are decreasing. A number of European defense ministers find themselves fighting a losing battle with their counterparts in the finance ministries as pressures to spend government funds on social programs become stronger. That trend is expected to continue as greater percentages of European populations retire. Funds needed to sustain these social programs as a percentage of GDP will double—if not triple—by 2040.

Furthermore, funds allocated to defense are not being channeled towards transformational force planning, especially with respect to R&D and modernization. On average in 2002, the EU allocated about 15 percent of its defense expenditures to modernization and 61 percent to personnel. By contrast, the United States spent approximately 28 percent of its defense budget on modernization and 34 percent on personnel.

THE NEED FOR GREATER EUROPEAN DEFENSE INTEGRATION

Given the political and budgetary constraints that European capitals face in increasing their defense budgets, the obvious way to address existing shortfalls and substantially enhance European defense capabilities is through a greater degree of defense integration—that is, coordinating the efforts of individual European countries, the European Union, and NATO to create an enhanced and more interdependent set of collective defense capabilities to meet Europe's and the Alliance's future defense needs.

One model for European defense integration is that of *pooling assets*, whereby European states earmark certain assets to multilateral forces, creating a combined 'pool' of capability. The degree of political commitment to such pooling arrangements can range from individual state contributions during a crisis to the creation of a standing capability such as the NATO AWACS fleet.

Defense integration can also take the form of *pooling infrastructure*, such as repair, maintenance, logistics, and basing. A large portion of national defense expenditures inside Europe is tied up in infrastructure. Pooling duplicated infrastructure assets could provide much-needed cost savings that could be invested in R&D and transformation. For instance, joint repair centers could aid in the maintenance and repair of Europe's combat aircraft including its 159 C130s, approximately 700 F-16s, and approximately 610 Tornados.

Another option is for individual countries to contribute *niche capabilities* to multinational operations, allowing them to contribute capabilities in which they have demonstrated excellence. The risk, however, is that, absent a coordinated approach, it is unlikely these niche contributions will alleviate the critical capability shortfalls mentioned above. In other words, countries are likely to choose to contribute assets that require a smaller degree of financial and political investment. This problem could be avoided if the EU or NATO were to assume a central coordinating role in the process.

Cost savings can also be generated through *multinational procurement*, which has traditionally ranged from nations jointly purchasing off-the-shelf equipment to cooperatively developing assets such as the A400M military transport aircraft or Eurofighter. While efforts to execute these strategies have produced mixed results, greater coordination and transparency on European defense procurement could result in much needed efficiencies. Furthermore, future multinational procurement arrangements should focus on systems in addition to platforms.

Although there are a number of examples of defense integration in Europe today, these are largely pursued in an uncoordinated fashion. This lack of coordination has resulted in scarcely affordable inefficiencies. For instance, many countries have invested in next generation fighter aircraft without making similar investments in the air-to-air refueling capabilities needed to utilize fighters outside Europe.

In order to realize the full potential of these efficiencies, integration efforts should be incorporated into a larger, coordinated, and forward-looking plan so as to maximize capability while minimizing duplication and unnecessary spending.

As such, the EU and NATO should each take leading roles in coordinating future force requirements and harmonizing European capability acquisition plans. The challenge will be ensuring that these two organizations have coherent, transparent, and non-conflicting plans.

“The United States should welcome, not fear Europe’s efforts to better coordinate its defense capabilities, without which it can never be the partner that the United States will want and need. A strong military alliance relationship with Europe in the future will depend to a significant extent upon greater levels of European defense integration.” — Joseph Ralston

RECOMMENDATIONS FOR NEXT STEPS

In order to create a force capable of confronting today’s and tomorrow’s global security challenges, several steps should be taken in the immediate future. The groundwork for an effective force must be laid today in order to build the capacity needed to meet these future requirements. Near-term action is also required to prevent the emergence of an insurmountable capability gap between the transatlantic partners.

- European countries must, as a starting point, focus their defense expenditures on critical capability shortfalls. Nations should aim, at minimum, to increase defense expenditure to stay in line with inflation. More importantly, emphasis should be placed on research and development, finding industrial efficiencies, and increasing cross-border cooperation in procurement.
- Current capability initiatives should be both strengthened and streamlined into a coordinated capability strategy. Pooling of assets and infrastructure, contributions of niche capabilities, and multinational procurement are all ways in which efficiencies can be infused into the capability generation process. Such integration efforts, however, will fail unless they are coordinated from the top down. Incentives must also be found, such as access to key EU or NATO planning groups, to encourage nations to close critical capability gaps.
- Countries with indigenous expertise in key capability shortfall areas should be encouraged to take the lead on these areas inside Europe. For instance, Norway and Greece, both with large coastlines and naval experience, have chaired capability committees within NATO and the EU on meeting strategic sealift requirements. Similarly, France, Spain, and Italy, with their widely respected national police forces, are well qualified to help lead the creation of a European Gendarmerie Force, which can assist in the transatlantic implementation of post-conflict operations.
- The European Union and NATO must create compatible defense integration plans that ensure that the transatlantic partners can meet future challenges effectively and rapidly. Communication, consultation, and information sharing between the two organizations must be enhanced at all levels. Military staffs must coordinate their respective organizations’ crisis and future capability planning.
- The European Union and NATO should take a more explicit lead in outlining clear force planning requirements through the European Defense Agency (EU) and Allied Command Transformation (NATO). The force planning process must begin with a baseline assessment of countries’ assets, capabilities and comparative advantages. Based on this assessment, the two organizations should be tasked with providing short- and long-term recommendations on acquiring transformational capabilities to individual countries.
- The creation of the European Defense Agency is a positive step towards alleviating capability gaps and as such it must be strengthened. At the outset, its focus should be on tracking progress under ECAP and filling capability shortfalls rather than managing procurement of assets. The EDA should also be tasked with creating capability target sets and goals for EU member states.
- The EU Battle Groups are a constructive development towards creating a truly expeditionary force and should be both strengthened and deepened. The Battle Groups are currently comprised solely of ground forces; air and naval assets should be added. Deepening the Battle Groups must involve adding associated enablers, such as lift and refuellers, and will also require regular training and exercises.

CONCLUSION: THE U.S. ROLE

Building stronger European defense capabilities will be critical if a renewed transatlantic partnership is to have the capability to support shared foreign and security objectives with military operations as and when necessary. The United States will play an important role in this process in three areas. First, the U.S. administration needs to overcome its suspicions that European defense integration and the EU’s search for a European Security and Defense Policy (ESDP) are competitive to U.S. security policy and detrimental to transatlantic security cooperation. The United States needs a stronger Europe as a partner on the world stage, not one that is becoming weaker in military terms relative to the United States year by year.

Second, the United States will need to take a lead role in helping NATO and the EU work out an effective “modus vivendi” between their respective and overlapping roles and missions. The U.S. administration should not fear the establishment of an autonomous EU military planning capability and headquarters, providing that

"The NATO Alliance remains the bedrock of U.S. engagement with Europe on their shared security concerns. Just as the external threats have changed fundamentally, however, so the United States and European nations must continue and accelerate the transformation of their military capabilities so that the alliance retains its credibility and relevance for the coming decade." — Lord Robertson

channels for communication with NATO's more comprehensive and robust headquarters are in place and there is agreement on which organization will take the lead in which sorts of missions. The United States should not forget that it is NATO that possesses the institutional strength of an integrated military command, not the EU.

Finally, the United States must overcome the contradictory divergence between its desire to retain strong and operational transatlantic military alliance relationships and its arcane approach to sharing defense technologies with its European allies. While U.S. policy must protect certain critical U.S. technologies from being transferred either to its allies or, through them, beyond to unknown third parties, the current, all-encompassing U.S. restrictions on the transfer of defense-related technologies to its European allies are creating deep resentment, giving credence to those who argue for a "Fortress Europe" defense industrial model, and encouraging European industry to work around the incorporation of U.S. technologies into European defense systems. These outcomes run contrary to America's desire to have close security relationships with its European allies and cannot help close the capability gap between the United States and those allies in the future.

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RENEWING THE TRANSATLANTIC PARTNERSHIP:

For both the United States and the states of Europe, as well as for the central institutions to which they belong, this is a critical juncture—a defining moment that parallels the start of President Truman's second term in office in 1949, when decisions and the events that prompted them were to shape the history of the following four decades.

The strategy put in place by Truman between 1949 and 1953 was neither an American nor a European strategy. It was a Western strategy that relied on U.S. power and leadership to shape an institutional order in the name of which the Cold War was waged and ultimately won. Now, however, a Western strategy may prove to be a goal that is not wanted on both sides of the Atlantic, or one that can be denied by either side irrespective of the other's preferences.

Yet, notwithstanding the depth of the transatlantic crisis of the past three years, such a conclusion remains premature. Insisting that the new security conditions unveiled on September 11, 2001 can best be fought with passing coalitions that are built one mission at a time will create a self-fulfilling prophecy that marginalizes the Atlantic Alliance at the expense of all its members. No less significantly, further transatlantic discord would undermine relations within Europe and thus also threaten a European Union (EU) that remains more easily divided about the United States than about any other part of the world.

As was understood in 1949, solidarity between America and Europe, as well as within Europe, is the best recipe for global stability. In other words, the defining transatlantic issue is not over power and weakness, but over power and order. That the military preponderance of the United States is beyond the immediate reach of any friend, rival or adversary is not in question. But as shown in Iraq, such preponderance alone will not suffice: even a nation without peers cannot remain for long a nation without allies that are not only willing but also capable and relevant.

The risk of U.S. failure, however, should not leave Europe indifferent. However awesome Europe's transformation, and however real its ability to exert genuine influence in the world, its achievements and renewed capacity to act have been mostly measured under conditions of U.S. successes, after World War II as well as since the Cold War; never has Europe been seriously tested, for will and efficacy. In short, for all the differences that exist between the United States and the states of Europe, and for all the personal doubts and occasional anger felt between heads of state and government on both sides of the Atlantic, Europe matters to America, and America to Europe, because overlapping interests, compatible values, and converging interests make of each the other's partner of choice.

By April 2009, for the fiftieth anniversary of the Washington Treaty that launched the Atlantic Alliance, relations with Europe will be either much better off or much worse off—depending on the decisions made on both sides of the Atlantic in 2005. In a moment impregnated with a certain air of destiny, what is most needed is threefold:

- A will for partnership nurtured by the historically extraordinary achievements that lie behind, but reinforced by the compelling challenges that stand ahead;
- An efficacy of action, centered on the most urgent issues of the moment—especially Iraq, Iran, and the Israeli-Palestinian conflict, as well as Cold War legacies like Ukraine,
- And a test of vision, related to the various nonmilitary dimensions of the war on terror, the control of catastrophic weapons able to inflict mass destruction on its civilian targets, and the management of a new multipolarity populated by fallen empires, meaning Russia, and ascending powers, including China and India.

TEST OF WILL...

What all three tests have in common is their urgency. The long term has run out of time, locking events into a short-term dimension for which we, on both sides of the Atlantic, may not be fully prepared.

A TEST OF WILL

Early in 2005, the conditions for Europe's institutional growth and dynamism are in question, and a source of general concern about the transatlantic partnership should be the future of the states of Europe and their Union. Europe's economic growth has been below potential for several years, and prospects for sustained recovery are at best uncertain. There is much political volatility: in 2004, previously strong governments became weak (as in Britain and Italy) or were voted out of office (as in Spain, Slovenia, and Romania), and weak governments are at the mercy of the next national election (as in France and Germany). There is much public ambivalence about the construction of Europe, with 11 national referenda scheduled to be held over the constitutional treaty signed on October 29, 2004, and about its expanding membership, with Turkey the focus of the citizens' discomfort. There is much societal fear: Europe is especially vulnerable to acts of terror imported from, or inspired by countries and groups south of the Mediterranean.

As Europe moves toward the fiftieth anniversary of the Rome Treaties, in March 2007, a second Bush administration must urgently dispel the perception that it is generally unaware of—and even broadly hostile to—Europe's institutional agenda. Admittedly, the completion of the European Union is not a U.S. responsibility: it is the responsibility of its members. But because of the continued influence of U.S. policies, decisions that reinforce or weaken the fact or even the perception of the U.S. commitment to a united and stronger Europe will affect EU choices during the difficult period ahead.

There can be no ambiguity: the EU is a very important U.S. interest, if for no other reason than that it is a vital interest for the states of Europe, America's most vital allies. So it was during the Cold War, so it remained after the Cold War when NATO and EU enlargement continued to move in unison, and so it must still be during the coming years as an institutional fragmentation of Europe, whose multi-speed construction would include a reverse gear, would benefit neither the states of Europe nor the United States.

In short, Europe is needed by the European states, but it also needs to be needed by the United States, not one national capital at a time but all of them simultaneously. Thus, President Bush ought to be applauded for his decision to return to Europe in late February 2005, earlier than has ever been the case after a presidential election and following three other European trips in June 2004. In so doing, Bush meets a test of will for a forceful reaffirmation of the U.S. commitment to a renewed and cohesive transatlantic partnership. By choosing to go first to Brussels, as opposed to any specific national capital; by placing his visit in the dual institutional context of both NATO and the EU, as opposed to NATO alone; and even by avoiding to play favorites among his main counterparts, allegedly "old" and new, the U.S. president also acknowledges a Euro-Atlantic solidarity that includes the 32 countries that belong to at least one of the two central Western institutions but also extends to other European countries that belong to neither yet.

However, as was the case in 1949, and as remains the case now, U.S. preponderance is both a reality and an illusion. The reality has to do with the facts of American global power. The illusion has to do with the global authority that such power permits. The democratic transformation of the world, away from "oppression, which is always wrong" and toward "freedom, which is eternally right," as President Bush argued in his second inaugural address, is a laudable

goal, but it is a goal that falls outside the range of America's authority to command, and beyond the reach of American preponderance to achieve alone. Failure to comprehend these limits would dangerously threaten to set the stage for the failures of post-Cold War, post-September 11 U.S. policies everywhere.

Ironically, it is Europe—America's like-minded partner of choice—that is the region most capable to compensate for the limits of the American preponderance and moderate its potential for excesses. This cannot be done by any one European state, which might either hope to achieve more influence with closer obedience, *à l'anglaise*, or, conversely, insist that its resistance will translate into more influence, *à la française*.

A first test of wills then for European governments in 2005-2006 is to manage the "finality" they have outlined for their institutions. Europe will find it hard to exert its weight in partnership with the United States if its countries cannot ratify the EU constitutional treaty. Second, Europe must also show its own tangible demonstrations of renewed will for transatlantic partnership. Americans too want their leadership to be wanted, not after it has worked, but during the difficult moments that precede success and test the allies' will for partnership. To this end, starting in 2005, President Bush should be invited by his EU counterparts to attend the opening dinner of at least one of each year's two EU summits. Such an invitation would privilege the strategic relationship between the United States and the EU and would be a useful complement to the annual U.S.-EU summit meetings that enable the President to meet with the Presidency and Commission.

A TEST OF EFFICACY

Since September 2001, three years of coalition and counter–coalition building, whether of the willing by the United States (with an assist from Great Britain) or of the discontented by France (with an assist from Germany), have proven shortsighted, in Iraq and potentially beyond. The war could be won, but after the end of major combat operations it could not be ended; and as the war could not be ended, it came to look as if it could be lost. It is now time to return to the fundamentals of alliance building among like-minded states whose willingness to follow is based on a legitimate expectation to be consulted before decisions are made.

In Iraq, few allies, if any, are able—and if able, even fewer among them are willing—to add to the military capabilities of the coalition. The opposite is true: many previously willing European members of the coalition are preparing the withdrawal of much or all of their forces, thereby threatening to leave the United States, Britain, and Italy awkwardly and dangerously isolated within the alliance. It is urgent, therefore, that European allies that failed to join the coalition make immediate commitments for the training of Iraqi military and police forces—a precondition for the reasonably orderly exit of coalition forces. During that interval, the rehabilitation of the Iraqi state will also depend on its ability to attend to the related missions of governance and economic reconstruction—missions for which additional contributions are needed most urgently.

The Israeli-Palestinian conflict (viewed in the broader context of the transformation of the Greater Middle East) and conditions in Iran (as part of a broader attempt to block the further spread of weapons of mass destruction) are two priority issues that would not be resolved by success in Iraq, as President Bush argued in early 2003, but would be significantly affected by the evidence of failure in 2005.

With new opportunities opened by the Palestinian elections of January 9, 2005, it would be historically tragic to allow past tensions and parochial interests to overshadow the allies' shared goals in this vital region. On the whole,

differences among the EU countries, as well as between them and the United States, have been getting smaller, and Euro-Atlantic initiatives that embody a coordinated policy rather than isolated national interests are more likely to succeed than used to be the case.

That such an outcome should be possible is a matter of sheer interests. No region in the world is more volatile and more important than the Middle East—more disruptive (terrorism), dangerous (four wars), unstable (socioeconomic conditions), expensive (for the cost of peace even more than the costs of war), and intrusive (because of the domestic dimensions of policy decisions in the area). For the next several decades, no other region will offer the same potential for exporting chaos and war on a global scale. Because of this unusual combination—vital significance and explosive potential—no other region can best test the resources and vision of the transatlantic partnership, but it is also there that the partnership can least afford to fail that test.

The Euro-Atlantic predicament is that there is no alternative to working together as each other's indispensable ally lest, working separately, each becomes the inescapable victim of the other's failings. In short, entering the twenty-first century, the Middle East stands where Europe used to stand during the past century. That there can be no order in the world without order within that region is a matter of facts; but whether the analogy with Europe is based on the memories of the interwar years that followed 1919, or the postwar years that followed 1945, is only, at best, a matter of speculation based on our expectations for the next few years.

The need for the United States to regain its privileged status as a fair and honest broker between the two main protagonists is urgent, and the democratic rise of a new Palestinian leadership presents an opportunity that must be explored in full. As the new Palestinian government gains the legitimacy it needs, a new peace conference should be called at some early point in the future to pave the way for a viable Palestinian state by 2009, as endorsed anew by President Bush shortly after his re-election. However hard the road remains, the benchmarks along the way are by now well known: no right of return for the Palestinians though significant incentives might be tantamount to giving them a right of no-return; no automaticity in the enforcement of the 1967 lines, but specific reciprocity in whatever territorial alterations might be needed to enforce these lines; a demilitarized Palestinian state, though not necessarily neutral; and, perhaps most difficult, a shared capital in Jerusalem.

In 2005-2006, *Iran* has the potential to become even more divisive than Iraq was in 2003-2004. Iran's acquisition of a nuclear capability would also have profound repercussions on stability in the Greater Middle East and proliferation around the world—repercussions that convincingly point to overlapping goals and interests within Europe and between Europe and the United States, as well as with other parts of the world. As argued in this report's first section, President Bush should consult closely with France, Germany and Great Britain, as well as with other EU members even as the EU, too, strives to achieve a common position on this issue. However vital the role of Europe can and ought to be, it will not be effective in the absence of an active U.S. participation in the ongoing talks.

In the absence of sustained consultation that defines a consensus before the crisis erupts, including a consensus for a strategy of escalation and appropriate action of last resort (what and when), Iran will soon turn into another self-defeating transatlantic debate over U.S. power and how best to constrain it, outside and within the United Nations. Iran is a slow-moving Cuban missile crisis; to make matters worse, it is also a missile crisis with multiple fuses because other states, including Israel, may decide to act preemptively if they are unsatisfied with the pace of the negotiations and become alarmed by Iran's near nuclear status.

TEST OF VISION

Relative to Iraq, Iran, and the Israeli-Palestinian conflict, issues raised in *Afghanistan* seem to be less urgent. Yet, the first explicit battleground of the wars of September 11, and, standing next to Pakistan, a pivot state for order in the twenty-first century, Afghanistan is also a central test of efficacy for the United States and its European allies. Afghan President Hamid Karzai's urgent plea in Istanbul in July 2004 for additional NATO support was a reminder that stability has not been achieved, reconstruction has been slow, and reconciliation among warring factions has not progressed, notwithstanding the presidential election of October 19, 2004 and upcoming parliamentary elections in the spring of 2005. The deployment of NATO forces needs to be extended and even increased to ensure the stability of the new democratic government and facilitate its control of the country outside Kabul, especially with regard to the growing significance of the drug trade.

Given Europe's understandable objections to direct military involvement in Iraq, and given the constraints placed on a NATO role for the training of Iraqi forces, the European allies should be willing to do more in Afghanistan, notwithstanding a military presence that is already of some significance—but they should also reinforce and enlarge their involvement with the reconstruction of Afghanistan. Lessons learned 50 years ago in postwar Europe are unmistakable, and apply to this country no less than they do to Iraq (or in the Balkans, Ukraine, and everywhere else): democratic rehabilitation of the state is a prerequisite for national reconstruction, and reconstruction is a prerequisite for regional reconciliation. In other words, postwar conditions in Afghanistan are not merely a test for NATO, but also a test for Europe's own vision of the most effective ways to combat terror with a maximum of nonmilitary tools.

A TEST OF VISION

The test of vision is, therefore, for the United States and Europe to pursue the transformation of a community of overlapping (though not common) interests and compatible (though not converging) values into a community of actions that remain complementary even of they are rarely single. If these actions are not pursued in common, the two sides must make a credible commitment to consultation before either takes its decisions.

The need for complementarity of action between the United States and the states of Europe, as well as between NATO and the EU, is based on the anticipation of a new international multi-polarity that has been emerging even faster than its most committed proponents had hoped and opponents had expected.

In Iran, while the "bad cop" in Washington stands aloof, the "bad guys" in Tehran are openly courted not only by European diplomats—the "good cops"—but also by China and India, the two poles of tomorrow's pentagonal world that in this case provide a rampart against economic sanctions and further obstacles to military action.

Elsewhere, the few bright spots of international order often point to a leading role for Europe and its Union, with the United States kept relatively in the background or limited to a supportive role that includes a military assist should Europe fail (a pattern first experienced in Bosnia). In late 2004, as explained earlier in this report, Ukraine was a superb (though unfinished) example of EU leadership and complementary action—and so it remains in 2005 as NATO and the EU should work together to develop and enforce, through their members, an integrated strategy that welcomes a united and democratic Ukraine in the Euro-Atlantic community. A few weeks earlier, the Europeans—the French in this case—provided safe heaven for a dying Arafat, thereby setting the stage for a transition that might not have been as peaceful otherwise. After that, the orderly elections of January 9 confirmed

the benefits of the many years of EU support for civil society programs in Palestine, and now Tony Blair's call for an international conference for Palestinian reconstruction is a promising step that is of benefit to all.

Examples where America remains on the sidelines abound, from the Balkans to West Africa and deep into the broad new agenda opened by the travails and inequities of globalization. These examples hardly minimize the reality of American preponderant power, but they point to its limits. Indeed, as the unipolar moment already draws to a close, the new distribution of global power—including China, India, and Russia as well as Europe—will prove more stable if it can rest on a Euro-Atlantic axis that the other major states can reinforce, but which they cannot weaken or fragment. Admittedly, achieving consensus within this axis will not be easy. But for any consensus to be viable and lasting after it has emerged, the terms of Euro-Atlantic consultation will need to be reviewed within NATO and in the EU, as well as between them. To an extent, the constitutional treaty endorsed by the EU heads of state and government has moved the EU debate forward along the lines needed. Such a debate is needed within NATO as well, moving its members beyond ad hoc consultation groups and relying instead on an enlarged Quad of six or more members, to which might be added, as needed, other NATO members, thus making of all of them partners of choice with a right of first refusal over other non-NATO allies.

As part of this review, the heads of state and government of all 32 NATO and EU members (including the 19 European countries that belong to both institutions) ought to open discussions this year for a *new Atlantic Compact* for the new century. The philosophy underlying such a Compact is readily understandable. America is not a European power, but it is a world power and, as such, a power in Europe, as a matter of fact if not as a matter of vocation. For its part, Europe lacks the autonomous military capabilities that would make it a world power, but it is a power in the world because of its significant economic and other non-military capabilities, its global interests, its universal influence, and because it is America's ally of choice. In short, the complementarity between the power and the weaknesses found on each side of the Atlantic enables them to complete each other on behalf of their many common interests.

The specific terms of a new Atlantic Compact will require time and reflection, but some of its broad guidelines can be identified nonetheless:

- **Complementarity of European membership in NATO and the EU**, meaning that all European members of NATO should ultimately be members of the EU, including Turkey but also Norway; conversely, all EU members should be NATO members as well, including Austria but also Sweden, Finland, and others. While the former is well under way, with Romania and Bulgaria scheduled for EU membership in 2007 and negotiations with Turkey scheduled to begin in October 2005, the domestic debates leading to further NATO enlargement to current EU members have not truly started yet.

- **Complementarity of NATO and EU relations with countries in Europe that are not members of either institution.** This means effective coordination of U.S. and European policies toward Russia—a Euro-Atlantic Ostpolitik—as well as toward the institutional orphans from the former Soviet empire to Russia's east and south.

- **Policy coordination between the United States and Europe toward ascending powers.** This applies most especially to China, but should encompass also countries that seek partnerships for peace and prosperity in the geopolitical context of the Euro-Atlantic area—like those in North Africa, previously Europe's backyard, as well as

in Latin America, previously America's protected neighbors. China's openings in Sudan or in Cuba, as well as India's open interest in Russia and Iran, confirm an emerging assault on Western positions of vital interest and concern to governments on both sides of the Atlantic.

- **The states of Europe and their Union must assume a larger role commensurate with their current capabilities, interests, and influence.** As a first step, they must achieve the political cohesion in their external relations that will enable the Union to actively assume its share as an active counterpart of the United States with and within NATO. In 2005, Iran and Ukraine will continue to test the EU's commitment to such a role, as well as its power to assume it.

- **A NATO that has gone global must be able to act locally if it is to remain its members' security institution of choice.** More than a decade after the end of the Cold War, it is still in business, but what that business actually consists of is not clear yet. As this report argues, the European members of NATO must provide the Organization with the additional capabilities it needs to face the global mandate it received at the NATO Summits in Prague and Istanbul in November 2002 and July 2004 respectively. For its part, the United States must support European efforts at greater defense integration, without which Europe will never become the partner it needs. In 2005, Afghanistan, but even, to an extent, Iraq will be the most immediate tests of NATO's ability to take care of global security business.

CONCLUSION

With heads of state and government now at the mercy of events over which they have little control, the next four years are likely to determine what sort of a future lies ahead for the transatlantic partnership for decades to come. The President's demonstrated willingness to renew his partnership with America's European allies is no sign of a new beginning: twice before, in the early fall of 2002 and in the late spring of 2004, Bush came forward and twice before he was spurned, over Iraq and because of the impending presidential election. This is not an opportune moment for a third false start.

In 2005, a newly re-elected U.S. President need not start a new vision but must instead pursue the vision inherited from Truman with the same bold spirit and the same compelling dedication that were shown after 1945, as part of a dramatic revolution in the country's diplomatic history; and his counterparts in Europe should stand ready to respond with the same common purpose and political courage as were shown when the transformation of Europe began 50 years ago, as a revolt against a failed past. Past the test of will both sides face a test of efficacy; and reinforcing the need for efficacy is a test of vision that neither side of the Atlantic can afford to fail.

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These themes are developed at greater length in his forthcoming book *The Vital Partnership: Power and Order* (Rowman & Littlefield, April 2005).

The CSIS Initiative for a Renewed Transatlantic Partnership aims to bring together politicians, business leaders, and key individuals in the Atlantic community to reflect on emerging strategic priorities for the United States and Europe, define the dimensions of common interests and shared values, and identify the complementary actions needed for a Euro-Atlantic community of action in the twenty-first century. The Initiative is guided by a high-level Steering Committee (listed on the first page of this report) and draws on the combined expertise of the CSIS Europe Program, the many other CSIS analysts working on the transatlantic dimension of their areas of expertise, and partner organizations in the United States and throughout Europe. The Initiative is composed of a rolling series of policy projects on international challenges that will benefit from transatlantic coordination or solutions.

ONGOING CSIS TRANSATLANTIC PROJECTS INVOLVING THE INITIATIVE AND THE EUROPE PROGRAM INCLUDE:

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CSIS Working Group on Ukraine
Directed by Celeste Wallander, director and trustee fellow, CSIS Russia/Eurasia Program.

Euro-Atlantic Action Commisson
Directed by George Handy, CSIS Action Commissions director.

Heading off an Iranian Nuclear Weapons Capability
Co-directed by CSIS senior adviser Robert Einhorn and research associate Mary Beth Nikitin.
See, "A Transatlantic Strategy on Iran's Nuclear Program," by Robert Einhorn in The Washington Quarterly, Autumn 2004
http://www.twq.com/04autumn/docs/04autumn_einhorn.pdf

European Defense Integration
Directed by Michèle Flournoy, senior adviser, CSIS International Security Program (ISP).
See, "CSIS Joint Declaration on European Defense Integration," August 19, 2004. http://www.csis.org/europe/initiative/040819_edi.pdf

Sharing Intelligence and Information on Terrorist Threats to the Transatlantic Community
Co-directed by CSIS senior adviser and Transnational Threats Project director Arnaud de Borchgrave and deputy director Thomas Sanderson.

Strengthening the Global Partnership
Co-directed by CSIS ISP senior advisers Robert Einhorn and Michèle Flournoy.
See, "Protecting against the Spread of Nuclear, Biological, and Chemical Weapons: An Action Agenda for the Global Partnership," a four-volume report released January 2003. http://www.sgpproject.org/publications/publications_index.html. Also see "Black Dawn," May 3, 2004, http://sgpproject.org/

Transatlantic Defense Cooperation Forum
Co-sponsored by the CSIS Europe Program and the CSIS ISP Defense-Industrial Initiatives Group, led by senior fellow Pierre Chao and fellow David Scruggs.
See, Pierre Chao, "NATO AGS report" http://www.csis.org/europe/initiative/0407_natoags.pdf

Transatlantic Dialogue on China
Co-directed by CSIS Freeman Chair Bates Gill and Robin Niblett, cooperating with Stiftung Wissenschaft und Politik, Berlin and other European partners.

Transatlantic Dialogue on Terrorism
Co-directed by CSIS ISP senior fellow Dan Benjamin, Robin Niblett, and ISP deputy director Julianne Smith.
See, "The Transatlantic Dialogue on Terrorism White Paper," August 2004. www.csis.org/isp/0408_transatlanticterrorism.pdf

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