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The United States and Europe: Current Issues

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Summary

The United States and Europe share a long and intertwined history. Despite the end of the Cold War, both sides of the Atlantic continue to face a common set of international concerns, have few other comparable partners, and share a huge economic relationship. Nevertheless, numerous foreign policy and trade conflicts have seriously challenged U.S.-European relations in recent years. This report examines the current state of the transatlantic relationship and key issues in Europe and beyond that have implications for U.S. interests. It will be updated as events warrant. Also see CRS Report RL32577, *The United States and Europe: Possible Options for U.S. Policy*, by Kristin Archick.

The Current State of U.S.-European Relations

The Ties that Bind. The United States and Europe share a long and intertwined history. The two main pillars of the modern transatlantic relationship — NATO and the European Union (EU) — were created in the aftermath of World War II to deter the Soviet threat and to promote prosperity, security, and stability in Europe. The U.S. Congress and successive U.S. administrations have strongly supported both organizations as means to foster democratic states, reliable military allies, and strong trading partners.

Many observers stress that the security and prosperity of the United States and Europe remain inextricably linked, even after the end of the Cold War. Both sides of the Atlantic continue to face a common set of challenges — from countering terrorism and weapons proliferation to ensuring the stability of global financial markets — and have few other comparable partners. Proponents of close U.S.-European ties argue that neither the United States nor Europe can adequately address such diverse concerns alone, and that the track record shows that they can accomplish much more when they work together. U.S. and European forces are promoting stability in the Balkans and Afghanistan. U.S. and European law enforcement authorities have sought to intensify policy and judicial cooperation since September 11 to root out terrorist cells in Europe and elsewhere. The United States and EU also share a huge, mutually beneficial, and increasingly interdependent trade and investment relationship, and U.S.-EU cooperation has been critical in making the world trading system more open and efficient.

A Relationship Challenged. Despite the shared history, similar interests, and close economic ties, the transatlantic partnership has been fundamentally challenged in recent years as numerous trade and foreign policy disputes have emerged. Although Europeans are not monolithic in their views, most states object to at least some elements of U.S. policy on a range of issues, including Iraq, Iran, the Israeli-Palestinian conflict, the International Criminal Court, the treatment of prisoners at Guantánamo Bay and Abu Ghraib, aircraft subsidies, genetically-modified food, and climate change. European arms sales to China have also surfaced as a point of tension in the transatlantic relationship.

Some observers argue that recent U.S.-European frictions have been driven by personality and style differences among U.S. and European leaders. Many Europeans viewed the first-term Bush Administration as inclined toward unilateralism and largely uninterested in Europe. At the same time, analysts also blamed some European leaders for the recent difficulties; they suggested, for example, that French President Jacques Chirac and former German Chancellor Gerhard Schroeder expressed their opposition to the war in Iraq in reckless ways, without due consideration of the implications for the broader transatlantic relationship.

Other experts stress that the current tensions in U.S.-European relations are deeper and structural, stemming from the end of the Cold War and exacerbated by the September 11 terrorist attacks, which have widened the gap in U.S.-European threat perceptions and policy preferences for managing those threats. Europe's own bloody history has led many European governments to place great emphasis on the use of multilateral institutions to address international crises and legitimize force. Meanwhile, the United States views this approach as only one option. And some U.S. officials see little value in trying to bridge U.S.-European policy gaps given the limited abilities of most European countries to contribute significantly to U.S. military operations, especially outside of Europe.

Another major structural factor affecting U.S.-European relations is the EU's ongoing but unfinished evolution. Since the end of the Cold War, EU members have moved beyond economic integration and taken steps toward political integration with decisions to develop a common foreign policy and defense arm. Although these initiatives remain works in progress, they have come further and faster in recent years than many EU skeptics expected. The EU has established new political and defense decision-making bodies, and has succeeded in forging consensus on common policies on the Balkans, the Middle East peace process, and Iran, to name a few. The EU has also led several small crisis management missions, primarily in the Balkans and in the Congo.

Some observers suggest that the EU's apparent progress to date in the foreign policy and defense fields has given the organization and its member states a new self-confidence. Furthermore, EU member states are increasingly assessing foreign policy decisions with an eye toward establishing a larger role for Europe on the world stage. EU members consult with each other on foreign policy concerns to a greater degree than ever before, and often before consulting with Washington. As a result, Washington does not hold quite the same influence over the European allies as it once did, and EU members are perhaps quicker to challenge U.S. policies with which they do not agree.

Europeans have generally responded positively to the Bush Administration's efforts in its second term to improve transatlantic relations. Some observers note that President

Bush's visit to the EU institutions while in Brussels in February 2005 demonstrates U.S. recognition of the EU's political evolution. They also suggest that U.S. statements in favor of a "strong Europe" have helped alleviate some European anxieties about whether the United States still supports further European integration. Nevertheless, others point out that transatlantic tensions have not disappeared, and contentious issues remain.

Key Issues in U.S.-European Relations

Role of NATO and the EU. In February 2005, then-German Chancellor Schroeder effectively proposed a stronger role for the EU in transatlantic policy-making. He asserted that NATO is "no longer the primary venue where transatlantic partners discuss and coordinate strategies," and that the U.S.-EU dialogue "in its current form does justice neither to the Union's growing importance nor to the new demands on transatlantic cooperation."[1] Schroeder's arguments were interpreted by many as suggesting that the EU, rather than NATO, should be the United States' primary interlocutor on issues such as Iran's nuclear program and arms exports to China. The French appear to back this view. Some European officials complain that Washington has been reluctant to discuss major foreign policy issues in NATO, and that NATO is not suited to confront challenges that they believe could be better addressed through EU diplomatic and economic tools. The Bush Administration has reacted coolly to the ideas embodied in Schroeder's statement, asserting that NATO remains the "cornerstone" of the U.S.-European relationship. U.S. officials are concerned that a wide-ranging or formal strategic dialogue with the EU could ultimately erode NATO, where the United States has not only a voice but also a vote. Others suggest that the United States has little to worry about because the EU is still far from speaking with one voice on contentious issues, such as Iraq, and most European NATO allies continue to view the United States as their ultimate security guarantor. In addition, EU momentum in the foreign policy and defense fields may be in for a period of stagnation following the rejection by French and Dutch voters of the EU's constitutional treaty in the spring of 2005. Many expect EU attention in the near to medium term to be focused on internal reforms rather than external challenges.[2]

European Capabilities. Successive U.S. administrations and the U.S. Congress have called for enhanced European defense capabilities to enable the allies to better share the security burden both within and outside of Europe. Washington continues to press European NATO members to develop more mobile and interoperable forces better able to tackle a wide variety of missions, including combating terrorism and countering the proliferation of weapons of mass destruction. U.S. policymakers support EU efforts to develop an EU defense arm, known as the European Security and Defense Policy (ESDP), provided that it is tied to NATO and results in more robust European military capabilities. To date, the EU has established a 60,000-strong rapid reaction force, created links to NATO that it maintains will prevent a wasteful duplication of resources, and conducted several crisis management operations. The EU took over the 7,000-strong NATO mission in Bosnia in December 2004. The EU has also agreed to enhance its rapid reaction

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[1] German Chancellor Gerhard Schroeder, Speech to the 41st Munich Conference on Security Policy (in absentia), Feb. 12, 2005, available at [http://www.securityconference.de].

[2] Quentin Peel, "An Alliance of Conflicting Priorities," *Financial Times*, Feb. 17, 2005; "Bush and Chirac Reopen Wounds," *The Times* (London), Feb. 23, 2005; "Let's Talk, But Where?" *The Economist*, Feb. 26, 2005.

capabilities further by 2007 with 13 battlegroups — of 1,500 troops each — able to deploy to trouble spots within 15 days. However, improving European military capabilities remains difficult given flat European defense budgets. Others worry that a minority of EU countries, led by France, favor an EU defense arm independent of NATO, which they fear would weaken NATO and mean less U.S. influence in Europe.[3]

Countering Terrorism. European countries and the EU have been active partners with the United States in the fight against terrorism in the years since September 11, 2001. Washington has welcomed EU efforts to boost police and judicial cooperation among its 25 member states, stem terrorist financing, strengthen border controls, and improve transport security. The EU and the United States have concluded several new agreements on police information-sharing, extradition, mutual legal assistance, container security, and exchanging airline passenger data. Nevertheless, some challenges remain. European opposition to the U.S. death penalty may still impede extradition of terrorist suspects. EU data privacy concerns about sharing passenger information with U.S. authorities persist, as do a few notable differences in the U.S.-EU terrorist lists. Some EU members continue to resist U.S. entreaties to add suspected Hamas-related charities or the Lebanese-based Hizballah to the EU's common terrorist list. Furthermore, many Europeans fear that the United States is losing the battle for Muslim "hearts and minds" as a result of the war with Iraq, incidents of prisoner abuse at Abu Ghraib, and the detentions at Guantánamo Bay. European officials and parliamentarians have also expressed concerns about a November 2005 *Washington Post* report of alleged "secret" CIA prisons for terrorists in some eastern European countries and the possible use of European airports as transit points for U.S. flights transporting abducted terrorist suspects. Meanwhile, some U.S. observers believe that European countries are not successfully integrating Muslims into their societies, which is contributing to the emergence of more militant Islamists in Europe. Despite these frictions, others argue that Europe remains vulnerable to terrorist attacks, and U.S.-EU law enforcement cooperation serves mutual interests, and will thus continue.[4]

Iraq. U.S.-European tensions over Iraq have abated to some degree, but still linger. U.S. officials have been frustrated with what they view as minimal military or financial assistance from some European countries in stabilizing Iraq. Many European leaders claim that failure in Iraq is not an option, but have been reluctant to engage robustly in Iraqi reconstruction efforts. France and Germany, for example, have been unwilling to deploy their troops in Iraq to bolster a military campaign that they did not approve, and which, they believe, has increased global terrorism. Some European troop contributors have withdrawn or reduced their forces in the U.S.-led coalition because of financial constraints on already tight defense budgets and domestic pressure amid ongoing violence in Iraq. The United States, however, has had some success in gaining European support for training Iraqi security forces. In February 2005, NATO announced that all 26 allies had agreed to contribute to NATO's existing training mission, either with personnel in or outside of Iraq, or financially. European officials point out that the EU and member states have pledged a combined total of over $1 billion for Iraqi reconstruction since 2003. In

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[3] For more information, see CRS Report RL32342, *NATO and the European Union*, by Kristin Archick and Paul Gallis.

[4] Also see CRS Report RS22030, *U.S.-EU Cooperation Against Terrorism*, by Kristin Archick.

July 2005, the EU also launched a small mission to train Iraqi police, administrators, and judges, primarily outside of Iraq because of security concerns.[5]

Iran. The United States and Europe share similar goals with respect to Iran — including encouraging reforms and curbing Tehran's nuclear ambitions — but Washington has generally favored isolation and containment, while the EU has preferred conditional engagement. France, Germany, and the UK (the "EU3") have been working to persuade Iran to end activities that could lead to nuclear weapons production in exchange for political and trade rewards. In late 2004, Iran agreed to temporarily suspend its uranium enrichment work, and Iran and the EU3 opened talks on a long-term agreement on nuclear, economic, and security cooperation. European leaders have sought to encourage U.S. engagement in this process in order to bolster their own negotiating position. In March 2005, the United States offered limited economic incentives if Iran agreed to cooperate with the EU3. However, the EU3's negotiations with Iran have been largely stalled since August 2005, following Iran's resumption of uranium conversion, an early stage in the nuclear fuel cycle. The EU3 and the United States have been working on an International Atomic Energy Agency (IAEA) resolution that would refer Iran to the U.N. Security Council, where Iran could face trade sanctions, but they face resistance from Russia and China, among others. In late December 2005, the EU3 and Iran held preliminary talks to see if it would be possible to restart negotiations on Iran's nuclear program and a Russian proposal in which Iranian uranium would be enriched at a facility in Russia and then returned to Iran for civilian use. Iran maintains that it has the right to perform uranium enrichment inside Iran. Some Europeans worry that Washington may ultimately conclude that diplomacy has failed to address the Iranian nuclear threat and that a military option should be considered.[6]

Israeli-Palestinian Conflict. European governments and the EU believe that a just and lasting settlement of the Israeli-Palestinian conflict is vital to promoting stability in the region and diminishing the terrorist threat. European officials assert that the only way to guarantee Israel's security is to create a viable Palestinian state; the EU is the largest donor of foreign assistance to the Palestinians. European policymakers believe that progress on the "road map" for peace and its two-state solution — authored by the diplomatic "Quartet" of the United States, the EU, Russia, and the United Nations — is impossible without U.S. leadership, but some contend that Washington has not done enough to get Israeli-Palestinian negotiations back on track. European officials agree with the United States that the Palestinians must institute democratic reforms and end Palestinian violence, but hope that Washington will also pressure Israel to make more concessions for peace. Although the EU welcomed Israel's withdrawal from the Gaza Strip in August 2005, European policymakers remain concerned that Israel views its disengagement from Gaza as an alternative to the road map process; they worry that Israel is consolidating its hold on the West Bank, and is less inclined to proceed to final status negotiations. Some Europeans believe that the Bush Administration has been working more robustly to promote peace since the start of its second term and view U.S. Secretary of State Condoleezza Rice's direct involvement in brokering a November 2005 deal

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[5] European Union Fact Sheet, "EU Support for Iraq," Feb. 2005; also see CRS Report RL32105, *Post-War Iraq: Foreign Contributions to Training, Peacekeeping, and Reconstruction*, by Jeremy Sharp and Christopher Blanchard.

[6] Also see CRS Report RL32048, *U.S. Concerns and Policy Responses*, by Kenneth Katzman.

between Israel and the Palestinians on security controls for Gaza border crossings as an extremely positive development. As part of this accord, the EU is assisting with monitoring the Rafah border crossing point between Gaza and Egypt. The EU is also establishing a small police training and advisory mission for Palestinian police forces.[7]

EU Arms Embargo on China. The EU is considering lifting its arms embargo on China, which was imposed after the 1989 Tiananmen Square crackdown. France, Germany, and other EU members claim that the embargo hinders the development of a "strategic partnership" with China and closer economic ties. EU officials assert that the embargo is weak and largely symbolic; they point out that some EU members have continued to export certain types of military equipment to China. The EU stresses that if and when the embargo is overturned, it will put in place a strengthened EU arms export control regime that will be more effective in controlling arms sales to China and elsewhere. Washington firmly opposes ending the EU embargo, believing it would send the wrong signal on China's human rights record and might help alter the balance of power in East Asia, especially in the Taiwan Strait. U.S. officials are skeptical that a tighter EU export control regime would contain sufficient enforcement and transparency mechanisms to dissuade future European arms sales to China. Although many observers had expected the EU to lift the embargo in mid-2005, some members grew hesitant amid strong U.S. opposition, lingering human rights concerns, and China's adoption in March 2005 of a new "anti-secession law" warning of the possible use of force against Taiwan. The United States and the EU have begun a "strategic dialogue" on China and other Asian security issues, but U.S. officials insist that the talks are not a negotiation over terms to allow the EU to lift its embargo.[8]

Economic Relations. The United States and the EU share the largest trade and investment relationship in the world. Two-way flows of goods, services, and foreign investment exceeded $1.3 trillion in 2004. U.S. and European companies are also the biggest investors in each other's markets; total stock of two-way direct investment is over $1.6 trillion. Most of this economic relationship is harmonious, but trade tensions persist. One key dispute relates to government subsidies that the United States and EU allegedly provide to their respective civil aircraft manufacturers, Boeing and Airbus; in late May 2005, U.S.-EU talks to diffuse confrontation over this issue failed, and both sides have revived their complaints in the World Trade Organization (WTO). The EU has also begun imposing WTO-sanctioned tariffs on some U.S. exports following the U.S. failure to repeal the Byrd Amendment, which disburses anti-dumping duties to affected domestic producers. U.S. exports may face further EU retaliation should the WTO rule against the U.S. law that repeals the U.S. export tax subsidy, but leaves tax breaks in place for contracts already signed on aircraft and other heavy goods. Meanwhile, Washington has lodged a WTO case against the EU's ban on approvals of genetically-modified food products, and a U.S.-EU trade dispute over beef hormones also remains.[9]

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[7] See CRS Issue Brief IB91137, *The Middle East Peace Talks*, by Carol Migdalovitz, and CRS Report RL31956, *European Views and Policies Toward the Middle East*, by Kristin Archick.

[8] Also see CRS Report RL32870, *European Union's Arms Embargo on China: Implications and Options for U.S. Policy*, by Kristin Archick, Richard Grimmett, and Shirley Kan.

[9] For more information, see CRS Issue Brief IB10087, *U.S.-European Union Trade Relations: Issues and Policy Challenges*, by Raymond Ahearn; and CRS Report RL30608, *EU-U.S. Economic Ties: Framework, Scope, and Magnitude*, by William Cooper.