



The United States and Europe: Current Issues

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Summary

Common values, overlapping interests, and shared goals give the United States and Europe what some observers consider to be the world's most complete partnership. In terms of security and prosperity, analysts assert that the two sides have grown increasingly interdependent. Transatlantic relations during the Bush Administration were marked by tensions over the invasion of Iraq and disagreements on a number of other issues, although the Administration's second term featured a substantial improvement in the relationship compared to the first four years. The majority of Europeans warmly welcomed President Barack Obama to office, and his popularity suggested opportunities for the United States and Europe to address the common set of global challenges they face. At the same time, observers note that an improved transatlantic political atmosphere does not necessarily translate into tangible foreign policy results. Transatlantic cooperation is strong on many key issues, but some divisions and tensions also exist.

A number of shared foreign-policy challenges involve the wider Middle East region. In Afghanistan, governance and security conditions remain serious concerns. President Obama has shifted U.S. focus to Afghanistan, and Europe's commitment to the stabilization and reconstruction mission there will continue to be an important tone setter in transatlantic relations. With a nuclear Iran deemed an unacceptable danger to regional stability by many officials and analysts, the United States and the European Union (EU) continue to seek a way to halt Iran's uranium enrichment activities in the wake of that country's disputed election. The United States and the EU have attempted to renew their attention to the Israeli-Palestinian conflict, and both advocate the negotiation of a "two-state" political settlement. Many experts, however, observe that current circumstances do not easily lend themselves to a revived peace process.

A range of other issues also rank high on the transatlantic agenda. With the world economy center stage, the global financial crisis has posed difficult challenges to both sides and has raised concerns about the adoption of protectionist policies. While some transatlantic trade disputes persist, efforts are ongoing to reduce non-tariff barriers and increase regulatory convergence. Europe has set ambitious standards in climate change policy. Despite disappointment with the failure of the December 2009 Copenhagen conference to produce a successor treaty to the Kyoto Protocol, many Europeans hope that the United States will adopt new climate change legislation that could contain binding greenhouse gas emissions targets. U.S.-EU counterterrorism cooperation has been strong since the terrorist attacks of 9/11, although some Europeans have objected to aspects of U.S. policies. The planned closure of the Guantánamo Bay detention facility has been applauded in Europe, although U.S. requests to accept released detainees raised questions and debate, and the process of sorting through the difficulties has been slow. The decision to admit additional EU countries to the U.S. Visa Waiver Program in late 2008 helped defuse European discontent over visa reciprocity issues. Lastly, relations between the West and Russia have grown increasingly tense in recent years. While the Obama Administration's "re-set" approach appears to have contributed to an improved atmosphere, common approaches to Russia—among U.S. policymakers, within Europe, and across the Atlantic—have proven difficult to formulate.

This report examines the current state of the transatlantic relationship and discusses the key issues outlined above, which may have implications for U.S. interests during the second session of the 111th Congress.

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The Current State of U.S.-European Relations

The Ties That Bind

Common values, overlapping interests, and shared goals are the foundation of what is often described as the transatlantic partnership between the United States and Europe. By almost any measure, the institutional pillars of the Euro-Atlantic community—NATO and the European Union (EU)—have proven successful in promoting prosperity, security, and stability in Europe. The U.S. Congress and successive U.S. Administrations have strongly supported both institutions as means to foster democratic states, reliable military allies, and strong trading partners.

Many observers stress that in terms of security and prosperity the United States and Europe have grown increasingly interdependent. Both sides of the Atlantic face a common set of challenges, including economic concerns, terrorism, weapons proliferation, energy security, climate change, environmental degradation, and the destabilizing effects of failing and rogue states. Both sides are proponents of democracy, open societies, human rights, and free markets. Supporters of close U.S.-European cooperation argue that neither the United States nor Europe can adequately address such an agenda alone, and that the track record shows the two sides can accomplish much more when they work together.

Together, U.S. and European military forces are promoting stability in Afghanistan and the Balkans, and U.S. and European agencies and law enforcement authorities are working to uncover terrorist cells in Europe and elsewhere. The United States and the EU also share a mutually beneficial trade and investment relationship, and U.S.-EU cooperation has been critical in liberalizing the world trading system. The global financial crisis and recession has affected the transatlantic economic relationship and tested the strength of the political relationship.

This report discusses eight broad topics selected as key issues in U.S.-European interests and relations. A full survey of global issues that are important U.S. and European interests would include relations with countries such as China, India, and Turkey; concerns about stability in the Balkans and the countries of the former Soviet Union; development assistance and humanitarian aid to the countries of Africa and elsewhere in the developing world; promotion of democracy and human rights around the globe; energy security; and many more. While not every such important topic is covered in this report, the eight issues that are presented are intended to capture a broad overview of some of the highest-priority items on the transatlantic agenda.

An Evolving Relationship

In 2003 and 2004, transatlantic and inter-European divisions over the invasion of Iraq pushed relations to an historic low. Although the second term of President George W. Bush featured a marked improvement in the tone of transatlantic relations and close U.S.-European cooperation in a number of important areas, scars of tension over Iraq—as well as U.S. rejection of the Kyoto climate treaty, the “war on terror,” U.S. opposition to the International Criminal Court, and other issues—were slow to fade. Many Europeans perceived the policies of the Bush Administration as being too unilateral, too reliant on military force, and too dismissive of international treaties and norms.

As President Obama took office in January 2009, European expectations were high. Many looked for a U.S. foreign policy newly committed to multilateralism, consultation, and instruments of soft power. During Obama's first year in office, the tone of transatlantic relations has been warm, and close U.S.-European cooperation has continued in a wide range of issues. Polls show that President Obama remains popular in Europe, and that European perceptions of U.S. foreign policy have improved compared to previous years.¹ At the same time, in attempting to jointly deal with a long list of global security and economic challenges, both sides have faced a reality check that echoes warnings about the dangers of exaggerated expectations. Some analysts continue to caution that the United States should be reasonable about what it can expect out of Europe, and that Europeans need to be realistic regarding the degree of change President Obama might deliver in terms of U.S. strategy and policy.

The gradual evolution of the European Union adds layers of complexity to transatlantic relations. The EU now consists of 27 member countries. In a wide range of areas, including many economic and social issues and a growing number of law enforcement and judicial matters, members' decision- and policy-making takes place at the level of the EU institutions. As a result, the EU has become an increasingly important interlocutor for the United States. The EU is also continuing efforts to develop a stronger Common Foreign and Security Policy (CFSP) and Common Security and Defense Policy (CSDP).

On December 1, 2009, the EU adopted the Lisbon Treaty, a new initiative that, in part, introduces reforms intended to enhance the credibility and coherence of the EU's foreign policy voice. The treaty also seeks to streamline the EU's institutional arrangements and decision-making procedures. Elections for a new European Parliament were held in June 2009, and a new European Commission is expected to take office in February 2010.

While the process of integration has slowly created an emerging European identity among Europe's citizens, the identities and influence of individual member states and regions will also undoubtedly remain strong. For this reason, many observers and officials point to the value of maintaining strong bilateral relations with the individual member states of the EU, even as the U.S.-EU relationship takes on growing significance.

NATO, too, is often said to be in the midst of a significant evolution. Since the end of the Cold War, the Alliance has added 12 new member states from central and eastern Europe. Also during this time, NATO has sought to redefine its mission. Some members maintain that NATO should return to focusing on collective territorial defense and deterrence, while others believe NATO's relevance depends on "out-of-area" expeditionary operations.

While NATO has worked to transform itself and develop new capabilities, most observers contend that more resources are needed should NATO decide to fully commit itself to challenges such as stabilization and reconstruction operations, crisis management, counterterrorism, energy security, or cyber security. Following the April 2009 summit marking NATO's 60th anniversary, a new NATO Strategic Concept is being prepared that is expected to provide an updated vision for the Alliance.

¹ See, for example, The German Marshall Fund of the United States, *Transatlantic Trends 2009*.

Key Issues in U.S.-European Relations

Afghanistan²

President Obama has put Afghanistan at the top of his Administration's foreign policy priorities, shifting U.S. military and strategic focus to the mission there. Europe's commitment to maintaining its participation will continue to be an important tone setter in transatlantic relations.

NATO's International Security Assistance Force (ISAF) is a stabilization mission that supports the reconstruction of Afghanistan and the development of the Afghan government, army, and police. ISAF consists of approximately 84,150 troops from 43 countries, including all 28 members of NATO.³ More than eight years after the fall of the Taliban, however, the Afghan economy, security forces, and central government remain well short of self-sufficiency. A resilient Taliban and other insurgent groups continue to undermine stability in many areas of the country, and the rate of violent incidents nationwide has been increasing from year to year. Many officials and expert observers on both sides of the Atlantic assert that success or failure in Afghanistan hangs in the balance, and that the next two or three years will be decisive.

On December 1, 2009, President Obama announced that 30,000 additional U.S. troops would begin deploying to Afghanistan in early 2010, bringing the total number of U.S. military personnel in the country to approximately 100,000. To support this new "surge" strategy, the United States called for additional contributions from its partners. European countries have reportedly pledged to increase their contribution by a total of about 7,000 troops. Over the past few years, U.S. and NATO officials have repeatedly urged greater troop and equipment contributions from some of the European allies. Many European countries have long argued that they face difficult constraints on making further commitments, including shortfalls in military resources and capabilities, and weak public or parliamentary support for additional contributions. Some Europeans are concerned that greater "Americanization" of the mission could come at the expense of Allied input and consultation in strategic decision making.

The use of "national caveats"—restrictions that some governments place on their troops to prevent them from engaging in combat operations—has been a sore spot within the Alliance. Critics assert that such policies could lead to a two-tiered NATO, with some member states providing combat troops and others providing peacekeepers and development assistance. Some discern this trend in the fact that U.S., UK, Dutch, and Canadian troops have borne the vast majority of combat in the country's most volatile regions.

The spring 2009 U.S. strategic review of policy for Afghanistan and Pakistan concluded that economic development, building Afghan governance capacity, and improving the capability of Afghan security forces are major priorities. European leaders expressed broad support for these

² For more information see CRS Report RL33627, *NATO in Afghanistan: A Test of the Transatlantic Alliance*, by Vincent Morelli and Paul Belkin, CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*, by Kenneth Katzman, and CRS Report R40156, *War in Afghanistan: Strategy, Military Operations, and Issues for Congress*, by Steve Bowman and Catherine Dale.

³ As of December 22, 2009, "International Security Assistance Force and Afghan National Army strength & laydown," *NATO website*, <http://www.nato.int/isaf/docu/epub/pdf/placemat.pdf>.

conclusions. Some experts have long suggested that Europe has much to offer in these terms, calling for a greater contribution of civilian expertise, especially in areas such as police training.

The strategic review also confirmed a growing consensus that any solution in Afghanistan requires a comprehensive regional strategy that incorporates Pakistan as well. With insurgent groups using cross-border safe havens to launch attacks on coalition forces, the United States and Europe have come to increasingly realize that security in Afghanistan is strongly linked to sources of instability facing the Pakistani government. In this context, U.S. and European security, political, and economic relations with Pakistan have become a high priority.

At the international conference on Afghanistan that took place in London on January 28, 2010, leaders and officials from about 70 countries met to discuss next steps. Participants agreed to set a timetable for transferring increased security responsibility to Afghan forces in late 2010 or early 2011, and pledged to establish a reconciliation fund intended to help reintegrate into Afghan society members of the Taliban who lay down their arms. In his December 1, 2009, speech, President Obama set July 2011 as the target date at which conditions should allow U.S. forces to start drawing down.

Iran⁴

Transatlantic cooperation regarding Iran has been close and extensive, with Europe in a leading role in terms of direct negotiations with Tehran. The United States and the European Union are seeking to halt Iran's uranium enrichment activities, which continue in defiance of the international community. Iran asserts that its nuclear activities are for peaceful, civilian energy purposes and that it has the right to develop such capabilities.

Although the 2007 U.S. National Intelligence Estimate (NIE) concluded that Iran suspended its nuclear weapons program in 2003, the United States and European governments maintain that Iran's ongoing enrichment of uranium gives it the potential to assemble nuclear weapons in a relatively short span of time. The International Atomic Energy Agency (IAEA) continues to assert that Iranian does not fully comply in monitoring and inspections, and states that it cannot verify that Iran's nuclear activities are strictly for peaceful purposes. Given the current Iranian government's hostility and inflammatory rhetoric towards Israel and the United States, its development of ballistic missiles capable of reaching Israel and Europe, and its support for Hezbollah, Hamas, and insurgent groups in Iraq, many officials and analysts consider a nuclear Iran an unacceptable danger to regional stability.

Since the discovery of Iran's covert nuclear activities in 2002, the "EU-3" (France, Germany, and the United Kingdom) have led diplomatic efforts to curtail them. In 2006, China, Russia, and the United States joined the EU-3 to form the "Permanent Five Plus One" (P5+1) negotiating group. The history of negotiations with Iran consists of a series of proposed incentives packages regarding trade, energy, and political cooperation, offered in return for the abandonment of uranium enrichment. Since 2006, such incentive offers have carried the threat of punitive sanctions to be imposed in case of noncompliance, and on three separate occasions the EU-3 and

⁴ For more information see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman, CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman, CRS Report RL34544, *Iran's Nuclear Program: Status*, by Paul K. Kerr, and CRS Report R40094, *Iran's Nuclear Program: Tehran's Compliance with International Obligations*, by Paul K. Kerr.

the United States have successfully pushed for United Nations Security Council approval of limited sanctions on Iran (Resolutions 1737, 1747, and 1803).

Early in its term, the Obama Administration indicated a willingness to increase direct U.S. engagement in talks with Iran. European leaders welcomed and encouraged this prospect, although emphasizing that it should be closely coordinated within the P5+1 framework. The aftermath of the controversial and disputed re-election of Iranian President Mahmoud Ahmadinejad in June 2009, however, has complicated matters. While the U.S. Administration has taken a relatively cautious overall approach to post-election developments in Iran, European leaders (and the U.S. Congress) were more outspoken from the outset in condemning the regime's behavior. Some officials and observers have been wary of how international overtures might impact perceptions of Ahmadinejad's legitimacy and some question whether, under the circumstances, the Iranian government is in a position to act as a serious negotiating partner. At the same time, the Iranian government blamed post-election unrest on Western interference, particularly singling out the United States and the UK, leading to a debate in the United States and Europe over how best to engage the Iranian opposition. Furthermore, an announcement by the United States, UK, and France in September 2009 revealing the existence of a previously undisclosed nuclear facility near the city of Qom added tension to the atmosphere.

During talks in fall 2009, the United States, France, and Russia advanced a proposal to enrich Iranian uranium outside the country for use in an Iranian research reactor. Given the continuing lack of an official Iranian response to this proposal, and Tehran's failure since November 20, 2009, to agree to a subsequent meeting, the United States and the EU are likely to pursue further U.N. sanctions in 2010. British Prime Minister Brown, French President Sarkozy, and German Chancellor Merkel all appear to support the adoption of tougher sanctions. However, the United States and the EU continue to face a challenge in securing cooperation from Russia and China.

Although the United States has strongly supported EU-3 efforts in this issue, some Americans have pointed to European economic ties with Iran and urged Europeans to adopt tighter sanctions, even if outside the U.N. framework. The EU and a number of member countries have taken some such autonomous measures, but many Europeans prefer to work strictly within the U.N. process regarding international sanctions. The EU has long opposed the U.S. Iran Sanctions Act as an extraterritorial application of U.S. law. Some Europeans have also been concerned that proposed U.S. legislation aimed at Iran could harm European energy companies and undermine transatlantic unity in this issue. Bills in the 111th Congress that would tighten U.S. sanctions on Iran, including penalizing gasoline sales to Iran, include H.R. 2194 (which passed the House on December 15, 2009) and S. 2799 (which was adopted by the Senate on January 28, 2010).

Israeli-Palestinian Conflict⁵

Israel's offensive into Gaza in December 2008-January 2009, coupled with leadership changes in the United States and Israel in early 2009, brought renewed international attention to the Israeli-Palestinian conflict. While the United States and the EU advocate the negotiation of a political settlement, however, many experts observe that circumstances do not easily lend themselves to a revived peace process.

⁵ For more information see CRS Report RL33530, *Israeli-Arab Negotiations: Background, Conflicts, and U.S. Policy*, by Carol Migdalovitz and CRS Report R40092, *Israel and the Palestinians: Prospects for a Two-State Solution*, by Jim Zanotti.

The United States and the EU both believe in a “two-state” solution, a settlement that results in a sustainable Palestinian state alongside a secure Israel. More broadly, both also recognize that a settlement to the Israeli-Palestinian conflict is important for stability in the wider Middle East and in the context of combating Islamic radicalization and terrorism. However, despite the creation in 2002 of the Quartet mechanism for promoting the peace process (consisting of the United States, the EU, Russia, and the U.N.) and the Annapolis conference on the peace process in November 2007, many observers maintain that little progress has been made in recent years.

Many Europeans have long considered the Israeli-Palestinian conflict to be the key issue in the Middle East and have called for more engagement on the part of the United States. The Obama Administration’s early appointment of a special Middle East envoy and its increased engagement with Syria, a significant regional influence, were welcomed in Europe as positive signals of U.S. commitment. In addition, President Obama’s June speech in Cairo and U.S. pressure to halt the construction of Israeli settlements in the West Bank have created some perceptions of a more balanced U.S. approach among those who believe U.S. policy has historically favored Israel.

Arguably the greatest obstacle to the peace process is the split in Palestinian leadership. Hamas forcibly took over Gaza in June 2007, leading to the dismissal by Palestinian Authority (PA) President Mahmoud Abbas (from Hamas’ rival Fatah) of a Hamas-led PA unity government. The United States and the EU classify Hamas as a terrorist organization and have no direct relations with its leaders.⁶ The United States and the EU maintain political ties with the Palestinians through Abbas and the “caretaker” PA administration he has appointed to govern the West Bank. Some have suggested the formation of a Palestinian unity government under Abbas’ leadership that would carry on negotiations with Israel, although Hamas’ role in any such government would likely be problematic. Egypt has been moderating talks between Fatah and Hamas on the future of the Palestinian government.

The equation is further complicated by the right-wing coalition government led by Benjamin Netanyahu that was formed after Israel’s February 2009 election. Although Netanyahu indicated willingness to pursue the peace process under certain conditions, many observers have been skeptical about his government’s intentions regarding a “two-state” solution. Israel’s resistance to U.S. and European pressure to halt settlements has been the source of considerable tension, as has continuing European criticism of Israel’s actions during the Gaza offensive. Perceived differences in approach to the peace process led the EU to freeze a planned upgrade in relations with Israel in April 2009.

Some experts argue that U.S.-EU efforts to isolate Hamas have actually increased its domestic standing, and some in Europe view engagement and dialogue as a better way to eventually steer Hamas towards the more moderate political mainstream. Recent statements by Hamas leaders suggest that, rhetorically at least, the group might be willing to move toward a middle ground—for example, recognizing the 1967 borders but not the state of Israel. Some analysts believe any such shift in Hamas’ public stance might simply be calculated to win greater European support—and that such language might well be interpreted in Europe as a willingness to participate in the political process. A resultant shift in European policy toward greater engagement could reflect transatlantic divergence: U.S. policy maintains that Hamas must renounce violence and recognize Israel, whereas Europeans might be more flexible about the terms under which Hamas could be

⁶ See the U.S. State Department foreign terrorist organizations (FTO) factsheet, April 8, 2008, and the EU list of terrorist group and individuals, January 26, 2009 (Council Common Position 2009/67/CFSP).

included in the political process. Both Israeli and Fatah officials have expressed their opposition to the prospect of any expanded European political engagement with Hamas.

The EU is the largest donor of foreign aid to the Palestinians, operates a police training mission in the Palestinian Territories (EUPOL COPPS), and is considering restarting its Border Assistance Mission (EU-BAM), which monitored the Rafah crossing point into Egypt until going into a standby mode when Hamas took over Gaza. The United States donated \$960 million for Palestinian economic and security assistance in FY2009 and appropriated about \$500 million for FY2010. Both the United States and EU take steps to ensure that their aid does not end up with Hamas—aid is delivered directly to the Palestinian Authority or indirectly to the Palestinian people via the United Nations Relief and Works Agency (UNWRA), other international organizations, and non-governmental organizations (NGO).

Russia⁷

In the aftermath of its August 2008 conflict with Georgia, relations between Russia and the West reached what some observers consider their lowest point since the end of the Cold War. In fact, relations had already grown increasingly tense in recent years, with numerous issues serving as points of irritation and contention. Many European countries have complex and interdependent relationships with Russia in terms of energy and economics, and EU member states have been unable to agree on a common approach to their eastern neighbor.

For some time, against a background of tensions over Russian opposition to both past and prospective NATO enlargement, as well as to Western support for the independence of Kosovo, officials and observers in Europe and the United States have expressed growing concern about what is perceived as the increasingly authoritarian character of the Russian government and its assertiveness and quest for influence in the Russian “Near Abroad” and beyond. The Obama Administration’s attempted “re-set” of relations appears to have alleviated some of the tension that had built up. In April 2009, following an initial meeting between President Obama and President Medvedev, leaders at NATO’s 60th Anniversary Summit decided to resume the meetings of the NATO-Russia Council, which had been suspended due to the Georgia conflict. President Obama traveled to Moscow for a summit in July 2009, and the two sides reached an agreement allowing the transit of U.S. military material through Russia to Afghanistan; agreed to set up a Bilateral Presidential Commission to look jointly at a range of security and economic issues; and agreed to increase military-to-military contact and cooperation, including cooperation on nuclear security issues. The Administration’s September 2009 decision to alter U.S. plans for missile defense installations in Poland and the Czech Republic appears to have diminished a primary source of past friction. Negotiations between the United States and Russia are ongoing about a successor agreement to the Strategic Arms Reduction Treaty (START), and the two sides have also been discussing cooperation regarding missile defense, Iran, and North Korea.

At the same time, considerable U.S. and European concerns and objections remain regarding Russian policy on Georgia, including its recognition of the breakaway provinces Abkhazia and South Ossetia, Russia’s unilateral suspension of its obligations under the Conventional Armed Forces in Europe (CFE) Treaty, and issues of internal governance and human rights. U.S. and EU leaders face difficulties in securing Russian cooperation on the matter of possible new sanctions

⁷ For more information see CRS Report RL33407, *Russian Political, Economic, and Security Issues and U.S. Interests*, coordinated by Jim Nichol.

on Iran's nuclear program. In addition, Russian officials continue to advocate for talks about a new European security architecture. Some analysts view this proposal as an attempt to undermine NATO.

Europe is divided between those who believe in a firm, vigilant stance toward Russia, and others inclined more toward pragmatism and engagement. Of the former, some see in Russia a potential threat to the political independence and even territorial sovereignty of themselves and neighbors, and look to a U.S. approach that robustly guards against Russian assertiveness. Some officials and observers in the countries of central and eastern Europe and the former Soviet Union have been vocal in expressing their concerns about the U.S. "reset" policy. They are concerned that U.S. dealings with Russia could have effects detrimental to their security interests and to the cohesion of NATO. They also fear that improved relations with the United States could embolden Russia in its actions toward neighbors, leading in turn to regional instability. Advocates of engagement, on the other hand, assert that the maintenance of extensive ties and constructive dialogue is the most effective way to influence Russia. They argue that Russia should be viewed as a strategic partner and observe that Russian cooperation is important on issues such as Iran, climate change, arms control, and energy.

Regarding energy, the EU as a whole is dependent on Russia for more than one-quarter of its gas and oil supplies, a number expected to grow substantially over the next 20 years. For some individual countries, dependence on Russian gas is already much greater.⁸ Thus, upstream gas cutoffs—as occurred most recently in the dispute between Russia and Ukraine in January 2009—have major implications for wider European energy security. Although this latest dispute was nominally about payment, some analysts have described a trend in which Moscow seems willing to use energy supplies as an instrument of foreign policy. Additionally, in recent years Russia has been actively engaging in bilateral energy deals with a number of European countries and acquiring large-scale ownership of European energy infrastructure, while not applying Western standards of transparency and market reciprocity regarding business practices and investment policy. There is concern in the United States over the influence that Russian energy dominance could have on the ability to present European—and, by consequence, transatlantic—unity when it comes to other issues related to Russia. For this reason, some have expressed the desirability of decreasing European reliance on Russian energy through diversification of supply, and supported European steps to develop alternative sources and increase energy efficiency. Analysts have also advocated the development of a common European energy policy that would push Russia to introduce more competition and transparency in its energy sector.

Counterterrorism

In the years since September 11, 2001, U.S. counterterrorism cooperation with the EU and individual European countries has been strong. During the Bush Administration, new U.S.-EU agreements were concluded on police information sharing, extradition, mutual legal assistance, container security, and airline passenger data. Bilateral intelligence sharing and close counterterrorism cooperation were established with many key European countries, which may have helped disrupt terrorist plots and apprehend those involved.

⁸ See CRS Report RL34261, *Russian Energy Policy Toward Neighboring Countries*, by Steven Woehrel and CRS Report RL33636, *The European Union's Energy Security Challenges*, by Paul Belkin.

Nevertheless, many Europeans strongly opposed aspects of the Bush Administration's policies. The detention center at Guantánamo Bay, which Europeans have long argued degrades shared values regarding human rights and disregards international accords on the treatment of prisoners, has often stood at the center of European objections. The European Parliament, for one, was an outspoken critic of U.S. policy regarding rendition, secret detention, indefinite detention, and some types of "enhanced interrogation techniques."

Policy changes introduced by the Obama Administration over the past year seem to have diminished some European concerns and objections over U.S. counterterrorism and detention practices. European leaders welcomed President Obama's early announcement that he intended to close the Guantánamo Bay facility within a year of taking office. Obama's executive order banning torture and his initiative to review Bush Administration legal opinions regarding detentions and interrogation methods were also well received across the Atlantic.

The Administration has faced serious challenges, however, regarding how to shut down Guantánamo, and the process of sorting through the difficulties has been slow.⁹ The initial one year deadline has passed, and closing the facility is now expected to take several years. In March 2009, the U.S. State Department appointed a special envoy tasked with persuading countries in Europe and elsewhere to take in detainees who will not be charged and have been cleared for release, but who cannot be repatriated to their country of origin for fear of torture or execution. Prior to 2009, a total of approximately 30 former detainees were transferred to EU countries—most being citizens or residents of the country to which they returned. Following early Obama Administration requests for help in accepting released detainees from third countries, the EU was unable to agree on a common position, and the decision was left up to member states to make on an individual basis. Due to the Schengen system of passport- and visa-free travel between many European countries, however, EU countries agreed to a framework of information sharing regarding any accepted detainees.¹⁰

EU member countries Belgium, France, Hungary, Ireland, Italy, Portugal, Slovakia, Spain, and the United Kingdom have accepted or publically agreed to accept from one to three released detainees each, with the individuals in question negotiated on a case-by-case basis. Austria, the Czech Republic, Denmark, Netherlands, and Poland have publically indicated that they do not intend to accept released detainees. Other EU countries are reportedly continuing private talks with the U.S. Administration or are still considering the matter internally.

Following the attempted bombing of a Northwest Airlines flight from Amsterdam to Detroit on December 25, 2009, airport security has taken on renewed urgency as a focus for transatlantic cooperation. The U.S. Secretary of Homeland Security met with EU interior ministers in late January 2010 to discuss ways to enhance data sharing, passenger screening, and on-board security for transatlantic flights. EU countries are debating whether to expand the use of "full body scan" machines at European airports.

Although overall counterterrorism cooperation is strong, a few areas of tension remain. European opposition to the U.S. death penalty could impede extradition deals in some terrorism cases, and European concerns about U.S. data and privacy protections have complicated U.S.-EU

⁹ See CRS Report R40139, *Closing the Guantánamo Detention Center: Legal Issues*, by Michael John Garcia et al.

¹⁰ The Schengen area includes 22 EU member countries plus Iceland, Liechtenstein, Norway, and Switzerland. Five EU members—Bulgaria, Cyprus, Ireland, Romania, and the United Kingdom—are not part of Schengen.

information sharing arrangements. U.S. officials have been concerned that rendition-related criminal proceedings against CIA officials in some EU states may put vital counterterrorism cooperation between U.S. and European intelligence agencies at risk. Lastly, although some EU member states include Hezbollah on their national lists of terrorist organizations, the EU has for years resisted adding Hezbollah to its common list, despite repeated entreaties from Members of Congress and U.S. Administrations.

Climate Change¹¹

Despite disappointment with the outcome of the December 2009 international conference that was held in Copenhagen, climate change remains a top European priority. Many Europeans had hoped that the Copenhagen meeting would produce a successor treaty to the Kyoto Protocol, including binding targets for the reduction of greenhouse gas emissions by all major economies. The debate over climate change legislation in the United States has an important impact on prospects for a future international framework, and there will continue to be a high degree of European and international interest in how the debate plays out.

Europe is often perceived as a global leader in climate change policy. In the 2007 Energy Policy for Europe, member states agreed to the following EU-wide targets for the year 2020: a 20% carbon emissions reduction compared with 1990 levels; a 20% increase in energy efficiency; 20% of all energy consumption from renewable sources; and 10% of transport fuel from biofuels.¹² In December 2008, the EU approved an integrated climate and energy package that details how it plans to meet these goals. The package, which will come into force by 2011, includes binding national targets for each country. The agreement also covers the operation of the second phase of the EU Emissions Trading System (ETS), which will begin in 2013. Additionally, the EU maintains a commitment to increase its emissions reduction target to 30% if other major international emitters agree to a comparable goal.

The perceived shift in the U.S. climate change debate under the Obama Administration has been welcomed by many in Europe. In past years, some European officials expressed frustration with what they viewed as the Bush Administration's skepticism toward climate change. The Bush Administration was reluctant to agree to binding international targets on greenhouse gas emissions and energy efficiency, generally preferring to seek technological solutions instead of global regulation. Many in the Bush Administration also maintained that binding caps could hurt the U.S. economy unless they are also applied to major emitters in the developing world, most notably China and India.

The American Clean Energy and Security Act of 2009 (H.R. 2454), which passed the House of Representatives in June 2009, aims to reduce U.S. emissions 17% by 2020, compared to 2005 levels, using a "cap and trade" system.¹³ Although welcoming U.S. legislative action, some

¹¹ For more information see CRS Report RL34513, *Climate Change: Current Issues and Policy Tools*, by Jane A. Leggett; CRS Report RL30024, *U.S. Global Climate Change Policy: Evolving Views on Cost, Competitiveness, and Comprehensiveness*, by Larry Parker and John Blodgett; and CRS Report RL34150, *Climate Change and the EU Emissions Trading Scheme (ETS): Kyoto and Beyond*, by Larry Parker.

¹² See *An Energy Policy for Europe*, European Commission, January 10, 2007, http://ec.europa.eu/energy/energy_policy/doc/01_energy_policy_for_europe_en.pdf

¹³ Under a "cap and trade" (also known as emissions trading) system, companies are granted a certain number of credits or allowances for carbon emissions. Companies that wish to exceed their emission cap would purchase unused credits from other companies that have remained below their cap.

Europeans were critical that the goals of the bill are not ambitious enough (for example, some criticized using 2005, instead of 1990, as the base year). With the bill now on the Senate legislative calendar, its future is uncertain—given widespread concern about the economy and questions about the potential economic impact of such measures, many feel that this could be a difficult time to pass such legislation. Should the United States eventually adopt a “cap and trade” system, some experts have suggested the eventual combination of such a U.S. system with the EU Emissions Trading System, creating a transatlantic emissions trading, or carbon credit, market.

Economic Relations¹⁴

The United States and the European Union have the largest trade and investment relationship in the world. In 2008, the value of the two-way transatlantic flow of goods, services, and income receipts from investment totaled nearly \$1.6 trillion (latest data available). U.S. and European companies are also the biggest investors in each other’s markets; total stock of two-way direct investment came to about \$3 trillion in 2008. Although a number of policy disputes exist, the economic relationship is the bedrock of transatlantic interdependence. Together comprising 54% of global gross domestic product (GDP), the U.S.-EU economic relationship is also the world’s most influential in terms of shaping standards and regulations.

The global financial crisis and recession has affected the economic relationship and tested the political relationship. Although economic recovery now appears to be underway in much of the EU, a number of member states have been severely impacted by the crisis. A coordinated international response was discussed at G-20 meetings in November 2008 in Washington, DC, April 2009 in London, and September 2009 in Pittsburgh. Leading economies agreed to avoid protectionist trade measures, and to boost the resources of the International Monetary Fund (IMF). However, at the London meeting European leaders resisted U.S. calls for greater stimulus spending. Europeans argued that existing stimulus packages needed more time to take effect, preferring instead to focus on new regulation for the financial sector. The EU is planning major reforms to the regulation and supervision of the financial sector across its member states, including the creation of new cross-border agencies to monitor stability and risk in financial markets.¹⁵

European officials have expressed concerns regarding protectionist provisions in U.S. stimulus legislation, as well as in U.S. energy and climate bills. There are also concerns over the prospects for negotiations on the second stage of the Open Skies agreement, in which some would like to see the creation of a U.S.-EU Open Aviation Area that removes restrictions on foreign ownership of airlines and allows reciprocal access to domestic markets. European officials assert that standards for the mutual recognition of aircraft repair stations under the FAA Reauthorization Act of 2009 (H.R. 915) contradict the 2008 U.S.-EU Aviation Safety Agreement. In addition, many Europeans believe that the 2007 U.S. law requiring ports to achieve 100% security screening for U.S.-bound containers will have significantly negative economic effects. Some Europeans have criticized the \$10 per person visitor tax proposed under the Travel Promotion Act of 2009 (H.R. 2935, S. 1023), arguing that it would discourage transatlantic travel and tourism.

¹⁴ For more information see CRS Report RL30608, *EU-U.S. Economic Ties: Framework, Scope, and Magnitude*, by William H. Cooper and CRS Report RL34381, *European Union-U.S. Trade and Investment Relations: Key Issues*, coordinated by Raymond J. Ahearn.

¹⁵ See CRS Report R40415, *The Financial Crisis: Impact on and Response by The European Union*, by James K. Jackson.

U.S.-EU cooperation has been the key driving force behind efforts to liberalize world trade. While differences with countries in the developing world have been the primary reason why the Doha round of multilateral trade negotiations has stalled, the inability of the United States and EU to agree to a common position on agricultural subsidies has not helped matters. Transatlantic trade disputes also persist over poultry, subsidies to Boeing and Airbus, hormone-treated beef, and bio-engineered food products.

Regulatory Cooperation and the Transatlantic Economic Council¹⁶

The United States and the EU have made a number of attempts to reduce remaining non-tariff and regulatory barriers to trade and investment. At the 2007 U.S.-EU summit, German Chancellor Angela Merkel initiated the creation of the Transatlantic Economic Council (TEC), a new institutional structure headed on both sides by cabinet/ministerial-level appointees and tasked with advancing the process of regulatory cooperation and barrier reduction.

Numerous studies have concluded that reducing regulatory burdens and harmonizing standards in areas such as safety, health, environment, engineering, and labeling could provide a significant boost to GDP on both sides of the Atlantic. Some have called for setting a target date by which to achieve an integrated transatlantic market.¹⁷ The TEC was designed to provide increased political weight for the acceleration of the technical process of regulatory convergence. Reporting to the U.S.-EU Summit, the TEC was charged with building on existing sectoral dialogues in areas such as pharmaceuticals and food, automobile, and consumer product safety, as well as reviewing policies in priority areas such as innovation, technology, financial markets, and intellectual property. Results thus far have been mixed: while the TEC agreed that both sides should pursue mutual recognition of accounting standards, it was unable to solve the poultry dispute. The TEC met most recently on October 27, 2009, in Washington, DC, where it discussed joint responses to the financial crisis, agreed to identify key sectors on which to focus renewed efforts for regulatory convergence, and launched a new dialogue on innovation and technology.

To help accomplish its mandate, the TEC was directed to broaden stakeholder participation with the establishment of an advisory group that includes the Transatlantic Business Dialogue (TABD), the Transatlantic Consumers Dialogue (TACD), and the Transatlantic Legislators' Dialogue (TLD). The TLD is the formal mechanism for engagement and exchange between the U.S. House of Representatives and the European Parliament. Although the process of transatlantic economic integration and regulatory cooperation has been largely an executive branch affair, some advocates of convergence believe that greater involvement on the part of legislatures is essential. They argue that an active and robust TLD serving as an adviser to the TEC could significantly advance the process. However, many believe that the TLD remains relatively obscure, with ambiguity regarding which U.S. Members actually belong, and no role given to the U.S. Senate. A re-structuring and re-invigoration of the TLD may help it play a more influential role in these issues.

¹⁶ For more information see CRS Report RL34735, *Transatlantic Regulatory Cooperation: A Possible Role for Congress*, by Raymond J. Ahearn and Vincent Morelli and CRS Report RL34717, *Transatlantic Regulatory Cooperation: Background and Analysis*, by Raymond J. Ahearn.

¹⁷ See, for example, James Elles, *The Transatlantic Market: A Reality by 2015?*, Transatlantic Policy Network, 2006.

Visa Waiver Program¹⁸

The U.S. Visa Waiver Program (VWP) has been a source of transatlantic discord in recent years. Although the issue has not been fully resolved, developments in late 2008 helped defuse some of the discontent on the European side.

The VWP permits travelers from participating countries to enter the United States for a maximum of 90 days without a visa. Admission to the VWP requires meeting security and passport standards and signing on to a number of information-sharing arrangements. While U.S. citizens enjoy such short-term visa-free travel to all 27 countries of the EU, not all EU members are included in the U.S. VWP. The EU has sought full reciprocity based on its fundamental principle of equal treatment of all member states and their citizens. The issue has caused particular frustration in a number of central and eastern European countries, who have found themselves excluded from the VWP despite their support of the United States in Iraq and on counterterrorism. Although the EU has attempted to negotiate the VWP as an EU-U.S. matter, the United States has preferred to address the issue bilaterally with the individual countries involved.

In July 2007, Congress passed legislation (P.L. 110-53) simultaneously strengthening the program's security components and granting the Secretary of the Department of Homeland Security (DHS) authority to waive certain admission requirements. This waiver made it easier for some EU members (and other interested states) to qualify. In late 2008, seven of the 12 EU countries that had been outside the VWP were admitted to the program: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, and Slovakia. Welcoming this progress (despite the bilateral nature of the process), the European Union would still like the five member states that remain outside the VWP—Bulgaria, Cyprus, Greece, Poland, and Romania—admitted as soon as possible.¹⁹ Poland remains a notable outsider given the large Polish community in the United States and the fact that it has been an ardent lobbyist for inclusion in the VWP.

Noting that terrorists with European citizenship have entered the United States on the VWP, some Members of Congress have expressed skepticism about the VWP in general because of security concerns. Other Members have been more supportive of extending the VWP to new EU members, given their roles as U.S. allies, and in the belief that the requirements for entering the VWP promote higher standards for travel and document security and increase information sharing. The recent expansion of the VWP by DHS was criticized by Members of Congress who preferred to freeze the program pending further improvements as called for in a September 2008 GAO report.²⁰ Senators Dianne Feinstein and John Kyl have introduced legislation (S. 203) in the 111th Congress to strengthen security and oversight procedures of the VWP.

¹⁸ For more information, see CRS Report RL32221, *Visa Waiver Program*, by Alison Siskin.

¹⁹ "European Commission Vice-President Barrot Welcomes Significant Development in Secure, Visa-Free Travel Across the Atlantic," *Delegation of the European Commission to the USA*, October 17, 2008, <http://www.eurunion.org/eu/>

²⁰ U.S. Government Accountability Office, *Visa Waiver Program: Actions Are Needed to Improve Management of the Expansion Process, and to Assess and Mitigate Program Risks*, GAO-08-967, September 15, 2008.

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