



A Strategy to Strengthen Transatlantic Partnership

December 4, 2003

CO-CHAIRS' FOREWORD

Eighteen months ago, members of the Transatlantic Policy Network (TPN) decided to embark on a project with one goal: to permanently strengthen the EU-US transatlantic partnership. This decision reflected not only our concern that relations between Europe and the United States had become dangerously strained in many areas but also the more fundamental conviction that Europe and the United States can only respond successfully to the forces of globalization through a strong, forward-looking and enduring partnership with each other, set in a global framework for joint action.

This report presents the fruit of TPN's collective effort. These observations and recommendations bear the authority of a year and a half of extensive discussion throughout the TPN membership and beyond. As co-chairs of this project, we were honored with the responsibility for overseeing the process of soliciting, analyzing, synthesizing, and proposing ideas on ways to strengthen the EU-US transatlantic relationship. This report reflects a collective effort to identify the most effective and widely supported proposals. Each of us may have differing views on individual points in the report, but we are pleased to endorse it as an overall package. The set of recommendations in this report represents a firm basis upon which to now mobilize strong leadership support and involvement from our respective political, business, academic and governmental communities.

At the same time, these recommendations do no more than set the framework and identify the priorities for further refinement and action. Many of the recommendations will demand deeper political reflection and dialogue in their own right. We therefore now invite the widest possible range of interests and actors to become directly involved in their adoption, further elaboration and implementation over the coming years.

TPN members embarked on this project with the determination to make a difference. The political effects of the subsequent Iraq conflict reinforced our determination. The lesson of recent months is crystal clear: a strong transatlantic partnership is essential for peace, prosperity and democracy around the world.

Robert Bennett, US Senator

James Elles, Member European Parliament

Cal Dooley, US Congressman

Erika Mann, Member European Parliament

ACKNOWLEDGEMENTS

This report has taken eighteen months to develop.

Its realization would not have been possible without the continued support and committed involvement of TPN's political, corporate and institutional membership together with invited guests from the administrations and other outside experts.

By giving their time, ideas, encouragement and sponsorship, they have helped to ensure this successful result.

Special thanks must also go to the collective chairmanship of:

Senator Robert Bennett and Representative Cal Dooley
and
Mr James Elles MEP and Ms Erika Mann MEP

TPN would also like to express warm thanks for their generous contributions, support and involvement to:

The German Marshall Fund of the United States

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This report is intended to reflect the composite conclusions of a series of seminars and meetings held in the EU and the US. It does not necessarily reflect the views of any individual participant or organization.

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I. Executive Summary

Since its founding in 1992, TPN has single-mindedly devoted itself to strengthening the EU-US transatlantic partnership, but recent experience makes it abundantly clear that progress has been insufficient. The task remains urgent. Our partnership must be global in scope, and the stakes could not be higher.

The EU-US summit of June 2003 gave new political impetus for a strengthened transatlantic partnership but was only a first step. Both the US and EU now need to mobilize our political, business and civil society leaderships in a sustained effort to deepen and broaden transatlantic partnership on the basis of an updated strategy, action plan and institutional framework.

Certain fundamental transatlantic differences have become progressively more pronounced and disruptive since the end of the Cold War, erupting into crisis over Iraq. However, the central and widely shared conclusion of this 18-month TPN project is that much more unites Europe and the United States than divides us at the outset of this new century.

The concept of “linkage” between our economic, defense & security, and political interests formed the central strategic vision set out in our October 1995 publication (“Toward Transatlantic Partnership: The Partnership Project”) and continues to drive the recommendations set out in this report.

A European strategy to build the European Union as a geopolitical counterweight to the United States would undermine the relationship, as would a US strategy of indifference or hostility to the emergence of the EU as a global actor and strong partner.

Rather, a strategy to strengthen our transatlantic partnership must: articulate the common purpose; build on strengths and reinforce linkages; and accommodate differences, including those tied to differing constitutional competences and capabilities of the European Union and the United States. Viewed in this light:

- The *economic* foundations for strengthened EU/US partnership are strong.
- The *defense and security* foundations for strengthened EU/US partnership need to be developed and must complement the preeminent role that NATO has played in Euro-Atlantic security for the past 54 years.
- Potential for strengthening the *political* foundations for EU/US partnership now exists in areas of vital common interest and should grow.
- The *institutions and processes* comprising the transatlantic “system” need to be re-assessed.

A strategy for a strengthened transatlantic partnership, therefore, needs to link a bold new agenda for economic collaboration with a commitment to enhanced joint action on our highest shared political priorities. It must also provide for the progressive development, within the

same framework, of a broad security partnership between the US and the EU, together with an efficient and mutually reinforcing interface between the EU and NATO. Progress will also depend on a broader basis of public support on both sides of the Atlantic, which can only be generated through the creation of a highly visible and effective transatlantic “community of action”.

A 10-point, 10-year action plan

Based on the foregoing conclusions and the resulting recommendations set out in chapter IV of this report, TPN proposes the following 10-point, 10-year action plan for deeper and broader transatlantic partnership, to be implemented from 2005 through 2015 on the basis of jointly agreed objectives, actions and benchmarks for progress.

Economic

1. *Deepen and broaden the transatlantic market, with a view to its completion by 2015, and an accelerated 2010 target date for:*
 - *Financial services and capital markets*
 - *Civil aviation*
 - *The Digital Economy (privacy, security and intellectual property rights)*
 - *Competition Policy*
 - *Regulatory Cooperation*
2. *Strengthen transatlantic economic and monetary cooperation in a practical and pragmatic manner.*
3. *Revitalize the WTO Doha negotiations as a matter of highest urgency, building on the basis of progress made. At the same time, jointly engage the rest of the world in a broader dialogue on strategy and cooperation for growth and development – including how to improve the effectiveness of multilateral institutions.*

Defense and Security

4. *Promote more open transatlantic defense markets and closer cooperation between transatlantic defense industries, including a policy and regulatory framework that facilitates the transatlantic transfer of defense technologies.*
5. *Further develop the NATO/EU interface, while continuing to clarify respective future roles and capabilities in the military sphere consistent with the agreed “Berlin Plus” principles.*
6. *Develop a framework for broader, permanent EU/US security dialogue, based on the complementarities of US security doctrine and the emerging EU Security Strategy.*

Political

7. *Build a transatlantic “community of action” for regional and global cooperation, founded on six priorities:*
 - *Peace, democracy and development in the extended Middle East*
 - *The war against terrorism*
 - *Curbing the proliferation of weapons of mass destruction*
 - *Fighting AIDS and infectious diseases*
 - *The long-term integration of China into the global community*
 - *The further transformation of Russia into a democratic state, market economy and strategic partner*
8. *Deepen practical cooperation on energy and climate change, building on the agreement on R&D cooperation for the hydrogen economy.*
9. *Stimulate the constructive involvement of relevant communities of interest from American and European civil society in collaborative actions on transatlantic partnership priorities.*

Institutional

10. *Agree by December 2005 on the major elements of a “Transatlantic Partnership Agreement” between the EU and the US to be implemented from 2007, building on the 1995 New Transatlantic Agenda and reflecting the strategy proposed in this report. As part of this process:*
 - *Focus the annual EU/US summit process to provide strategic direction and impetus to the transatlantic partnership; develop communications with the NATO summit process as well.*
 - *Institute regular informal EU/US consultation at ministerial level in advance of EU/US summits, supported by permanent joint policy planning.*
 - *Strengthen the institutional structure for on-going transatlantic political dialogue, building on the evolving Transatlantic Legislators Dialogue (TLD) between Members of the European Parliament and the US Congress.*

II. Introduction

The need to strengthen transatlantic partnership

Since its founding in 1992, TPN has single-mindedly devoted itself to strengthening the EU-US transatlantic partnership, based on the three-fold conviction that:

- The end of the Cold War would unleash global forces that were bound to affect the policies, principles and institutions upon which the transatlantic partnership had been built during the previous half-century;
- The emergence of the European Union as an actor on the world stage, and confirmation of the United States as the world's sole superpower, would need to be accommodated in any new transatlantic design;
- As a result, new foundations for a global transatlantic partnership would have to be conceived and systematically put in place.¹

Over the past decade, events around the world have indeed carried us ever further from the *terra firma* of our twentieth-century political relationship built on the Atlantic Alliance, with all its certainties and comforting routines. More recent experience also makes it abundantly clear that progress on strengthening the political foundations of the transatlantic partnership has been insufficient. The imminent enlargement of the European Union to include much of the former Soviet bloc adds to the urgency of the task.

The stakes could not be higher. At risk is the most fundamental guarantor of the security, freedom and prosperity of our peoples - the ability, perhaps even the will, of our elected leaders to work effectively together to secure those common goals in the face of new and volatile global conditions.

A watershed for strengthened partnership: the EU/US summit of June 2003

The President of the United States and the Presidency of the European Union met for their annual summit in Washington in June 2003 at arguably the lowest point in transatlantic relations since the creation of the Alliance. This low point was due notably - but by no means exclusively - to the lingering mutual resentment and mistrust generated by the conflict in Iraq.

¹ Previous TPN recommendations for a more formalized EU-US partnership have been published in a series of ***Towards Transatlantic Partnership*** documents:

- ***A European Strategy (1994)***
- ***The Partnership Project (1995)***
- ***Cooperation Project Report (1998)***

In fundamental doubt, many felt, was the historic, unbroken US support for European unity, as well as Europe's longstanding acceptance of US global leadership.

Yet the Washington summit proved the doubters wrong. At the outset of a friendly, frank and highly productive summit, President George W. Bush made clear his interest in stronger cooperation with a European Union that "will grow in capacity". EU Council President-in-Office Costas Simitis responded by affirming that transatlantic relations are of fundamental importance; our jobs and economic growth depend on each other, and our relations are essential for bilateral and global security. During the subsequent press conference, President Bush then reaffirmed the continuity of US policy:

Since the end of World War II, the United States has strongly supported European unity as the best path to European peace and prosperity. We believe, as well, that strong ties between America and Europe are essential to peace and the prosperity of the world.

The June summit has thus given important new political impetus to the effort to strengthen transatlantic partnership. But this is only a first step. We now need to mobilize our political, business and civil society leaderships in a sustained effort to deepen and broaden transatlantic partnership on the basis of an updated strategy, action plan and institutional framework.

To do so, we must move from diagnosis to prescription and action. The time has come to create a new transatlantic political consensus for partnership, with corresponding commitments to joint action, taking full account of the new realities we confront – as well as our differences - at the dawn of this new period of history.

Recognizing transatlantic differences

While not necessarily new, certain fundamental transatlantic differences have become progressively more pronounced and disruptive since the end of the Cold War, erupting into crisis over Iraq. The most significant of these differences are widely agreed to concern:

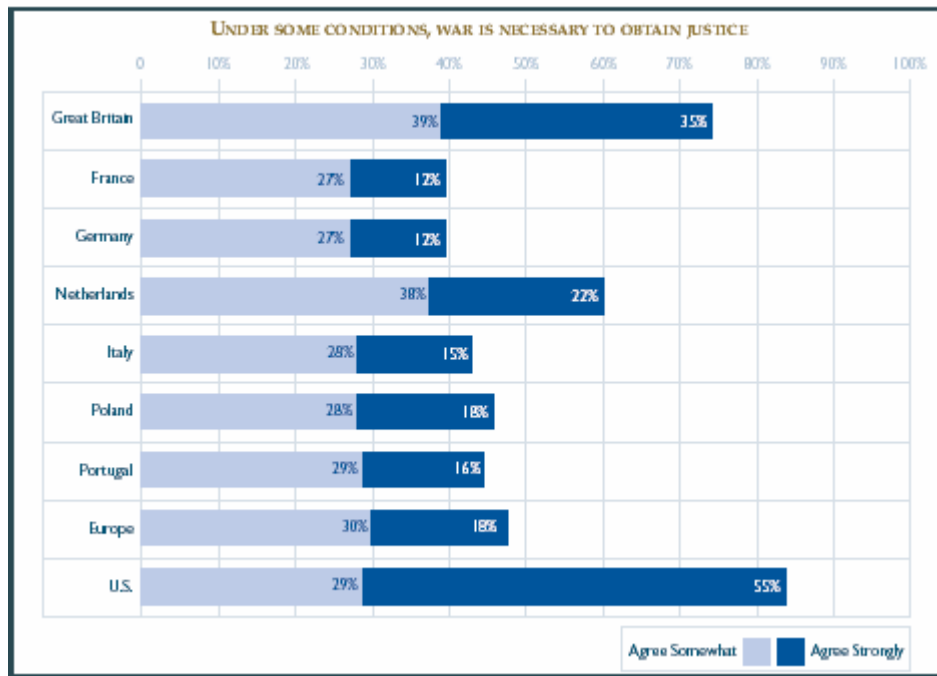
- *Degrees of global engagement and outlook:* The United States is deeply engaged around the world, and presumably will never be as strategically focused on Europe as it was throughout the twentieth century. On the other hand, Europe still appears to many to be largely preoccupied with issues closer to home, notably its own enlargement, its future institutional/constitutional architecture, and relations with its near abroad. But Europe's external engagement, in fact, continues to grow, with the result that transatlantic relations – whether cooperative or confrontational – increasingly appear on the global stage.
- *The value of sovereignty and the effectiveness of multilateralism:* Europeans have largely concluded from their post-war experience that a "pooling" of sovereignty

through the EU institutions combined with multilateral commitments, best serves their vital interests. Americans tend rather to see their interest in preserving sovereign freedom of US action, or collective action short of absolute consensus-based multilateralism. Generally, the US is more skeptical of the value of multilateralism; why engage in a multilateral effort if there is no prospect of consensus or effective action?

A widespread conviction in the US that many of the new security threats derive from failed states may further bolster the view that the world suffers from too little sovereignty, not too much. In this view, EU/US strategy for the developing world should focus in many cases on the creation of viable nation-state structures, not new multilateral programs or institutions.

- *The role of military power:* The Iraq crisis exposed not just differing post-9/11 transatlantic perceptions of the security threat posed by the nexus of failed states, terrorism and weapons of mass destruction, but also fundamentally different views on the legitimacy and effectiveness of pre-emptive military force as a response (see Figure 1).

Figure 1

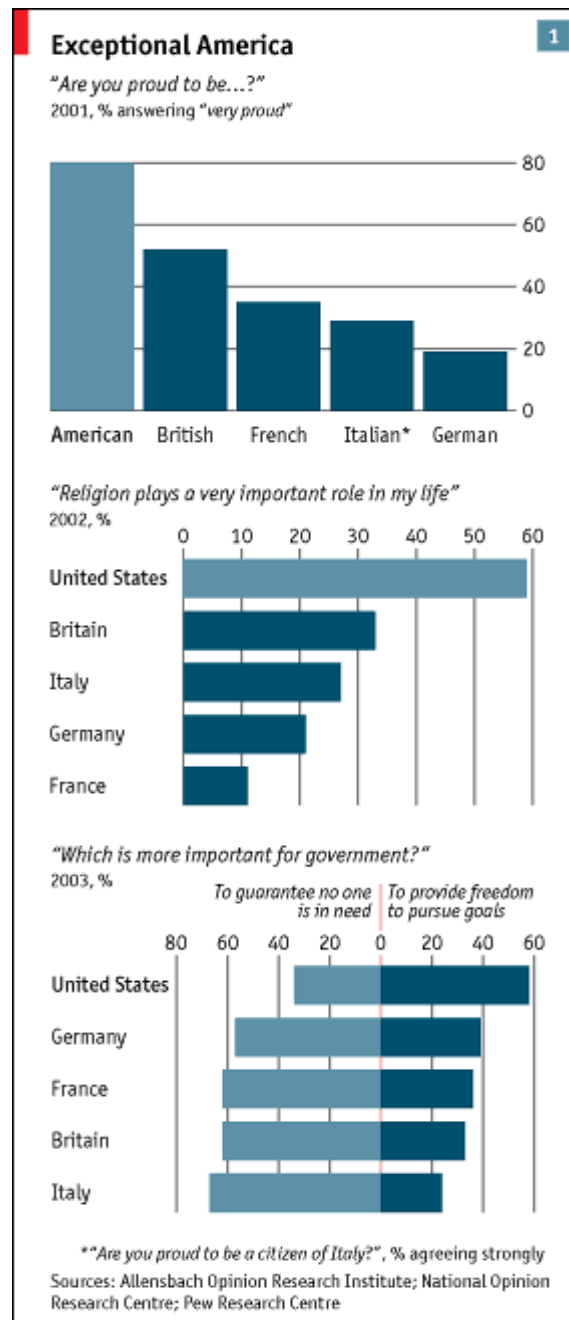


Source: German Marshall Fund of the United States, "Transatlantic Trends 2003"

- *Damaging perceptions of each other:* There is a tendency in some American quarters to blame recent transatlantic differences on what are seen as fundamental moral weaknesses in Europe, while many Europeans feel the US has become unnecessarily intransigent and bellicose in advancing its national interests.

- *Differing values:* While there remains an important foundation of shared values across the Atlantic, important differences in societal values and attitudes are seen by many to have become more prominent and problematic for transatlantic relations over the past decade (see Figure 2).

Figure 2

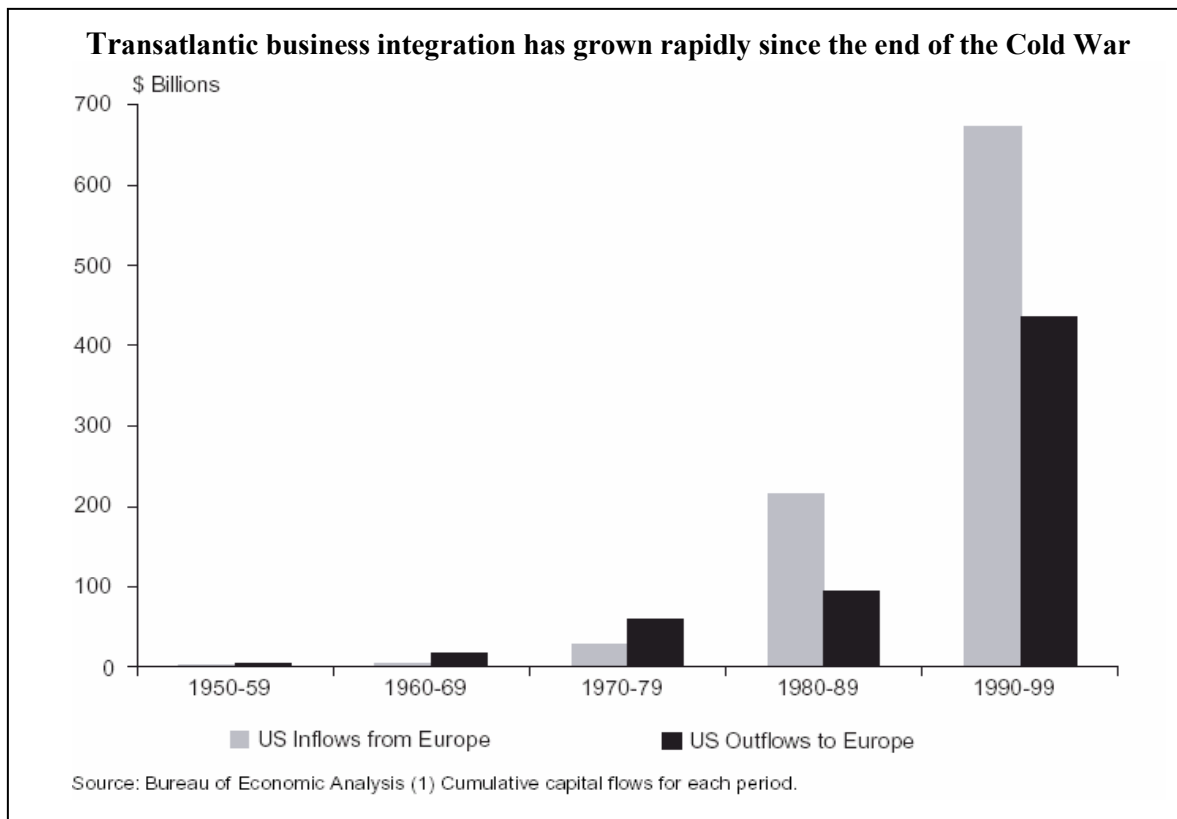


Common interests and collaborative strengths

Progress toward strengthening transatlantic partnership can only be built on areas of clear common interest and collaborative strength. Despite our current differences, it is widely recognized that:

- The transatlantic dialogue is more substantive and wide-ranging than those either partner maintains anywhere else in the world, and this is unlikely to change.
- The new security threats operate globally and must, therefore, be confronted together.
- A transatlantic market already exists in many product and service sectors, while transatlantic business integration continues to deepen (see Figure 3).
- Transatlantic collaboration is powerful when embraced by both sides, as demonstrated notably in:
 - the launch of the WTO Doha Development Agenda negotiations
 - joint on-going efforts to stabilize Afghanistan
 - post-conflict cooperation in the Balkans
 - the war against terrorism
 - R&D cooperation for the hydrogen economy (see Annex II, note 1)

Figure 3



Source: Joseph P. Quinlan, Center for Transatlantic Relations, Johns Hopkins University
"Drifting Apart or Growing Together?: The Primacy of the Transatlantic Economy"

Linkage

Isolated or ad hoc transatlantic cooperation on objectives of common interest will not be sufficient to create and sustain strong partnership. TPN was founded in 1992 on the shared conviction that the political, economic and security interests of Europe and the United States would inevitably become more tightly “linked” in the post-Cold War world, and would, therefore, need to be addressed in a strategic and institutional framework ultimately linking joint action in all three dimensions. Over the intervening years, the validity of this vision has become self-evident. To cite only the most obvious recent examples of “linkage”:

- Economic policy is now explicitly seen on both sides of the Atlantic as a powerful “soft security” tool.
- Experience in the Balkans and Afghanistan has shown that collaboration in nation-building is a necessary sequel to the use of military force.
- The Euro/Dollar exchange rate has become visibly sensitive to transatlantic political tensions, with direct consequences for transatlantic and world trade.
- Differences over climate change, genetically modified food, trade in steel, and the international criminal court are widely seen to have exacerbated transatlantic political tensions over Iraq and the Middle East.
- Those same political tensions have led to calls on both sides of the Atlantic for economic sanctions or boycotts, and warnings of damage to transatlantic capital flows.

The concept of linkage informed the central strategic vision set out in our October 1995 publication, “Toward Transatlantic Partnership: The Partnership Project” and continues to drive the recommendations set out in this report.

Our common interests outweigh our differences

The central and widely shared conclusion of this 18-month TPN project is that much more unites Europe and the United States than divides us at the outset of this new century. Our ever-widening spectrum of common interests and proven cooperative strengths far outweigh our differences, however high profile, preoccupying and difficult to reconcile these may be. The time has, therefore, come to pursue a strategy and action plan to strengthen transatlantic partnership, based on a new common global agenda responsive to – and linking – our most fundamental common interests, while taking realistic account of our differences.

III. A Strategy to Strengthen Transatlantic Partnership

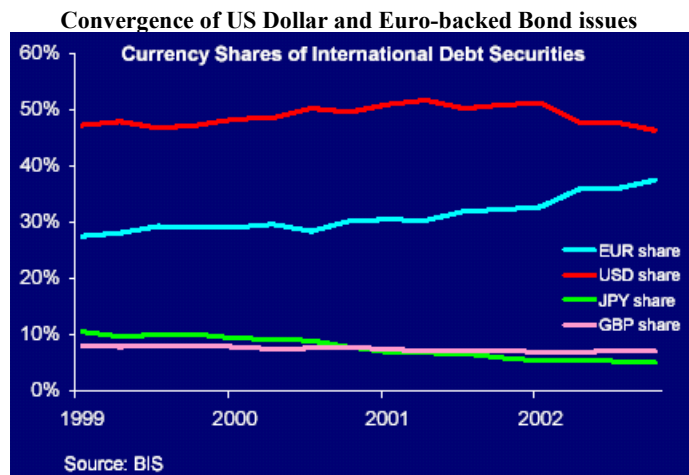
Principles

- **Articulate the common purpose:** In the interest of our peoples and the entire world, the EU and the US must work together for global prosperity, stability and democracy. A European strategy to build the European Union as a geopolitical counterweight to the United States would undermine the relationship, as would a US strategy of indifference or hostility to the emergence of the EU as a global actor and strong partner.
- **Build on strengths and promote linkage:** An effective strategy for strong transatlantic partnership must build on current strengths, and must also reflect the growing “linkages” between the economic, defense and security, and political interests of Europe and the United States. More effective transatlantic linkage between “hard” and “soft” security capabilities is especially urgent.
- **Accommodate differences:** At the same time, our partnership strategy must include mechanisms to facilitate and maintain direct and continuous dialogue on issues of disagreement. When we cannot agree, transatlantic partners must be able to “agree to disagree” without prejudice to the normal functioning of our broader relationship.
- **Take account of respective capabilities:** A strategy for strengthened partnership must also reflect a realistic assessment of the present and foreseeable degrees of symmetry or asymmetry in EU/US constitutional competencies and capabilities (always within a framework of linkage).
- Viewed in this light:
 - The *economic* foundations for strengthened EU/US partnership are strong.
 - The *defense and security* foundations for strengthened EU/US partnership need to be developed and must complement the preeminent role that NATO has played in Euro-Atlantic security for the past 54 years.
 - Potential for strengthening the *political* foundations for EU/US partnership now exists in areas of vital common interest and should grow.
 - The *institutions and processes* comprising the transatlantic “system” need to be re-assessed.

The economic foundations for EU/US partnership are strong

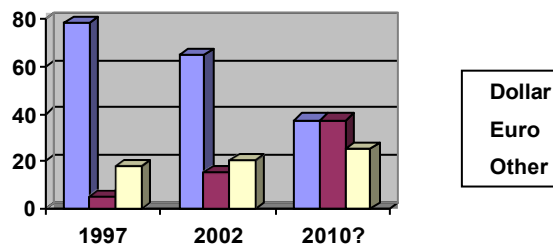
- A transatlantic market today exists in many product and service sectors, while transatlantic investment and business integration continues to expand. Growth has been particularly rapid since the end of the Cold War and will receive an added boost from the imminent enlargement of the EU (see Figure 3). Moreover, the US and EU are and will remain the world’s two largest economic players, sharing a vital interest in global economic development and able to deal with each other as equals – an important condition for effective partnership.
- As part of the cycle of institutional re-assessment, the Transatlantic Business Dialogue (TABD) is currently being reshaped to provide strong business leadership for deepening transatlantic partnership.
- European Economic and Monetary Union and the emergence of the Euro have created entirely new circumstances requiring deeper transatlantic economic and monetary cooperation (see Figure 4).

Figure 4 – The Emergence of the Euro



Source: Deutsche Bank

**Currency Composition of Foreign Exchange Reserves
(Historic and foreseeable percentages of world total)**



Sources: The Economist “The International Euro,” 12 November 1998
 Robert Mundell “The Euro: How Important?” Cato Journal, Winter 1999 (18, 3)
 Barry Eichengreen and Donald J. Mathieson, IMF Working Paper WP/00/131

- At multilateral level, despite the setback for the Doha Development Agenda at the WTO Cancun Ministerial, close EU/US collaboration from the outset of the Doha process has strengthened the foundations for a sustained joint effort to promote global economic development. Moreover, both sides of the Atlantic have come to view development policy as a potentially powerful “soft security” tool in the fight against terrorism.
- A number of transatlantic differences in the economic dimension continue to fester:
 - *Bilateral trade*: Europe sees past US action on steel and agricultural subsidies as protectionist, while the US often feels unjustly accused by what it views as an instinctively protectionist Europe (notably citing agricultural subsidies and regulatory barriers for biotechnology and chemicals). Each side views the other as hypocritical in its commitment to free trade.
 - *Trade and development strategy post-Cancun*: The US continues to pursue trade liberalization simultaneously at the bilateral, regional and multilateral levels, in an explicit effort to create competitive pressure to spur progress on the Doha Development Agenda. The EU is likewise engaged in a number of on-going economic negotiations with third countries. This proliferation of US and EU negotiations and agreements creates both opportunities and new complexities for business.
 - *Development aid*: Europe argues that it provides much more official development aid, and wants to see more come from the US. Some in the US counter that the picture is much more balanced when various forms of indirect assistance are measured. The US also calls for a developing country demonstrated commitment to just and democratic governance, economic freedom, and investing in people as a pre-condition for increased support – as largely expressed in the new Millennium Challenge Act (see Annex II, note 2). Differences over funding for Iraqi reconstruction further complicate the picture.
 - *Development effects of domestic policies*: Both sides pursue policies in agriculture, immigrant labor, and other areas that are seen to have high, often adverse, impact on the economic prospects of developing countries.

The defense and security foundations for strengthened EU/US partnership need to be developed and must complement the preeminent role that NATO has played in Euro-Atlantic security for the past 54 years.

Recent tensions

- In light of recent events and experience, Americans have been apt to conclude that a majority of Europeans has no real appreciation for the

magnitude and nature of the threats arising from the nexus of terrorist groups, failed states and weapons of mass destruction, nor the will to confront them.

- Many Europeans, on the other hand, see the use of US military power in Iraq as unilateral, remain unconvinced of the menace of weapons of mass destruction in the hands of Saddam Hussein, and continue to view pre-emptive military action as both illegal and a threat to the multilateral system which provides the basis for Europe's geopolitical influence.
- During the Iraq crisis, expressions of contempt could be heard on both sides for the cynicism of the other's true motives, whether a grab for control of Middle East oil on the part of the US or an attempt to preserve commercial advantage on the part of the Europeans. There is also some disquiet on the European side that the US is ignoring the character of some third-country governments in its efforts to build anti-terrorist cooperation.
- Continuing barriers to the integration of US and European defense markets and industries are seen by many not only to contradict the very idea of mutual security dependence but also to carry ever-rising costs of duplication (see Annex II, note 3).
- These tensions can be seen to reflect a more fundamental underlying difference: Europeans have never felt more secure, while Americans have never felt less secure.

Current assessment

- Despite these recent tensions, in particular Iraq, post-Cold-War transatlantic security cooperation has proven effective when embraced by both sides, as demonstrated notably in the on-going expansion and restructuring of NATO, and the resulting Allied military operations in the Balkans and Afghanistan.
- At the same time, there is an emerging school of thought – most evident for the moment in Europe – which believes that the progressive development of a strong and broad EU/US partnership framework extending to security cooperation is a necessary political complement to the establishment of permanent arrangements between the EU and NATO. (Indeed, US Secretary of State Colin Powell met at the initiative of the Italian EU Presidency with the 25 current and future EU foreign affairs ministers in Brussels on November 18, 2003).
- By the end of 2003, EU Member States are expected to formally adopt an EU Security Strategy endorsing: 1) the use of force as a last resort, 2) greater European defense capability, and 3) greater international nation-building capability (at the same time, they may diverge from US security doctrine on the degree of UN authorization required for the use of force). This will provide

the new and necessary political basis on the EU side for developing the security dimension of EU/US partnership.

- As a step toward implementing its Security Strategy, the EU Council formally agreed on November 17, 2003, to the creation by June 2004 of an Agency in the field of defense capabilities development, research, acquisition and armaments. This creates immediate new practical opportunity for both EU/NATO cooperation and EU/US partnership.
- Permanent arrangements between the EU and NATO are in the meantime evolving under the “Berlin Plus” package, based on the conclusions of the April 1999 NATO Washington Summit, adopted by the EU Copenhagen Summit in December 2002, and implemented by a “Framework Agreement” through an exchange of letters on March 17, 2003 between the EU Council Secretary General/High Representative (Javier Solana), and the NATO Secretary General (Lord Robertson).
- The “Berlin Plus” package provides most importantly for assured EU access to NATO assets, planning and other capabilities for EU-led Crisis Management Operations, and arrangements for coherent and mutually reinforcing capability requirements (see Annex II, note 4).
- The precise understanding and full implementation of “Berlin Plus” remains politically sensitive, as it does not entirely resolve the issue of a possible EU military headquarters separate from NATO’s military headquarters. Be that as it may, the successful hand-off of NATO peacekeeping in Macedonia to the EU in March 2003 is seen by many to have proven both the effectiveness of the “Berlin plus” principles as the basis for future EU/NATO cooperation, and the case for not separating NATO and EU military headquarters.
- All this said, the transatlantic asymmetry in military capability remains acute, and will limit for the foreseeable future viable options for linking the military dimension into a transatlantic partnership strategy (whatever the ultimate design of the EU defense organization, or its interface with NATO). There is also asymmetry at the level of strategic planning capability and geopolitical focus and engagement.
- The potential for further developing the defense and security dimension of transatlantic partnership will thus depend in significant measure on Europe’s willingness to invest in relevant military capability over an extended period of time. The European political will to do so remains unclear.

Potential for strengthening the political foundations for EU/US partnership now exists in areas of vital common interest

- Potential for an enhanced political partnership now exists in areas of vital common interest and should grow as the EU develops its capacity for unified policy and action. Current cases in point include active EU engagement with the US in:
 - the Quartet framework for peace in the Middle East
 - intelligence sharing and law enforcement in the war against terrorism
 - non-proliferation efforts in Iran
 - reconstruction and nation-building in the Balkans
 - collaborative agreements for joint research on the hydrogen economy to address climate change

Moreover, the EU's capacity to develop common policies may well grow as a result of Treaty changes likely to result from the EU's on-going constitutional process.

- The EU and the US both currently place high priority on political relations with certain key third countries and regions. These include notably China, Russia and the extended Middle East.
- Growing and often illegal immigration from failed states to the west is increasingly seen on both sides to increase the risk of homeland terror.
- Differing perceptions and attitudes toward environmental and health risks continue to fester, as do differing policies to deal with them - many with considerable downside risk for both political and economic relations. Nevertheless, neither partner can avoid addressing in one way or another the major global risks of our time, most notably climate change and the spread of infectious diseases.
- There is likewise growing recognition of the need for concerted and sustained efforts to ensure that Europeans and Americans do not drift apart as the political legacy of the twentieth century fades, as our demographic profiles change, and as differing values are apt to be seen to be at least as significant as shared values.
- *The institutions and processes comprising the transatlantic "system" need to be reassessed*
- Americans are seen to value institutions for what they can do, Europeans for their durability and continuity. Understanding this difference is important for the future architecture of transatlantic and multilateral relations when considering what to preserve and adapt from the past, what to give up, and what to create.

- It has been recognized at the outset of this TPN project that a re-assessment of the institutions and processes comprising the transatlantic “system” would be needed to take forward the recommendations and specific action points finally adopted.
- The current system has evolved through two formal steps since the end of the Cold War. A Transatlantic Declaration was first adopted by the EU and the US in November 1990, and then augmented by a wide-ranging commitment to joint action – the New Transatlantic Agenda (NTA) – agreed at the EU/US summit in December 1995. The NTA’s substantive and institutional provisions built on the entry into force of the EU’s Maastricht Treaty, which expanded EU competence and reinforced the institutional foundations of the EU’s Common Foreign and Security Policy.
- Much has changed in the eight years following the adoption of the NTA. The forces of globalization have altered economic and political conditions at both the bilateral and multilateral levels, while new security threats have become clear and present. Over the same period, the Amsterdam and Nice treaties have progressively developed the EU’s capacity for unified action, with further treaty reinforcement in prospect at the conclusion of the 2003 Intergovernmental Conference. The moment to embark on a successor to the Transatlantic Declaration and the NTA has now arrived.

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#### **IV. Recommendations & Action Points**

##### *Strategy*

- It follows from the foregoing analysis that a strategy for strengthened transatlantic partnership needs to link a bold new agenda for economic collaboration with a commitment to enhanced joint action on our highest shared political priorities. It must also provide for the progressive development within the same framework of a broad security partnership between the EU and the US, together with a mutually reinforcing interface between the EU and NATO based on “Berlin Plus” principles.
- It is likewise clear that sustained commitment to this strategy at the transatlantic leadership level will depend on a broader basis of public support on both sides. In this regard, some recent poll results are encouraging, others less so (see Figure 5). New mobilization and outreach efforts must be launched to generate such support.

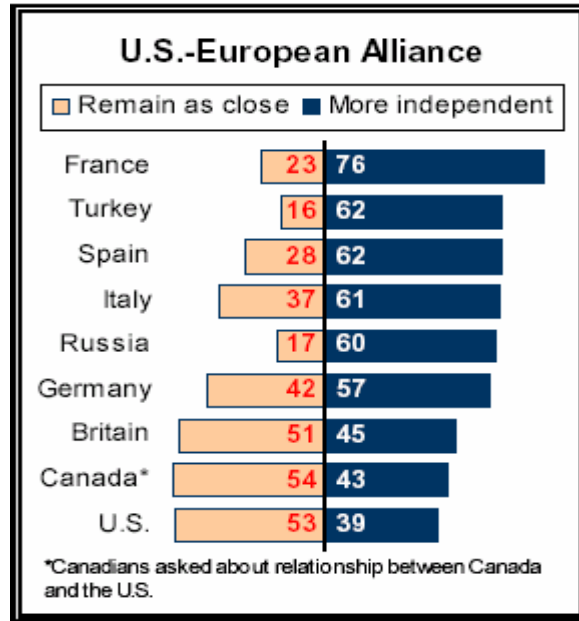
**Figure 5**

Do you think the European Union should become a superpower :

*Asked only to those who answered "The European Union should become a superpower, like the United States" to q.5*

|                                             | GREAT BRITAIN (N = 134) | FRANCE (N = 227) | GERMANY (N = 188) | THE NETHERLANDS (N = 162) | ITALY (N = 200) | POLAND (N = 157) | PORTUGAL (N = 212) | EUROPE | U.S. (N = 92) |
|---------------------------------------------|-------------------------|------------------|-------------------|---------------------------|-----------------|------------------|--------------------|--------|---------------|
| - To counterbalance the US.....             | 33                      | 34               | 25                | 17                        | 16              | 20               | 35                 | 25     | 8             |
| - To cooperate effectively with the US..... | 62                      | 60               | 68                | 72                        | 74              | 71               | 61                 | 67     | 78            |
| - Both [volunteered].....                   | 4                       | 5                | 4                 | 9                         | 9               | 5                | 3                  | 6      | 13            |
| - Don't know / Refusal.....                 | 1                       | 1                | 3                 | 2                         | 1               | 4                | 1                  | 2      | 1             |
|                                             | 100 %                   | 100 %            | 100 %             | 100 %                     | 100 %           | 100 %            | 100 %              | 100 %  | 100 %         |

Source: German Marshall Fund of the United States "Transatlantic Trends 2003"



Source: The PEW Global Attitudes Project "Views of a Changing World: June 2003"

### *Economic recommendations*

- Give greater public and political prominence to the breadth and depth of transatlantic economic interpenetration, particularly its spectacular growth over the past decade. At the same time, transatlantic economic relations are clearly embedded in, and sensitive to, the broader political relationship. Joint economic action must in the future serve, and be seen to serve, the most central political priorities of both partners.
- Go beyond the existing bilateral “positive agenda” to produce during 2004 a benefits analysis, program and time frame for completing the transatlantic market. So as not to conflict with commitments and joint action at the multilateral level, transatlantic market objectives must not be exclusionary, but rather must seek to establish international standards open to others prepared to meet them.
- As part of this analysis, consider the practicalities and timetable for a move to zero tariffs on trade in manufactured goods.
- Link this effort to broader shared political objectives. In particular, measures to further open and deepen the transatlantic market – especially those facilitating the free movement of people - should wherever possible serve also to enhance collective security throughout the Atlantic zone. By the same token, care must be taken to see that protectionist measures are not misrepresented as security measures.
- Intensify transatlantic economic and monetary policy cooperation and consider adapting the institutional framework to mirror the reality that conditions on one side of the Atlantic have direct and growing impact on the other, as well as the rest of the world.
- Revitalize the WTO Doha Development Agenda and the OECD Policy Agenda for Growth as the primary policy platforms for joint action to fight poverty and promote economic development at multilateral level, harnessed to commitments to achieve meaningful results in an agreed time frame.
- Engage with developing countries to identify the specific benefits which liberalized world trade can bring them, taking account of their differing stages of economic and social development.
- Jointly re-assess EU and US development aid and humanitarian assistance strategies and instrumentalities (including the effectiveness of the Bretton Woods institutions), with particular focus on performance and complementarity.

### Economic action points

1. Deepen and broaden the transatlantic market, with a view to its completion by 2015, and an accelerated 2010 target date for:<sup>2</sup>
  - Financial services and capital markets
  - Civil aviation
  - The Digital Economy (privacy, security and intellectual property rights)
  - Competition Policy
  - Regulatory Cooperation
2. Strengthen transatlantic economic and monetary cooperation in a practical and pragmatic manner.
3. Revitalize the WTO Doha negotiations as a matter of highest urgency, building on the basis of progress made. At the same time, jointly engage the rest of the world in a broader dialogue on strategy and cooperation for growth and development – including how to improve the effectiveness of multilateral institutions.

### Defense and Security recommendations

- Promote more open transatlantic defense markets and closer cooperation between transatlantic defense industries, including a policy and regulatory framework that facilitates the transatlantic transfer of defense technologies.
- Continue to streamline NATO forces and prepare for appropriate advance planning in NATO for possible future contingencies, including out-of-area missions. This includes fully developing NATO's rapid-response force by 2006 to be ready for a limited range of military operations, including high-intensity combat and peacekeeping. Encourage European governments to restructure their armed forces toward greater mobility.
- Further develop the NATO/EU interface. Avoid Duplication: NATO-EU cooperation should focus on continued implementation of "Berlin Plus" principles, and on improving European capabilities that complement NATO. Consider how NATO and EU members can best gather, share and use intelligence. Engage in public diplomacy to reinforce NATO's relations with the EU and the UN.
- Develop a framework for broader, permanent EU/US security dialogue, based on the complementarities of US security doctrine and the emerging EU Security Strategy.

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<sup>2</sup> see Annex I for current developments in these five areas

### Defense and Security action points

1. Promote more open transatlantic defense markets and closer cooperation between transatlantic defense industries, including a policy and regulatory framework that facilitates the transatlantic transfer of defense technologies.<sup>3</sup>
2. Further develop the NATO/EU interface, while continuing to clarify respective future roles and capabilities in the military sphere consistent with the agreed “Berlin Plus” principles.<sup>4</sup>
3. Develop a framework for broader, permanent EU/US security dialogue, based on the complementarities of US security doctrine and the emerging EU Security Strategy.

### *Political recommendations*

- Shift the political emphasis from a transatlantic “community of values” to a transatlantic “community of action”. Identify bold, practical steps to be taken – and shorter-term benchmarks - on specific high-priority issues where the EU has the competence and capacity for common policy. Articulate and measure the real *value* to each partner of common action on these priorities.
- At the same time, recognize that our highest priority common political interests will demand permanent, long-term common engagement and action. These are the issues that will challenge “the West” and the rest of the world for the foreseeable future.
- Highlight and build on these common purposes and goals. Open respective domestic political processes to each other in this process, listen to each other, and do not reflexively criticize or ignore each other’s views.
- Involve greater numbers of people in constructive transatlantic relations, through active dialogue and networking of wider interests and actors relevant to the agreed priority issues.

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<sup>3</sup> see Annex II, note 3

<sup>4</sup> see Annex II, note 4

### Political action points



1. Build a transatlantic “community of action” for regional and global cooperation, founded on six priorities:

- Peace, democracy and development in the extended Middle East
- The war against terrorism
- Curbing the proliferation of weapons of mass destruction
- Fighting AIDS and infectious diseases
- The long-term integration of China into the global community
- The further transformation of Russia into a democratic state, market economy and strategic partner

2. Deepen practical cooperation on energy and climate change, building on the agreement on R&D cooperation for the hydrogen economy.

3. Stimulate the constructive involvement of relevant communities of interest from American and European civil society in collaborative actions on transatlantic partnership priorities.

#### *Institutional recommendations*

- We will need to adapt the existing transatlantic institutional framework to take account of the evolution of common purposes and priorities. Where the EU has developed its competence and institutional ability to act, it offers the US a more efficient partner for effective cooperation.
- US governmental structures will also need to take more explicit account of the need to manage effectively the EU interface as it grows in significance in each dimension of the transatlantic relationship, and as the linkages between these dimensions grow.
- Shared institutions will need to provide an adequate but flexible framework for managing this evolution. It will be particularly important to create ways to link the various processes and dialogues, which is the only practical way to achieve the “linkage” necessary to drive the development of full transatlantic partnership.
- Political dialogue needs to be deepened on specific issues among those legislators on both sides most deeply involved in them. To help strengthen the dialogue, an expansion or formal enhancement of legislative branch forums in transatlantic relations should be considered. Such an expansion or enhancement would build upon the evolving Transatlantic Legislators Dialogue (TLD) between the Members of the European Parliament and the US Congress. Ideas for active consideration could include a “Transatlantic Assembly” of legislators or an enhanced EU/US Inter-Parliamentary Exchange that could carry protocol, stature, and bicameral importance equivalent to those inter-parliamentary

exchanges between the US and Canada or Mexico. Proposals adopted by the official reciprocal Delegations of the US Congress and the European Parliament, starting at their meeting in Houston in 1998, also provide a basis for this development.

- A December 2005 horizon for institutional adaptation recommends itself for three reasons: 1) it will be ten years since adoption of the New Transatlantic Agenda, 2) new EU and US administrations will have been in place for a year, and 3) the second-half 2005 Presidency of the EU could be the last rotating member-state Presidency should the Intergovernmental Conference adopt current proposals.

#### *Institutional action point*

- Agree by December 2005 on the major elements of a “Transatlantic Partnership Agreement” between the EU and the US to be implemented from 2007, building on the 1995 New Transatlantic Agenda and reflecting the strategy proposed in this report. As part of this process:
- Focus the annual EU/US summit process to provide strategic direction and impetus to the transatlantic partnership; develop communications with the NATO summit process as well.
- Institute regular informal EU/US consultation at ministerial level in advance of EU/US summits, supported by permanent joint policy planning.
- Strengthen the institutional structure for on-going transatlantic political dialogue, building on the evolving Transatlantic Legislators Dialogue (TLD) between Members of the European Parliament and the US Congress.

## **Annex I – Current Developments Shaping the Transatlantic Market**

Recent developments provide a strong basis for accelerated progress in these areas:

### *Financial services and capital markets*

The "Financial Markets Regulatory Dialogue" over the past eighteen months between the European Commission and US authorities, provides a basis for moving forward. This dialogue currently has two broad objectives: 1) an *ex ante* discussion on forthcoming regulation or legislative initiatives to both ensure that there are no adverse implications for the other side, and to promote upstream convergence, and 2) an *ex post* resolution of existing problems. The longer-term objective is seen to be the realization of transatlantic services and capital markets based on the equivalence of regulations.

### *Civil aviation*

On 25 June 2003 the EU and the US agreed to open negotiations for an overall agreement on air transport liberalization, working together "in a spirit of co-operation to develop a mutually beneficial approach to this crucial economic sector in a globalized economy, and recognizing that this could "set the model for the rest of the world."

Negotiations will cover all the arrangements governing air transport between and within the EU and US. This will include the rules governing market access (routes, capacity, frequency), how air fares are set, how to ensure effective application of competition rules, how to ensure maintenance of high standards of airline safety and aviation security, opening up each side's internal market to the airlines of the other side, and removal of the special restrictions which currently apply to foreign ownership and control of airlines in the US and the EU.

### *The digital economy*

Informal transatlantic political dialogue conducted regularly over the past three years under the auspices of TPN makes clear both the urgency and the common interest in avoiding further divergence in policy and regulation governing privacy, security and intellectual property rights.

### *Competition policy*

The European Commission and the US Government have concluded agreements in 1991 and 1998, establishing the basis for cooperation in the application of competition laws. Cooperation has developed steadily under these agreements, and has become frequent and intense. Contacts range from detailed case-related discussions to more general policy-related matters, and include frequent high-level meetings and contacts.

At multilateral level, the Commission and the US Department of Justice and Federal Trade Commission are all strong supporters of the International Competition Network, a club of competition agencies from around the world inaugurated in 2002.

### *Regulatory cooperation*

EU/US regulatory cooperation is conducted through both formal and informal approaches. Formal approaches are based on provisions of the 1995 New Transatlantic Agenda, the 1998 Transatlantic Economic Partnership “Guidelines on Regulatory Cooperation and Transparency”, and the Positive Economic Agenda launched at the 2002 EU/US summit with regulatory cooperation projects in five areas: cosmetics, auto safety, nutritional labeling, food additives, and metrology.

Recent examples of informal progress include: 1) a recent agreement between respective pharmaceutical regulators (the EMEA and the FDA) to share non-public information covering proposed regulations, position papers, and safety and test results; 2) cooperative arrangements between the European Commission and the US National Highway Traffic Safety Administration in the field of motor vehicle safety, including an agreement to hold annual meetings, share and discuss R&D plans, conduct joint analyses, and exchange information.

## Annex II – Notes

1. On 16 June 2003, the EU and the US signed a cooperation agreement on fuel cells technology, covering seven fuel cell related research areas. On June 25, President Bush, European Council President Simitis, and European Commission President Prodi issued a joint statement affirming their commitment to collaborate on accelerating the development of the hydrogen economy as part of broadening transatlantic cooperation in energy. On November 19<sup>th</sup>, the EU and the US committed themselves to an International Partnership for the Hydrogen Economy at a meeting in Washington, hosted by US Energy Secretary Spencer Abraham, bringing together energy ministers from 15 countries to discuss common areas of interest in, and obstacles to, the hydrogen economy in the fields of research, development and demonstration projects, hydrogen policy and regulation, and the commercialization of hydrogen based energy technologies.

2. The Millennium Challenge Act is a US initiative designed to increase development assistance consistent with the Monterrey Consensus approved at the International Conference on Financing for Development that took place on March 18-22, 2002 in Monterrey, Mexico. This meeting and consensus marked an important landmark in the partnership on global development. In summary, it created a framework of mutual accountability between developed and developing countries to achieve real, measurable improvements in growth and poverty reduction. Developing countries acknowledged that they must take responsibility for implementing sound economic policies, tackling corruption, putting in place good governance, investing in their people, and establishing an investment climate to attract private capital. In turn, the international community committed to scale up and intensify their efforts to help developing countries meet internationally agreed development goals.

3. See in particular the recommendations contained in “The Future of the Transatlantic Defense Community”, the final report of the Commission on Transatlantic Security and Industrial Cooperation in the Twenty-First Century, constituted by the Center for Strategic and International Studies (CSIS), a TPN cooperating institution.

4. Berlin Plus agreement is a short title for a comprehensive package of agreements between NATO and EU, based on conclusions of the NATO Washington Summit. It is comprised of the following major parts:

- a. NATO - EU Security Agreement
- b. Assured Access to NATO planning capabilities for EU-led Crisis Management Operations (CMO)
- c. Availability of NATO assets and capabilities for EU-led CMO
- d. Procedures for Release, Monitoring, Return and Recall of NATO Assets and Capabilities
- e. Terms Of Reference for DSACEUR and European Command Options for NATO
- f. EU - NATO consultation arrangements in the context of an EU-led CMO making use of NATO assets and capabilities
- g. Arrangements for coherent and mutually reinforcing Capability Requirements

All parts are tied together through the so called "Framework Agreement", which consists essentially of an exchange of Letters between SG/HR and SG NATO, dated 17 Mar 03. Since that day, the "Berlin plus" package has been in effect and serves as the foundation for practical work between EU and NATO. In that, EU- led CMO makes use of NATO planning support or NATO capabilities and assets for the execution of any operations.

## Annex III – Contacting TPN

For further information: [www.tponline.org](http://www.tponline.org)

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