

TRANSATLANTIC RELATIONS: A POST-SUMMIT ASSESSMENT

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THURSDAY, JULY 15, 2004

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EUROPE,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:20 a.m. in Room 2172, Rayburn House Office Building, Hon. Jo Ann Davis presiding.

Ms. DAVIS. The Subcommittee on Europe will come to order. Congressman Wexler has been delayed, but we expect him here shortly, so we will go ahead and get started.

Today, the Europe Subcommittee will examine the results of several recent summit meetings held between the United States and our European friends and allies. The Subcommittee wishes to assess the state of transatlantic relations and to determine whether that relation is heading in the right direction. The transatlantic relationship has undergone an extremely difficult period over the past year. Many have suggested the relationship has never been worse off. Many have expressed doubts over its future. Yet, anyone who holds any doubts about the importance of transatlantic relations need only look at the June calendar to realize however difficult the relationship tends to be. The United States and Europe continue to consult and continue to find new ways to cooperate on issues of mutual interest.

After the D-Day commemorations in France and the G-8 summit at Sea Island, President Bush traveled to Europe to attend back-to-back summits with European leaders, first at the U.S.-EU meeting in Ireland, then on to Istanbul for the NATO summit. I do not believe there has been a time in recent memory where such high-level meetings with our European allies and partners have figured so prominently on a President's agenda in such a brief period of time.

As our Chairman, Mr. Bereuter, has stated on several occasions from this chair, by any measure, the relationship between the United States and the nations of Europe and its union is the most important foreign relationship we have. No two regions in the world share a history, a common set of values, and a global vision as much as do the United States and Europe.

For the most part, our traditional and closest allies are in Europe. In Europe, our core national interests are fully engaged. With our European partners, we share a wider range of interest and a higher level of cooperation on issues than with any other region in

the world. We share a common belief in democracy, rule of law, and human rights, and while we and Europe may sometimes differ on an exact strategy to pursue, we strive for geopolitical stability and are committed to preventing potential threats from failing states. We are united in the effort to defeat global terrorism, transnational crime, the spread of disease, and illiteracy. We work hand in hand to address global poverty and weapons of mass destruction. We support and promote open-market economies.

It is clear that our economies, our political futures, our system of trade, and our security are intricately linked and depend on a strong United States-European partnership. These facts should lead us to conclude, as many have, that the partnership is probably more necessary now than ever in a world as uncertain as ours is today. Thus, the transatlantic relationship must be preserved and strengthened.

The two recent summits in Europe were the last major meetings before important national elections take place here in the United States and new political developments take hold in Europe, specifically with the EU. The intent of each of these meetings was clearly to move the transatlantic partnership beyond the Iraq debate and to set the stage for the future exploration of new initiatives for enhanced transatlantic cooperation.

At the U.S.-EU summit in Ireland, President Bush declared that the rift between Europe and the United States over Iraq had ended. If that is the case, we must look to the future of transatlantic relations and determine where we and Europe are heading.

Today, the Subcommittee has asked our distinguished panel of witnesses to present their impressions of these meetings, both in practical and deliverable terms, as well as their symbolic significance, to assess the current state of transatlantic relations and to speculate on its future outlook. I look forward to their comments.

I now would like to ask Ms. Lee if she has an opening statement.

Ms. LEE. Thank you, Madam Chair. I will be very brief. I wanted to thank our panelists for being here today. This is a very important hearing. One of our priorities, I believe, is to determine how to reengage our most important allies to confront some of the great challenges of our time. I look forward to listening to the testimony, and I just want to thank the Chair for the hearing.

Ms. DAVIS. Thank you, Ms. Lee. I will begin by introducing all four of our panel of witnesses today before I recognize you each for 10 minutes. In the Subcommittee I chair, we only give 5 minutes, so we are very generous in this Subcommittee today. We will begin, first, with Ambassador Dr. Günter Burghardt.

Ambassador Burghardt, it is good to see you again as always. Ambassador Burghardt is Head of the Delegation of the European Commission in Washington. He was nominated to this position in October 1999 after serving as the Commission's Director General for external relations and the Commission's Political Director. In that post, he administered EU policies toward Europe and the new independent states, as well as the common foreign and security policy.

From 1985 to 1993, he worked as Deputy Head of Cabinet to the European Commission President. He has also served with the Di-

rectorate General for external relations, dealing with relations with the United States, Canada, and Australia.

Ambassador Burghardt has received degrees in law, economy, and political science from the Hamburg, Strasbourg, and Paris Universities and a Ph.D. in law from the University of Hamburg.

Next, we will have Simon Serfaty, who is the first holder of the Brzezinski Chair in Global Security and Geostrategy at the Center for Strategic and International Studies in Washington, DC. Welcome, Mr. Serfaty.

From 1994 to 2004, he served as Director of the Europe Program at CSIS, where he remains a Senior Adviser. Dr. Serfaty is also a Senior Professor of U.S. foreign policy with the graduate program in International Studies at Old Dominion University in Norfolk, Virginia.

Dr. Serfaty is the author of numerous books and articles which have appeared in most leading professional journals in the United States and Europe. He has also been a guest lecturer throughout Europe. We are glad to have you here today, Dr. Serfaty.

Next is Dr. Daniel Hamilton, who is the Richard von Weizacker Professor and Director of the Center for Transatlantic Relations at the Paul H. Nitze School of Advanced International Studies [SAIS], Johns Hopkins University. He also serves as Executive Director of the American Consortium for EU Studies at Johns Hopkins, and in this capacity he also serves as Principal Adviser to the Congressional Staff Roundtable on the European Union.

Dr. Hamilton served most recently as Deputy Assistant Secretary of State for European Affairs, responsible for NATO, OSCE and European security, Balkan stabilization, and Northern European issues. Prior to that, Dr. Hamilton was Senior Associate for European-American Relations at the Carnegie Endowment for International Peace. Dr. Hamilton is the Publisher of the bimonthly magazine, *Transatlantic: Europe, America, and the World*, and has been a guest professor of U.S. foreign policy and United States-European relations at the University of Innsbruck and the Free University of Berlin. He has also been a consultant to ABC News. He has authored many articles and books on transatlantic relations. Dr. Hamilton, we are pleased to have you with us today as well.

And last, but not least, we have Dr. Philip Gordon, who is a Senior Fellow for Foreign Policy Studies at the Brookings Institution. He currently serves as the Director at the Center on the United States and Europe. Before joining the Brookings Institution, Dr. Gordon served as the Director for European Affairs at the National Security Council during the Clinton Administration. Prior to that, Dr. Gordon served as Senior Fellow for U.S. Strategic Studies, International Institute for Strategic Studies. He has also been a professor at the School of Advanced International Studies [SAIS], Johns Hopkins University.

Dr. Gordon is also the author of numerous books and articles, and, Dr. Gordon, we are glad to have you with us as well today.

We have a distinguished group of witnesses, so we are all looking forward to hearing what you have to say, and we will begin with you, Ambassador Burghardt.

**STATEMENT OF HIS EXCELLENCY GÜNTER BURGHARDT,
HEAD OF DELEGATION, EUROPEAN COMMISSION**

Ambassador BURGHARDT. Thank you, Madam Chairwoman. I would like to thank you for the opportunity here to review the transatlantic relationship in the light of the three summits which you mentioned: The bilateral summit between the European Union and the United States, which is an annual event; the G-8 summit, another annual event where the European Union, as such, participates, together with four of its member states; and the NATO summit. And let me also thank you for the occasion to do this in the company of this distinguished and highly respected group of co-panelists.

Before proceeding with the overview on the summits, let me simply echo one or two things which you said in your opening statement. Today, the transatlantic relationship between the United States and the European Union constitutes the strongest, most comprehensive, and strategically most important, partnership in the world. Our relationship is founded on shared values and common roots, interests and ideals, a common appreciation of democratic principles and human rights, and covers all issues of the international agenda, ranging from trade to development to foreign and security policy. Our agenda is not limited to the ever-broader bilateral relationship but is essential also in the context of regional and global fora, such as NATO, the United Nations, the World Trade Organization, and the G-8.

However, it is well known that the transatlantic relationship has, over the past 3½ years, experienced an unusual period of turbulence where the co-pilots have the sign, "Fasten your seatbelt," on all of the time. The many disagreements focussed on the appropriate course of action in dealing with Iraq. They have undeniably strained transatlantic relations to a degree unprecedented during the past decades.

I, therefore, take new optimism and confidence from the fact that the combined result of the three June summits has helped to reverse that trend, refocusing our attention on the essentials of our common agenda, including working together to meet the immediate challenges in Iraq. We now need to build on this positive orientation and to inject new momentum through the determined implementation of the many agreements reached throughout June.

If I may add a personal note, Ms. Chairwoman, having cut my teeth in the 1970s as the Commission's U.S. desk officer and having served in various foreign policy capacities during subsequent decades, I believe we are moving back toward a greater degree of normality in our relationship. This is important because the recent crisis went deeper than what we have witnessed over the past 30 years, and its structural, partly ideological, components could be cause for major preoccupation if not brought under control.

Ms. Chairwoman, I have submitted a detailed written account of the broad agendas the three summits have dealt with, and I have attached the relevant documentation referred to in my prepared statement, which, with your permission, will be a part of the record of this meeting; and, therefore, let me focus on the main features, both atmospheric and substantive.

On the atmospheric side, the first of the three, the G-8 summit hosted by President Bush on Sea Island, was preceded by the sixtieth anniversary of D-Day on the beaches of Normandy, and all three meetings took place against the close deadline of transfer of sovereignty in Iraq. What a powerful coincidence of historical symbolism and present overwhelming challenges. No wonder that a sense of humility and resolve characterized large parts of the proceedings.

The G-8 summit opened against the background of the unanimously adopted U.N. Security Council Resolution 1546 on Iraq and pledged our common will to support the Iraqi people throughout a most difficult transition.

The EU-U.S. summit was the first such meeting after the historic enlargement to 25 member states and the adoption of the European Union Constitutional Treaty. Those landmark achievements not only highlighted the enormity of the transformations from an old Europe at war, with heavy United States sacrifice to restore democracy and the economy, to a new Europe at peace with itself and its partners, sharing sovereignty through the European Union common institutions and projecting stability and prosperity not only within the European Union but throughout the continent and beyond.

President Bush had come to all three meetings obviously determined to narrow past divides and to enlist support for a common agenda ahead. All of these were essential ingredients for making this last bilateral EU-U.S. summit under the present Administration the most productive one, not to mention the excellent personal chemistry between President Bush, the Irish Taoiseach, and Commission President Prodi at the meeting in Dromoland Castle.

Now, on substance, since I have detailed all of this in the written statement, let me be very brief and sum up. All three summits, in fact, had to deal with the overriding issue of how to help the transition in Iraq, both under the aegis of nation-building, administrative capacity, and security. Therefore, it was a subject for the G-8, for the EU-U.S. summit, and for the NATO summit. And on this subject, including the discussion on Afghanistan and the broader Middle East, it was very clear that the European Union was able, if security conditions were met, to bring a lot to the table, and we came to the summits with a document, a proposal from the Commission on the framework of action in Iraq, which had just been agreed upon by the European Council.

Now, the G-8 and the EU-U.S. summit meeting also covered a number of global issues, from HIV/AIDS to the situation in Sudan and the very important issue of economic growth. The EU-U.S. summit had an extremely large agenda. It was, in a way, a rich harvest which we were able to make at Dromoland because of the very excellent ground work which had happened throughout the year and which was not affected by the geopolitical disagreements which we had over other issues and the very fact that we signed just before the summit the PNR Agreement, that we signed at the summit the Galileo/GPS Agreement, and that we agreed on seven very broad declarations on various issues, from the fight against terrorism, proliferation, in addition to Iraq, Afghanistan, and the broader Middle East, issues like Sudan and the HIV crisis, and,

more importantly for our day-to-day work, the declaration on our economic relationship. Let me perhaps spend 2 minutes on this.

In this economic realm, we did a number of things. We gave a push to the negotiations under the WTO Doha Development Round. As you know, there are 2 weeks left, more or less, in order to ensure that the new momentum which had been injected in these negotiations, both by Commissioner Lamy and Ambassador Zoellick, can bring fruit and can make sure that 2004 will not be a lost year for the DDA purpose, and we made a huge step on the bilateral relationship.

The most significant summit event was an agreement on a joint declaration on the strengthening of our economic partnership. This agreement is based already on a very solid economic relationship for which there are many figures, most recently published by Daniel Hamilton's institute, to which I do not have to refer to here. But what is left are essentially a lot of regulatory issues. These involve a lot of stakeholders and agencies, and what has been agreed at the summit is that we should now work hard, including with the help of the Transatlantic Business Dialogue and other stakeholders and the Transatlantic Policy Network, which has done a lot of ground work for this, to flesh out a roadmap on how to remove the remaining barriers in the transatlantic market.

The proposals on how to do that concretely will be put to the next summit meeting in 2005 and will, therefore, be a very important step to inject new momentum in our relationship under the new administration or the next administration because this is something we should also be aware of.

We have a kind of coincidence this year on both sides of the Atlantic of important leadership elections. The new administration will come into office on the first of November. On the second of November, the new President of the Commission will know who the next President of the United States is, a new one or a renewed one, and, as we know, every Administration reassesses policies.

So we hope that in the reassessment of policies we can bring in this new momentum, both on strengthening the economic relationship, on opening a dialogue on our security strategy on the basis of the two security strategy papers that exist, and on reviewing our capacity in a partnership which for some time may remain one with a lot of asymmetries, but in a partnership where we agree on common purposes and objectives, we can implement those agreements in a complementary fashion by bringing the capabilities of the European Union and the United States together. Thank you very much, Madam Chairwoman.

[The prepared statement of Ambassador Burghardt follows:]

PREPARED STATEMENT OF HIS EXCELLENCY GÜNTER BURGHARDT, HEAD OF
DELEGATION, EUROPEAN COMMISSION

Mr. Chairman, I would like to thank you and the other Members of the Subcommittee for this opportunity to review the transatlantic relationship in light of the recent, EU-US, G-8, and NATO summits. These meetings were indeed valuable in addressing the broad range of issues of concern to the transatlantic relationship. Before proceeding with that overview, Mr. Chairman, I wish to thank you for your many years of dedicated service to this body and to the transatlantic relationship. I wish you much success as you take up your new responsibilities as President of the Asia Foundation.

Today, the transatlantic relationship between the United States and the European Union constitutes the strongest, most comprehensive and strategically most important partnership in the world. Our relationship is founded on shared values and common roots, interests and ideals, a common appreciation of democratic principles and human rights, and covers all issues of the international agenda, ranging from trade to development to foreign and security policy. And, as you are well aware Mr. Chairman, transatlantic cooperation is not limited to our ever broader bilateral relationship, but is essential also in the context of regional and global fora, such as NATO, the United Nations, the World Trade Organization, and the G-8, the annual informal gathering of the world's leading industrialized partners, including the US, the EU and four of its member states.

Mr. Chairman, it is well known that the transatlantic relationship has recently experienced an unusual period of turbulence. Disagreements on the appropriate course of action in dealing with Iraq have undeniably strained transatlantic relations to a degree unprecedented during the past decades. The combined result of the three June summits has helped to reverse that trend, refocusing our attention on the essentials of our common agenda, including working together to meet the immediate challenges in Iraq. The three summits thus helped to restore trust and a positive orientation to our crucially important bilateral relationship.

If I may add a personal note, Mr. Chairman, having cut my teeth in the 1970s as the US desk officer within the Commission's external relations service, and having served in various foreign policy capacities during subsequent decades, I believe we are moving back toward a greater degree of normality in our relationship. This is a trend that is much to be welcomed, and that I hope will continue.

June began with the G-8 summit, hosted by President Bush in the beautiful setting of Sea Island, Georgia, and providing our leaders with an opportunity to exchange ideas on the major challenges facing the world today. The G-8 Leaders launched the 'Partnership for Progress and a Common Future' to support political, economic and social reform in the Broader Middle East and North Africa. The timing for such an initiative was indeed propitious, since Sea Island opened against the background of the unanimous adoption of UNSCR 1546 on Iraq, reflecting our common will to support the Iraqi people and the Iraqi Interim Government. On our side, the European Council welcomed UNSCR 1546 and pledged its support to the "reassertion by Iraq of its full sovereignty, the proposed timetable for political transition to democratic government, the role of the UN and the authorization for a multinational force." (See attached document 1). To this effect, the European Council endorsed European Commission proposals on a new framework for the European Union's (EU) relations with Iraq, including actions for the immediate future, the post-election period and the medium term, to eventually culminate in a bilateral agreement associating Iraq with the EU's longstanding policies towards countries in the region. (See attached document 2)

The positive spirit at Sea Island also led to a number of initiatives on other issues, including Endorsing and Establishing a Global HIV Vaccine Enterprise, Helping to Stop Polio Forever, as well as Ending the Cycle of Famine in the Horn of Africa, Raising Agricultural Productivity, and Promoting Rural Development in Food Insecure Countries. (See attached documents 3, 4, and 5) Furthermore, the G-8 Leaders endorsed an Action Plan on a Global Capability for Peace Support Operations (See attached document 6), which focuses on Africa in particular, and pledged to support debt sustainability in the world's poorest countries through the implementation of the Heavily Indebted Poor Countries Initiative (HIPC).

The annual US-EU Summit that took place in Ireland at Dromoland Castle on June 26 was the first bilateral summit after the historic EU enlargement to 25 Member States and the adoption of the European Union Constitutional Treaty. Those recent landmark achievements had clearly lifted the spirits on the EU side. That, together with the excellent work by Ireland as the EU Presidency and host country, and the fact that President Bush was obviously determined to narrow past deep divides, were all essential ingredients in making this by far the most productive EU-US meeting under the Bush Administration. This is also witnessed by a number of agreements including that on PNR finalized prior to the summit, the signature of the GPS/Galileo Agreement during the summit, and seven joint declarations on a wide variety of issues, including Iraq.

The signature at the Summit of the agreement on cooperation between the Galileo and GPS satellite navigation system is notable both in ensuring that vital common security interests are protected, and in paving the way for more comprehensive use of this technology for all users, including a commitment to making the two independent systems compatible and interoperable. (See document 7) This technology can now develop into a valued asset to our economic partnership, which already represents the largest bilateral trade and investment relationship in the world.

Following the positive example of the G-8, the EU and US also issued a Joint Declaration of Support for the People of Iraq (See attached document 8), welcoming the establishment of the Iraqi Interim Government and the transition to Iraqi sovereignty, and pledging our assistance to meeting Iraqi needs. As I have already stated, the European Council has endorsed European Commission proposals on a new framework for the European Union's (EU) relations with Iraq. Also following the example of the G-8, the EU and US agreed a Joint Declaration Supporting Peace, Progress and Reform in the Broader Middle East and in the Mediterranean, reaffirming our continued support for democratic development, human rights, education, and economic integration in the region. (See attached document 9) Here the European Union brings to bear a long and successful record of cooperation via Euro-Mediterranean Partnerships, which will be further reinforced by the New Neighborhood Policy, and support of the Middle East Peace Process. The summit welcomed several positive developments in this area, such as Israel's announcement of withdrawal from Gaza and parts of the West Bank, and Egyptian involvement in resolving Gaza-related security issues. The United States and the European Union, as members of the Quartet, are working together to ensure the announced withdrawal takes place within the context of the internationally agreed upon Road Map, as a step towards enduring peace and a two-state solution.

Reinforcing our common determination to meet the threat of terrorism, a challenge posed to all democratic and free societies, the Summit also adopted a Declaration on Combating Terrorism. (See attached document 10) This document opens a new phase of transatlantic cooperation by emphasizing our desire to deepen the international consensus and enhance international efforts to combat terrorism. It includes a key commitment to prevent access by terrorists to financial and other economic resources by actively supporting the work of the Financial Action Task Force, and at the same time commits us to work together to address the underlying root causes of terrorism.

The summit also produced a joint Declaration on Non-Proliferation of Weapons of Mass Destruction. (See attached document 11) Here, the European Union shares the United States' serious concerns regarding Iran's insufficient cooperation with the IAEA, and is equally disturbed by Iran's recent announcement of its intention to resume the manufacturing and assembly of nuclear centrifuges. Reiterating that "the proliferation of weapons of mass destruction and their delivery systems is a major threat to international peace and security", the Declaration sends a strong signal to Iran—and to North Korea—to return to full compliance with international obligations. Even though the US and EU hold distinct views on the most effective approach to bringing about the necessary changes in Iran's policy, there remains a strong need for transatlantic cooperation and continued dialogue on this issue.

Addressing several issues of special concern to Africa, the EU and US agreed Declarations on HIV/AIDS, Malaria, and Tuberculosis, and on Sudan. (See documents 12 and 13). Both partners agreed to support measures preventing the spread of communicable diseases, including those taken at the country level and by the private sector and civil society. With reference to Sudan, both partners welcomed the Nairobi Declaration and called upon the Government of Sudan to stop supporting aggressive actions by militia groups in the Upper Nile region.

In the economic realm, the European Union and the United States reaffirmed their commitment to work together for the successful conclusion of the WTO Doha Development Agenda, which is the best guarantee of continued global economic growth and prosperity. The European Commission's recent proposals on agriculture, which obviously need to be reciprocated by our trading partners, constitute a bold and constructive initiative, demonstrating our genuine willingness to break the impasse in this area as well as our strong determination to make the adoption of a framework for negotiating modalities in the WTO possible by the end of this month. Such an outcome would fully validate Ambassador Zoellick's and Commissioner Lamy's determined efforts towards our WTO partners to convince them that 2004 should not be a lost year for DDA purposes.

As we work together in the multilateral area, good progress has already been made and is continuing in the bilateral area as well. The EU-US Declaration on the Strengthening of our Economic Partnership adopted by the Summit draws on an impressive list of achievements in this regard: the development of a Roadmap for Regulatory Cooperation, which will help minimize regulatory divergences between the US and the EU, our Financial Markets Regulatory Dialogue, and the recently signed customs agreement on container security are only but some examples. (See attached document 14). More importantly, the Declaration contains a forward looking element which should lead to the preparation of a roadmap, in early 2005, to further enhance our economic partnership and eliminate barriers. On this basis, the next US Administration, the next European Commission, and the rotating EU

Presidency will have the opportunity at the 2005 Summit to debate ways to give the relationship a fresh impetus. This process can only benefit from active involvement of the various stakeholders and, in this respect, I would like to mention the valuable contribution of the Transatlantic Business Dialogue, which met in the margins of the Summit and with the Leaders, and which produced suggestions leading to the establishment of a "barrier-free transatlantic market", including issues such as trade and security, accounting standards, and the fight against counterfeiting.

Addressing also the compliance issue in our bilateral trade disputes, and in particular in the single most important one we face at the moment, the Summit expressed the expectation that Congress will rapidly adopt legislation repealing the FSC/ETI. We hope that this will occur before the end of the mandate of the present Congress. The EU leaders moreover welcomed President Bush's offer to have his Administration review aspects of the current visa system that have raised specific concerns in no less than 10 of the 25 EU Member States.

Mr. Chairman, let me repeat that, to my mind, the meeting at Dromoland Castle represented a welcome step toward the return of 'normalcy' in our bilateral relations, focusing on mutual concerns and our important work together, rather than disagreement on a particular issue.

The third and final summit under review today is that of NATO, held in Istanbul on June 28 and 29. Here I should limit myself to noting that interaction between the EU and NATO is a key element also within the European Union's Security Strategy as the EU's military capabilities evolve. Following the examples of the G-8 and EU-US summits, the NATO meeting expressed a shared commitment to a free, secure, and democratic Iraq by adopting a statement on Iraq. All NATO members (including 19 EU Member States) expressed support for the Iraqi people and offered full cooperation to the new sovereign Interim Government.

The agreements reached in Istanbul on the expansion of the NATO-led ISAF mission in Afghanistan, the enhancement of the Mediterranean Dialogue, the launching of the Istanbul Cooperation Initiative, the strengthening of NATO's anti-terrorism efforts, and the further development of its operational capabilities have again highlighted NATO's continuing transatlantic importance. The European Union fully supports these initiatives, and has demonstrated its readiness to bring security and stability to the Balkans through the intended deployment of a UN-mandated mission to Bosnia and Herzegovina after the successful conclusion of NATO's SFOR operations. Here I would also recall statements made by the EU High Representative and Foreign Minister-designate Javier Solana and other EU leaders, to the effect that the European Union must not shrink from backing up soft power with hard power. At the same time, we hope our American friends will recognize that both can play an important role in promoting our common agenda.

In closing, let me point to the political calendar which on both sides of the Atlantic provides for important leadership decisions in the autumn. In the European Union a new European Commission is set to take office on November 1, with the new Commission President-designate José Manuel Durão Barroso, former Prime Minister of Portugal, and the 24 other Commissioners-designate to be confirmed by the newly elected European Parliament. On the US side, following Congressional and Presidential elections on November 2, the next Administration, new or renewed, will as usual undertake a reassessment of US foreign policy.

Building on the positive results of these most recent summits, the respective reassessments can provide new momentum in transatlantic relations in 2005 and beyond. We can do no less. The transatlantic relationship indeed constitutes an 'indispensable partnership' in the promotion of peace, stability and democracy.

Mr. Chairman, thank you again for this most welcome opportunity. I look forward to the remarks of my distinguished fellow panelists, and will be pleased to address any questions you or the other Members may have.

Ms. DAVIS. Thank you, Ambassador Burghardt, and we will submit all written statements for the record and any other extraneous material that you referenced, Ambassador Burghardt.

Next, we will hear from Dr. Serfaty. Welcome.

STATEMENT OF SIMON SERFATY, PH.D., DIRECTOR, EUROPE PROGRAM, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Mr. SERFATY. Thank you, Madam Chairwoman, Ms. Lee, Members of the Subcommittee. Thank you for this opportunity to testify

on the state of transatlantic relations after the summit meetings held this past month.

As you pointed out in the opening statement, Madam Chairwoman, a great deal of history was revived and lived over the past 6 weeks. In Normandy and here at the Capitol, memories of the landings that helped end World War II and of the President who helped end the cold war served as reminders of how far we have come over the past 60 or 20 years. Later in the month, the EU and NATO summits in mid- and late June, as well as the G-8 and U.S.-EU summits in between, also served as reminders of how far we still have to go over the next 20 to 60 weeks.

As Ambassador Burghardt just noted, each of these four summits produced significant decisions. Meeting for the first time as a union of 25 members, the EU summit produced a historical constitutional treaty that brings the post-war transformation of Europe closer to finality. Meeting for the first time as an organization of 26 members, the NATO summit confirmed its adaptation as a global alliance that was still beyond its members' reach at the Washington summit a mere 5 years ago.

In Shannon, Ireland, the U.S.-EU summit confirmed the emergence of the EU as a virtual power that the U.S. now engages along the full policy spectrum, while the G-8 summit in Sea Island, Georgia, placed unusual emphasis on such political issues as the broader Middle East initiative.

That none of these meetings nevertheless proved sufficient to end the Atlantic crisis of 2003 is not surprising. The crisis was not bilateral, not even with France. It was not personal, not even over President Bush. It was not circumstantial, not even over Iraq. The Atlantic crisis of 2003 was and remains structural, having to do with the transformation of Europe, the ascendancy of American power, and the new security normalcy inherited from the end of the cold war and the events of September 11, 2001.

Reshaping that transatlantic structure will take longer than one, two, three, or four summits. It will take time, but at the very least, these summits pointed to a roadmap for the institutional renewal of the alliance. How that map is explored, how well and how expeditiously, but also with and without whom, will define our relations for the next generation.

The June summits uncovered or confirmed four main elements of transatlantic renewal, to which I would like to devote the balance of my time on the assumption that, indeed, the prepared statement that I provided your staff with will be distributed.

First, the states of Europe and their union must assume a larger role commensurate with their new capabilities, interests, and influence. To achieve that role, they must also upgrade their individual and collective military capabilities and political cohesion. That 14 European members of NATO would spend less than 2 percent on defense is no longer acceptable. Two percent of GNP should be a minimum, not a maximum, and minimum percentages should also be determined within each national defense budget for line items on acquisitions and research and development as opposed to personnel spending.

Europe's goal in spending more and smarter is not to build an adversarial counterweight; it is to gain the weight needed to be an

active counterpart of the United States with and within NATO. In other words, even though Europe is not a world power, due to a lack of military capabilities, it is now a power in the world, and it must act like one if it is to be heard like one and addressed as the equal partner it deserves to be and which we in the United States want to have.

Afghanistan was a case in point throughout. Apart from the U.S., NATO countries now have 1.2 to 1.5 million men in arms. Their NATO equipment includes 13,000 tanks, 35,000 armored vehicles, and 11,000 aircraft. Yet, in spite of President Karzai's plea to "please hurry, as NATO in Afghanistan . . . today and not tomorrow," the European members could not agree at any of these summits to send the 3,500 to 4,000 troops, today and not tomorrow or, at the very least, tomorrow rather than the day after, needed for adequate security in the parliamentary elections scheduled for next October.

That, Madam Chairwoman, is disappointing, and post-summit negotiations within NATO will hopefully make it possible to respond to Mr. Karzai's request so that the elections can be held on time and with a modicum of security.

The second dimension of the emerging transatlantic consensus is that a NATO that has effectively gone global must be able and willing to act locally if it is to remain the security institution of choice for its members. Madam Chairwoman, the Istanbul debate over modalities that was especially evident over Iraq is unfortunate. Whether the war in Iraq was a war of choice or a war of necessity can be argued on moral as well as on security grounds, but ending the war responds to both a moral and a security imperative that cannot be ignored.

The Administration's change of course over the past few months confirms its own conclusion that the coalition is not up to the missions of liberation, rehabilitation, reconstruction, and reconciliation that will ensure success in Iraq. Now that the coalition has gained U.N. legitimacy, it needs to be enlarged. It demands more involvement from NATO, the EU, and their members, and it demands more involvement now.

On this matter, the agreement in Istanbul was also to agree later. Even as Chancellor Schroeder praised the "remarkable change in the American foreign policy" shown at Sea Island, or President Chirac found in Istanbul "much, much more openness than at any time in the past," both heads of state and government seemed tempted to postpone the final decision over Iraq pending the outcome of the presidential election next November. If that is the case, it is, of course, unfortunate because later may be too late; this attitude may even be irresponsible. Conversations between Europe and the new Iraqi foreign minister are encouraging, but the EU response does not seem to reflect the sense of urgency we feel in this country about Iraq and its future.

Third, a strategic dialogue across the Atlantic is needed to develop a comprehensive approach to the post-cold war, post-9/11, security agenda. This dialogue should aim at the development of policies that need not be common in each instance but must remain complementary in all instances. Granted that a credible dialogue

must await the November election, we should make sure it starts at the earliest possible time after that.

If reelected, President Bush should meet his European counterparts, heads of state and government of all current EU and NATO members, in Europe, possibly on the eve of the next EU summit in Holland in December 2004. In case of the opposite result, President-elect John Kerry should name a special envoy to Europe for consultation in all of the main European capitals in anticipation of a visit to Europe in February 2005.

To sustain this dialogue, Madam Chairwoman, both men should also be committed to sending the best available men and women to represent the nation as U.S. Ambassadors in the main European capitals. The failure in public diplomacy in recent years had much to do with a neglect of the skills and experience needed to assume such important assignments, including linguistic skills and relevant background.

In addition to Iraq and Afghanistan, Iran is an important introduction to the strategic dialogue we need. France, Germany, and Great Britain wanted to lead, and to this effect they launched an initiative designed to contain and reverse Iran's interest in the development of weapons of mass destruction. The EU followed soon afterward. The U.S. approved, notwithstanding concerns that were stated at the time. Now, Europe must deliver on its initiative, including the imposition of sanctions if the Iranian government does not follow up on the commitments it made to the EU powers, as seems to be the case.

Madam Chairwoman, the historical enlargements of both the EU and NATO, the naming of a new European Commission, and a new or renewed U.S. Administration open the door for a New Deal in U.S.-EU-NATO relations. Passing these tests of efficacy in Afghanistan, Iraq, and Iran will also ensure that the EU, NATO, and their members, current and future, also pass the test of Euro-Atlantic longevity.

And, fourth, the consensus uncovered by the past summits includes recognitions that the greater Middle East is bound to be a central issue of Euro-Atlantic concern during the coming decades. Like Europe during the second half of the 20th century, the significance of this region, coupled with its volatility, make it the defining geopolitical challenge of our time. There cannot be any global order if there is no order within that region. For such an order to emerge, American power, however indispensable it may be, will not prove sufficient unless it can rely on Europe's power, which however necessary it is, remains insufficient as well. That is the challenge that must now be addressed on behalf of the greater Middle East with the same bold spirit, the same compelling compassion, and the same common purpose, as was shown when the transformation of Europe began 60 years ago as a revolt against a failed past.

This, Madam Chairwoman, is not a small agenda, but it is not a new vision either, for it is no more than the extension of the vision that was launched after the World War II in the name of the cold war and now needs completion after the cold war and in the name of the wars of September 11, all wars that America did not start but which it did wage, win, and ultimately end. The goal is to transform a community of compatible values and converging in-

terests into a community of action. With the EU, around NATO, on the basis of a comprehensive and complementary western strategy, and with emphasis on the greater Middle East, this is a community that will enable us to do everything, even if we do not find it possible to do each of those things together.

Thank you for your attention. I am looking forward to your questions.

[The prepared statement of Mr. Serfaty follows:]

PREPARED STATEMENT OF SIMON SERFATY, PH.D., DIRECTOR, EUROPE PROGRAM,
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Mr. Chairman, Mr. Wexler, Members of the Subcommittee on Europe, Thank you for inviting me to testify today on the state of transatlantic relations after the various summit meetings held this past month. As was the case in previous instances, appearing before you is a privilege. In this particular case, however, let me first state, Mr. Chairman, that your decision to not run for election in November 2004 is cause for much regret in and beyond the think tank communities on both sides of the Atlantic. Your leadership will be missed.

Mr. Chairman, this is a defining moment for the states of Europe and their Union (EU), as well as for the Atlantic alliance and its Organization (NATO). Over a six-week period this spring, the historic enlargements of NATO and the EU, together with the moving celebration of the landings in Normandy, served as reminders of how far we have come over the past 60 years. Then, over a three-week period in June, the EU Summit in Brussels, the G-8 summit in Sea Island, Georgia, the U.S.-EU Summit in Shannon, Ireland, and the NATO Summit in Istanbul reminded us of how far we still have to go over the next 60 months. As shall be seen, each of these Summits produced significant decisions. How, how well, and how expeditiously these decisions are enforced—and with or without whom—will leave NATO, the European Union, and the transatlantic partnership either much more cohesive and thus stronger, or more divided and therefore weaker.

Indeed, the upcoming five-year period is comparable to another such moment, in 1948–1953 when, following a hard-fought presidential election, an institutional architecture was put in place that defined a Western strategy for facing the new security conditions that had been emerging during the previous three years. Now, too, we fear a new security normalcy, inaugurated by horrific events nearly three years ago, and a comprehensive Western strategy is needed to defeat it.

This will not be easy. To help, of course, we have the institutions inherited from the Cold War. Yet much work remains to be done to complete the EU, adapt NATO, and renew our partnership. On all three accounts, each of last month's summits produced warm embraces and communiqués, but none can yet permit one to conclude that the Atlantic Crisis of 2003 is behind us at last. That such would be the case is not surprising. The crisis was neither bilateral—not even between the United States and France, our most outspoken critic in Europe. Nor was the crisis personal—not even over Europe's disturbing, and probably irreversible, mistrust of President George W. Bush and parts of his administration. Rather, the crisis of 2003 was, and remains a structural crisis resulting from Europe's unfinished transformation and America's preponderant power in the face of the new security challenges inherited from the end of the Cold War and the horrific events of September 11, 2001.

Before reviewing the post-Summit condition of intra-European and trans-Atlantic relations let me start on an explicitly positive note. In recent years, there has been much pessimism about Europe and our alliance with the states of Europe and their Union. Much of that pessimism has grown out of, or has led to, an unbalanced analysis that either exaggerated Europe's weakness while overstating the scope and superiority of American power or, conversely, overstated Europe's potential as an adversarial counterweight of an America supposedly unable to meet the imperial tests of efficacy and hence durability. A more balanced and less dogmatic analysis should begin with the recognition of the remarkable developments that have taken place in Europe and between Europe and the United States not only since World War II or the end of the Cold War, but also since 2001 and even over the past 15 months.

- As a Euro-Atlantic community of increasingly compatible values, the West has continued to expand its membership—up to 26 for NATO and 25 for the EU. Now, the Euro-Atlantic space comprises 32 countries, including 19 European countries that belong to both Western institutions. This is not the end of enlargement for either institution, however. Among the countries that are

awaiting membership, Turkey for the EU and Ukraine for NATO are especially important. Elections scheduled for Ukraine next fall may prove decisive, and NATO should be prepared to respond to signs of a maturing democracy in this important country after they are confirmed later this year. As to Turkey, genuine democratic reforms are making its membership in the EU “irreversible”—in President Chirac’s word—and the start of negotiations will hopefully be announced at the next European Council summit in December 2004, when decisions for Bulgaria, Romania, and Croatia—expected for 2007—are awaited as well.

- As a Euro-Atlantic community of converging interests, the West has also deepened during this difficult period. Antiwar sentiments in Europe and occasional bursts of Euro-phobic reactions in the United States have not prevented a sharp increase in investment flows across the Atlantic. Our economic space is truly integrated. Areas of tensions remain, to be sure, on matters of trade, regulation, competition, money, and much more—but these tensions are limited to a minuscule percentage of the totality of our commercial transactions that add up into an ever-closer transatlantic market place that can itself reach finality by the middle of the next decade. We care about Europe, and Europe cares about us, like two people do after a 50-odd year marriage: with the recognition we have become alike, however difficult it may be for some to accept it; with the knowledge that we have become one, because of the impossibility to separate our respective assets; and with the belief that divorce is not a viable option because however difficult life may be with each other it would be worse if lived with someone else.
- As an emerging Euro-Atlantic community of action, the West has been able to achieve cohesion in various areas essential to our ability to fulfill the many goals we share in the world generally and in the war against terrorism specifically. While the coalition of the willing now in Iraq is not as large as we would have liked it to be, we were nonetheless able to achieve a universal consensus at the UN twice in 30 months, first in November 2002 and next in June 2004. While the agreement to give NATO a more significant role in Iraq did not go as far as we had hoped, and even as several NATO members remain unequivocally hostile to deploying their national forces there, NATO is engaged in Afghanistan and its members are playing a critical role on many other fronts of the global wars against terror, or in some of the conflicts that developed after the Cold War, in Bosnia, Macedonia, and elsewhere. Equally noticeable in recent years is the sharp improvement in intelligence cooperation within the EU and with the United States, the coordinated use of non-military tools for the defeat of terrorist groups and organizations, and much more, including U.S.–EU and EU–NATO security relations.
- And finally, as a uniquely intimate partnership whose members share a strategic vision of world order among them more than with any other group of states, NATO and the EU are making compatible sounds on most global issues. That, to be sure, is still short of a common, let alone single, voice: the war we in the United States have been waging since September 11, 2001, is still not felt with the same urgency in Europe. But especially since the tragic incidents of March 11, 2004 in Madrid, Spain, Europe is slowly coming to grips with a reality it can no longer easily deny. As Irving Kristol once put it, a neo-conservative is a liberal who’s been mugged by reality: however tragic the mugging of March 11 in Spain, the post-9/11 reality is catching up with Europe, and as a result Europe may be catching up with America.

Although banal, my initial conclusion, Mr. Chairman, deserves to be repeated. While the end of the Cold War and the advent of the war against global terrorism changed many things, neither changed the centrality of our relations with Europe. Admittedly, the Old World no longer has the same geopolitical significance as it did in the past, either as a collection of world powers or as the primary stake of a struggle between two extra-European superpowers. Yet whatever geopolitical significance it may have lost, Europe has gained in all other areas as a producer of relevant power and influence. We are each other’s partners of choice for peace, for stability, for progress, and for prosperity—not just among us, because on the whole these goals have been met in the West, but on behalf of other parts of the world that still lag behind in all these areas. Notwithstanding a few moments and words of tensions, the broad terms of this partnership were reasserted in the summits held this past month. There is, in short, a genuinely pro-American world out there, in Europe, and this provides us with the window of opportunity needed to renew our relations because there is nothing out there in the world that cannot be done more effectively and more expeditiously together rather than separately.

COMPLETING THE UNION?

As explained in a previous testimony for this subcommittee, the transformation of Europe, from a fragmented mosaic of nation-states into a peaceful union of member-states, stands as the most significant geopolitical development of the second half of the 20th century. That is cause for legitimate satisfaction. To an extent, the idea of Europe is an American idea not only because a few hundred million Europeans are repeating in the Old World what a few hundred thousand of them began in the New World two hundred years earlier, but also because it is the postwar commitment of U.S. power and leadership that gave the states of Europe the means and the security they needed to engage into the bold and even extravagant process of integration that is now nearing finality.

The most recent EU Summit four weeks ago was a historic success, and credit must go to the Irish presidency that was ready to move full speed when opportunities for agreement began to appear in mid-March—agreement on enlargement, a constitutional treaty, reform of the Stability and Growth Pact, and the selection of a new President for the Commission. Yet, satisfaction over what was achieved at this Summit is tempered by some apprehension over the obstacles that still stand in the way of what remains to be done.

For more than four decades, Europe's integration has depended on three main conditions that influenced the scope, pace, and effectiveness of each new initiative embraced by these treaties:

- Robust, sustained, and widely shared economic growth, with benefits for the most recent members or the more needy small economies;
- Stable and confident centrist national leadership able to resist pressures from either political extreme; and
- Regional stability, in the East but also, and especially since September 11, in the South across the Mediterranean.

In the midst or on the eve of finality these features are lacking, and the EU will be facing difficult challenges as it prepares for its blind date with history, on the occasion of the 50th anniversary of the Rome Treaties.

- Growth is weak, and prospects for future growth remain unsatisfactory. The Lisbon agenda for social and economic renewal is stalled, and the June EU summit did little to re-launch it—a task now assumed by the Dutch presidency that began on July 1. In part as a result of Europe's inability to produce more affluence to justify the increasing pains of membership, there seems to be a growing public unease with the EU and its institutions. Public participation at the June elections for a new European Parliament was historically low—even among the new EU members (17 percent in Slovakia, 20 percent in Poland, and 28 percent in the Czech Republic).
- Political leaders, including but not limited to those who followed the U.S. lead in Iraq, are at the mercy of their electoral calendar, as shown by the recent national elections in Greece and Spain, and regional elections in Germany, France and Italy. For the European elections, the largest government party of all EU members except Greece and Spain suffered serious setbacks. In Poland, Britain and Germany in 2005, Italy in 2006, and up to France in May 2007, existing governing majorities are all at risk. Over the past 18 months, the pattern has been clear: strong governments that joined the coalition of the willing have weakened (in Spain, Great Britain, Poland, and Italy) while weak governments that opposed the coalition have become weaker (including France and Germany).
- Few political leaders, experts, and analysts are prepared to rule out one or more additional acts of terror in Europe before the end of the year. Europe's vulnerability is a matter of geographic proximity, economic dependence, and cultural sensitivity. Soft targets abound. Instabilities in the Greater Middle East would quickly spill over to the continent, whatever their form—whether out of the Persian Gulf, because of the Israeli-Palestinian conflict, or, least mentioned but hardly least likely, through disruptions in Saudi Arabia. Because of their economic and political consequences, instabilities exported from this region would impact the EU agenda—as happened after the first oil crisis and related Middle East War in 1973. Because of the presence of large communities of Muslim citizens, such instabilities could also spill over into the streets of the main European capitals.

Four issues will be especially contentious during the coming two to three years. These will serve as benchmarks for how and how well the EU can be expected to perform during the next several years:

- The two-year ratification debates for the EU constitutional treaty, which will be signed in October 2004. Approval by all members is needed, but with several members committed to a public referendum, including Great Britain, what would occur if one or more states were to reject the treaty is not clear. Indeed, some EU states now seem to argue that approval by at least four-fifths of the current 25 members could be deemed sufficient, thus launching a so-called two-speed Europe of ill-defined content and direction.
- The re-negotiation of the Stability and Growth Pact, which is a pre-condition for the completion of the euro zone. Europe is hardly near the write-off that is often claimed—with serious corporate restructuring and profitability gains, and Germany seemingly standing at the beginning of a cyclical upturn. But the benefits of the single currency are still lacking behind as the three EU members that opted out when the euro was launched continue to postpone participation.
- The performance of the new EU members, including Poland, where there is already some public resentment over the one-sided negotiations of the past few years. In this context, the negotiation of a new EU budget for the years 2007–2013 is also an important benchmark, and a source of significant debate among and within the members.
- New decisions for further enlargement, including especially Turkey (whose membership is unlikely to occur before 2013 even if negotiations were to start in 2005), not to mention the membership of Bulgaria, Romania and Croatia, now scheduled for 2007, and possibly some Balkan states in 2010. Such discussions, it should be noted, could have serious negative consequences on the upcoming constitutional debates.

Mr. Chairman, you and your colleagues know well the importance of the EU to a strong transatlantic partnership. History teaches that the United States most suffers from conditions in Europe when some European states start something they cannot complete—a war or a revolution in the past, and now a currency or a union. Yet even as the need for more Europe remains stronger than ever before, the public taste for Europe also seems to be turning increasingly sour and resentful.

POWER AND WEAKNESSES

Throughout the Cold War, Europe's inability to produce more military power of its own was cause for exasperation. After the Cold War, initial hopes that Europe's time had finally come in Bosnia were quickly deflated. Since September 2001, it has become painfully clear that only a Euro-Atlantic partnership that relies on a better military balance can escape a condition of "power and weakness" that makes Europe look mostly like a dead weight relative to an America whose preponderance makes it look like an imperial bully. Achieving such balance does not require America to become weaker; rather it demands that Europe itself acquire more of the military strength it lacks.

There is no need for subtlety here. With the main exceptions of France and the UK, most EU members of NATO do not spend enough on defense: 2 percent of GNP should be a minimum, and 14 European members of NATO do not meet that minimum. To make matters worse, much of that spending is on personnel—about 60 percent—and little is left for procurement, leaving an estimated 80,000 troops out of a reported 1.2 to 1.5 million non-U.S. NATO troops in uniform readily available for deployment. Spending more and spending better is overdue—an obligation neglected for too long and now too deep to be neglected any longer. To argue that the accounting of defense spending should include spending on alleged "soft power" is intellectually creative but it remains an alibi for continuing to do less than what is needed under current security conditions.

This condition creates a contradiction that is a significant source of current transatlantic tensions. As an unfinished union of states, Europe now stands as a power in the world, which gives it a legitimate voice that America must hear more and more clearly than has been the case to-date, especially by this administration; but lacking the capabilities required for military action when necessary, it is not, or not yet, the world power that it claims to be, and the price of consultation is not always worth the benefits it brings.

As a power in the world, the countries of Europe and their Union show:

- Interests that are global in scope and vital in significance as the EU expands its spheres of influence and values into and beyond the realm of its members' former empires;
- Capabilities that have become competitive in most dimensions of power except for military force. These include preventive security tools like commercial policy, economic aid, and public diplomacy. In recent years and months, the EU states and the Union have also made significant progress in developing their defensive tools of homeland security like law enforcement measures, border and aviation security, first steps for the physical and cyber protection of critical infrastructures, and more;
- A saliency that is truly universal because of a reputation in the world gained by its nation-states during their long history, for the better and for the worse, but renewed through its institutions, mostly for the better, over the past 50 years.

The next few years will show whether Europe and its Union are willing and able to also gain the military power, as well as the will to use it, without which they would remain unable to move up to the next level—as a power in the world that would also stand as a world power—or, as Tony Blair put it, a superpower but not a super state. The reference to Tony Blair is not fortuitous: the key to Europe's ability to develop an effective foreign, security, and defense policy is indeed the participation of the UK, a participation that is even more indispensable politically, at least in the short term, than Germany's military contributions may prove to be in the long term. The time is long gone, when Britain could stay out of Europe, and Europe away from Britain.

When dealing with security issues and, more specifically, Europe's contributions to the management of these issues, the Sea Island and Istanbul summits were frankly disappointing. The states that objected to joining the U.S.-sponsored coalition of the willing in Iraq in the spring of 2003 continued to object to renewed UN-endorsed efforts to end the occupation on behalf of a rehabilitated Iraqi state that explicitly asked for NATO support and clearly needs additional EU help. Further contributions on the other fronts of the war against terrorism, especially in Afghanistan where additional troops are needed, were also postponed. And while there was recognition that threatening instabilities in the Greater Middle East cannot be ignored much longer, little was agreed in practice—notwithstanding seven separate communiqués released after the U.S.-EU Summit held immediately before the NATO summit. What emerged out of Istanbul and Sea Island was a minimum consensus that fell far short of legitimate expectations: agree to not disagree by agreeing to agree at a later date. In so doing, each head of state or government was able to go home claiming that he had been convincing and, most of all, firm or cooperative depending on his specific political needs.

Mr. Chairman, this persistent debate over modalities when faced with a complex set of urgent issues—Iraq, Afghanistan, the Middle East, but also Iran—is troubling. Whether Iraq was a war of choice or a war of necessity can be argued on moral as well as security grounds; but ending the war responds to both a moral and a security imperative that cannot be ignored. Failure in Iraq is not an option, because of consequences that are unthinkable and thus unpredictable. By some definitions of failure, it may already have occurred as many of the reasons used earlier to explain the need for war have proven to be misleading, while most of the goals asserted to present it as a just war have not been fulfilled yet. Mistakes were made on all sides. Prior to the war, we overplayed a strong military hand, and some in Europe overplayed a weak diplomatic hand. After the collapse of public diplomacy in early 2003, the conduct of the war proper was impressive. In the spring, Saddam's removal made Iraq freer but whether it also made us safer can be debated—and most Europeans fear otherwise. In the fall, it became clear that planning for postwar Iraq had been grossly insufficient to say the least. This is not the time to engage into any sort of blame game, however, whether at home, in the coalition, or within the alliance at large. The administration's change of course over the past 10 to 12 weeks confirms that the coalition has not been up to the current missions of liberation, rehabilitation, reconstruction, and reconciliation. To be effectively assumed, these missions demand a fuller involvement of NATO, the EU and their respective members on top of the global legitimacy provided by the UN.

- With occupation ended, completing Iraq's liberation from foreign and local forces that promote terror and deepen insecurity requires more foreign ground forces, pending the organization of viable Iraqi military and police forces preferably trained by NATO in Iraq. This is not the moment to set a date certain for the withdrawal of coalition forces now deployed in Iraq.

- With an Iraqi government now leading a period of transition from partial to complete sovereignty, rehabilitating the Iraqi state demands a direct UN role in organizing credible national elections no later than January 2005.
- Notwithstanding the fact that full security will remain out of reach for some time to come, Iraq's reconstruction needs to proceed under direct control of the new Iraqi government, and with the full support of all allies, whatever their disposition at the start of the war.

The June summits addressed many of these issues, but none was conclusive. Even as Chancellor Schroeder praised the "remarkable change in the American foreign policy" shown at Sea Island, or President Chirac found in Istanbul "much, much more openness" than "at any time in the past," both men remained reluctant to respond in kind at this time. The temptation to postpone final decision may grow out of a desire to await the outcome of the next U.S. presidential election. That would be, of course, unfortunate. Because there is some urgency in attending to the issues currently on the Euro-Atlantic agenda, this attitude may even be irresponsible.

In Iraq, the allies' reluctance to increase their contributions at this time was predictable, despite the fact that much of what had been requested by our critics had actually been met. Indeed, prospects for 2005 are for a smaller rather than a larger coalition as some of its "willing" members are preparing for a withdrawal of some of their forces currently deployed in Iraq. But what about Afghanistan, where unlike Iraq the consensus for war was global and UN legitimacy beyond question? In this case, too, the June summits produced general agreements that fell short of specific actions.

NATO currently has 5 million military personnel overall—active and reserve, from all of its services, apart from U.S. contributions. Non-U.S. NATO equipment is reported to include 13,000 tanks, 35,000 armored infantry vehicles, and 11,000 aircrafts. NATO countries outside the United States now spend close to \$200 billions dollars every year on their military. Yet, in spite of President Hamid Karzai's plea "to please hurry, as NATO in Afghanistan . . . today and not tomorrow," the European members of NATO have not mustered the 3,500 to 4,000 troops needed to ensure adequate security for parliamentary elections this fall. That, Mr. Chairman, is disappointing and post-Summit negotiations within NATO will hopefully make it possible to respond to Mr. Karzai's request, so that the presidential election at least can be held in October with a modicum of security.

Completing this "iron triangle" of short-term issues is Iran, which did not figure at the center of these summits. Yet the significance of Iran in coming months and years should not be neglected. Iran is a test of Europe's interest in, commitment to, and capacity for leadership. France, Germany, and Great Britain wanted to lead and launched an initiative designed to address issues of concern with regard to Iran's development of weapons of mass destruction. The EU followed soon afterward. The United States quickly approved, notwithstanding some concerns that were stated at the time. Now, there is a need for Europe to deliver on its initiative, including the imposition and enforcement of sanctions if the Iranian government does not follow up on the commitments it made to the EU powers. This is a test that the EU must pass, just as Afghanistan is a challenge NATO must meet, and Iraq is a test America cannot fail.

A NEW CONSENSUS

That one or more summits could not fully resolve the structural dimensions of the Atlantic crisis of 2003 is not surprising. That will take time—a time likely to last the term of the next U.S. administration if not longer. An institutional road map for the structural renewal of the Western alliance includes:

- The states of Europe and their Union need to assume a larger role commensurate with their current capabilities, interests, and influence. They also need to move on with their efforts to upgrade their military capabilities and achieve the cohesion they need to play that role. The goal is not to build an adversarial counterweight but to gain the weight needed to be an active counterpart of the United States with and within NATO. This broad conclusion could certainly be inferred from the U.S.–EU summit, as well as from the EU summit that preceded it and the NATO summit that followed.
- A NATO that has gone global must be ready and able to act locally if it is to remain the security institution of choice for all of its members. More than a decade after the end of the Cold War, it is still in business, but what that business actually consists of is not as clear as it must be. The European members of NATO must provide the Organization with the additional capabilities it needs to face the new global mandate linked to the events of September

11, 2001 and March 11, 2004. This conclusion could credibly be inferred from the Istanbul summit that confirmed the goals that had been set at Prague in November 2003.

- A strategic dialogue is needed to develop a comprehensive approach to the post-Cold War, post-9/11 security agenda aimed at the development of policies that need not be common in each instance but must remain complementary in all instances. While such a dialogue will have to await the U.S. presidential election of November 2004, it should start at the earliest possible time after that. For such a dialogue to be sustained over time, the next administration will have to be committed to sending the best available group of U.S. ambassadors to represent the country in the main European capitals. The failure in public diplomacy in recent years had much to do with a neglect of the skills and experience needed to assume such important assignments—including linguistic skills and relevant background.
- The G-8 summit especially gave particular attention to the Greater Middle East, a central part of the Euro-Atlantic strategic dialogue needed for the coming decades. Like Europe during the second half of the twentieth century, the significance of this region, coupled with its volatility, makes it the defining geopolitical challenge of our time. There cannot be any sort of global order if there is no order within that region. For such an order to emerge, American power—however indispensable it may be—will not prove sufficient unless it can rely on Europe's power which—however necessary it is—is not sufficient either. That is the challenge that must now be addressed with the same bold spirit, the same compelling compassion, and the same common purpose as was shown when the transformation of Europe began 50 years ago, as a revolt against a failed past. We are now at this point: Americans and Europeans alike, as well as those who live in that region, have failed to generate the conditions that would make it possible to live up to its potential within a peaceful, democratic, affluent, and stable environment. A Euro-Atlantic initiative for the Middle East includes a commitment to the resolution of the Palestinian-Israeli conflict but it need not await its final outcome to get started. As learned in Europe during the second half of the twentieth century, reconciliation follows pacification and reconstruction, and not the other way around.

Along the road, there are many goals we need to pursue if we are to achieve the comprehensive Euro-Atlantic strategy of global complementarity we need for the wars of 911. These include:

- Complementarity of European membership in NATO and the EU, meaning that all European members of NATO should ultimately be members of the EU, including Turkey but also Norway, and all EU members should be NATO members as well, including Austria but also Sweden, Finland, and others.
- Complementarity of NATO and EU relations with countries that are not members of either institution, meaning especially a more effective coordination of U.S. and European policies toward Russia—a Euro-Atlantic Ostpolitik. Territorial oddities like Kaliningrad, and institutional orphans in Europe, like Ukraine, also demand more policy coordination by the United States and Europe, as do other countries that are not part of the Euro-Atlantic geographic area but are nonetheless seeking partnerships for peace and prosperity in its context—like the countries of North Africa.
- Closer U.S.-EU relations, as Europe's recognition of its special partnership with the United States—a non-member member state of the EU—but also as a U.S. acknowledgement of the EU and its members as a vital, though unfinished, partner. The historic enlargements of both the EU and NATO, the naming of a new European Commission, and a new or renewed U.S. administration open the door for a New Deal in U.S.-EU-NATO relations. If re-elected, President Bush should meet his European counterparts—heads of state and government of all current EU and NATO members—in Europe, possibly on the eve of the next EU Summit in December 2004. In case of the opposite result, President-elect John Kerry should immediately name a special envoy to Europe for consultation in anticipation of an official visit to the main European capitals in February 2005.
- Better coordination between NATO and the EU as two institutions whose parallel contributions to the war against global terror are indispensable if those wars are going to be both won and ended. The future of a European security pillar is tied to NATO, and NATO's future is dependent on its ability to act globally—on the basis of capabilities enhanced by a better coordination of

non-military security tools between the allies, and a common understanding of the priorities they share on the basis of a more compatible strategic view of the world they face.

This, Mr. Chairman, is not a small agenda. But it is not a new vision either—for it is no more than the extension of the vision that was launched after World War II in the name of the Cold War, and now needs completion after the Cold War and in the name of the wars of September 11—all wars that America did not start but which it did wage, win, and ultimately end.

Ms. DAVIS. Thank you, Dr. Serfaty, and now we will hear from Dr. Hamilton. Dr. Hamilton, you are recognized for 10 minutes.

STATEMENT OF DANIEL S. HAMILTON, PH.D., DIRECTOR, CENTER FOR TRANSATLANTIC RELATIONS, JOHNS HOPKINS UNIVERSITY SCHOOL OF ADVANCED INTERNATIONAL STUDIES

Mr. HAMILTON. Thank you, Madam Chairman, Congresswoman Lee. I will not try to summarize things that my colleagues have already said but just continue the discussion. I have also submitted a statement for the record that provides more detail.

I agree with Ambassador Burghardt that we can all feel a bit better about the relationship after these summits, but I do think it is too much to say that we are back on track. Three and a half years of crisis are not overcome by a few meetings. While each summit produced individual points of success, overall there is a long way to go, particularly when measured against the agenda that faces us. It is not enough to get back to business; we have to tackle the business that awaits us, and here there is much to be done that is not being done.

Also, Simon and I are good friends, but for the sake of argument, let me disagree with his basic premise that European-American differences are structural. I do not believe they are. I believe such dissonance derives fundamentally not from differences in power or capability gaps; but rather from differences over strategic rationale, priorities, and political will. The power gap between the United States and the countries of Europe was as great, if not greater, at the end of World War II as it is today. At that time, however, the United States used its power to create institutions and new ways of working in the world to deal with the challenges that faced that generation. We have not done so this time, we have squandered the opportunity—born of the 9/11 tragedy—to energize our alliances and our partnerships.

Now, as a professor and also as a participant in past incarnations of each of these summits, I would give the Sea Island summit and the U.S.-EU summit, frankly, both a grade of B-minus. I would give the NATO summit a C—not because of what these summits achieved in their own right but because of what they failed to achieve in terms of your own criteria, Madam Chairman: Setting forth a common vision. I do not believe that such a vision or sense of shared purpose emerged. The message that emerged was that the U.S. and its core partners had finally found a way to talk to each other again, to manage a vast collection of disparate issues. That is not leadership, and that is not pushing forward a new agenda attuned to the real challenges we face.

The G-8 summit did come around on Iraq and on the Middle East peace process, allowing us to at least talk to each other and

set the frame for an initiative on the Greater Middle East, which I have long supported. The transformation of that region is the strategic challenge of our generation. Such an ambitious undertaking offers a huge opportunity to rejuvenate the transatlantic relationship. Europeans and Americans alike face turbulence from this region, and hooking that region back into the world in a peaceful way is a challenge for an entire generation.

In short, the G-8 summit moved us a bit further along this track, but a lot of things that did not happen, including the fact that some of the leaders from the region who were invited turned down the invitation because of the dynamics that are going on. It was a good beginning, but there is so much more to be done, and the Broader Middle East Initiative has had a difficult birth.

There were some interesting initiatives on Africa at the G-8 summit, and if one packages a number of the initiatives together, there was a good focus on Africa, more than at past summits, in various areas. The challenge for the G-8, however, is always whether it follows through on any of these declarations. Many of the 253 commitments the leaders made in Sea Island will be forgotten or have already been forgotten. The test of the G-8 will be whether any of these initiatives will be around next year? Will we remember what anyone said? Unfortunately, I wonder whether Africa will receive the same spirit and level of attention next year as it did this year. Tony Blair has said that as next year's host he will also devote attention to Africa, but follow-through remains the critical test of G-8 effectiveness.

There were also some interesting initiatives on nonproliferation. The whole effort on the Global Partnership on Nonproliferation, however, focuses heavily on the nuclear dimension. There is little to no attention paid to bioterrorism, and there is little to no attention paid to biological weapons. These weapons pose a first-order, strategic threat to the United States and to our European allies. In the hands of terrorists, they would be as lethal as nuclear weapons, yet their consequences are very different. I do not believe that either side of the Atlantic is really prepared to deal with this type of threat. There must be much more done in that area; the G-8 summit did little.

The last G-8 initiative was on transportation security, and, again, while some aspects were positive, the U.S. proposal, which was much more intrusive, was actually turned down. So the end result was a mix, frankly.

On the U.S.-EU summit, I do not want to reiterate what Ambassador Burghardt said. To my mind there were two basic areas of progress. One was on the economics, and the Ambassador mentioned that. The second, though, was what I would call "transatlantic homeland security." It is not a term that maybe everyone uses, but I think you understand what I mean, that our efforts here and efforts in Europe to protect societies must be organized on a transatlantic basis, not just at home. Neither Europeans nor Americans can be safe at home alone anymore, and we are relevant to each other in terms of our security.

All of the efforts that the United States advances through the Department of Homeland Security, I believe, need to be matched with complementary or joint efforts with our European allies and

vice versa. A biological attack of contagious disease in the Frankfurt Airport would not only be a disaster for Europe, it would affect Americans there and affect the rest of this country in a matter of hours. It would not recognize distinctions between allies and partners. It is a threat that must be tackled together. We saw on September 11th the same phenomenon. Many, many Europeans were killed in that attack as well as Americans.

A number of U.S.-EU initiatives in this area were quite good in terms of passenger name recognition, in terms of container security, closer work with Interpol, customs cooperation, and maritime security. But the cooperation needs to be taken to a different level. We really need to understand we have a common "transatlantic homeland" that we need to protect. We talk about projecting our power to the greater Middle East in order to take the fight to the terrorist. But what happens if that fails? How are we protecting our homeland against the possibility of a terrorist attack of weapons of mass destruction, and are we doing it together? That, I think, is the core issue we face in this realm, and there is more work to be done, especially on the U.S.-EU track. It is not necessarily a first-order issue for NATO, although it includes NATO.

The third summit was the NATO/EAPC summit in Istanbul. Leaders agreed that Afghanistan was important, but all the summit really did was increase the troop commitment from a paltry 6,500 troops to 8,000 troops. It extended NATO's writ without extending its resources, and I am afraid that our rhetoric about support is far ahead of the energy and attention we are willing to invest to get Afghanistan right. Afghanistan risks falling off our political radar screen as we focus overwhelmingly on Iraq.

I am one of those, as is the President, who says that NATO must go to Iraq, that we must have a much more forceful transatlantic presence there. Unfortunately, the summit only produced an agreement on some training for Iraqi forces and probably not in Iraq itself. So I think that reflects the underlying disagreements that are very much still there.

There were some efforts to improve the capabilities of our allies, but they fell short, as they have in the past. As Simon said, this was the first time the alliance met at 26 with our new allies. The alliance reiterated that the door is open to others, which I think is a good statement, but it really said nothing about the Partnership for Peace, which has been an important mechanism connecting NATO allies to other partner nations.

It is a strange situation now. The alliance is now bigger than the partnership, and the partnership is divided strongly into two groups of countries. You have Switzerland, Finland, Austria, Sweden, and Ireland on the one hand and you have Central Asia on the other. These are our partners now in the Partnership for Peace, and there is not a concept being advanced by the Administration or, frankly, the NATO allies of how this partnership can be adapted, now that we have a larger alliance, to the challenges we and our partners face.

My small proposal is that we rejuvenate the Partnership for Peace and its political umbrella, the Euro-Atlantic Partnership Council, by embracing the concept of societal security or transatlantic homeland security. Swiss-Swedish concepts of total defense

develops over decades due to their nonaligned, neutral status, are very relevant to the current American debate about societal security. These countries have been working on these issues for decades. Why not adapt these notions into a new initiative encouraging NATO and its partners, also in cooperation with the EU to advance societal security throughout the transatlantic region?

In short, I think the NATO summit really did not project this vision. It took care of a few things. It dealt with some issues of military transformation, as it tends to do. But it has still not fundamentally dealt with the political transformation of the alliance in ways that are anchored in parliamentary and in public support. I do not believe we have had the kind of debate about what NATO really is about today, but it is already in Afghanistan, and it is partially in Iraq. Is this the NATO we want? If so, how do we equip it to do what we are asking it to do? The Administration has not allowed these issues.

Madam Chairman, you and Congressman Bereuter had asked us to comment also on the transatlantic economic relationship, and what I have done in the statement is provide you with some background on the relationship by putting our trade disputes in a broader context. Very simply, trade is a very misleading benchmark of the economic relationship between Europe and the United States. Investment flows, not trade, determine much of the transatlantic relationship, and those are overwhelmingly important to American states and communities. Investment flows and trade determine much of our economic relationship today. Trade disputes account for only about 1 to 2 percent of transatlantic commerce, and yet gets all of the attention, which sucks the political energy out of any effort to advance an ambitious transatlantic economic agenda that could pay real dividends for American and European consumers, workers, and their families.

In the statement I provide statistics about European investment and in-sourced jobs from Europe to every U.S. state, including Virginia. It is interesting to note, for example, that Texas is the largest state target of European investment into the United States, and that there is more European investment just in Texas than all of American investment in China and Japan put together. It shows you how important the transatlantic relationship is. It is still the central relationship economically that we have.

To sum up, the summits showed that we can work together, but their focus was about managing an agenda, not projecting a way to harness our potential to deal with the challenges we face. After enlargement of the EU and NATO, we face integration of a new band of states to Europe's east, including some very difficult countries but ones that we have to work to include. This also means upgrading the U.S.-EU relationship in the West. Beyond Europe, we must tackle the Greater Middle East with the seriousness it deserves, and we must work together to make our institutions more effective.

Across the Atlantic we face a big agenda. Politically, there has been a drifting apart over the past 3 years. But every objective measure of European-American information tells us that our societies and economies are not drifting apart, they are colliding. In the age of globalization we are literally smashing into each other.

We are interacting more than ever before across the Atlantic since the end of the cold war, not less, and some of the frictions we have come because we are deep into each other's systems, and our respective regulations and regulatory mechanisms we have are not equipped to deal with that. That is the agenda we face, for which I have not seen a whole lot of serious activity. Thank you very much.

[The prepared statement of Mr. Hamilton follows:]

PREPARED STATEMENT OF DANIEL S. HAMILTON, PH.D., DIRECTOR, CENTER FOR TRANSATLANTIC RELATIONS, JOHNS HOPKINS UNIVERSITY SCHOOL OF ADVANCED INTERNATIONAL STUDIES

Mr. Chairman, it is a pleasure to appear before you and your colleagues again to discuss the transatlantic relationship after Iraq.

Before I do, however, let me congratulate you personally, Mr. Chairman, for your strong personal and professional efforts to advance a vibrant and effective transatlantic partnership. My wife's family comes from your district in Nebraska, Mr. Chairman, and I know from my many visits there how much your constituents value your efforts on their behalf in the U.S. Congress. We shall miss your voice in the Congress, and wish you well.

You asked for an assessment of the G-8, US-EU and NATO summits held in June and their impact on U.S.-European relations, as well as views on transatlantic economic issues. I will assess each summit and its impact briefly, and then turn to transatlantic economic relations. I will conclude with a few points about the future relationship.

June 2004 was a veritable traveling summit roadshow. The month started with President Bush's June 4 visit with Italian Prime Minister Silvio Berlusconi and the Pope in Rome, a June 5 visit with French president Jacques Chirac in Paris, and a June 6 encounter in Normandy among all G8 leaders except Japanese Prime Minister Junichiro Koizumi to celebrate the 60th anniversary of D-Day. The G-8 Sea Island summit followed June 8-10. Many European leaders then joined President Bush in Washington to attend Ronald Reagan's funeral. President Bush then flew to Europe to attend the U.S.-EU Summit at Dromoland Castle in County Clare, Ireland June 26 and the NATO summit in Istanbul on June 28-29.

THE G8 SEA ISLAND SUMMIT

It is important to recall that the original impetus for what has become the G8 was the perceived need, in the mid-1970s, by leaders of the larger west European countries to discuss directly with the U.S. President a few key issues, primarily in the economic field.

Sea Island was in many ways reflective of how the G8 Summit has strayed from this original impulse. The focus on economic topics has given way to primarily political discussions. What were once short, specific agendas are now broad, comprehensive themes accompanied by a confusing array of action plans and supporting papers. The G8 at Sea Island issued a record 16 documents, most quite detailed, covering 10 separate issue areas. Together the G8 countries signed up to a record 253 collective commitments and mobilized an estimated \$2.77 billion to advance these commitments, higher than that at the 2003 Evian Summit but far lower than the \$50 billion mobilized at the 2002 Kananaskis Summit. 19 different G8 or related institutions at the ministerial, official and civil society levels were either created or tasked. And more than 500 instructions or declarations were issued to a vast number of other international bodies.¹

While such a plethora of plans and papers can easily overwhelm effectiveness, the G8 can perform an important agenda-setting function by prioritizing certain themes and mobilizing energy and resources behind them. The key test for the G8 is follow-through: how many of these themes will be around next year, and will any real progress have been made? Will financial pledges be honored in timely fashion? Will the G8 nations really make good on these 253 commitments? Unfortunately, if past is prologue, only a few initiatives are likely to survive in any effective fashion. This has diminished the G8's credibility and is why some critics view it more as a photo opportunity for hortatory declarations than a serious effort to tackle issues.

¹A detailed outline of the Sea Island Summit, as well as previous summits, can be found on the University of Toronto's G8 Information Centre website, including a paper by its Director, John Kirton, at <http://www.g7.utoronto.ca/evaluations/2004seaisland/kirton2004.html>

The centerpiece for the Sea Island Summit, and for President Bush as its host, was the Broader Middle East and North Africa initiative, which was only possible because of some last-minute compromises over the related issues of Iraq and the Middle East peace process.

One hour before the Summit opened the U.N. Security Council unanimously passed a resolution transferring sovereignty to a new Iraqi government by the end of June, thus offering G8 members an opportunity for partial rapprochement after their bitter divisions over the Iraq invasion. The principle of debt reduction for Iraq was also accepted, but U.S. efforts to secure close to complete debt forgiveness were resisted by France, Germany, Russia and Japan—who hold more of the debt than does the U.S.—on the grounds that this was far more than was on offer to very poor countries without oil resources. The matter was not discussed by the heads and was delegated to the Paris Club.

Another area of considerable transatlantic tension has been the Israeli-Palestinian issue. When Ariel Sharon visited Washington in April, President Bush not only welcomed his plan for Israeli withdrawal from Gaza but also made suggestions, without any consultations with the Palestinians, about the shape of a final settlement that abandoned established principles deemed essential by the Palestinians. This was very badly received in the Arab world as well as by Washington's other partners in the Quartet backing the roadmap to a final settlement. At the G8 summit the partners sought to get back on track by again invoking relevant UN resolutions, endorsing the objective of "two states living side by side in peace," confirming the central position of the Quartet in advancing the roadmap, commending the Israeli plan for Gaza withdrawal, and calling on both sides to end all acts of violence. Despite some diplomatic rapprochement, it is questionable whether such statements will have any real impact on the ground in the Middle East absent movement from the parties themselves.

Progress on these two issues enabled the G8 partners to endorse a declaration promising support for the principles of democracy, the rule of law, and human rights in the Middle East, backed by a G8 Plan of Support for Reform and other measures, including a "Forum for the Future" to advance democracy and hold Arab governments accountable on issues of human rights and freedoms. The initiative does provide a potentially important mechanism through which civil society and private sector actors in the region can engage, but it also has some shortcomings. The reform plan is long on declaratory rhetoric and short on meaningful steps. The action plan is a lowest common denominator document. The Future Forum treats Middle Eastern states as "targets" of the reform dialogue, and the G8 did not link progress on civil society or democratic accountability to other elements of the G8 reform package, thus depriving the G8 states of much of the Initiative's potential leverage. In short, Arab states are offered the help of the West to advance those economic reforms they want, while sidestepping political reforms they do not want.

The initiative also survived a difficult birth, marked by continuing tensions over Iraq and the Middle East peace process, combined with the negative responses from the region to the leaked initial U.S. draft and revelations about American abuse of Iraqi prisoners. Key countries such as Egypt and Saudi Arabia declined the invitation to join the summit, leaving the G8 leaders to meet with a relatively unrepresentative group comprised of leaders from Afghanistan, Algeria, Bahrain, Jordan, Turkey, Yemen and the new Iraqi president.

In sum, the initiative is a welcome beginning, but it is based on a rather fragile consensus among the G8 with no guarantee that it will be funded or sustained at future Summits; no basic bargain with the region itself, and few resources and levers. I say this with regret because the peaceful transformation of the broader Middle East is perhaps the greatest challenge of our generation, and a potentially important project for a rejuvenated transatlantic partnership. But the beginning has been awkward.

The second major package of efforts at Sea Island related to Africa. African leaders, who attended the G8 for the fourth year in a row, secured a new program to build capacity for peacekeeping and peace support, backed by almost \$1 billion from the U.S. and the EU. They obtained support for a new effort to end the cycle of famine in the Horn of Africa and to provide broader food security. Poor countries in Africa and elsewhere also received a promise, potentially worth another \$1 billion, that G8 leaders were prepared to extend for two more years their initiative to aid heavily indebted poor countries. They also obtained a \$200 million commitment to eradicate polio by 2005, and a \$375 million program to develop vaccines and fight HIV/AIDS. Africans (and others) also stand to benefit from a G8 initiative to lower the cost of remittances sent by those in the rich north to family members and friends in the poor south.

A third summit theme was nonproliferation of weapons of mass destruction. Here again an “action plan” brought together a range of issues. There was agreement to strengthen the capacity of the International Atomic Energy Agency (IAEA), but no support for a U.S. proposal to ban the transfer of nuclear enrichment technology to any state that did not already have it. The G8 only agreed to apply a one-year moratorium on such transfers and to take up the issue again in 2005. Just days before the Summit Russia became the final G8 member to join the U.S.-led Proliferation Security Initiative, which appears to have proven its worth by the November 2003 interdiction of a ship carrying nuclear equipment to Libya. The G8 also expanded its 2002 Global Partnership for safely dismantling weapons of mass destruction to several countries beyond Russia, most notably Iraq and Libya. Implementation remains very slow, however, due to persistent problems surrounding access to sensitive areas and with legal and insurance protection in Russia. The program is also focuses heavily on nuclear issues, with some attention to chemical weapons proliferation, but with little focus on biosecurity.

The G8 also adopted the “Secure and Facilitated International Travel Initiative” (SAFTI), focused on improved practices to deter terrorist attacks on air transport, working with the International Civil Air Organization (ICAO). But it omitted a contentious U.S. proposal for full airside screening or measures to deal with small airports and aircraft or ground transportation on subways and trains.

Results in other areas were modest, particularly on the economy. Leaders tasked ministers to establish a framework by the end of July for the deadlocked WTO Doha negotiations, but failed to acknowledge their outstanding commitment to complete the Doha negotiations by 2005, and devoted no attention to how the international financial system could meet 21st century needs.

THE US-EU SUMMIT IN IRELAND

The U.S.-EU Summit at Dromoland Castle in County Clare, Ireland picked up on many G8 themes and initiatives. Both sides expressed their commitment to support the people of Iraq. The EU has engaged the Iraqi Interim Government and announced its readiness to provide support for the political process and elections and to consider further support for the rule of law and civil administration in Iraq. President Bush and his European counterparts echoed G8 support for transformation of the broader Middle East, although each side highlighted its own specific initiatives, rather than undertaking any joint efforts.

Homeland security and economic issues were the main themes of the U.S.-EU Summit. Some progress was made to ensure complementary efforts at what might be called “transatlantic homeland security.” Both sides recently signed agreements to improve container security, expand customs cooperation, and transfer passenger name record (PNR) data. At the Summit they agreed to enhance information exchange to target and interdict maritime threats, work more closely through Interpol to deal with lost and stolen passports and other border issues, incorporate interoperable biometric identifiers into travel documentation, continue a policy dialogue on border and transport security, and start a dialogue on improving capabilities to respond to terrorist attacks.

While the list of agreements is impressive, it is tempered by the fact that agreements on extradition and mutual legal assistance signed at the 2003 US-EU Summit have yet to come into force. This lag is hampering the possibility for enhanced US-EU cooperation to combat terrorism, including enhanced joint investigative undertakings and enhanced tools to identify bank accounts of terrorists.

Since the economic relationship between the U.S. and the EU is by far the broadest and deepest of any in the world, there are of course always a significant number of trade and regulatory issues on the table. The most significant current issue is that of sanctions imposed in March by the EU on a list of U.S. products, followed by automatic, monthly increases by 1% until March 2005, until the U.S. complied with a WTO ruling that found U.S. Foreign Sales Corporations (FSC) and the Extra Territorial Income (ETI) Act to constitute illegal export subsidies under international law. Adoption by the U.S. Senate of the JOBS Act on May 11, and adoption by the House of Representatives of the Thomas bill on June 17 repealing the FSC/ETI are significant steps forward to resolving this issue, but the two bills still need to be reconciled and signed by the President. The EU has repeatedly declared that it would lift the sanctions as soon as this happens.

After more than four years of intensive negotiations, an agreement was signed on cooperation between the Galileo and GPS satellite navigation systems. The agreement will allow each system to work alongside the other without interfering with its counterpart’s signals. This means that all users of satellite radio-navigation will be able to use one or the other of the two systems simultaneously, with only one

receiver, or use both at the same time. This opens wide-ranging commercial opportunities: the market potential is projected to be 3 billion receivers and revenues of some \$280 billion per year by 2010 worldwide, creating hundreds of thousands of jobs on both sides of the Atlantic.

The Summit failed to produce a transatlantic open skies agreement, however. These talks began after an EU court ruled that U.S. bilateral agreements with individual EU states broke European rules that create a single internal market. The key sticking point centers on U.S. refusal to allow European carriers to fly U.S. domestic routes, known as "cabotage." U.S. airlines have this right in some European countries under agreements the U.S. negotiated with individual EU countries. EU officials argue that this creates an imbalance in market access.

Since the U.S. is in an election year and a new European Commission will take over on November 1, there was little opportunity to chart far-reaching summit economic initiatives at the Summit. Instead, leaders want to initiate a six-month "reflection period" on ways to eliminate trade, regulatory and investment impediments to further economic integration. They tasked the U.S.-EU Senior Level Group to present these ideas to the 2005 Summit. They also agreed to a roadmap for EU-US regulatory cooperation and transparency, which comprises a series of discrete activities intended to reduce costs, expand market opportunities and help minimize EU-US regulatory differences. This includes development of a model confidentiality agreement to support the sharing of confidential information under a range of EU-US regulatory cooperation projects. Intensified EU-US regulatory cooperation has the potential to facilitate trade in goods and enable regulators to better discharge their public responsibility for health, safety, the environment and consumer protection. The Commission and the U.S. Government will also be seeking concrete ideas from interested stakeholders on prospective EU-US cooperation activities. My Center, for example, is engaged in a number of such "reflection" activities seeking ways to improve transatlantic cooperation.

THE NATO/EAPC SUMMIT IN ISTANBUL

Achievements at Istanbul were modest. A variety of initiatives were agreed, and while some were important in and of themselves, together they failed to project a vigorous image of a 21st century Alliance. I also say this with regret, since NATO and its partners are perhaps engaged as never before—and being stretched to the limit.

A key issue for NATO is ensuring the success of its mission in Afghanistan. We all have a vital interest in making sure that Afghanistan holds successful elections in September and does not slip back into chaos or once again become a safe haven for terrorists. But Alliance nations have had a hard time meeting their commitments. It has taken them considerable time to provide the forces and equipment required. Alliance leaders agreed to increase the number of Provincial Reconstruction teams to extend the authority of the central government and to facilitate development and reconstruction. But they failed to provide adequate resources for this extended commitment—NATO's garrison in Afghanistan was increased only slightly from a relatively paltry 6,500 troops to 8,000 or so.

The second summit decision was to offer training for Iraqi security forces, and to consider other options for possible NATO support to the new Iraqi Government in addition to continuing to support Poland in its leadership of the multinational division in Iraq. This role is in accordance with UN Security Council Resolution 1546, and at the specific request of the new Iraqi Government. But it is marginal given the need, and reflects continued transatlantic dissonance.

Third, the Alliance agreed to a package of capabilities improvements and counter-terrorism measures. NATO's new multinational defence battalion to deal with chemical, biological, radiological and nuclear attacks has become fully operational, and the NATO Response Force will soon achieve its initial operational capability. European allies committed to improving the deployability of their forces, which is critical, since currently less than 100,000 troops are deployable of 1.5 million European NATO forces. But uneven progress on such issues since the Prague Summit offers room for doubt whether such commitments will be met anytime soon.

The Istanbul Summit was the first NATO Summit with the seven countries who joined the Alliance earlier this spring. NATO leaders affirmed that the door remains open to others who want to add their strength to ours. But in my view the Summit missed a major opportunity to breathe new life into the Euro-Atlantic Partnership Council and its military arm, the Partnership for Peace. With the further enlargement of NATO, the Partnership is now smaller than the Alliance itself, and itself divided between such non-aligned nations as Sweden, Finland and Switzerland and countries of the Caucasus and Central Asia. The former countries have significant

experience with concepts of “societal security” and “total defense,” which can be quite relevant to transatlantic efforts in the “homeland security” realm. And turmoil in the Caucasus and Central Asia may present challenges for which allies and partners may need closer cooperation, a theme to which I return below.

Another area of disappointment had to do with the broader Middle East. Transatlantic disputes over Iraq, the reluctance of leaders from the region to join western summit efforts, and the resultant failure of the earlier summits to get the broader Middle East effort off to a solid start meant that the NATO Summit could do little substantively to advance this agenda. All it could muster was a deepening of its existing Mediterranean Dialogue and a new outreach to the countries of the broader Middle East through a new “Istanbul Cooperation Initiative,” intended to promote practical bilateral cooperation with interested countries of the region, starting with countries of the Gulf Cooperation Council (GCC). While such efforts can be useful, they are at most likely to be modest contributions to the ambitious transformative agenda espoused by the President.

The final note of the summit was announcement that the SFOR mission in Bosnia would be terminated by year’s end in favor of an EU mission. This offers some potential for NATO–EU collaboration, but I fear the motivation for the transition is not a brighter picture in the Balkans but rather an effort by the Administration to shed burdens and find areas for Europeans to “backfill” to free up U.S. energy and resources elsewhere. Overall, the picture in the Balkans is clouded once again. U.S. engagement is still required.

In short, it was a minimalist Summit, certainly not of the quality of the Prague or Washington summits, which underscores an important challenge for the Alliance: unless the U.S. and its allies can forge a common vision on the use of strategic power outside Europe, Americans and Europeans alike will begin to view NATO as the 10th planet beyond Pluto, interesting to behold yet quite distant from earthly concerns.

A NATO that just gets bigger without getting better has no future. Transatlantic squabbling has underscored the need for a new strategic vision of how the Alliance can cope with 21st century threats. NATO commanders are working on these issues, but the debate remains one between insiders. A sustainable vision for NATO must be anchored by parliamentary and public support, and much more needs to be done in this area.

Second, an Alliance of 26 nations could be a recipe for paralysis unless NATO’s decision-making processes are made more flexible, particularly by granting veto power for specific key missions only to those nations contributing substantial resources and effort to such missions, while retaining the consensus rule for overarching decisions on such issues as NATO’s strategic concept, admitting new members, core goals or standards.

Third, in a world of failed and failing states, NATO must be able to win peace as well as war. The Alliance needs an integrated, multinational security support component that would organize, train and equip selected U.S., Canadian and European units—civilian and military—for a variety of post-conflict operations. These units should be designed flexibly to support operations by NATO, NATO and its partners, the EU, and the UN.

Fourth, NATO’s nations—and their partners—must be prepared not only to project power beyond Europe but also to prevent, deter and, if necessary, cope with the consequences of WMD attacks on their societies—from any source. Al-Qaeda has directly attacked three NATO allies—the U.S., Turkey and Spain—and has tried to launch attacks in other parts of Europe as well. If Alliance governments fail to defend their societies from a WMD attack, the Alliance will have failed in its most fundamental task. NATO’s civilian disaster response efforts are still largely geared to natural disasters rather than intentional attacks, and remain very low priority. It is time to ramp up these efforts to address intentional WMD attacks on NATO territory, to work with partners such as Russia to develop new capabilities and procedures for collaboration with civilian authorities, and to tap the expertise of partners such as Sweden or Switzerland who have had decades of experience with homeland security, or what they call “total defense.” This is an attractive new mission for the Partnership for Peace. A bioterrorist attack of contagious disease will not distinguish between “allies” and “partners.” And a number of partners have more experience with issues of mobilizing for societal security than do many allies.

Finally, the U.S. and like-minded partners must continue to press for an expanded NATO role in Iraq. Training is not enough. The Administration must mobilize the Alliance behind a bold NATO role, under UN Security Council Resolution 1546. Failure in Iraq will also be a failure—and a threat—for Europe, and recalcitrant allies should not stop others from contributing as they can.

This is a challenging agenda. But if Alliance transformation is to be successful, it must go beyond the purely military dimension. If NATO is to be better not just bigger, it must transform its scope and strategic rationale, its capabilities, its partnerships, its very ways of doing business. Unfortunately, Istanbul was a summit of missed opportunities.

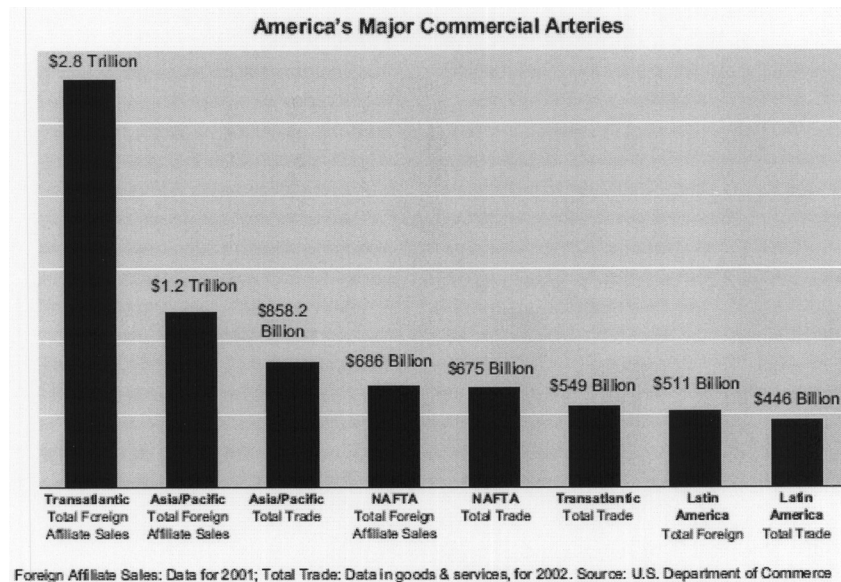
TRANSATLANTIC ECONOMIC ISSUES

Mr. Chairman, you also asked me to offer views on transatlantic economic relations. I touched on a number of current trade issues in the context of the US-EU Summit. But I believe that an inordinate focus on these issues provides a misleading picture of transatlantic economic relations.

Transatlantic trade squabbles may steal the headlines, but they account for only 1–2 % of transatlantic commerce. In fact, trade itself accounts for less than 20% of transatlantic commerce. Trade flows are a misleading benchmark of transatlantic economic interaction. Foreign investment, not trade, drives transatlantic commerce, and contrary to common wisdom, most U.S. and European investments flow to each other, rather than to lower-wage developing nations.

Foreign affiliate sales, not trade, are the backbone of the transatlantic economy. In 2001 foreign affiliate sales amounted to \$2.8 trillion, more than five times the \$549 billion in total trade.

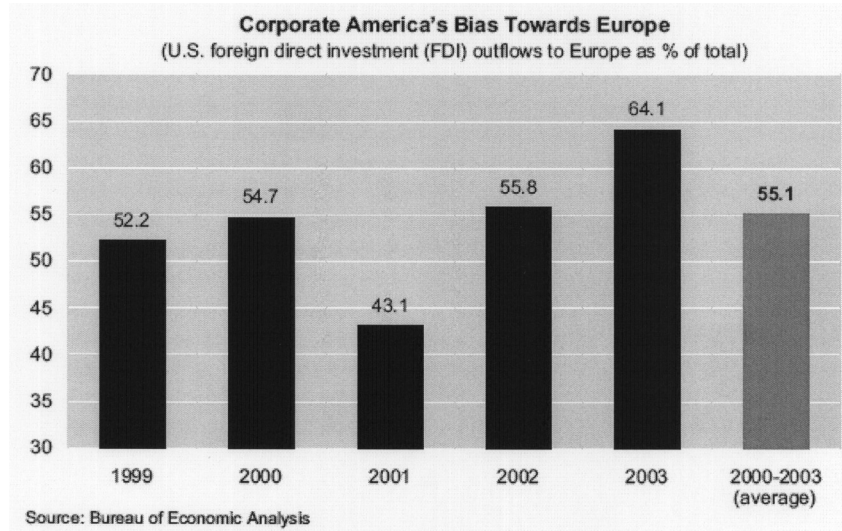
Foreign affiliate sales not only dwarf transatlantic trade flows but also every other international commercial artery linking the United States to the rest of the world. In 2001, total foreign affiliate sales between the U. S. and Europe were more than double U.S.-transpacific foreign affiliates sales, more than three times larger than total transpacific trade flows, and more than four times larger than foreign affiliate sales between the U.S. and Nafta partners Mexico and Canada.



This simple—but apparently little-known—comparison underscores that one of the most dangerous deficits affecting transatlantic relations today is not one of trade, payments or military capabilities but rather a deficit in understanding of the vital stake Americans and Europeans have developed in the health of our respective economies.

The facts are straightforward yet rarely acknowledged. Despite the perennial hype about the significance of Nafta, the “rise of Asia” or “big emerging markets,” the United States and Europe remain by far each other’s most important commercial partners. The economic relationship between the United States and Europe is by a wide margin the deepest and broadest between any two continents in history—and those ties are accelerating. The years since the Cold War—the years when the fading “glue” of the Cold War partnership supposedly loosened transatlantic ties—

marked in fact one of the most intense periods of transatlantic integration ever. This transatlantic economy generates \$2.5 trillion in total commercial sales a year and employs over 12 million workers in mutually “insourced” jobs on both sides of the Atlantic who enjoy high wages, high labor and environmental standards, and open, largely nondiscriminatory access to each other’s markets.



Lost in headline stories about banana, beef or steel disputes are three critical facts. First, trade squabbles represent a miniscule amount—only 1–2 per cent—of overall transatlantic economic activity. Second, as indicated trade flows themselves are a misleading benchmark of transatlantic economic interaction. Foreign investment and foreign affiliate sales, not trade, drive transatlantic commerce, and contrary to common wisdom, most U.S. and European investments flow to each other, rather than to lower wage developing nations. Third, when U.S. or European companies invest in the other side of the Atlantic, that investment usually generates greater transatlantic trade because the company’s home base and its overseas affiliates are connected through intra-firm production networks. Such investments and the economic linkages they generate are fusing European and American societies together far more tightly than the shallow form of integration represented by trade flows alone.

MARS, VENUS—OR MERCURY?

These days, political pundits are fond of quoting Robert Kagan’s quip that Americans are from Mars and Europeans are from Venus. Those images were reinforced by transatlantic disputes over Iraq in 2003. But the related tale of 2003 is that both Mars and Venus should take greater heed of Mercury, the god of commerce.

For transatlantic relations, 2003 was a year of political bust and economic boom. Even as transatlantic bickering engendered by America’s war with Iraq plunged transatlantic political relations to one of their lowest points in six decades, the economic ties that bind the United States and Europe together only grew stronger in 2003.

2003 was a banner year for the transatlantic economy. Transatlantic trade, foreign direct investment, portfolio flows and profits all rebounded robustly from the cyclical economic downturn of 2001–02. Economic integration strengthened in a year of political disintegration. What is perhaps most striking is that during the first six months of the year—the months of greatest transatlantic political tension—economic engagement deepened considerably between the United States and those two bad “old” boys of Europe, France and Germany.

Despite transatlantic tensions over Iraq, corporate America pumped nearly \$87 billion in foreign direct investment (FDI) into Europe in 2003. That represents a jump of 30.5% from 2002 and was more than double the rate of growth in total U.S.

investment outflows for the year. Europe accounted for nearly 65% of total U.S. foreign direct investment in 2003.

Even though U.S.-German relations ebbed to one of their lowest levels since World War II, American firms sank \$7 billion in Germany in 2003, a sharp reversal from 2002, when U.S. firms pulled some \$5 billion out of Germany. And despite Franco-American diplomatic tensions, U.S. investment flows to France in 2003 rose by more than 10% to \$2.3 billion, and U.S. affiliates more than doubled their profits in France to \$4.3 billion. French firms were also among the largest European investors and largest foreign sources of jobs in the U.S.—Corporate France invested \$4.2 billion in the United States in 2003.

Transatlantic commerce with other European countries also flourished. U.S. investment in Ireland alone in 2003 (\$4.7 billion) was more than two-and-a-half times greater than U.S. investment in China (\$1.7 billion). U.S. investment flows to Denmark between 2000 and 2003 (\$4.1 billion) were nearly three times greater than U.S. flows to India (\$1.5 billion). The \$19.2 billion of U.S. investment in the Netherlands alone in 2003 was not far behind total U.S. investment in all of Asia (\$22.4 billion).

Europe's investment stakes in the U.S., on a historical-cost basis, exceeded \$1 trillion in 2002, 20% more than America's stake in Europe. Europe's investment stake in the U.S. doubled between 1998 and 2002. Europe accounts for nearly three-fourths of all foreign investment in the U.S. No other region of the world has made such a large capital commitment to the United States.

Virulent anti-war sentiment across Europe did not prevent European firms from investing \$36.9 billion in foreign direct investment in the U.S. in 2003. That represents a sharp rebound from the depressed levels of 2002, when European FDI inflows to the United States totaled \$26 billion.

Europe is the most important commercial market in the world for corporate America by a wide yet underappreciated margin. U.S. companies continue to rely on Europe for half their total annual foreign profits. Similarly, the United States is the most important market in the world in terms of earnings for many European multinationals. The annual earnings of Europe's U.S. affiliates has risen more than tenfold since the end of the Cold War, from \$4.4 billion in 1990 to \$46.4 billion in 2003.

Despite talk of transatlantic boycotts or consumer backlash due to European-American tensions over Iraq, 2003 was a banner year for transatlantic profits as measured by foreign affiliate income. U.S. foreign affiliate income from Europe surged to a record \$77.1 billion in 2003, a 30% jump from 2002. And despite the strong euro, European affiliate earnings of \$46.4 billion easily surpassed earnings of 2002 (\$32.23 billion) and 2001 (\$17.4 billion), and the previous peak in earnings of \$38.8 billion in 2000.

Despite all the talk about Nafta and the "Pacific Century," over the past decade U.S. firms have ploughed ten times as much capital into the Netherlands as into China, and twice as much into the Netherlands as into Mexico. And European investments in the United States have skyrocketed since the fall of the Berlin Wall. There is as much European investment in Texas alone as all U.S. investment in Japan and China put together.

That is why it is important to the U.S. that Europe grow faster. Weak European growth means lost opportunities for Americans. Growth of just 3% in Europe would create a new market the size of the entire country of Argentina for companies and investors from the U.S. and other countries.

The U.S. also "insources" more jobs from Europe than it "outsources" across the Atlantic. In fact, the U.S. enjoys a "million worker surplus" with Europe. In 2001 European affiliates of U.S. firms directly employed roughly 3.2 million workers, while U.S. affiliates of European firms directly employed just over 4.2 million U.S. workers. Europe is by far the greatest source of America's insourced jobs. The top five employers in the U.S. are the United Kingdom (1.1 million), Germany (734,000), France (578,000), the Netherlands (571,000) and Switzerland (546,000).

European Foreign Investment in the U.S.
By geographic region

Region	U.S. \$ Billions	% of Total European Investment
Southeast	136.0	22.8
Great Lakes	110.6	18.6
Mid-Atlantic	104.2	17.5
Southwest	79.7	13.4
West	76.7	12.9
New England	36.8	6.2
Rocky Mountains	28.9	4.6
Plains	25.0	4.0

Source: Bureau of Economic Analysis

Figures tracking direct employment due to investment alone do not include indirect employment related to nonequity arrangements like strategic alliances, joint ventures and other deals. Moreover, affiliate employment figures do not include jobs supported by trade, and yet employment related trade is substantial in many U.S. states and European regions. In total, and adding in indirect employment, we estimate that the overall transatlantic work force numbers some 12–14 million workers. The bottom line is that while outsourcing has become a pejorative term in the United States, European firms provide more employment to U.S. workers than U.S. firms to European laborers.

Ranking of U.S. States Benefiting from European Investment

Ranking of States for European Direct Investment		Ranking of States for Jobs Supported Directly by European Investment	
U.S. State	Foreign Direct Investment¹ (FDI) from Europe	U.S. State	Number of Jobs²
Texas	68.3	California	396.5
California	60.3	New York	337.1
Michigan	39.2	Texas	252.2
New York	39.0	Illinois	194.7
Illinois	27.1	New Jersey	194.4
New Jersey	25.2	Pennsylvania	191.2
Pennsylvania	24.6	Florida	179.9
Ohio	19.4	Michigan	171.8
Louisiana	18.5	Georgia	160.6
Indiana	18.3	Massachusetts	154.7
Massachusetts	18.3	Ohio	148.8
Georgia	18.0	North Carolina	148.1
Florida	16.4	South Carolina	104.3
South Carolina	15.8	Virginia	103.7
North Carolina	14.6	Indiana	100.5
Virginia	12.8	Maryland	97.9
Alabama	11.8	Connecticut	85.8
Utah	11.1	Tennessee	82.5
Missouri	10.1	Missouri	74.6
Kentucky	9.3	Wisconsin	64.0
Connecticut	9.2	Minnesota	58.6
Tennessee	8.8	Alabama	57.6
Maryland	8.7	Washington	56.8
Colorado	8.2	Colorado	51.7
Wyoming	7.6	Kentucky	45.5
Washington	7.5	Arizona	45.0
Wisconsin	6.5	Louisiana	39.8
Oregon	5.7	Oregon	30.9
Minnesota	5.4	Iowa	28.2
West Virginia	5.4	New Hampshire	27.2
Oklahoma	5.2	Kansas	27.2
Delaware	5.0	Arkansas	25.0
Arizona	4.8	Oklahoma	24.9
Kansas	3.8	Utah	23.9
New Hampshire	3.8	West Virginia	19.6
Iowa	3.7	Delaware	19.7
Arkansas	2.3	Nevada	17.4
Mississippi	2.3	Rhode Island	16.4
Rhode Island	2.3	Mississippi	14.9
Nevada	2.1	Nebraska	12.5
Vermont	2.1	District of Columbia	12.0
District of Columbia	1.7	Maine	11.6
New Mexico	1.4	New Mexico	8.3
Idaho	1.4	Hawaii	8.1
Maine	1.2	Vermont	6.6
Nebraska	1.1	Idaho	6.6
Hawaii	1.0	Wyoming	5.4
Montana	0.7	Alaska	5.4
North Dakota	0.5	Montana	4.7
South Dakota	0.3	North Dakota	4.2
Alaska	0.1	South Dakota	3.2

Notes: ¹U.S. \$ billions, 2001. ²Thousands of jobs, 2001.

Source: Bureau of Economic Analysis

In sum, the years since the fall of the Berlin Wall have witnessed the greatest period of transatlantic economic integration in history. Our mutual stake in each other's prosperity and success has grown dramatically since the end of the Cold War. Ignoring these realities is shortsighted and shortchanges American and European consumers, producers, investors, workers and their families.

The networks of interdependence that are being created across the Atlantic have become so dense, in fact, that they have attained a quality far different than those either continent has with any other. Many transatlantic tensions result less from

the fashionable notion that our societies are drifting apart, and more from the growing evidence that they are in fact colliding. Often these frictions are so severe precisely because they are not traditional “at-the-border” trade disputes, but reach beyond the border and affect such fundamental domestic issues as the ways Americans and Europeans are taxed, how our societies are governed, or how our economies are regulated.

These issues go to the heart of globalization. Because the United States and Europe have been at the forefront of a more integrated global economy, the possibilities—and potential limits—of globalization are likely to be defined first and foremost by the successes or failures of the transatlantic relationship. If the U.S. and Europe fail to resolve such differences with each other, they are unlikely to resolve them with economies much less like their own.

I do not mean to gloss over significant difficulties facing both partners. Many European economies remain plagued by slow growth, aging societies, chronic unemployment, rigid labor laws, difficult regulatory environments, and weaker productivity. Americans face a mounting federal budget deficit, daunting social security and Medicare liabilities, net losses of jobs over the past four years, accelerating domestic and foreign debt. Policymakers on both sides of the Atlantic face a host of contentious economic issues, ranging from export subsidies and currency levels to corporate governance standards and genetically modified organisms.

These differences of perspective and policy are powerful. But the history of European-American relations has often been the history of difference. Merely asserting difference or reciting lists of tough issues does not make the case for divergence or divorce.

In fact, 2003 suggests that transatlantic commerce, fuelled by the deep integrating forces of mutual investment, remains strong, dynamic and—thankfully—more attuned to good economics than bad diplomacy. But this does not mean that the transatlantic economy is impervious to the sour and strained mood of the moment. In fact, that is our concern—that in an increasingly context-free debate more Europeans and Americans have come to believe they have little to lose by looser transatlantic bonds. Talk of no-cost transatlantic divorce is dangerously myopic. Pouring French wine down American drains or vandalizing McDonalds on European streets may make for splashy headlines, but the more significant development is the accelerating integration and cohesion of the transatlantic economy—particularly since the end of the Cold War. Contrary to expectations, these bonds only tightened in 2003.

LOOKING FORWARD

Taken together, the June summits successfully conveyed the impression that the U.S. and its European partners were again working on some important issues. Some individual initiatives were quite important. Perhaps given the serious strains of the past year, such “feel-good” summits were the best that could be mustered. And yet the challenges—and opportunities—facing Europe and America demand more.

The first and most important step is rebuilding a sense of common cause. For half a century the primary agenda of European-American relations was to work toward a Europe that was whole, free and at peace with itself. Our common challenge now is to reconcile a new stage of European integration with a strategic transformation of transatlantic relations. This new strategic agenda rests on three pillars. The first centers on the challenges facing a wider Europe. The second deals with issues beyond the European continent, particularly but not only those affecting the broader Middle East. The third focuses on issues affecting the relationship between European and American societies—of deep integration across the Atlantic.

THE STRATEGIC AGENDA WITHIN EUROPE

The dual enlargement of the EU and NATO to central and eastern Europe has helped to stabilize and secure large parts of the continent, but also now presents us with a new agenda to anchor democracy and project security even further to the continent's east. This means redoubling our focus on Ukraine's relationship to the West, facilitating democratic change in Belarus, and engaging particularly with the states stretching from the Black Sea to the Caspian as we seek to strengthen our efforts to fight terrorism and transform the broader Middle East. This is an area of turbulence and potential instability requiring the same degree of commitment that Europe and the United States demonstrated in integrating central Europe and quelling violence in the Balkans. It must encompass a democratic Turkey fully integrated into all key western institutions. It means tending to the problems of the southeastern Europe, particularly since issues of final status for Kosovo loom. And

it means facing up to the challenges posed by a Russia marked by more autocratic rule at home and more blatant neo-imperial policies towards its neighbors.

A refocused approach on Europe's new neighborhood must be combined with a rethink of our approach to Europe's west. Loose talk within the Bush Administration of "disaggregating" Europe would be a dangerous turn for U.S. policy and would undermine the very unity we have sought to achieve in Europe. Europe's wars have cost the lives of thousands of Americans. U.S. efforts to pit some parts of Europe against others is a reversal of American support, over six decades, of an ever closer European union, and threaten to return that continent to the very pattern of history that in the last century brought untold tragedy, not only to Europe but to America and the wider world. Such efforts are as inept as they are dangerous, and must be rejected. It is decidedly in American interests to have a partner to tackle challenges that no nation—not even a superpower—can cope with alone. That means supporting further European integration and lifting the US–EU relationship in ways that enable us to act together effectively, not only in Europe but on a wider canvas.

THE TRANSATLANTIC AGENDA BEYOND EUROPE

The greatest security threats to the United States and Europe today stem from problems that defy borders: terrorism and proliferation of weapons of mass destruction, pandemics and environmental scarcities. They stem from challenges that have traditionally been marginal but contentious in the transatlantic security dialogue: "out of area" peacekeeping; post-conflict reconstruction and rehabilitation; rogue states, failed states and states hijacked by groups or networks. And they come from places, such as Africa, Southwest or Central Asia and the Caucasus, that the transatlantic agenda has often ignored.

On many of these issues, there is often disagreement within as well as between Europe and America. But unless Europeans and Americans find a way to focus together on these challenges, they will surely drive us apart. Forging the political will to meet these challenges together has become a critical challenge for our partnership.

We must begin in Iraq. Differences over Iraq cannot be allowed to obscure the fact that failure there would be a failure for Europe as well as America. The U.S. needs support from its allies, and its allies must have a strong interest in ensuring that Iraq succeeds. European misgivings about U.S. strategy are still stopping them from becoming the full partners we need. It is critical that we work hard to broaden and further internationalize the coalition to help the Iraqi people to transform their country into a democratic and sovereign state.

Issues of the wider region also pose critical tests for transatlantic cooperation. We neglect Afghanistan at our peril. U.S.-European differences over Iran have hampered our ability to stop Iranian efforts to acquire nuclear weapons. Transatlantic cooperation remains essential for Israeli-Palestinian peace. U.S. commitment to work on these issues with our European partners is likely to elicit greater European efforts to engage with us and other partners to transform the wider region itself.

This broad strategic alignment must be accompanied by a serious transatlantic debate to define what we might mean by "effective multilateralism." The EU's new Security Strategy, approved in December, repositions the EU in the post-911, post-Saddam world, and gives Europeans a vehicle with which to engage the U.S. in a strategic dialogue about the U.S. National Security Strategy. President Bush has also now embraced "effective multilateralism" as a way to reconcile America's unilateral temptations with the cooperative imperative imposed by global challenges. Europeans who believe that robust international norms and enforcement mechanisms are needed to tackle these challenges must focus equally on the effective enforcement of such regimes, and be more forthright about the necessity to act when these regimes fail. Americans who see these treaties and regimes at best as ineffective and at worst as an unacceptable constraint on U.S. freedom of action should heed the costs of unilateral action in terms of less legitimacy, greater burdens, and ultimately the ability to achieve one's goals.

Such a dialogue should focus on the most divisive themes, particularly regarding the use of force. It should cover the entire range of issues associated with preemption and prevention, and it should focus on ways to narrow the yawning gap between *legality* and *legitimacy* in today's world. How should nations engage when faced with a conflict between state sovereignty and human rights? How can international institutions originally created to keep the peace *between* nations be adapted to secure peace *within* nations? How can the international community prevent future Afghanistans, future Rwandas, future Kosovos, future Iraqs—future Sudans?

A third priority is to work together to deal with the impact of globalization on our societies. Two areas in particular deserve greater attention.

The first is develop transatlantic approaches to what Americans call homeland security and what Europeans call societal preparedness and protection. As I have noted, there has been some progress in this area, but a far more ambitious effort is needed. This is an area in which US–EU cooperation has even helped to advance deeper European integration, particularly regarding the creation of the European arrest warrant, the formation of Eurojust, and mutual extradition and legal assistance treaties. But more effective cooperation is needed in areas ranging from law enforcement and financial coordination to information and intelligence sharing, customs, air and seaport security, and protection against bioterrorism.

Second, as noted in the discussion of economic issues above, what is most striking about the Iraq debate and the raft of differences currently afflicting transatlantic relations is the degree to which they are accompanied by a host of other trends, documented in this study, that point to ever-deepening interactions between Americans and Europeans. In this world of uneven globalization, our societies and our economies are not drifting apart, they are colliding.

Neither the framework for our relationship—which in many respects remains rooted in Cold War structures—nor the way our governments are currently organized adequately capture these new realities. On the economic front, for instance, opinion shapers need to look more closely at the intersection between deep Atlantic integration and traditional areas of domestic regulation. There is considerable need to work more concertedly to identify “best practices” for governance that could improve coordination and create safety valves for political and social pressures resulting from deep integration. In democratic societies controversial domestic issues are decided by elections or court rulings. When such issues transcend the border and enter the realm of transatlantic domestic policy, however, such avenues do not exist, and so these types of issues need to be managed through new forms of transatlantic regulatory and parliamentary consultation and coordination and more innovative diplomacy that takes account of the growing role of private actors.

The cutting edge of the transatlantic agenda, in fact, transcends current international mechanisms. Even a successful Doha global trade round, for example, will not address such pressing “deep integration” issues affecting the European and American economies as competition policies, standardized corporate governance, more effective regulatory cooperation, tax and other issues. Nor will it address issues raised by European and American scientists and entrepreneurs, who are pushing the frontiers of human discovery in such fields as genetics, nanotechnology and electronic commerce where there are neither global rules nor transatlantic mechanisms to sort out the complex legal, ethical and commercial tradeoffs posed by such innovation. In such areas the difficulty is less that there are different “European” or “American” answers to these challenges and more that neither side has even sorted out the appropriate questions, much less the answers.

Transatlantic leadership is needed, not to challenge or replace multilateral efforts such as Doha with such competitive regional arrangements such as a Transatlantic Free Trade Agreement (TAFTA), but to be true pathfinders of the global economy by energizing Doha globally while charting a Doha-plus agenda transatlantically. This is a challenging agenda on its own, but it has become more difficult because of the changing relationship between the transatlantic strategic and economic agendas.

During the Cold War, leaders worked hard to keep transatlantic economic conflicts from spilling over to damage our core political alliance. Today, the growing challenge is to keep transatlantic political disputes from damaging our core economic relationship. The real possibility we face is not transatlantic divorce but rather transatlantic dysfunction, in which growing transatlantic political disagreements spill over into our increasingly networked economic relationship, swamping efforts to cope with the consequences of deep transatlantic integration and blocking progress on a range of global challenges neither Europeans nor Americans will be able to tackle alone.

Policy decisions and media reporting continue to overlook or underestimate the nature and degree of these changes. Yet a fuller appreciation of the depth and breadth of transatlantic economic ties is perhaps more important than ever, given that emotions have been rubbed raw by transatlantic disputes over Iraq and by festering trade squabbles.

CONCLUSION

The past few years have been rough ones for transatlantic relations. Our economies and our societies are too deeply intertwined to allow transatlantic divorce, however. The real possibility we face is not divorce but dysfunction, in which growing transatlantic political disagreements spill over into the core economic relationship, swamping efforts to cope with the consequences of deep transatlantic integration and blocking progress on a range of global challenges neither Europeans nor Americans will be able to tackle alone. We must reconcile Europe's grand experiment of integration with a reorientation and strategic transformation of transatlantic relations to create a new model: an Atlantic partnership that is more global, more equal—and more effective. Thank you.

Ms. DAVIS. Thank you, Dr. Hamilton. And last, but not least, Dr. Gordon, we will hear from you for 10 minutes.

STATEMENT OF PHILIP H. GORDON, DIRECTOR, CENTER ON THE UNITED STATES AND EUROPE, THE BROOKINGS INSTITUTION

Mr. GORDON. Thank you very much, Madam Chairwoman. I also appreciate the opportunity to address these issues at such a critical time. It is always difficult to be the last speaker, especially when you agree with much of what has been said, so what I think I would like to try to do—I also submitted formal remarks, but I will just summarize the overall thrust of what I had to say about the summits.

Before I address the summits, let me say one brief word about the overall strategic context that some of the previous speakers also addressed. Dr. Serfaty talked about the structural differences between the United States and Europe. Dr. Hamilton argued that we continue to have common interests and can work together, and for the sake of harmony on the panel, let me agree with both of them in the sense that I think it is impossible to deny that there are structural differences between the United States and Europe that have contributed to some of the tensions we have seen over the past few years, but I also agree that they are surmountable.

The structural differences are undeniable. I think the end of the cold war, which was the glue that formed this alliance in the first place, is one, but even more importantly and more recently, the rise in American power and the sense of American power and the rise in our sense of vulnerability after 9/11 really distinguishes American views about strategic issues from European ones. Obviously, Europeans felt the blow of 9/11 like we did, but it did not transform their world like it transformed the world of Americans. That unprecedented sense of vulnerability, for which we had a lower threshold for tolerance anyway, Europeans being much more used to vulnerability as small- and medium-sized nation states, much more experienced with terrorism, and much more inter-dependent than us.

We felt the threat much more than they did, and combined with our sense of power, this led to an American foreign policy that was very different than European foreign policy; that is to say, the two together, our sense that after a decade of economic growth, military growth, technological growth, we could change the world and change the Middle East, distinguished us significantly from Europeans, who even if they had felt the sense of vulnerability that we felt after 9/11, frankly, did not have the option of changing the

world and transforming the Middle East. So I think those factors are very important in understanding why we have had such a difficult time agreeing with our European partners on the strategic questions of the day.

That said, I agree with Dan Hamilton that these differences are surmountable. At the end of the day, even though we come at them in different ways, we have such common interests, and like the cold war, which was a multigenerational, multidecade struggle, we had differences then on the tactics and approaches of dealing with it, but we overcame them because the overall interest was common. I think that is analogous to the situation we are in today. We have different takes on these issues, but at the end of the day, we have profoundly the same interests in most of the world. That is the strategic context.

As for the summits themselves, I think, and this is very much in line with what I think Dan Hamilton was just saying, I think the best way to describe the summits that we just went through is to say that they showed that the alliance is on hold; that is to say, we went through the motion of the summits, we reached some agreements on certain questions, but I think it would be premature to say we put the differences behind us.

And to be honest, I think there is a political aspect of this as well. It is no secret that the Bush Administration is unpopular in Europe. I think that this weighed on European leaders who, frankly, did not want to associate themselves too closely with this Administration and did not want to get involved in our election campaign, and they came to the summits pretty much with the attitude, let us wait and see what happens in November, and that is when we will start afresh, when we know which American Administration we are going to have to deal with. It was a sort of "Waiting for Godot" quality about these summits. People were there, but you could not help but notice that everyone was conscious of the American elections coming up.

By saying that, I do not mean to suggest that nothing was accomplished, and we have heard from previous speakers about a number of things that were accomplished. I think that the D-Day ceremonies were quite moving, and the European expressions of gratitude for America's role in Europe were quite sincere, and that was important.

The U.N. Security Council Resolution on Iraq on the eve of the G-8 summit was very important and, I think, ultimately will be the passport toward cooperation in Iraq. The G-8 Initiative on the Broader Middle East was less than I think a lot of us initially hoped it would be, but it was an important steppingstone and gives us a political basis for cooperating on political change in the Middle East.

And at NATO, as others have said, a few modest things were also accomplished. The Istanbul Cooperation Initiative on reaching out to Mediterranean and Middle Eastern partners, the training for Iraqi security forces, and then, finally, the new commitments in Afghanistan were all modestly important steps in the right direction. Dan Hamilton is right that the additional commitment to Afghanistan was modest, but at least it arrived.

There was great concern on the eve of the summit that despite the requests of the secretary general and others involved, we were not going to get the additional troops and the ability to expand the provincial reconstruction teams in Afghanistan, but the allies did step up to the plate and made those commitments, and I think that was an important step because Afghanistan is really a test for this alliance. We are beyond the theoretical debate about whether NATO can go out of area or not. In theory, we have now all agreed it can, but if we cannot pass the test in Afghanistan, I think it raises real questions for the alliance.

Iraq is a different matter because so many European governments and European populations disagreed with it, and so it is hard to ask them to send troops to Iraq, but if we cannot agree to provide the material resources for NATO in Afghanistan, it really does raise questions about the future of the alliance.

So, yes, there were steps taken at these summits. Some of them were useful and give us a basis for moving forward in the future, but I do think it is premature to say that we have put all of the differences behind us, and there is still an enormous amount of difference and tension over Iraq, Iran, Israel, the war on terrorism, multilateral treaties, and other things.

Let me just say, I do not think that the outcome of the alliance on hold was inevitable. I think, as recently as a few months ago, we still had a realistic shot at turning the corner, even on Iraq. You could have imagined a scenario where the United States transferred sovereignty, as Europeans wanted us to do; involved the U.N. more in Iraq, as they wanted us to do; adopted different military tactics in places like Fallujah, as they wanted us to do; and in return, Europeans would come and say, okay, now we are putting this behind us, and here are new commitments of money and troops to Iraq. That was reasonable to hope for, but it did not happen.

I think what happened instead was, over the course of the spring, the rise in violence in Iraq, the change of the Spanish government, the withdrawal of Spanish troops from Iraq, the Abu Grahیب prisoner abuse scandal and other things just made it too difficult for Europeans to be willing to turn that corner and say, okay, now is the time; we are willing to do more. It soured the political climate and inclined them even more, I believe, to wait until our election is over.

And so the goal for the NATO summit went from being how do we get NATO involved in Iraq, and how do we get more European troops to Iraq, to simply holding onto those that are already there, and we significantly lowered our expectations for the NATO summit in Iraq, which is why they were met, and we got a modest agreement on training, which is better than nothing, but it is certainly not what the Administration and many others had initially hoped for.

In sum, therefore, on the summits, a few useful steps were taken, but the real divisions and differences have not been overcome, and my sense is that this is all on hold until the election. Either way; that is to say, if we have a new Administration in Washington, that is obviously an opportunity for a fresh start, putting our differences behind us, and perhaps Europeans would be

more willing to cooperate, but even if we do not have a new Administration, Europeans will at least know who they are dealing with for the next 4 years, there will be a new context, and perhaps then we can get beyond the past differences and start moving forward for the sake of our common interests, which, I would stress, as I said at the beginning, we certainly have.

Last year's debate and clash was over what to do about Iraq, regime change versus containment, and we disagreed, but now we do not disagree on what the objective is in Iraq. Everybody, even opponents of the war, want a stable, democratic Iraq, and I think, in that context, agreement with Europeans will be much easier.

Let me conclude on the question of Iraq because I think that is central to this whole question of dealing with the Europeans, even if I and others have noted the many other disagreements we have had. I just got back from France, where officials and others keep insisting, do not make Iraq the heart of the transatlantic relationship because we disagree; and, therefore, that will only bring attention to what we disagree on. I think that is right, and there is much more to transatlantic relations than Iraq, but I also think Iraq cannot be ignored. It has been the central difference between the United States and many Europeans, and it is hard for me to imagine Americans really putting these differences behind us so long as the open sore continues in Iraq.

Sending more European troops to Iraq is probably impossible for the short term, but in the longer run, there is a number of other things Europeans can do, and that should be our objective in Iraq: Training and equipping Iraqi security forces, more debt relief than they have already promised, a possible NATO role in Iraq for helping those NATO allies that are already in Iraq, guarding Iraqi borders.

There are things more Europeans can do, in addition to what they are currently doing, that, I think, should be our objective. Whoever wins our election in November will have to reach out and try to reach such agreements with allies so that we can close this open wound. I do not think we can put the alliance on track overall until we do that. Thank you very much.

[The prepared statement of Mr. Gordon follows:]

PREPARED STATEMENT OF PHILIP H. GORDON, DIRECTOR, CENTER ON THE UNITED STATES AND EUROPE, THE BROOKINGS INSTITUTION

Mr. Chairman, Members of the Committee, thank you for this opportunity to testify on the state of the transatlantic relationship at a critical time for the Alliance. Mr. Chairman, I would also like to take this opportunity to pay tribute to all you have done personally for the transatlantic alliance in your 25 years of service in this House and especially as Chairman of this Subcommittee and in your role in the NATO Parliamentary Assembly.

We are addressing this issue after what has arguably been the most intense month of summitry in the alliance's history. The month of June 2004 began with the D-day anniversary celebrations in Normandy, France and included the G-8 gathering in Sea Island, Ga., and the U.S.-European Union Summit in Ireland before concluding with the NATO summit in Istanbul, Turkey.

In normal times, summits provide a tremendous opportunity for a U.S. President to showcase his role as the leader of the world's democracies. Such meetings also are rare opportunities for European leaders to demonstrate continued faith in an alliance that has long underpinned their security and prosperity. But these are not normal times, and the alliance is not what it used to be.

The traditional pomp and circumstance of summits—the photo-ops of leaders strolling on Sea Island's beaches and saluting the fallen in Normandy's cemeteries—

were there. But the superficial friendliness and diplomatic niceties could not mask the enduring gaps across the Atlantic or the differences that went essentially unaddressed.

By saying that I do not was to suggest that nothing of value was achieved. The expressions of gratitude for past American sacrifices, expressed at the D-day ceremonies, were genuine and heartfelt. At the G-8 summit, leaders agreed to a useful initiative to promote political reform in the "broader Middle East" and endorsed a U.N. Security Council resolution, passed unanimously just a few days before, backing the American plan to transfer sovereignty to a new government in Iraq. And at the NATO summit, the allies reached out to Mediterranean and Middle Eastern neighbors through the Istanbul Cooperation Initiative, made important new commitments to expand the NATO-led International Security Assistance Force (ISAF) in Afghanistan, and decided to offer assistance to the new Iraqi government in the form of training of security forces.

On the whole, however, the month of summits will be remembered more for what it failed to achieve. The Europeans have not adopted a position of obstructionism but they have refused to provide the things the United States wanted most: additional money and more troops for Iraq. Frankly, the Bush administration is now so unpopular with the European public that European leaders—even those such as Britain's Tony Blair who have supported the President on Iraq—fear doing anything that would further tie their political futures to his.

As a result, the month of summits had a sort of "Waiting for Godot" quality about it—European leaders biding time, neither creating a crisis nor mending fences, and hoping that the American election in November will provide more favorable circumstances for their interaction with the United States.

How did things get this bad? As recently as a few months ago, there still appeared to be a reasonable chance that Iraq would prove to be just the latest in a long line of serious trans-Atlantic disputes and that this month's summits would be used by both sides to turn the corner. Faced with difficulties in Iraq, the Bush administration was becoming more open to compromise. By the spring of 2004, the United States was willing to give the United Nations a more prominent role, transfer more complete powers to a newly sovereign Iraqi government and moderate American military tactics to avoid civilian casualties—all policies called for by the Europeans.

Those changes made it possible to imagine Europe accepting American overtures for help because European leaders were acutely aware that instability and chaos in Iraq would be catastrophic for their countries as well as for the United States.

The U.S. hope was that, to avoid such a calamity, all Europeans, including the French and Germans, would agree to support a NATO role in Iraq, fulfill pledges to relieve Iraqi debt, offer reconstruction aid, and possibly even agree to provide more troops after the hand-over of sovereignty. That scenario, however, did not play out at the summits. A series of events—most importantly the rise of violence in Iraq, the failure to find weapons of mass destruction stockpiles in Iraq, and the Abu Ghraib prisoner-abuse scandal all combined to discourage European leaders from making common cause with a U.S. President opposed by so much of their public opinion. No European leader wants to suffer the fate of former Spanish Prime Minister José María Aznar, who was rejected by voters in March, in part because of his close association with President Bush and the United States.

Given that inauspicious backdrop, by the start of the NATO summit the U.S. goal was no longer to get more European troops for Iraq, as the administration initially hoped, or even to define an explicit NATO role; Turkey, France and Germany all made it clear they did not support either. They argued that their military contributions would make little difference on the ground, that a NATO failure in Iraq could damage the organization and that NATO would be no more welcome in Iraq than the United States currently is. They sometimes added (implausibly, in my view) that NATO troops need to be saved for other contingencies, such as a potential Arab-Israeli peace deal.

But the most compelling explanation for their opposition is that key European leaders are simply unwilling to support what they believe is a failed American policy, and unwilling to make peace with an administration they believe has ignored their interests and made the world less safe.

The U.S.-European split, it should be noted, did not begin or end with the current administration. Ever since the end of the Cold War removed the common enemy, American and European strategic perspectives have diverged. During the 1990s, Europeans turned increasingly inward, focusing on the historic and difficult efforts to create a common currency and to complete the political integration of Europe. Accustomed to interdependence and acutely aware of the limits of their power, they sought to develop a rules-based international order built upon multilateral agree-

ments such as the Kyoto Protocol on climate change and the Comprehensive Test Ban Treaty.

Americans, by contrast, confident in their power, began to focus on new types of threats, particularly weapons of mass destruction, terrorism and “rogue states.” An increasingly powerful United States—particularly the Republican-held Congress—chafed under the constraints of international treaties and institutions and sought to use the unilateral moment to fashion a new world order.

President Bush’s arrival added considerably to the already growing tensions. Key members of the new team had harshly criticized the Clinton administration for being excessively deferential to allies—fighting a “war by committee” in Kosovo, for example—and for its willingness to accept international constraints on America’s power. The Bush administration quickly abandoned several treaties dear to the Europeans and made clear that the United States would henceforth demonstrate a much more assertive style of leadership.

But it was the American reaction to the Sept. 11 terrorist attacks—and in particular the decision to invade Iraq—that turned gradually growing differences with Europe into a crisis of historic proportions. Americans’ new sense of vulnerability led most of them to accept the administration’s argument that their country was “at war” and that “regime change” in Iraq was necessary. The power and optimism of the United States encouraged most Americans to believe that Saddam Hussein’s overthrow—and Iraqi democracy—were possible. Europeans did not deny that Iraq was a problem, but they disagreed about the solution. Accustomed to both vulnerability and terrorism, lacking the military power even to contemplate large-scale invasions, and convinced from their own historical and colonial experiences that stabilizing and democratizing Iraq would be nearly impossible, most Europeans believed the risks of an invasion outweighed the benefits.

These broad differences in perspective were exacerbated by diplomacy on both sides that seemed to place a much higher priority on “winning” the debate over Iraq than on maintaining the alliance.

Such deep U.S.-European tensions will not evaporate simply because of one election in the United States or, for that matter, in Europe. Regardless of who wins our election, however, it will at least provide an opportunity for a badly needed fresh start in transatlantic relations. A few tentative steps toward that new start were taken at last month’s summits, but much more remains to be done.

Ultimately, the rift in the Atlantic alliance will not heal until the United States and its key allies develop a common approach to the issue that has most divided them: Iraq. Despite differences over the war itself, Washington, Paris, Berlin and London do all now have a common interest: They want to foster a stable, democratic, self-governing Iraq. Even if key European leaders remain reluctant to send troops to Iraq, there is much more they could do in the areas of debt forgiveness, reconstruction funds, training and equipping of Iraqi security and police forces, and political support. Last month’s summits would have been an ideal place to start working toward our common goals in Iraq and to start mending relations within the alliance. Apparently, that process will have to wait at least until November.

Ms. DAVIS. Thank you, Dr. Gordon, and I appreciate all of you being here and giving that fine testimony and trying to clarify some things for us.

I chair the Transatlantic Legislators Dialogue to the European Parliament and, Dr. Gordon just so you know, Iraq always comes up and we do not agree on it. We hope we can move on. Dr. Hamilton, I agreed quite a bit with some of the statements that you made and I certainly hope we can mend this relationship, but I do think it will take time.

Dr. Serfaty, in a recent article you wrote which appeared in a CSIS publication entitled *Visions of America and Europe*, you characterized the relations between the United States and Europe in terms such as, and I quote, “. . . a dialogue of the deaf, two monologues that misheard and misrepresented,” and “an exercise in mutual schizophrenia and paranoia barely hiding the deep ambivalence shown by each side of the Atlantic toward the other.” In the wake of the recent summits has your view changed, and if not, how do we go about addressing your views?

Mr. SERFATY. No. My view has not fundamentally changed. I think that there was a split that developed, especially in the context of September 11th, to which Phil Gordon made reference, as if there was a clash of history, if you will. We were not born to have war in our midst. War is expected to be waged over there. To the Europeans, who are more used, for the better and for the worse, to the reality of violence, quite frankly September 11th was a bad 30 minutes on a bad day in 1916, and there could not, therefore, be the same kind of urgency felt in the need to prevent, or even preempt whatever threat might be emerging as part of a new security normalcy.

My own sense, in the context of this clash, is that we are repeating the conditions that prevailed between 1948 and 1953. For 3 years after World War II in 1945, a few ideas were put together to deal with the new post-war security normalcy that had emerged in the context of a growing Soviet threat but also in the context of an inability to define how we should handle the defeated state, namely, Germany. The organization of an alliance was put on hold in the summer and early fall of 1948 pending the outcome of the presidential election, not because Mr. Dewey would not have waged a cold war, but because he might have waged it differently. And on that basis, therefore, past the election, with Mr. Truman, the incumbent President winning, a strategy was put in place during the next 4 years, in 1949–1953.

The strategy was neither American nor European; it was western. The Europeans followed in spite of some misgivings about the institutional architecture that was being developed. Because they were weak, they were despondent, hopeless, helpless, they had no choice, which is surely not the case now. And once that western architecture was put in place, then it held firm for the next generation.

I believe this is pretty much what we are facing now. As in 1948, the alliance is on hold. We are awaiting the outcome of the election to see how the ideas that were put forward over the past 3 years will be transformed into a strategy over the next 4 years. Mr. Kerry will wage the wars of 9/11. Mr. Bush will wage the wars of 9/11. They may wage it differently, and what I was suggesting in my statement, Madam Chairwoman, is that a western strategy will be much more effective than an American or a European strategy, and I believe there are now elements that point to an understanding of what needs to be done in order to achieve that common strategy, and I hope that those elements will be pursued over the next 4 years.

Ms. DAVIS. Thank you, Dr. Serfaty.

Last year, at a hearing this Subcommittee held with the Department of State, an assistant secretary stated that the Department was actively using public diplomacy and other tools to reach the younger generations of Europe to help them appreciate the “bonds forged so firmly in the Second World War and the Marshall Plan’s reconstruction of Europe.” As a result of the war against Iraq, many of the younger European generation have turned hostile toward the United States. How deep is Europe’s anti-Americanism? Does it matter, and, in your opinion, what went wrong with our public diplomacy? Anybody can answer that. Ambassador?

Ambassador BURGHARDT. Well, maybe I am not the only European around the table, but coming from Europe, and I think it is a very topical question you are asking. I have been back and forth several times over the past 3½ years.

Let me give you one interesting indicator which gives part of the answer to your question, and it is based on American-led polls, Pew Center and the Council on Foreign Relations,—if you take those figures together, there are two different questions asked, and that is very important to concentrate on your point.

One question relates to America as a country, and the other question results to the policies of the past almost 4 years, and the answers you get are in a range concerning the kind of sympathy people feel with America as a country. The overall figure has gone down as compared to earlier years, from some 70 percent, and is now in the range around 55 percent, with differences from France, Britain, Germany, Italy, but it is around 55 percent, still positive and strongly positive. The answers you get as a reaction to the question which relates to the sympathy with the policies of the present Administration are around 25 percent, in fact, between 20 and 27, in all countries, in all countries.

So I have found this a quite interesting result because it shows, on the positive side, that the potential of sympathy from Europe to the United States—you can also look in the other direction, but I want to comment on the question you asked—is still significant. It has gone down. It is significant. But the reaction to the policies of the past years is absolutely scathing and indicates that a lot of anger and frustration has been built up because of some of the actions and the way the actions have been prepared in this country, and I think we should really try to learn a lesson from that.

My conclusion, and I try to say that as diplomatically as I am obliged to say it as I can, I did not say, then, that we are back on track. I said that we have reversed the trend as a result of the three summits, and I was the person present in the room, so I could see how the personal chemistry really positively worked. We reversed the trend, but why did we reverse the trend? Because, on the one hand, the European side was somewhat more assertive because they came back from two positive events, the enlargement and the constitutional treaty, and on the United States side, the President wanted to be understood, and he wanted to enlist support. So this was the basis for what I said in my statement, a certain degree of humility which had entered into the relationship again, and that is the answer to the question. If we do not behave like partners, then we get into trouble. The same would happen if the Europeans would be in the Americans' situation and the Americans in the Europeans' situation.

So my conclusion is, yes, we need to make a new start with whatever Administration will be in power here in November. Yes, we have a good basis to do that. The most solid one is the economy. The most difficult one will be on the strategic discussion because of the strategy of predominance here and the strategy of effective multilateralism in Europe, and in between will be the foreign policy issues on which each side has to bring a lot to the table. And, therefore, 2005, and the bilateral summit which will take place

sometime in the course of 2005, should benefit from that reassessment, and that would be my conclusion.

But we have to get back to the spirit of partnership and interdependence, and this means that both sides have to be able to and willing to be a partner. The Europeans are certainly willing. They are not maybe able across the board of all of the policies, and we have to do our homework on that. The U.S. side was certainly able, but there were great doubts whether part of the Administration was even willing to think in these terms and not, rather, in terms of coalitions of the willing and all of the divisive and polarizing things which happened from there. Thank you.

Ms. DAVIS. Thank you, Ambassador. Dr. Gordon?

Mr. GORDON. If I could just say a brief word because I think this is really important. I have spent a lot of time in Europe lately, and I think it is difficult to overstate the degree to which especially younger Europeans are now skeptical of the United States. I do not want to use the word "anti-American," which has all sorts of connotations, but certainly deeply skeptical and unsupportive, and that is important. I think we have underestimated how important that is. There has been an American tendency to just sort of say, well, we are right, they are wrong; and, therefore, it does not matter. But now we are seeing how it matters.

When public opinion plays out through governments, as I stressed in my statement, it is hard for governments to work with us, even if they may agree with us, when their publics are so hostile. For no other reason, it works through that mechanism. Our partners in Europe are democracies after all, and if public opinion is hostile to us, in the long run, they will change their governments, and we saw that in Spain as well.

So we run the risk that public opinion can bring about governments that are less inclined to work with us, and thus you see it in important areas like Iraq, where after what has happened over the past few years and given our reputation and declining moral authority in Europe, we go when we need help from allies in somewhere like Iraq, where we are preparing an overwhelming portion of the burden, and what do we expect? It is just that much more difficult for those governments to come up with the troops and the money to help us in a context where we are so unpopular with their public opinion. I think that is hugely important and that we have underestimated its importance over the past few years.

With all due respect to the State Department suggestion before your Committee that we are doing more for public diplomacy, I am sure certain individuals are, but my sense is that overall we are doing less and that budgets for public diplomacy in Europe are being cut rather than raised and that we are not engaging sufficiently with Europeans. My sense is that Administration officials do not travel to Europe nearly with the frequency that they used to, nor Members of Congress, for that matter. In terms of representing the Administration, they are not showing up, they are not engaged in the debate, and the general attitude over the past few years, especially on Iraq but also on other things, was you are either with us, or you are against us, and if you are against us, you are hostile, rather than respect the legitimate right of allies to disagree.

Sometimes disagreement will be inevitable. If we have a disagreement, we have a disagreement, but to treat the allies as if their views were not even legitimate, especially given that in the past years a number of their concerns about Iraq have turned out to be the case, is something that we have paid a big price for and we need to take into consideration as we make our diplomacy in the future.

Ms. DAVIS. I think Dr. Hamilton wants to answer this question as well. We have three votes, and I am not going to hold you gentlemen here. But, Dr. Hamilton, I want to give you an opportunity to respond.

Mr. HAMILTON. Thank you. I will be brief. On the public-diplomacy question, there is the challenge for any administration, particularly in the State Department's work, and the temptation to use "public diplomacy" as P.R. for a particular administration's policies rather than public diplomacy as an effort to convey the richness and diversity of the United States of America and our ways of living. That is the type of public diplomacy that over time has an effect, but there is always a temptation, regardless of party to instrumentalize public diplomacy to certain ends, and that is, in the end usually counterproductive.

Of course, in the wake of revelations such as those concerning abuse of prisoners at Abu Grahیب it does not matter how much public diplomacy you are going to do. This is a serious issue, and so it is not a question of public diplomacy; it is a question of potentially serious violations of human rights and basic human dignity.

I want to stress just one point. The foundation of our relationship over 60 years was based on the people who got to know each other across the Atlantic during the cold war. We justified all of our exchange programs to the Congress in the name of the cold war. We used a security rationale to justify all of the tremendous people-to-people exchanges that happened.

That rationale is not there anymore, and I do not believe that the Executive Branch has really come forth well with a different kind of rationale to convey to you and your colleagues about why this is still important. Absent that rationale, it is easy to argue that we should shift all of the funding to the Middle East or to other parts of the world where we have not done as much as we have in Europe. While this is understandable, such thinking shortchanges our interests because Europe is not just another place where we have problems; it is the enabling partner for us to deal with all of the other problems. If we can have a serious and good relationship with our core allies, we are better able to tackle every other problem. They are going to amplify our capabilities. This starts with our ability to talk with each other and know each other across the Atlantic, and without those exchange programs, we will know each other less.

My concern is that the people-to-people dimension of transatlantic relations gets often so overlooked. The consequence of this neglect is showing up now in spades. Since the end of the cold war and the fall of the Berlin wall we disinvested in our relationship across the Atlantic on both sides. Americans were preoccupied with other issues. Our European colleagues were integrating their continent. It was understandable to think that we could each afford

to turn to other things. But we are seeing now the consequences of not understanding each other as much as we thought we did. I just want to make a pitch to you and your colleagues that the human foundation of our relationship remains just as essential as it always has. Thank you.

Ms. DAVIS. I think you are absolutely right on that, Dr. Hamilton. I do not think we can ever have too much of the people-to-people dimension. Speaking from experience, I had not been to Europe, and when I ended up on the Europe Subcommittee and then ended up chairing the TLD, it made a big difference when I had the opportunity to meet parliamentaries from another part of the world and hear their thoughts. It made a huge difference. But like Dr. Gordon said, we also have public opinion we have to worry about in our elections as well.

I am going to try and ask you one more question and hopefully, I can get an answer quickly before I have to run for my vote but I am just curious about this one. It is estimated that 30,000 policemen and soldiers were deployed throughout Istanbul to provide security for the summit, yet inside the summit NATO was barely able to give a commitment of more than, I think you all said, 1,000 additional alliance soldiers to deploy to Afghanistan.

Are we really dealing with a lack of military capability or a lack of political will? Many in this country continue to criticize the French and the Germans for not pulling their weight, but are there not other allies? Such as Turkey, who should be criticized as well because, after all, Turkey has 33,000 troops on the island of Cyprus apparently doing nothing. Would the transfer of 3,000 of those troops to Afghanistan really upset the balance of power on the island? Does anybody want to tackle that one pretty quickly? Thank you, Dr. Gordon.

Mr. GORDON. I guess. You asked whether it is political will or lack of capabilities. It is clearly both, but the important thing in the issue you are bringing up is the latter because even with all of the goodwill in the world, even if everything we said about the politics of this was not the case, and the Europeans really wanted to help in Iraq and Afghanistan, they could not. They are maxed out because of their military structures that just do not allow for the deployable forces that we need. They know that, and they are trying gradually and slowly to do something about it, but that is the dirty little secret about this. Even if the French and Germans wanted to do something in Iraq, they could not do very much.

The Europeans, in 1999, committed to creating a rapid-reaction capability with 60,000 troops that could go somewhere for a year and be deployed on short notice. The dirty little secret about that is it is basically already deployed in little bits around the world, in the Balkans, in Afghanistan, in Sierra Leone, and Cote D'Ivoire, so it is not there.

So it is true, we spend a lot of our time talking about their political unwillingness to do this or that or to find some helicopters to send to Afghanistan, but the truth is the capabilities are not there, and that is something that is going to have to change if we are going to be able to tackle these problems.

I do not know the degree to which you wanted us to address the Turkish troops on Cyprus. I would say there, at least, that where

Iraq is concerned, which is the place that we are really pressing for contributions, the Turks did say that they were prepared to send troops to Iraq, and then we and the Iraqi government decided that they were not wanted after all, so at least there, the Turks were willing to step up to the plate.

Ms. DAVIS. Dr. Hamilton?

Mr. HAMILTON. Just to give this issue some specificity, there are about a million and a half European NATO forces, and only about 100,000 of those can be deployed anywhere. Given force rotations, it is really a minimal ability, as Phil said. On the other hand, some of these countries are active and have forces deployed in many countries.

We focus on the lack of German engagement with Iraq, but the Germans really have the major presence in Afghanistan. They are not equipped to deal with something like that. They have been defending the Fulda Gap for decades with heavy panzer divisions, and all of a sudden now they are having to transform their military into a projection force from what was a heavy, central-front-focused land force.

They have some budget issues to address but it is really a huge transformation for all of our allies to shift from a cold war focus to a deployability focus. The United States, during the cold war, already had that focus. That is what we did with our forces. So the trauma of this transition is less for us in some ways than the others. In the end, of course, it is a question of political will, as you said, and that is why I gave the NATO summit a C, because this particular issue simply is not being pushed as far as it could be.

Ms. DAVIS. I would love to stay here and discuss this for the rest of the day, but I have got about 3 minutes to get over and vote, and I think I had best do that rather than hold you gentlemen because we have more than one vote.

I appreciate all of you for being here. I appreciate all of your remarks and look forward to having you back again. With that, the Subcommittee is adjourned.

[Whereupon, at 11:35 a.m., the Subcommittee was adjourned.]

