



Hard Power, Soft Power and the Future of Transatlantic Relations

Edited by

Thomas L. Ilgen

HARD POWER, SOFT POWER AND THE FUTURE OF
TRANSATLANTIC RELATIONS

For my mother, Irene M. Ilgen

Hard Power, Soft Power and the Future of Transatlantic Relations

Edited by

THOMAS L. ILGEN
Pitzer College, USA

ASHGATE

© Thomas L. Ilgen 2006

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without the prior permission of the publisher.

Thomas L. Ilgen has asserted his right under the Copyright, Designs and Patents Act, 1988, to be identified as the editor of this work.

Published by
Ashgate Publishing Limited
Gower House
Croft Road
Aldershot
Hampshire GU11 3HR
England

Ashgate Publishing Company
Suite 420
101 Cherry Street
Burlington, VT 05401-4405
USA

Ashgate website: <http://www.ashgate.com>

British Library Cataloguing in Publication Data

Hard power, soft power and the future of transatlantic relations

1. Europe - Foreign relations - United States 2. United States - Foreign relations - Europe 3. Europe - Foreign relations - 21st century 4. United States - Foreign relations - 21st century

I. Ilgen, Thomas L.
327.4'073'09051

Library of Congress Cataloging-in-Publication Data

Hard power, soft power, and the future of transatlantic relations / [edited] by Thomas L. Ilgen.

p. cm.

Includes bibliographical references and index.

ISBN 0-7546-4753-6

1. Europe--Foreign relations--United States. 2. United States--Foreign relations--Europe. 3. Europe--Foreign economic relations--United States. 4. United States--Foreign economic relations--Europe. 5. European cooperation. 6. European federation.

I. Ilgen, Thomas L.

D1065.U5H273 2006

327.730409'0511--dc22

2005032497

ISBN 0 7546 4753 6

Printed and bound in Great Britain by MPG Books Ltd. Bodmin, Cornwall.

Contents

<i>List of Figures</i>	<i>vii</i>
<i>List of Tables</i>	<i>viii</i>
<i>List of Contributors</i>	<i>ix</i>
<i>Acknowledgements</i>	<i>xi</i>
<i>List of Abbreviations</i>	<i>xiii</i>

PART I THE LEGACY OF THE TRANSATLANTIC ALLIANCE

1	Introduction: Decline or Renewal? <i>Thomas L. Ilgen</i>	3
2	The Atlantic Alliance and the Integration of Europe <i>Thomas L. Ilgen</i>	9
3	Soft Power and European-American Affairs <i>Joseph S. Nye, Jr.</i>	25

PART II SECURITY AFFAIRS

4	A Post-Modern Transatlantic Alliance <i>Gregory F. Treverton</i>	39
5	The ESDP: A Threat to the Transatlantic Alliance? <i>Christopher Coker</i>	59

PART III ECONOMIC RELATIONS

6	The Euro and Transatlantic Relations <i>Benjamin J. Cohen</i>	73
7	Trade Relations Between the US and the EU <i>S. Linn Williams</i>	91

PART IV DOMESTIC POLITICS AND TRANSATLANTIC VALUES

8	Transatlantic Tensions in Food and Agriculture: Coming Together? <i>Adam Sheingate</i>	115
---	---	-----

vi	<i>Hard Power, Soft Power, and the Future of Transatlantic Relations</i>	
9	European Environmental Leadership: The EU Approach to GM Foods <i>Paulette Kurzer</i>	139
10	Anti-Europeanism and Euroskepticism in the United States <i>Patrick Chamorel</i>	163
11	Conclusion: The Future of the Transatlantic Partnership <i>Thomas L. Ilgen</i>	193
	<i>Index</i>	203

List of Figures

Figure 8.1	Total Agricultural Support as a Share of GDP	118
Figure 8.2	Produce Support Estimate as a Share of Agricultural Receipts (five year moving average)	119
Figure 8.3	Market Price Supports as a Share of Producer Subsidy Estimates (five year moving average)	120
Figure 8.4	Regulatory Approvals of GMOs	128

List of Tables

Table 8.1	FDA and APHIS Review of Biotechnology Products, 1994-2004	130
Table 9.1	Public Acceptance of GM Foods, Ordered in Ascending Order of 1996-2002 Average; and Number of “No” Votes on GM Issues Cast by Member States at EU Level	148
Table 9.2	Voting Record of Member States, in Council and Regulatory Committees	149
Table 9.3	Protected Designation of Origin (PDO)/Protected Geographical Indication (PGI) through June 2004. Number per Member State	149
Table 9.4	Organic Farming in the EU with Countries Ranked from Highest to Lowest, based on Organic Farming as a percentage of Total Utilized Agricultural Area in 2000	150

List of Contributors

Patrick Chamorel is a Fellow at the Hoover Institution at Stanford University. He specializes in European politics and integration as well as transatlantic relations and has published in American and French journals. He started his career working for the minister of Industry and then the Prime Minister in Paris.

Benjamin J. Cohen is Louis G. Lancaster Professor of International Political Economy at the University of California, Santa Barbara. His latest book is *The Future of Money* (Princeton, 2004).

Christopher Coker is Professor of International Relations at the London School of Economics and Political Science. His most recent book is *The Future of War: The Re-enchantment of War in the Twenty-First Century* (Blackwell, 2004).

Thomas L. Ilgen is Jones Foundation Professor of Political Studies at Pitzer College, a member of the Claremont Colleges. His most recent book is *Reconfigured Sovereignty: Multilayered Governance in the Global Age* (Ashgate Press, 2004).

Paulette Kurzer is Professor of Political Science at Arizona State University. Her current research focuses on the evolution of European health and consumer protection.

Joseph S. Nye, Jr. is Distinguished Service Professor at Harvard University. His chapter draws from his book, *Soft Power: The Means to Success in World Politics* (PublicAffairs Press, 2004). His most recent book is *The Power Game: A Washington Novel* (PublicAffairs Press, 2005).

Adam Sheingate is Assistant Professor of Political Science at Johns Hopkins University. He is the author of *The Rise of the Agricultural Welfare State: Institutions and Interest Group Power in the United States, France, and Japan* (Princeton University Press, 2001).

Gregory F. Treverton is Director of the Intelligence Policy Center at the RAND Corporation and Associate Dean of the Pardee RAND Graduate School. He was vice chairman of the National Intelligence Council during the first Clinton Administration. He is the author of *Reshaping Intelligence for an Age of Information* (Cambridge University Press, 2001).

S. Linn Williams was Deputy US Trade Representative in the administration of President George H.W. Bush. He practiced corporate law in Washington, D.C. and Tokyo and was the CEO of the European Division of a global electric power company. He currently resides in Orange County, California.

Acknowledgements

This collaboration began with a meeting and public discussion among academics and policy officials from the United States and Europe at the European Union Center of California located on the Scripps College campus in Claremont, California in April 2004. It followed on the heels of the very public and alarming disagreements among leaders of the Atlantic Alliance—Bush, Chirac, Schroeder, and Blair—in the days and months leading to the invasion of Iraq in the early months of 2003. After the emotions of the moment had cooled somewhat, the intent of the gathering was to ask academic experts and those with considerable policy experience to treat different dimensions of the complex set of relationships that make up the Atlantic partnership and speculate about its future. Following this meeting, the participants were asked to write more formal papers elaborating on their oral comments. This volume is the product of the many thoughtful and illuminating responses to that assignment. Because of other commitments not all of the participants in the initial discussions were able to contribute to this written product but we are grateful for their thoughtful comments at the April meeting that provided breadth and depth to our discussion of the complex Atlantic partnership: Robert Donkers, John Keeler, Richard Rosecrance, Andreas Maurer, Cem Ozdemir.

Primary financial support for the meeting and for the volume was provided by a generous grant from the Carnegie Corporation of New York. Logistical support was provided by the European Union Center where the editor served as Associate Director during the 2003-2004 academic year. Center Director for that year, Patricia Dillon, was helpful and supportive throughout. Special thanks go to Martina Ebert who handled the organization of this enterprise with her usual grace and efficiency. Lukas Longo was also helpful from the beginning but particularly in the process of moving the project toward publication. The editor also wishes to thank the undergraduate student members of his EU-US Relations Seminar offered in the Spring 2004 which attracted some of the very best students regularly found at the Claremont Colleges: Melinda Baker, Jennifer Boyd, Charlotte Goodwin, Sinead Hunt, Lauren James, Emily McLeod, Scott Raegen, Josh Schlesinger, Justin Smith, and Matthew Williams. These students conducted their own research on the state of the Atlantic partnership, wrote compelling papers on all aspect of the relationship, and made superb presentations of their work at an undergraduate research conference devoted to Atlantic relations hosted by the European Union Center of California. Their work and our discussions together made a significant impact on the editor's contributions to this project.

The book is dedicated to my mother, Irene M. Ilgen, an irrepressible global traveler and student of world affairs whose determination to engage peoples of other countries and cultures offers a compelling example of how we might

renew and expand global relationships one person at a time. I also wish to thank my wife, Christine, whose support has been unflagging over the past thirty-five years and who knows what it takes to sustain and renew a meaningful partnership.

List of Abbreviations

APHIS	Animal and Plant Health Inspection Service
BSE	Bovine Spongiform Enccephalopathy (Mad Cow Disease)
CADU	Campaign Against Depleted Uranium
CAP	Common Agricultural Policy
CFA	Central African Franc
CIA	Central Intelligence Agency
CSCE	Conference on Security and Cooperation in Europe
DM	Deutsche Mark
DU	Depleted Uranium
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECHO	European Community Humanitarian Office
EMU	European Monetary Union
ENADU	European Network Against Depleted Uranium
EPA	Environmental Protection Agency
ESDP	European Security and Defense Policy
EU	European Union
EURATOM	European Atomic Energy Community
FAIR Act	Federal Agricultural Improvement and Reform Act
FDA	Food and Drug Administration
FSC	Foreign Sales Corporation
FTA	Free Trade Agreement
G-8	Group of Eight (Canada, France, Germany, Italy, Japan, Russia, UK, US)
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GE	General Electric
GM	Genetically Modified
GMO	Genetically Modified Organism
ICC	International Criminal Court
IMF	International Monetary Fund
NATO	North Atlantic Treaty Organization
NGO	Non Governmental Organization
NRC	National Research Council
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
PBGC	Pension Benefit Guarantee Corporation
PDO	Protected Designation of Origin
PGI	Protected Geographical Indication
PSE	Producer Support Estimate

R&D	Research and Development
SDI	Strategic Defense Initiative
SGP	Stability and Growth Pact
TSE	Total Support Estimate
UN	United Nations
URAA	Uruguay Round Agreement on Agriculture
USDA	United States Department of Agriculture
VAT	Value Added Tax
vCJD	Variant Creutzfeldt-Jakob Disease
WTO	World Trade Organization

PART I

THE LEGACY OF THE TRANSATLANTIC ALLIANCE

This page intentionally left blank

Chapter 1

Introduction: Decline or Renewal?

Thomas L. Ilgen

The disagreements between the United States and several prominent European states leading up to the decision to go to war in Iraq in 2003 were among the most contentious and potentially damaging that the Atlantic partnership has experienced over the last half century. A few politicians and pundits on both sides of the Atlantic claimed that we were witnessing the beginning of the end of this storied relationship, that America preferred to act alone in global affairs, and that a unifying Europe would increasingly chart its own common foreign policies (Boot, 2003; Fukuyama, 2003; Krauthammer, 2002; Newhouse, 2003). While the Atlantic alliance had weathered frictions and crises in the past, the differences over ends and means in Iraq identified an unbridgeable gulf that would only grow wider in the early decades of the twenty-first century.

While predictions of the partnership's imminent demise were certainly premature, this Atlantic crisis has provoked long-time students of the relationship to re-examine it more systematically and to speculate about its future (Ash, 2004; Cohen-Tarugi, 2003; Daalder, 2002; Reid, 2004; Lundestad, 2003). Consequential changes such as the end of the Cold War, the integration of both European and global markets, the emergence of global terrorist networks and the impact of events such as those that occurred on September 11 in the US, on March 11 in Spain, and in July 2005 in the United Kingdom have had impacts that have registered differently in Washington, Paris, London, Berlin, and Brussels. Moreover, the domestic politics in the Atlantic countries, as the recent referenda in France and the Netherlands over the European constitution demonstrate, may complicate the efforts of their leaders to find common ground with their Atlantic counterparts. It is no longer so clear that a broad and comprehensive partnership is the appropriate response to this changing world. Do these and other changes suggest that Atlantic relations are entering a period of steady decline or are there the building blocks available for a renewed relationship animated by redefined goals and objectives and sustained by a modified division of labor among the participants? Can such a renewed relationship respond effectively to the common challenges of the new century?

The authors of this volume, many of whom have been hands-on participants in managing these relations or long-time observers and analysts of Atlantic affairs, aim to contribute to this more careful and systematic examination of the Atlantic relationship and to offer some modest predictions about its future.

The chapters that follow address three broad dimensions of US-European relations—security concerns and strategy, monetary and trade matters, and the domestic politics of issues such as agriculture, the environment, and political ideology. The hypothesis that informs the work is that security relations are likely to continue to be the most problematic in US-European relations, that economic relations are likely to be the most successfully managed, and that the domestic politics of sensitive issues like agriculture, the environment, and ideology are likely to be less problematic than security but more troublesome than economic matters. The hypothesis grows from lessons learned from the history of both the Atlantic Alliance and the process of integration in Europe resulting in the formation of the European Union.

The volume is structured in four parts. The first part looks broadly at the legacy of Atlantic relations since World War II and the kinds of power resources that have evolved in the United States and Europe. In Chapter 2, Thomas L. Ilgen compares the dynamics of the Atlantic Alliance with those of European integration, arguing that institution building in both experiences has very much shaped the successes and failures in both experiments. Ilgen argues that security arrangements were problematic from the earliest days of both the Atlantic Alliance and efforts to promote European integration. Security arrangements were successful in the alliance largely because the threats posed by the Cold War permitted the US to dominate Atlantic security developments. The Europeans were never fully happy with this asymmetry in Atlantic power and showed their displeasure by resisting American domination on a number of fronts. Within the European integration process, common security arrangements were set aside, mindful of the reluctance all European states to relinquish their sovereign control over national security matters. Only very recently have Europeans begun to think about a common foreign and defense policy and even now there is great suspicion of losing control to regional security institutions. Institution building has been much more successful on economic matters both within the Atlantic alliance and in the European movement. Trade and monetary institutions served to entangle all Atlantic nations in a network of economic relationships that all came to value highly; a parallel set of entanglements accompanied the steady march toward economic integration in Europe. The economic aspects of the alliance provide resources that neither side will give up easily and, as a consequence, are a source of future strength for the alliance.

In Chapter 3, Joseph S. Nye, Jr. elaborates his concept of “soft power” both to encourage Atlantic partners to think more broadly about the resources they have at their disposal to meet twenty-first century challenges and to specify the kinds of “soft power” resources available both in the United States and Europe (Nye, 2004). The American preeminence in “hard power” resources coupled with the growing European repository of “soft power” capabilities permit the alliance partners to employ a “good cop/bad cop” dynamic in areas of the world where Atlantic interests are shared. Nye also shows the benefits to be gained if the US works diligently to develop and expand its considerable potential for “soft power” resources while Europe makes efforts to build “hard power” capabilities.

Part two examines security relations. Gregory Treverton, in Chapter 4, reminds us of the long history of friction and crisis in Atlantic security relations but believes that the current crisis is of a different order of magnitude that requires some fundamental restructuring if the alliance is to meet contemporary challenges. He identifies changes in Europe—an expanded membership, new governance structures, and splits between “old” and “new” members—that will make alliance management more difficult. Moreover, he points to structural changes following the end of the Cold War and new power asymmetries that make business as usual more difficult to conduct. Following Robert Cooper, he calls for what he terms a “post-modern” alliance that would be based on common or shared values to replace the old alliance that responded to common threats (Cooper, 2003). He acknowledges that such an alliance will be more difficult to craft but that it is in the interest of both Americans and European to do so.

In Chapter 5, Christopher Coker examines the diverging security cultures in the US and Europe and finds the prospects for effective security cooperation to be shrinking. He suggests that security cultures are rooted in attitudes toward and experiences with war. In Europe, a view of war as tragedy prevails, informed in large measure by twentieth century experiences where all sides suffered extraordinary losses and even victory diminished the influence and prestige of the prevailing powers. In the US, war is experienced as victory over militarism and imperialism paving the way to American-style democracy. Different views of war give rise to contrasting security ethics and strategies. The EU is driven by an ethics of commitment where ethical principles are prominent and recourse to the use of force is minimized. The US is motivated by an ethics of responsibility that is more prone to unilateral action and military engagement. These contrasting cultures diminish the common ground for building an alliance security posture particularly when the common threat of the Soviet Union during the Cold War gives way to the more diffuse threats of regional instability and global terrorism in the contemporary world. Like Treverton, Coker is not optimistic about the prospects for Atlantic partners to craft common approaches to security.

The third part of the volume treats Atlantic economic relations. In Chapter Six, Benjamin J. Cohen analyzes the potential of the euro to challenge the dollar as the preeminent reserve currency in the international monetary system. The quick acceptance of the new currency by government officials and currency traders and its recent steady appreciation against the dollar have led many to believe that it is already a worthy rival of the American currency. A more limited role for the dollar could constrain American macroeconomic flexibility at home, limit economic policy options abroad, and diminish American prestige. However, Cohen uses the logics of market competition and government preferences to argue that the euro is not yet a viable threat to the dollar and that the American currency will remain the primary global reserve asset for the foreseeable future. Inertia, higher transactions costs for the euro, the EU’s anti-growth bias, and the lack of a strong central monetary authority are among the reasons for the holders of currencies to continue to prefer dollars to euros. Only in the Middle East where oil riches remain and European trade is considerable might the euro mount a strong

challenge to dollar. In Cohen's view, European leaders will be cautious in pressuring the dollar for fear of upsetting other important aspects of the Atlantic economic relationship.

S. Linn Williams treats EU-US trade relations in Chapter 7 and makes the case that commercial relations are strong and stable, a pattern that has been in place since the 1950s. Williams treats efforts in the multilateral Doha Round and a wide range of bilateral disputes and argues that they are being handled in a fashion that can best called 'business as usual.' He identifies the globalization of business, the role played by the WTO, and the long legacy of personal diplomacy in Atlantic trade management as stabilizing factors in these relations. However, he does acknowledge that the internal integration agenda within the EU, different approaches to economic competition in the US and Europe, and the extension of commercial negotiations to what he calls "trade-related" areas will challenge Atlantic trade relations in the future. While he is confident that the strong and valuable Atlantic trade relationship can be sustained, efforts to protect it come at a time when both the US and Europe have less control over global trade matters.

Part 4 treats the impact of domestic politics on Atlantic relations on sensitive issues such as agriculture, the environment, and ideology. In Chapter 8, Adam Sheingate looks at the domestic politics of agricultural policies in the US and the EU, policies that have contributed to a long history of rancorous relations in Atlantic agricultural trade. In an analysis of recent trends in regulatory regimes in the United States and Europe, Sheingate finds, somewhat surprisingly, that those regimes have been converging over time, albeit slowly and inconsistently. He finds the level of subsidies paid to farmers to be moving together and a trend toward the use of direct government payments as opposed to price supports. He identifies both internal and external pressures that help to explain this convergence. At the same time, tensions in agricultural relations between the two sides of the Atlantic remain high and Sheingate concludes that such tensions derive from domestic politicians seeking to deflect blame for policy failures at home to external trading partners.

In Chapter 9, Paulette Kurzer addresses the current dispute over genetically modified food and feed in order to evaluate whether it signals a much greater Atlantic rift over environmental regulation and consumer protection. She argues that environmental policy initiatives of the sort current in Europe come in waves, often in response to highly publicized events or crises. Environmental regulatory fervor was high in the United States in the 1970s and European concerns were modest by comparison. That situation has now been reversed. Kurzer identifies different perceptions of risk and levels of public trust as well as divergent cultural attitudes about farming and food as responsible for the different regulatory responses to GMOs. However, she believes some of these factors to be transitory and that other factors will push for a convergence in regulatory response over time. Risk and trust are the most easily altered by regulatory failures or publicized crises. Large firms dislike divergent regulatory regimes and are likely to push for convergence even if they raise regulatory costs. And as Kurzer discusses in detail, the common EU position masks considerable diversity among

national actors, many of whom take positions not dissimilar to that of the US. There is much evidence to suggest that regulatory differences will fade with time.

In Chapter 10, Patrick Chamorel examines the philosophies of neo-conservatives and Euro-skeptics in the United States and, to a lesser extent, the role of anti-Americanism in Europe. While such philosophies have gained increased voice as they have been embraced by some leading politicians and their advisors, he argues that they are part of a diverse and varied ideological debate on both sides of the Atlantic that does not necessarily suggest a growing divergence among Atlantic partners.

In the volume's conclusion, the editor argues that the dynamics of the Atlantic partnership are not unlike the dynamics of integration within Europe. Economic relations have been most successfully managed and have led to an interdependence that is the foundation of the larger relationship. States have incrementally relinquished national sovereignty in this arena, most notably the recent European states' willingness to give up national currencies for the euro. This complex web of Atlantic relationships, both public and private, will sustain this partnership well into the future. Security relations both within the EU and between the Atlantic partners have been the most difficult to manage from the end of World War II and they continue to be the thorniest today. Perhaps because national security cuts to the heart of national sovereignty concerns, political leaders have been most reluctant to relinquish control to other partners or to supranational institutions. As the Iraq war demonstrated, cooperation within Europe and between Europe and America is difficult to achieve, and even more so following the end of the Cold War and the American first-hand experience with terrorism. Cultural and ideological differences have been accentuated in recent years, exacerbated in some measure by divergent strategic visions held by powerful political leaders. However, such differences are likely to be idiosyncratic or cyclical over time and are not likely to pose a larger threat to the Atlantic partnership. In sum, EU-US relations are much more complex and complicated than pundits would have us believe. There is much to make us confident that the United States and Europe will remain active and important partners in global affairs. We should also expect that any such complex relationship will have ongoing frictions and problems that will require persistence and ingenuity to manage and resolve.

References

- Ash, Timothy Garton (2004), *Free World: America, Europe, and the Surprising Future of the West*, New York: Random House.
- Boot, Max (2003), "Power: Resentment Comes with the Territory," *Washington Post*, March 3.
- Cohen-Tanugi, Laurant (2003), *An Alliance at Risk: The United States and Europe Since September 11*, Baltimore: Johns Hopkins University Press.

- Cooper, Robert (2003), *The Breaking of Nations: Order and Chaos in the Twenty-First Century*, London: Atlantic Books.
- Daalder, Ivo H. (2002), "The End of Atlanticism," *Survival*, (Summer), pp. 147-166.
- Fukuyama, Francis (2002), "The West May be Cracking," *International Herald Tribune*, August 9.
- Gordon Philip and Jeremy Shapiro (2004), *America, Europe, and the Crisis over Iraq* Washington, D.C.: Brookings.
- Krauthammer, Charles (2002), "Reimagining NATO," *Washington Post*, May 24.
- Lundestad, Geir (1999), "Empire by Invitation in the American Century," *Diplomatic History* 23: 2, pp. 189-217.
- _____ (2003), *The United States and Western Europe Since 1945*, New York: Oxford University Press.
- Newhouse, John (2003), *Imperial America: the Bush Assault on the World Order*, New York: Vantage.
- Nye, Joseph S. Jr. (2004), *Soft Power: The Means to Success in World Politics*, New York: Public Affairs.
- Reid, T.R. (2004), *The United States of Europe: The New Superpower and the End of American Supremacy*, New York: Penguin Press.

Chapter 2

The Atlantic Alliance and the Integration of Europe

Thomas L. Ilgen

Much has been written about the causes of the current rift in relations between the United States and Europe (Ash, 2004; Reid, 2004; Gordon and Shapiro, 2004; Cohen-Tanugi, 2003; Kagan, 2002; Steinberg, 2003; Drozdiak, 2005). Some focus on structural changes in the global order following the end of the Cold War (Treverton, Chapter 4). The absence of a balancing superpower not only reduced the need for US and European solidarity on security issues but it also encouraged the US to act unilaterally rather than engage in the cumbersome and time-consuming process of building alliance consensus and agreement. Others point to diverging interests and goals between the Atlantic partners, with the US pursuing wide-ranging interests around the globe and Europe focusing on regional goals on the continent and in Eurasia. Still others center their analysis on the diverging set of means that the two partners have evolved to act in international affairs over the last half-century—the Europeans mastering the art of negotiation, consensus building, and compromise while the US has increasingly come to rely on military force to overcome resistance to its views and to resolve differences. Robert Kagan's conclusion that Europeans are from Venus and Americans from Mars emphasizes this quite different arsenal of foreign policy tools (Kagan, 2002, 2003). The European reliance on diplomacy is a function of military weakness—one uses what is at one's disposal and champions its utility and effectiveness. The American preference for military force follows from its largely unchallenged military position—one uses military might because it appears to produce quick results and one can do so without fear of reprisal. Still others trace this divide between diplomacy and compromise versus recourse to the use of military force to entrenched cultural and ideological differences in Europe and America that grow from different experiences with and attitudes toward war in the twentieth century. For Europeans, war has been a tragedy for losers and winners alike; societies must move beyond the use of force if they are to avoid future tragedies. For Americans, with the notable exception of Vietnam, wars have produced decisive victories and they have validated principled struggles for freedom and democracy (Coker, Chapter 4). Those that regard Atlantic differences as ephemeral, temporary, and likely to be overcome in the not-too-distant future focus on the particular

personalities in power, particularly those who have been in positions of leadership during the presidency of George W. Bush (Newhouse, 2003). Here, the differences in the Atlantic relationship mirror the polarization of American domestic politics, between liberals and moderates on the one hand and realists and neo-conservatives on the other (Chamorel, Chapter 10). Change the leadership in Washington and most of the difficulties in Atlantic relations will fade from view.

While not discounting the contributions that each of these analyses makes to a full explanation of a complex problem, this chapter takes an institutional view and argues that Atlantic relations since World War II have been shaped by two sets of institutions that shape the way the two Atlantic partners view the contemporary world. Those sets of institutions are the Atlantic Alliance, manifested both by the North Atlantic Treaty Organization and its economic counterparts, the International Monetary Fund and the GATT/WTO regime, and the European Union and all of the bodies and organizations that preceded it under the rubric of European integration. These sets of institutions have frequently complemented each other but in important respects they have also been in tension with one other since their inception in the 1940s and 1950s. That complementarity has diminished in important ways since the end of the Cold War and the tensions have not only increased but have become more difficult to manage. Moreover, acting together, these institutions have proven quite unable to meet the new and diverse set of challenges in the twenty-first century. The position taken here will be that current difficulties in Atlantic Relations are not new, indeed they emerge early and often in post-World War II history as recounted in several of the chapters that follow, but they are now more challenging and threatening to the relationship because of the particular and unexpected ways these institutions have evolved over time. Whether they can be restructured to strengthen the relationship is not clear but it is certain that it will take creative and persistent leadership in both the US and Europe to sustain what has continued to be a relationship of enormous value to both.

The Legacy of the Atlantic Alliance

For a nation with a long history of eschewing peacetime entangling alliances, the Atlantic Alliance was a marked departure for the United States. It responded to a military, economic, and ideological challenge to liberal democracy and was sold to the American public as a threat for which isolationism was no longer an appropriate response. The alliance was constructed to contain the Soviet Union but it also aimed to rebuild war-torn Europe on a liberal democratic model and dedicated substantial American resources to the completion of that task. Its tools were an integrated military alliance, a liberal monetary system based on the free convertibility of currencies, fixed exchange rates, and a gold/dollar standard, and a regime of free trade that aimed to dismantle quotas and tariffs over time. The military alliance, traditionally conceived, aimed to deter the Soviet Union from attacking Western Europe and to defend alliance members with conventional and

nuclear weapons should deterrence fail. For its success it relied on a steady buildup of military force and the willingness to use it. The economic dimension of the alliance employed market structures of organization and counted for its success on seducing alliance members with rapid economic growth and steady increases in standards of living. Its powers of attraction were less obvious in the short-term but proved crucial to alliance cohesion in the long-term (Ilgen, 1985).

Desperate for military protection and even more for the economic means for recovery, the Europeans were willing and eager partners in this institutionalized alliance, even if they did not always share American views of the Soviet and communist menace. In contrast to the US, Europe's alliance participation was a product of weakness rather than strength, driven by necessity rather than choice.

As we sometimes forget, the Atlantic Alliance was not conceived as a partnership of equals. American dominance of the alliance and its institutions—economically, politically, and even militarily—in the 1940s and 1950s was significantly more complete than it is today. The Bretton Woods conference and the international monetary system to which it gave rise produced liberal rules favorable to American bankers and investors and put the dollar at center of that system, permitting significant balance of payments flexibility for American monetary officials. Weighted voting within the International Monetary Fund assured that American influence over the institution would remain dominant. The General Agreement on Tariffs and Trade (GATT), precursor to the World Trade Organization (WTO), empowered American leaders to launch multilateral trade negotiations to eliminate quotas and lower tariffs, opening European markets to a wide range of American products. And perhaps most irksome, American nuclear preeminence led to American dominance of the North Atlantic Treaty Organization (NATO) on matters of strategy and force deployments. American technology would provide the nuclear sword; European troops would provide the conventional shield. Europeans may have been consulted on most decisions taken by American leadership in all of these institutions but seldom was the European voice decisive and determinative of policy outcomes. Unhappiness with American dominance and alliance inequality drew different responses from the major European powers weakened by war. London, uncomfortably European on many issues, sought to define its interests in common with Washington and cultivate what has come to be known as a “special relationship.” Bonn, politically enfeebled by its war record and geographically closest to the Soviet threat, acknowledged its dependence on Washington and paid both economically and militarily to keep Americans happy. Only the French sought to carve out a more independent position, withdrawing from NATO in the 1960s and insisting on more American monetary discipline by converting large reserves of dollars for American gold during the Vietnam War. Even French independence had its limits as Paris acknowledged in 1968 when Soviet troops marched into Czechoslovakia and French military planners quietly and unofficially resumed their collaboration with NATO.

The inequality between the US and Europe almost assuredly meant that the alliance would be characterized by frictions and tensions (Kissinger, 1965;

Osgood, 1962). Because Americans paid a disproportionate share of alliance costs, particularly in the early years, they felt entitled to shape and mold the alliance to American purposes. Europeans were free-riders; they were not entitled to make decisions. As Americans increasingly acted in their own self-interest, Europeans were unwilling to contribute a larger share of alliance costs, particularly if there was no assurance of a corresponding increase in European influence. As these perceptions of the other solidified, alliance frictions were a common consequence. Frictions could be managed and contained; seldom were they resolved and eliminated.

In part, they were irresolvable because while both parties believed in the importance of the alliance, their reasons (and hence their interests) were not fully consonant and they began to change over time. America's primary interest in the alliance initially was to counter the Soviet threat and the spread of communism. Economic interests were important but not primary. As the Cold War preceded, containment in Europe succeeded, and the Soviet threat declined, the military-strategic purposes of the alliance declined for the US and shared economic interests took on added importance. Europe's primary interest in the alliance initially was economic recovery, though security ranked a close second. With economic recovery accomplished, security interests occupied more of Europe's alliance concerns, particularly as the US negotiated bilaterally with the Soviet Union, and proposed strategy that implied less nuclear or conventional commitment to the defense of Europe. These shifts in interests or the priorities of interests were grist for ongoing alliance tensions and disagreements. They also raised questions about the primary purposes of the alliance and whether there were sufficient shared purposes to sustain the alliance as the Cold War wound down. American-European differences over the Strategic Defense Initiative or the deployment of intermediate range nuclear weapons in Europe raised these issues in the 1980s.

The Legacy of European Integration

The second family of institutions that have shaped European-American relations have been those associated with the project known as European integration. The success of this project is indicated in part by our ability today to speak of Europe as a single actor, usually through the institutions of the European Union. While Europe still speaks with many voices on many issues, most especially issues related to security and defense as the war in Iraq has demonstrated, the ability of Europe to speak with one voice on trade matters and to coordinate positions on a wide range of other economic, social, and environmental matters is testimony to the increasing vigor and vitality of EU institutions.

The primary interest and motive for the European integration project was broadly shared in Western Europe and the United States. It was, simply put, to address the consequences of unbridled nationalism that resulted in devastating continental war twice in the first half of the twentieth century. The dividing of

Germany, the placing of coal and steel industries under a European authority, and the management of nuclear energy for peaceful purposes by the European Atomic Energy Community (EURATOM) were actions taken to prevent the resurgence of European nationalism in Germany and elsewhere. As an occupier of the German Federal Republic for a decade after the war, an architect of the German constitution, and a contributor to postwar European reconstruction, the United States was heavily invested in this diffusion of nationalism and supportive of European integration.

While the goal of curbing nationalism and preventing European war was widely shared, the appropriate strategy for integration was vigorously debated both within Europe and in the United States. Some advocated a United States of Europe on the American model with a common constitution and fully sovereign federal institutions at the outset. Others preferred a slower and more gradual transfer of sovereignty to European-wide institutions, tackling less controversial economic and technical matters first, saving social policy and defense and security matters to much later stages of the process. For reasons best explained by long-contested relations among the major European powers as well as anxieties voiced by small states, the gradualist approach prevailed. It was a process fully embraced by American leaders who acknowledged that there would be costs to American economic interests over time; incrementalism would permit American interests to absorb those costs. European integration also served broader American security objectives; cooperation among the major powers would make them more reliable allies in the face of the Soviet threat.

There was considerable skepticism about whether this experiment would succeed. Only six countries joined the initial undertaking. Britain was particularly dubious about its prospects and viewed this continental commitment to be in conflict with its remaining imperial relationships as well as its close ties to Washington. Six others followed the British lead in not seeking membership in the late 1950s and together they formed a free trade area with integration aspirations far less ambitious than the original six.

Even among the six, national interests frequently trumped common objectives. France, in particular, viewed the project as a vehicle for renewed French influence and leadership in European and global affairs, frequently using the platform to resist American hegemony (Grosser, 1967). West Germany used integration to reestablish its position as a responsible and trustworthy actor on the world stage, speaking softly, underwriting the budget, and regularly deferring to French leadership (Hanrieder, 1970).

Despite initial skepticism and internal differences, European integration succeeded. It was pushed along by the establishment of a common market in the late 1960s and an economic boom fueled by transatlantic investment and free trade in that decade and the beginning of the next that brought renewed prosperity to a continent twice ravaged by war. Those successes brought applications for membership from Britain and others that swelled European Community membership from six to nine in the 1970s, to twelve in the 1980s, to fifteen in the 1990s and most recently to twenty-five in 2004. The road to deeper integration

was anything but smooth. French determination to get its way in the 1960s led to a threatened departure that was only resolved with the completion of the notorious Common Agricultural Policy (CAP) responsive to French farming interests. Inflation, the oil crisis, and prolonged stagflation in the 1970s put plans for monetary union on hold and tested the political commitment of European leaders. Only with a renewed political will and the challenge of American and Japanese economic competition in the 1980s did European elites agree to push on to complete most of the prescriptions for a single market (Sandholtz and Zysman, 1989). That momentum and the opportunities afforded by the end of the Cold War produced renewed efforts in the 1990s to create a common currency and the infrastructure for monetary union. At the turn of the century, Europe was ready to tackle another round of membership expansion, the creation of a common constitution, and the elaboration of a common defense and security policy. What began as an uncertain experiment aimed at quashing the revival of European nationalism, has evolved into the most ambitious effort ever of a group of countries to cede sovereignty willingly to a set of common institutions aiming to manage economic affairs, social, cultural, and environmental policies, and common security. And while there remain skeptics and doubters about the future of the European Union, it is increasingly cited as a new and better way to manage the political challenges facing contemporary Europe (Reid, 2004; Rifkin, 2004). Most of the Europeans that remain outside the club and even states with roots more firmly in Asia are banging on the door to get in. Romania and Bulgaria will join next. Turkey's application is active though membership is uncertain.

Unlike the outcomes of the Atlantic Alliance, European integration and the policies of the EU have been achieved without direct American participation. Moreover, integration has been the product of negotiations among a growing number of states, none of which occupies a position of dominance or hegemony. While policy decisions in the early years required unanimity among member states, the invocation of qualified majority voting diminishes the influence of even the most powerful states like Germany, France, or the United Kingdom. Over a period of almost fifty years, member states have rejected the use of force as an instrument to resolve their differences, have resisted the option of exit or withdrawal from membership in the community, and have found ways to move their common agenda forward through negotiation and compromise. The further that states move along this path the more costly and unacceptable the recourse to force or exit from the community become and the more committed leaders are to mutually acceptable solutions to common problems.

Lessons Learned

Experience with these two sets of institutions offers important lessons for managing the Atlantic partnership today. In the former case, the lessons center on the role of military force and the pattern of unequal relations between Americans

and Europeans. In the latter, the lessons grow from the centrality of economic issues and the resolution of differences without recourse to force.

The Atlantic Alliance

The dynamics of these two sets of institutions have evolved in very different ways. The Atlantic Alliance was motivated by an external threat (the Soviet Union) and states involved responded to that threat by joining together and following the leadership of a dominant power, the United States. The alliance was most united and most effective when danger was clear and present, when the dominant power willingly supported weaker alliance members, and when it could count on their unquestioned allegiance. Paradoxically, the alliance's considerable successes contributed to its weakening over time and growing tensions between the lead power and the others. American support for European economic and political recovery resulted in a European membership less accepting of an alliance animated by relations of dominance and dependence. Not surprisingly, they began, rather early, to argue for arrangements that reflected greater decision-making equality. As early as the late-1960s when European goods challenged American products in global markets and European currencies proved worthy rivals of the American dollar, Europeans began more actively to resist American leadership. Displays of more foreign policy independence also accompanied a receding Soviet threat as nuclear parity was achieved between the superpowers and calls for global expansion were replaced by a grudging acceptance of peaceful coexistence. By the end of the Cold War, the two principal features that created the Atlantic Alliance and structured its agenda—a dangerous and compelling external threat and the need to rebuild European economies and polities—had largely disappeared.

Sustaining the alliance would require a new and different rationale and a different *modus operandi*. Several features of the post-Cold War world suggest the continued utility of the alliance. First, while the threat from the Soviet Union has vanished, the potential threat from a nationalistic and expansion-minded Russian state remains. The fear of a resurgent Russia is particularly strong in regions recently rid of the Soviet occupation—in Eastern Europe and in the former Soviet republics. Many of these states have shown interest in NATO membership as a hedge against future Russian expansion, willing to trade Soviet or Russian dominance of their security interests for American control. Such states, dubbed “new Europe” by Donald Rumsfeld, have been eager to show loyalty to American military leadership before and during the American intervention in Iraq, even when it appeared it might compromise their membership prospects in the European Union.

Second, the conflict in the Balkans following the end of the Cold War reminded all Europeans that some conflicts on its home turf cannot be solved by negotiation and compromise and that the application of force is sometimes necessary. Unless and until the EU devises an effective military force to address such situations, Europe will continue to rely on American military assistance. Given American overwhelming military dominance, such interventions will be

largely on American terms. That American military power, unconstrained by a rival superpower, is now greater than ever before predicts that intra-alliance conflict over when and how to exercise military force in Europe and elsewhere will be correspondingly greater. The experience in Iraq and the anticipation of future alliance disagreements over military action is certainly motivation for devising a common EU security strategy and investing in the military resources necessary to make it effective.

Third, the terrorist attacks of September 11, 2001 in the US and of March 11, 2003 in Madrid are evidence of new external threats to the US and Europe that might well become the focus of redefined alliance strategy. Indeed, the alliance willingness to invoke Article V following the September 11 attacks and to take action together in Afghanistan testifies to the alliance resolve in meeting terrorist threats. However, in Iraq, where evidence of terrorist involvement was weak, alliance solidarity quickly broke down. While the threat of terrorism is less clear and focused than the threat posed by the Soviet Union during the Cold War, there is much to be gained by alliance solidarity in devising and implementing anti-terrorist strategies. Many European states—the United Kingdom, Italy, and Germany in particular—have long histories of fighting terrorists on their own soil and European police and intelligence agencies have decades of experience in monitoring, apprehending, and bringing to justice those who have engaged in terrorist acts. A war on terrorism is not likely to command the attention, free up the resources, and attract the recruits that wars against communism generated during the Cold War but if it manages to stay on task, it is likely to create common ground for European and American cooperation.

Finally, alliance members remain strongly committed to the core principles that have remained at the center of the alliance economic relationship since the late 1940s—free trade and free currency convertibility. Together, they have fostered steady growth in Atlantic trade, the integration of Atlantic financial markets, and extraordinary levels of foreign investment. These trade and monetary regimes, aimed first at building strong economic ties between the United States and Europe (and to a lesser extent Japan), are at the center of what has now become a truly global economy from which both alliance partners derive extraordinary benefits. And what began as a system of rules defined and redefined by the American hegemon, has evolved into a regime directed by roughly-equal partners with Japan and a growing list of states in the developing world pressing to share in this directorate. While it may not have been anticipated in the early stages, the economic dimensions of the Alliance partnership have been the most manageable and most consistently rewarding to both parties. And because of the highly interdependent nature of these relations, their “embeddedness” in the domestic affairs of participating states, and the increasingly shared leadership among Atlantic partners, these relations may offer the best model for a restructured twenty-first century alliance.

In sum, the principal purposes for which the alliance was formed and the division of labor within that original alliance have changed fundamentally since its origins in the 1940s. However, there remain strong economic and to a lesser extent

security interests that bind the two sides of the Atlantic together. While the model of shared responsibility has evolved in managing economic matters, the pattern of dominance and dependence remains very much in place in security affairs, a pattern that, if not altered, is likely to continue to do damage to the broader relationship if America's interest in European security continues to decline and Europeans prove unable to mount their own defense.

European Integration

If the Atlantic Alliance's principal threat was external in the form of a hostile ideological power to the east, the principal threat to European integration was internal—the revival of European nationalism that had repeatedly plunged Europe into war. Europe addressed that threat not by amassing armaments, both nuclear and conventional, but by seducing potential nationalists into a trading community that facilitated their economic recovery and offered them a hopeful future of economic prosperity. Once seduced, the task of the European Commission was to weave a web of mutually agreed-upon policies and procedures that secured the benefits of integration but also incrementally reduced the scope and reach of national sovereignty. In time, founding states discovered that European obligations increasingly constrained and redefined national interests in ways that expanded the common ground shared with European partners. Independent and autonomous national action, let alone extreme nationalism, became less possible but also less desirable on matters of economic, social, and environmental policy. Once occupying a seat on the improbable train to European integration, formerly disagreeable states became comfortable and were hesitant to get off. Conquering the internal threat of extremist nationalism, unlike the defeat of the Soviet threat by the Atlantic Alliance, did not compromise or undermine interstate cooperation but rather strengthened and sustained it.

While European integration was not an experiment among powers of equal rank neither was it a relationship of dominance and dependence like the Atlantic Alliance. And the longer the process continued, the less likely it was to be hijacked by one powerful nation or another, be it France, Britain, or most recently a reunified Germany. While all European nations have been reluctant to sacrifice national or cultural identity to some larger and undefined purpose, so too have they curbed their national ambitions if those are perceived to compromise the larger integration project.

Some have referred to this new and constrained pattern of European behavior as “post-modern,” moderating ones demands on the whole, rejecting the use of force, and embracing the long and often frustrating process of achieving consensus, or something approaching it, before moving slowly forward. The label is unimportant but the causes of this pattern of behavior are not. The contention here is that it grows quite logically from the post-World War II context in Europe and the strategy embraced by the architects of integration in the 1950s. The outcome is, in a sense, path dependent; once the early choices are made, the rest follows quite predictably. Once in place, the dynamic of European integration and

cooperation needs neither a threat, internal or external, nor a dominant power to make sure that the process remains on track. If there be a threat, it is the threat posed by economic competition from the United States, Japan, and most recently China, that has kept European integration leaders on task.

Perhaps, most importantly, the European project has come to have many admirers outside of the current membership—those that would like to join one day and those who seek to apply the lessons of the European experience to other regions around the globe. To use Joseph Nye's phrase, Europe, through its successes with integration, has acquired considerable "soft power." It has become a model for others, an experience to replicate elsewhere. States that are willing to cede sovereignty to some larger set of common purposes and that are committed to negotiation and compromise while eschewing the use of force are states to be emulated.

While it is hard to compare the utility of hard and soft power resources (and frequently not very helpful to do so), the United States and Europe emerge from these institutional experiences with the Atlantic Alliance and European integration armed with quite different configurations of power. By dominating the Atlantic Alliance both during and after the Cold War, particularly on matters of defense and military strategy, the US remains confident of the utility of hard power resources, is more eager than ever to employ these resources, and is regularly frustrated in its efforts to work cooperatively with allies. The Europeans, by contrast, have become less and less tolerant of following America's lead on security matters as they play out in the Atlantic alliance and, with the notable exception of the management of Atlantic economic matters, are much more inclined to draw upon the soft power resources that have accrued from their work on integration.

The Future of the Atlantic Partnership

Experience, as the old adage goes, is the best teacher. Unfortunately, states like people do not always learn the same lessons or draw the same conclusions from the same or similar experiences. This chapter has argued thus far that the evolving institutional settings of the Atlantic Alliance and European integration have offered some similar but many different lessons for the foreign policy architects on both sides of the Atlantic. As the dominant power of an alliance with dependent partners who were devastated by the consequences of continental war, the US quickly became accustomed to having its way on most matters of alliance policy, consulting when it was convenient, acting unilaterally when it was not. The Alliance was a means to advance American interests not an experiment in shared governance. Grateful for American help and yet increasingly resentful of the manner in which it was given, a recovered Europe worked to transform the alliance into a more equal partnership where national interests might give way to common interests and decisions might be negotiated rather than dictated. Intra-European

parallel experiences with integration indicated that such an evolution might indeed be possible.

On security matters, little has changed. Indeed, both the containment of the Soviet threat and its elimination altogether only increased American dominance of the security agenda and its near monopoly of military force. Several successful applications of military force in response to Iraq's invasion of Kuwait, war and instability in the Balkans, and the terrorist network in Afghanistan effectively removed the constraints on American military action imposed by the shadow of Vietnam. The invasion of Iraq confirmed the restoration of American confidence in the utility of military force. If Europeans were not willing to follow the American lead, the US would act alone.

While the Atlantic states continue to share security interests and concerns, it will be challenging to find a common strategy to address them together. Yet for the Europeans to sever fully their security dependence on the US and NATO, they will have to move decisively to construct a common security policy, and the force structure to support it. This will not be easy. Clearly, some "new Europe" states who have just qualified for NATO membership in order to place themselves under the American security umbrella will be less than enthusiastic about putting their faith in an untried and under-equipped European alternative. Moreover, shared military leadership among the big states of "old Europe" is not easily configured and recalls much old and unpleasant history. It is not by accident that European integrationists have left until last the construction of a common defense and security policy. What remains of state sovereignty in Europe, is rekindled by talk of a joint security apparatus. In short, the alliance security system might well survive not because either party is satisfied with the role that either continues to play but rather because Europe is unable to complete the integration agenda and provide security on its own.

On economic issues, the picture is more hopeful. American interests and preferences carried the day in formulating the trade and monetary rules of the game that came to make up the GATT/Bretton Woods regime. However, the Europeans have become more equal partners both because of their renewed economic strength that challenges the American economy on many dimensions but also because they have been able to translate that strength into the power necessary to share in the management of this regime over time. Their power derives in part from the experience gained from negotiating the path to economic integration in the European Union. The economic success of the European experiment and their willingness to speak with one voice on trade matters has made Europe a powerful player in the evolution of the global trade regime. The US treats EU trade negotiators differently and with more respect and seriousness than it does European security leadership. The establishment of a European Central Bank and the creation of a common currency with the accompanying monetary discipline required of common currency countries have also positioned the EU to play a more determinative role in the making of global monetary policy. The euro may yet challenge the dollar as the world's primary reserve currency, but its recent strength against the dollar and its attractiveness as an alternative to the American currency

among major holders of that currency in the Middle East and elsewhere leads one to expect that the flexibility that the status of the dollar has afforded architects of American domestic economic policy may soon be significantly reduced.

In larger measure, the promise of an enduring economic alliance in the Atlantic region is based on the considerable overlap of European and American economic interests. This complementarity of interests grows quite predictably from the liberal economic arrangements put in place and embraced by both Atlantic partners after the war. These liberal regimes are entangling in much the way the process of European integration proved to be for formerly-hostile states in Western Europe. Unfettered trade encourages economies to move away from self-reliance, to specialize in the production of a limited number of goods and services and to depend on trading partners for the rest. Freely convertible currencies facilitate trade but also permit flows of foreign investment to move both directions and enable banks and financial services firms to operate throughout the Atlantic region. This growing economic entanglement is not free of problems and frictions as competitive forces rearrange national comparative advantage but all learn that their national well-being depends on an open and smoothly functioning regional market that they must work together to protect and sustain. The lessons of negotiation and compromise in the integration of the Atlantic regional economy are not unlike the lessons learned by those engaged in the European integration project. Indeed as the contours of the liberal global economy took shape and progress was made on the agenda of European integration, both partners kept an eye on the consequences of one for the other and were careful to ensure that their developments were compatible. It is not surprising that those who follow the course of Atlantic economic relations, like Williams and Cohen in this volume, are less troubled by current frictions in their arenas, confident that both partners know full well that the extraordinary benefits the economic relationship produces require that troubles at the margins can and will be resolved or contained.

The lesson that Europe's experience with integration offers is something well understood by its most perceptive founding fathers. If one attempted to build a European community around issues of defense and security policy, one was only likely to be successful if one invested that community with extraordinarily strong and powerful central institutions that could over-ride sovereignty of individual national states whose primary interest was and is national defense. However, proud and independent European nations, regardless of their postwar weakness, were not about to cede sovereignty on matters of defense to some hypothetical European institutions that counted on cooperation among partners who had, to that point, shown little interest in working together. Better, though not much better, to put one's security in the hands of an outsider, one with the power to deter external threats, a similar cultural heritage, and a recent record of coming to Europe's defense. And so those architects of integration set aside issues of common security and defense and addressed areas where the possibilities for cooperation were more promising and where sensitivities about national sovereignty might in time be overcome. In the early years, they focused on tearing down barriers—quotas, tariffs, restrictions on the movement of capital and labor—and waited until

the benefits of common undertakings became real and the trust that comes from working on projects of mutual benefit became manifest. Only then did they begin constructing institutions that could forge common policies and investing them with powers they were willing to give up at home. Economic cooperation came first, efforts to find common ground around social, cultural and environmental norms came much later. Treaties at Maastricht and Nice testify to these hard won agreements and become the basis for European law; a European Constitution will consolidate and ratify this progress and make it difficult to turn back. Now, after almost fifty years of deliberations over less sensitive matters, are Europeans prepared to tackle the issue of common defense. And even now, it is not at all certain, they will succeed.

The Atlantic Alliance put security and defense first, treating economic and other matters almost as an afterthought. It succeeded not because the parties were particularly cooperative or willing to compromise. It succeeded because a real threat existed that demanded a response and because the distribution of power among the membership enabled one member to lead, regardless of any unhappiness among the rest. In some respects, investing in American leadership and dominance was analogous to investing in new European institutions with the extraordinary powers to make security policy. This investment paid handsome dividends both because the persistence of the Soviet threat kept security issues sufficiently clear and focused and because, as a new and understandably uncertain superpower, the US exercised its new power with prudence and caution.

In short, the Atlantic alliance succeeded because it put security first but it gave enough attention to shared economic interests to counter some of the inevitable resentment that would grow in Europe surrounding security matters. European integration worked because it set aside security issues (or entrusted them to the NATO alliance) and built an enviable record on economic, social, cultural, and environmental issues. Do these legacies provide opportunities or create barriers for a reconstituted Atlantic partnership in the future? Not surprisingly, they do both. The American habit of having its way on security matters coupled with its overwhelming military superiority makes the prospect for a real partnership with Europe on security matters less likely than has been the case in the past. This conclusion is reinforced by the absence of a common security threat of the sort provided by the Soviet Union and the reality that Europe is a regional power concerned with regional conflicts while the US remains a global power whose concerns are less regularly focused on Europe. To the extent that Europe finds the will and a way to devise its own defense and security policy and commit the resources to build a credible force to pursue it, the US and Europe share many interests both on the continent and in adjacent arenas that hold the promise of joint action. Given the expected disparity in military power for the foreseeable future, the US is likely to continue to be the primary war-fighting power while Europe will be more suited to police actions within Europe and peace-keeping missions in the larger region. Moreover, Europe's growing reputation as a region committed to the peaceful resolution of disputes may provide it with opportunities to address security issues in ways less available to the US. Some have referred to this as a

good cop, bad cop division of labor between Atlantic partners and there is certainly truth to the claim that some situations more clearly call for the application of force while others might be better addressed by the diplomat. Only time will tell whether the two partners will view this division of labor as a benefit for their relationship and work to promote it or whether they will view the two approaches as competitive with one another.

On matters relating to the economy, both Europe and the US have wide-ranging overlapping interests and a long and successful history of using the institutions at hand to resolve the inevitable problems and frictions. With market economies deeply entrenched on both sides of the Atlantic and public and private interests committed to extending markets to all parts of the globe, there is much to build on among alliance partners. If indeed we are moving into an era where market economies and democratic regimes are gaining a foothold everywhere, Europeans and Americans will be among the most certain beneficiaries. To permit alliance security differences and misunderstandings to spillover onto the durable fabric of long-standing economic relationships could impose unwelcome costs on both Europeans and Americans who have long taken these relationships as given.

Conclusion

In sum, the legacies of the Atlantic Alliance and European integration offer both caution and hope for the future of the Atlantic partnership. American and European experiences with these institutions have taught them quite different lessons about the utility of the instruments of foreign policy in the contemporary world. The current American preference for military force is certainly informed by an alliance experience that encouraged the amassing of an extraordinary military arsenal and having its own way on security matters. The European faith in diplomacy derives in no small part from its integration accomplishments and in negotiations to secure greater influence in the management of the Atlantic economy. To the extent that the Atlantic partners hold to these preferences, there will most certainly be points of strong disagreement in their futures, particularly around security matters. However, such preferences are not etched in stone as the American experience in Vietnam and its aftermath demonstrated clearly. Experiences are likely to alter how either side evaluates the tools at its disposal. Such experiences may produce a convergence in Atlantic practices or it may drive the partners still further apart.

Regarding common or shared interests, the prognosis for partnership is more hopeful. While the interests of Americans and Europeans have changed or have been reordered over the long histories of these institutions, there remains considerable consonance and overlap. The reality of a highly integrated Atlantic economy gives both partners high stakes in the future well being of the economic order and the institutions that shape and manage it. Long experience with international economic management makes it likely that these common interests can be sustained. And while security interests are not as focused or fully shared in

the ways they once were, Europeans cannot do without American military support for the foreseeable future and Europe remains America's longest and most trustworthy ally in an uncertain world. Knowing full well that military force may solve many problems but that it cannot solve every problem makes European support vital for American security interests in the region and elsewhere. And so while it is unlikely that the Atlantic partnership will ever recapture the closeness that it enjoyed in the early years of the Cold War, it will likely endure well into the twenty-first century, strengthened by the uneven and unexpected contributions made by the old alliance and the processes of European integration.

References

- Ash, Timothy Garton (2004), *Free World: America, Europe, and the Surprising Future of the West*, New York: Random House.
- Asmus, Ronald D. and Kenneth M. Pollack (2002), "The New Transatlantic Project," *Policy Review* (October and November), pp. 3-18.
- Blinken, Antony J. (2001), "The False Crisis Over the Atlantic" *Foreign Affairs*, Vol. 80, no. 3 (May/June), pp. 35-48.
- Boot, Max (2003), "Power: Resentment Comes with the Territory," *Washington Post*, March 3.
- Clark, Wesley (2002), "An Army of One?" *Washington Monthly*, November 21.
- Cohen-Tanugi, Laurant (2003), *An Alliance at Risk: The United States and Europe Since September 11*, Baltimore: Johns Hopkins University Press.
- Cooper, Robert (2003), *The Breaking of Nations: Order and Chaos in the Twenty-First Century*, London: Atlantic Books.
- Daalder, Ivo H. (2002), "The End of Atlanticism," *Survival*, (Summer), pp. 147-166.
- _____ and James L. Lindsay (2003), *America Unbound: The Bush Revolution in Foreign Policy*, Washington, D.C.: Brookings, (November).
- Drozdiak, William (2005) "The North Atlantic Drift", *Foreign Affairs*, Vol. 84, no. 1 (January-February) pp. 88-98.
- Friedman, Thomas L. (2003), "Our War with France," *The New York Times*, September 18.
- Fukuyama, Francis (2002), "The West May be Cracking," *International Herald Tribune*, August 9.
- _____ (2002a), "Has History Restarted Since September 11?" John Bonython Lecture, August 8, 2002.
- Garten, Jeffrey E. (2005), "The Global Economic Challenge," *Foreign Affairs*, Vol. 84, no. 1 (January-February) pp. 37-48.
- Gordon Philip and Jeremy Shapiro (2004), *America, Europe, and the Crisis over Iraq* Washington, D.C.: Brookings.
- Grosser, Alfred (1967), *French Foreign Policy Under De Gaulle*, Boston: Little, Brown.
- Halper, Stefan and Jonathan Clarke (2004), *America Alone: The Neo-Conservatives and the Global Order*, Cambridge: Cambridge University Press.
- Hanrieder, Wolfram (1970), *The Stable Crisis: Two Decades of German Foreign Policy*, New York: Harper and Row.
- Hoffmann, Stanley (2004), *America Goes Backward*, New York: New York Review of Books.
- _____ (2004a), *Gulliver Unbound: America's Imperial Temptation and the War in Iraq*, Lanham, MD: Rowman and Littlefield.

- Ilgel, Thomas (1985), *Autonomy and Interdependence: U.S. West-European Monetary and Trade Relations, 1958-1984*, Totawa, NJ: Roman and Allenheld.
- Judis, John B. (2004), *The Folly of Empire*, New York: Scribner.
- Judt, Tony (2003), "The Way We Live Now," *New York Review of Books*, March 27.
- Kagan, Robert (1998), "The Benevolent Empire," *Foreign Policy*, Summer.
- _____ (2002), "Power and Weakness," *Policy Review* (June and July).
- _____ (2003), *Of Paradise and Power*, New York: Alfred A. Knopf.
- _____ (2003a), "Napoleonic Fervor," *Washington Post*, February 24.
- Kissinger, Henry A. (2003), "Repairing the Atlantic Alliance," *Washington Post*, April 14.
- _____ (1965), *The Troubled Partnership: A Reappraisal of the Atlantic Alliance*, New York: McGraw Hill.
- Kolodziej, Edward (1974), *French International Policy Under De Gaulle and Pompidou: The Politics of Grandeur*, Princeton: Princeton University Press.
- Krauthammer, Charles (2002), "Reimagining NATO," *Washington Post*, May 24.
- Kupchan, Charles (2002), *The End of the American Era: U.S. Foreign Policy and the Geopolitics of the Twenty-First Century*, New York: Knopf.
- _____ (2003), "The Alliance Lies in Rubble," *Financial Times*, April 10.
- Lal, Deepak, *In Praise of Empires* (New York: Palgrave/Macmillan, 2004).
- Lundestad, Geir (1999), "Empire by Invitation in the American Century," *Diplomatic History* 23: 2, pp. 189-217.
- _____ (2003), *The United States and Western Europe Since 1945*, New York: Oxford University Press.
- Newhouse, John (2003), *Imperial America: the Bush Assault on the World Order*, New York: Vantage.
- Osgood, Robert (1962), *NATO, the Entangling Alliance*, Chicago: University of Chicago Press.
- Quinlan, Joseph P. (2003), *Drifting Apart or Growing Together? The Primacy of the Transatlantic Economy*, Washington, D.C.: Center for Transatlantic Relations.
- Reid, T.R. (2004), *The United States of Europe: The New Superpower and the End of American Supremacy*, New York: Penguin Press.
- Rifkin, Jeremy (2004), *The European Dream*, New York: Tarcher/Penguin.
- Rubin, James, P. (2003). "Stumbling Into War," *Foreign Affairs*, Vol. 82, no. 5 (September/October).
- Sandholtz, Wayne and John Zysman (1989), "1992: Recasting the European Bargain," *World Politics*, 42, pp. 95-128.
- Solana, Javier (2003), *A Secure Europe in a Better World: European Security Strategy*, Brussels, December 12.
- Steinberg, James B. (2003), "An Elective Partnership: Salvaging Transatlantic Relations," *Survival*, (Summer) pp. 113-146.
- Szabo, Stephen (forthcoming), *Parting Ways: 9-11, Iraq, and the German-American Relationship*, Baltimore, MD: Johns Hopkins University Press.
- U.S. National Security Council (2002), *The National Security Strategy of the United States of America*, September 17.

Chapter 3

Soft Power and European-American Affairs

Joseph S. Nye, Jr.

Introduction

A couple years ago, Robert Kagan got a lot of attention when he quipped that Americans are from Mars and Europeans are from Venus (Kagan, 2003). Kagan's provocative analysis oversimplified the differences between the US and European attitudes toward peace and security, but it sparked an important dialogue on both sides of the Atlantic. So where are we today? The terrorist attacks in Madrid and the Spanish elections that followed have concentrated our focus. Spanish voters sent a message when they cast out the party of Prime Minister Jose Maria Aznar, a staunch US ally, in favor of a candidate who advocates getting Spanish troops out of Iraq and a cooler relationship with the United States. More than 90 percent of Spaniards were opposed to the war in Iraq. Now they seem convinced. If only Spain had not joined the United States in Iraq, the reasoning goes, this terrorist attack would not have happened. Such reasoning is dangerous and can feed terrorism. But the Bush administration played into this reasoning through its disdain for diplomacy and persuasion, its preference for hard over soft power, in the months leading up to the war in Iraq.

It's no secret that European complaints about the unilateralism of American foreign policy have increased in recent years. Even before September 11, 2001, polls found that Western Europeans already described the Bush administration as unilateralist. The griping about American power began well before George W. Bush—recall that French Foreign Minister Hubert Vedrine dubbed the US a “hyperpower” in the late 1990s—but the Bush administration has become strongly identified with “the new unilateralism,” to use a term coined by the columnist Charles Krauthammer (2001).

The new unilateralists advocate an assertive approach to promoting American values. They worry about a flagging of internal will and a reluctance to take advantage of our dominant position. American intentions are good, American hegemony is benevolent, and that should end the discussion. They deny that American arrogance is a problem.

Unfortunately, this approach has not proved very convincing. America's attractiveness in Europe has diminished in the past few years, and polls show that this can be traced largely to foreign policy:

- A recent poll found that majorities in Britain, Germany, and France all want to take a more independent approach to diplomatic and security affairs than in the past.
- In fall 2003, a majority of Europeans ranked the US as a threat to world peace comparable to North Korea or Iran.
- And in a dramatic turnabout from the Cold War, strong majorities in Europe now see US unilateralism as an important international threat to Europe in the next ten years.

The message here is clear: the US is feared, but it is less loved. Efforts to elevate the new unilateralism from an occasional tactic to a full-fledged strategy in recent years have been costly to American soft power.

American Soft Power

What is soft power? It is the ability to get what you want through attraction rather than coercion or payments. Think of the impact of Franklin Roosevelt's Four Freedoms in Europe at the end of World War II; of young people behind the Iron Curtain listening to American music and news on Radio Free Europe; of Chinese students symbolizing their protests in Tiananmen Square by creating a replica of the Statue of Liberty; of newly liberated Afghans in 2001 asking for a copy of the Bill of Rights; of young Iranians today watching banned American videos and satellite television broadcasts. When you can get others to want what you want, you do not have to spend as much on sticks and carrots to move them in your direction. Seduction is always more effective than coercion, and many values like democracy, human rights, and individual opportunities are deeply seductive. But attraction can turn to repulsion if we appear arrogant or hypocritical.

Hard power, the ability to coerce, grows out of a country's military and economic might. Soft power arises from the attractiveness of a country's culture, political ideals, and policies. When our policies are seen as legitimate in the eyes of others, our soft power is enhanced. Hard power remains crucial in a world of states trying to guard their independence, and non-state groups such as terrorist organizations willing to turn to violence. But soft power will become increasingly important in preventing terrorists from recruiting supporters, and for dealing with transnational issues that require multilateral cooperation.

The soft power of the United States in Europe declined quite sharply in 2003. In the run-up to the Iraq War, polls showed that the United States lost an average of thirty points of support in most European countries. After the war, majorities of the people held unfavorable images of the US in nearly two-thirds of 19 countries surveyed. Most of those who held negative views said they blamed

the policies of the Bush Administration rather than America in general (Pew, 2003). More recently, siding with America has meant paying a price at the ballot box in Europe. The Spanish electorate voted out the party of Jose Maria Aznar, the former Prime Minister who supported President Bush's decision to invade Iraq despite overwhelming public opposition to the war.

The Iraq War was not the first time that a controversial security policy reduced the attractiveness of the American image in other countries. In Europe, there were four prior periods: after the 1956 Suez Canal crisis; during the "ban the bomb" movement of the late 1950s and early 1960s (though primarily in Britain and France); during the Vietnam War era in the late 1960s and early 1970s; and during the deployment of intermediate range nuclear weapons in the early 1980s.

The Vietnam War was broadly opposed in Britain, France, Germany and Italy. Polling data showed a decline in the overall image of the US in Western Europe. This hindered President Lyndon Johnson's efforts to obtain support from other countries for the war in Vietnam, and the drop in soft power hurt other policies as well. In France for example, Vietnam contributed to the popular support that sustained de Gaulle's increasingly anti-NATO and anti-US stance (Schwartz, 2003, p. 85).

In the early 1980s, the nuclear weapons policies of the first Reagan Administration aroused considerable concern. In a 1983 Newsweek poll, pluralities of around 40 percent of the people polled in France, Britain, and Germany disapproved of American policies. At the same time, majorities in all those countries approved of the American people (Adler, 1983). President Reagan was able to get European agreement for deployment of intermediate range nuclear forces, but there was considerable European resistance to his efforts to isolate the Soviet Union economically.

Unpopular policies have proved the most volatile element of America's soft power. The image of the United States and its attractiveness to others is a composite of many different ideas and attitudes. It depends in part on culture, in part on domestic policies and values, and in part on the substance, tactics, and style of foreign policies. Over the years, these three resources have often produced soft power—the ability to get the outcomes America wanted by attracting rather than coercing others. All three are important, but policy substance and style is the most volatile and the most susceptible to government control.

The attractiveness of the United States also depends very much on the values we express through the substance and style of our foreign policy. All countries pursue their national interest in foreign policy, but there are choices to be made about how broadly or narrowly we define our national interest, as well as the means by which we pursue it. After all, soft power is about mobilizing cooperation from others without threats or payments. Since it depends on the currency of attraction rather than force or payoffs, soft power depends in part on how we frame our own objectives. Policies based on broadly inclusive and far-sighted definitions of the national interest are easier to make attractive to others than policies that take a narrow and myopic perspective.

Since the currency of soft power is an attraction based on shared values and the justness and duty of others to contribute to policies consistent with those shared values, multilateral consultations are more likely to generate soft power than mere unilateral assertion of the values.

Policies that express important values are more likely to be attractive when the values are shared. The Norwegian author Gier Lundestad has referred to America's success in Europe in the latter half of the twentieth century as an empire by invitation: "On the value side, federalism, democracy and open markets represented core American values. This is what America exported" (Lundestad, 2003, p. 155). And because of far-sighted policies like the Marshall Plan, Europeans were happy to accept. But the resulting soft power depended in part on the considerable overlap of culture and values between the US and Europe.

Admiration for American values does not mean that others want to imitate all the ways by which Americans implement them. Despite admiration for the American practice of freedom of speech, countries like Germany have histories that make them wish to prohibit hate crimes that could not be punished under the American First Amendment. And while many Europeans admire America's devotion to freedom, they prefer policies at home that temper neo-liberal economic principles and individualism with a greater concern for society and community. After the end of Cold War, two out of three Czechs, Poles, Hungarians, and Bulgarians thought the United States was a good influence on their respective countries, but fewer than one in four in each country wanted to import the American economic model (Times-Mirror, 1991).

If anything, the Iraq War sharpened the perceived contrast in values between the United States and Europe. A German Marshall Fund poll conducted in June 2003 found agreement on both sides of the Atlantic that Europeans and Americans have different social and cultural values (German Marshall Fund, 2003).

A third element to consider is cultural attractiveness. The political effects of popular culture are not entirely new. The Dutch historian Rob Kroes points out that posters produced for shipping lines and emigration societies in nineteenth century Europe created a symbol of the American West as freedom long before the twentieth century consumption revolution. Young Europeans "grew up constructing meaningful worlds that drew upon American ingredients and symbols." He argues that the commercial advertisements in 1944 that referred to and expanded upon Franklin Roosevelt's Four Freedoms had the same effects as a civics lesson. "Generation upon generation of youngsters, growing up in a variety of European settings, West *and* East of the Iron Curtain, have vicariously enjoyed the pleasures of cultural alternatives....Simple items like blue jeans, Coca-Cola, or a cigarette brand acquired an added value that helped these younger generations to give expression to an identity all their own" (Kroes, 1999).

This popular cultural attraction helped produce soft power in the sense of obtaining favorable outcomes in relation to at least two significant American goals. One example was the democratic reconstruction of Europe after World War II. The Marshall Plan and NATO were crucial instruments of economic and military

power aimed at achieving that outcome. But popular culture also contributed an important dimension of soft power. The Austrian historian Reinhold Wagnleitner argues that, “the fast adaptation of American popular culture by many Europeans after the Second World War...rejuvenated and revitalized European postwar cultures with its elementary connotations of freedom, casualness, vitality, liberality, modernity and youthfulness” (Wagnleitner, 1999, p. 515). The dollars invested by the Marshall Plan were important in achieving American objectives in the reconstruction of Europe, but so also were the ideas transmitted by American popular culture.

Looking at the median measures of ten European countries polled in 2002, about two-thirds admired America for its pop culture and progress in science and technology, but only one-third thought it good that American ideas and customs spread in their country. This is not entirely new. In the 1980s, public opinion in four major European countries rated the US as performing well in economic opportunities, rule of law, religious freedom, and artistic diversity. But fewer than half of British, Germans, and Spanish respondents felt the United States was a desirable model for other countries (Smith and Wertman, 1992, p. 108). How America behaves at home can enhance its image and perceived legitimacy, and that in turn, can help advance its foreign policy objectives.

Another source of European frustration is structural. The United States is the big kid on the block and the disproportion in power engenders a mixture of admiration, envy and resentment. Indeed a British author, W.T. Stead, already warned about *The Americanization of the World* as the United States emerged as a global power at the beginning of the twentieth century (Stead, 1901). Similarly, in the mid-1970s majorities across Western Europe told pollsters they preferred an equal distribution of power between the US and the USSR rather than US dominance (Crespi, 1977). But those who dismiss the recent rise of anti-Americanism as simply the inevitable result of size are mistaken in thinking nothing can be done about it.

As Teddy Roosevelt noted a century ago, when you have a big stick, it is wise to speak softly. Otherwise you undercut your soft power. In short, while it is true that America’s size creates a necessity to lead, and makes it a target for resentment as well as admiration, both the substance and style of our foreign policy can make a difference to our image of legitimacy, and thus to our soft power.

American skeptics about soft power say not to worry. Popularity is ephemeral and should not be a guide for foreign policy in any case. The United States can act without the world’s applause. We are the world’s only superpower, and that fact is bound to engender envy and resentment. Foreigners may grumble, but they have little choice but to follow. Moreover, the United States has been unpopular in the past yet managed to recover. We do not need permanent allies and institutions. We can always pick up a coalition of the willing when we need to. The issues should determine the coalitions, not vice-versa. But it is a mistake to dismiss the recent decline in our attractiveness so lightly. It is true that the United States has recovered from unpopular policies in the past, but that was against the backdrop of the Cold War, in which European countries still feared the

Soviet Union as the greater evil. Moreover, while America's size and association with disruptive modernity is real and unavoidable, wise policies can soften the sharp edges of that reality and reduce the resentments they engender. That is what the United States did after World War II. We used our soft power resources and co-opted others into a set of alliances and institutions that lasted for sixty years. We won the Cold War against the Soviet Union with a strategy of containment that used our soft power as well as our hard power.

Supporting democracy and human rights, for example, can help make US policies attractive to others when these values appear genuine and are pursued in a fair-minded way. The Bush administration has emphasized the importance of spreading democracy in the Middle East. But the administration does not want to be held back by institutional constraints. In that sense, it advocates the soft power of democracy, but focuses too simply on substance and not enough on process. By downgrading the legitimacy that comes from institutional processes where others are consulted, it squanders its soft power by failing to appreciate all its dimensions.

The only way to achieve the type of transformation that the administration seeks is by working with others and avoiding the backlash that arises when the United States appears to be a unilateral imperial power. Since democracy cannot be imposed by force and requires a considerable time to take root, the most likely way to achieve our long-term goals is through international legitimacy and burden sharing with allies and institutions. The administration's impatience with institutions and allies may undercut its own objectives.

This is ironic, because the United States built some of the longest-lasting alliances and institutions that the modern world has seen and these have been central to American power for more than a century. And the United States is the country with a vibrant social and cultural life that provides an almost infinite number of points of contact with other societies. During the Cold War, the US demonstrated that it knew how to use its soft power resources. But soft power is not static. Resources change with the changing context. They have varied in the past and will in the future. Historical trends from the Cold War era may not prove reliable guides when forecasting the ebb and flow of American soft power in Europe.

Soft Power in Europe

Europe is the closest competitor to the United States in terms of soft power resources. European art, literature, music, design, fashion and food have long served as global cultural magnets. Taken individually, many European states have a strong cultural attractiveness: half of the ten most widely spoken languages in the world are European (CIA Factbook). Spanish and Portuguese link Iberia to Latin America, English is the language of the far-flung Commonwealth, and nearly fifty Francophone countries meet as a conference of countries having French in common.

As a whole, Europe has impressive soft power resources:

- France ranks first in Nobel prizes for literature.
- Britain is first and Germany second in attracting asylum applications.
- France, Germany, Italy, and Britain have higher life expectancy at birth than does the US.
- Almost all European countries outrank the United States in overseas development assistance as a percent of GDP (The Economist, 2003).
- And though much smaller, Britain and France each spend about the same as the United States on public diplomacy.

No single European state can hope to compete with the United States in size, but Europe as a whole has a market of equivalent size, and a somewhat larger population. And the symbol of a uniting Europe itself carries a good deal of soft power. The idea that war is now unthinkable among countries that fought bitterly for centuries, and that Europe has become an island of peace and prosperity creates a positive image in much of the world.

A measure of the EU's emerging soft power is the view that it is a positive force for solving global problems. In the wake of the Iraq War, Central Europeans and Turks gave the EU higher marks than the US for playing a positive role on a variety of issues ranging from fighting terrorism to reducing poverty to protecting the environment. Despite the fact that many Central European leaders supported the US-led war, their publics felt that the EU plays a more positive role than the US on a variety of transnational issues (Eurobarometer, 2003).

Of course, Europe still faces a number of problems, as its division over Iraq illustrated. It is united on trade, monetary policy, and agriculture, and increasingly on human rights and criminal laws. It is seeking a stronger constitution, that will create a presidency and a foreign minister, but when there is disagreement, foreign and defense policies will remain effectively with national governments. Money and guns, the traditional high cards of hard state power, remain primarily with the member states.

Moreover, bureaucratic obstacles and rigid labor markets may hamper rapid economic growth, and underlying demographic trends are unfavorable. If nothing changes, by 2050, the median age may be 35 in the US and 52 in Europe. With a population that is not only aging but shrinking, Europe will have to accept increasing numbers of immigrants (which is politically difficult) or accept that being older and smaller will diminish its influence in world affairs.

At the same time, many European domestic policies appeal to young populations in modern democracies. Capital punishment, gun control, climate change, and the rights of homosexuals are just a few of the issues that give Europe soft power around the world.

On economic policies as well, while many people admire the success of the American economy, not all extol it as a model for other countries. Some prefer the European approach. Government plays a greater role in European economies than it does in the US. Europe spends (and taxes) around one half of GDP, while American government is nearer to one-third of the economy. Social safety nets and unions are stronger and labor markets more regulated in Europe. American cultural attitudes, bankruptcy laws, and financial structures more strongly favor entrepreneurship than in Europe, but many people in Europe object to the price of inequality and insecurity that accompanies America's greater reliance on market forces. The lowest 10 percent of people in America's income distribution had only the thirteenth highest average income when compared with relatively poor people in other advanced economies. Many European countries ranked higher. The superior job performance of the American economy does not alone make it more attractive than Europe's.¹

In addition to its attractive cultural and domestic policies, Europe also derives soft power from its foreign policies, which often contribute to global public goods. Of course not all European policies are far-sighted—witness its protectionist common agricultural policy, which damages farmers in poor countries—but Europe gains credibility from its positions on global climate change, international law, and human rights treaties. Moreover, Europeans provide 70 percent of overseas development assistance to poor countries, which is four times more than the United States.

Europeans have been less likely to shrink from the hard tasks of nation building that America originally eschewed under the Bush Administration. Europe also has ten times as many troops as the United States involved in peacekeeping operations, generally under multilateral organizations such as the UN and NATO (Moravcsik, 2003). France took the lead in sending a mission to the Congo. In 2003, France and Germany had more than twice as many troops as the US had in Kosovo, and Europeans working through NATO took charge of the International Security Force in Afghanistan.

Europeans are also more comfortable and adept than Americans in recent years at using multilateral institutions. In part, this is a reflection of their experiences in the development of the European Union, and in part a reflection of their self-interest in seeking multilateral constraints on the world's only superpower. But whatever the reasons, in a world where unilateralism is heavily criticized, the European propensity toward multilateralism makes their policies attractive to many other countries.

Europeans can also use multilateral institutions to limit American soft power by depriving the United States of the legitimizing effects of such support. This was clearly the case when France and Germany set the agenda that denied the US a second Security Council resolution before the Iraq War. The US had to pay a higher price than necessary for the war both in soft power and in the subsequent costs of policing and reconstructing Iraq.

Europeans also invest more in their public diplomacy. The Europeans have a longer tradition and spend more, particularly in international cultural

relations. France had the highest per capita spending at over 17 dollars, more than four times second-ranked Canada, followed by Britain, and Sweden. In comparison, American State Department funding for international cultural programs spending was only 65 cents per capita (Wyszomirski, 2003). In addition, European countries have been increasing their efforts to recruit students to their schools and universities from other parts of the world.

While European soft power can be used to counter American soft power and raise the price of unilateral actions, it can also be a source of assistance and reinforcement for American soft power and increase the likelihood of the United States achieving its objectives. Soft power can be shared and used in a cooperative fashion. European promotion of democracy and human rights helps advance shared values that are consistent with American objectives.

Most Europeans realize that multilateral diplomacy is possible even without a multipolar military balance, and they would be happy to share their soft power with the United States if the US would adopt a more cooperative approach to its foreign policy. The extent to which the growth of European soft power is an asset or a liability for the United States depends upon American policies and rests very much on America's own choices. European soft power can be used to help or hurt the United States, depending on how America behaves.

As for Kagan's quip about Mars and Venus, it is too easy to state simply that Europeans recoil from the use of force and Americans favor it. After all, Europeans joined in pressing for military action in Kosovo in 1999, and as the Iraq War demonstrated, there were Europeans from Mars and Americans who preferred Venus. Nonetheless, the success of the European countries in creating an island of peace in place of the three Franco-German wars that ravaged the continent may predispose them more toward peaceful solutions to conflict.

Unlike earlier periods in world politics, islands of peace—where the use of force is no longer an option in relations among states—have come to characterize relations among most liberal democracies. This description captures the essential dynamic between the US and Europe. The existence of such an island of peace is evidence of the increasing importance of soft power, where there are shared values about what constitutes acceptable behavior among similar democratic states. In their relations with each other, all advanced democracies are from Venus.

The Current US—EU Dynamic

Europe has been the primary beneficiary of the US's loss of international legitimacy since the Iraq War. When the leaders of Great Britain, France, and Germany announced their own initiative to try to force Iran's hand on its secret nuclear program, they essentially presented the Iranians with an alternative that Saddam Hussein never had: deal with us, and we'll deal with the United States. Europe's leaders understood the unwillingness of Iran's leadership to accede to any demands of the Bush administration, which labeled Iran part of its "axis of evil."

Blair, Chirac, and Schroeder instead relied on soft power: they tried to use their international legitimacy to shape an agenda that Iran could accept without losing too much face.

The result was a good cop/bad cop dynamic between Europe and the US. The key problem of the new dynamic is that good cop/bad cop only works effectively if both cops know they are playing the game. The Bush administration had so little political capital in Europe then that a coordinated use of the tactic seems unlikely in the near term.

For the time being, the good cop/ bad cop distinction accurately reflects the balance of hard and soft power between the US and EU today. There is no question that the US should pay more attention to its soft power, and that the EU should develop both its commitment as well as its capability to employ hard power. But neither of these changes will take place overnight. Public attitudes will also have to change if this dynamic is to improve, since Europeans and Americans send their democratically elected leaders very different signals about the use of force and diplomacy.

In the twentieth century, Europeans for the most part perceived the US as a reliably benevolent power. As Winston Churchill once said, “The best hope of the world lies in the strength, will, and good judgment of the US.” That confidence stemmed from America’s combination of hard power and soft power. The paradox of American power in the twenty-first century is that world politics is changing in a way that makes it impossible for the strongest world power since Rome to achieve some of its most crucial international goals alone. On many of today’s key issues—international financial stability, drug trafficking, the spread of diseases, and especially terrorism—military power alone simply cannot produce success, and its use can sometimes be counterproductive. Instead, the United States must cooperate with Europe and others to address these shared threats and challenges. America’s continued success will depend upon developing a better balance of hard and soft power in its foreign policy.

Note

1 Even as sympathetic an observer as Martin Wolf of the *Financial Times* notes that “Some of the most successful economies, in terms of high technology and low unemployment (though with a mixed record of productivity growth) have been the Nordic welfare states. Yet these are in some respects, the polar opposites of the US, notably on taxation and public spending. For all its success, it is unlikely that the US offers the only workable way to organize an advanced economy.” Martin Wolf, “The Lure of the American Way,” *Financial Times* (London), November 1, 2000, p. 25.

References

Adler, Jerry, et al. (1983) “What the World Thinks of America,” *Newsweek*, July 11, p. 44.
CIA Factbook (English, Spanish, Portuguese, Russian, German).

- Economist, The (2003), *Pocket World in Figures 2003*, Profile Books, Ltd., London, pp. 15, 41, 73, 76, 90-92.
- Eurobarometer (2003) "Candidate Countries," (http://europa.eu.int/comm/public_opinion).
- German Marshall Fund (2003), "Transatlantic Trends 2003 Topline Data" (<http://www.transatlantic.org>), p. 49.
- Kagan, Robert (2003), *Of Paradise and Power*, Knopf, New York.
- Krauthammer, Charles (2001), "The New Unilateralism," *Washington Post*, June 9, p. A29.
- Krespi, Leo P. (1977), "Trends in the Image of U.S. Strength in Foreign Public Opinion," USIA Office of Research, January 28, p. 13.
- Kroes, Rob (1999), "American Empire and Cultural Imperialism: A View from the Receiving End," *Diplomatic History* (Summer), pp. 468-474.
- Lundestad, Geir (2003), *The United States and Western Europe Since 1945: From "Empire" by Invitation to Transatlantic Drift*, Oxford, Oxford University Press.
- Moravcsik, Andrew (2003), "How Europe Can Win Without an Army," *Financial Times*, April 3.
- Pew Global Attitudes Project (2003), *Views of a Changing World June 2003*, Pew Research Center for the People and the Press, Washington, D.C., p. 19, T132-T134.
- Schwartz, Thomas Alan (2003), *Lyndon Johnson and Europe*, Harvard University Press, Cambridge.
- Smith, Steven, K. and Douglas A. Wertman (1992), *US-West European Relations During the Reagan Years: The Perspective of West European Publics*, (New York: Palgrave Macmillan, 1992).
- Stead, W. T. (1901) *The Americanization of the World or the Trend of the Twentieth Century*, London, Markley Publishers.
- Times-Mirror Center for the People and the Press (1991), "East-West Poll."
- Wagnleitner, Reinhold (1999) "The Empire of Fun, or Talkin' Soviet Union Blues: The Sound of Freedom and U.S. Cultural Hegemony in Europe," *Diplomatic History*, 23 (Summer, 1999), pp. 499-524.
- Wyszomirski, Margaret, Christopher Burgess, and Catherine Peila, "International Cultural Relations: A Multi-Country Comparison," Ohio State University (<http://www.culturalpolicy.org/pdf/MJWpaper.pdf>, April 2003), p 19.

This page intentionally left blank

PART II

SECURITY AFFAIRS

This page intentionally left blank

Chapter 4

A Post-Modern Transatlantic Alliance

Gregory F. Treverton

Americans, and perhaps especially those of us who had the opportunity to manage US foreign policy, liked NATO because we ran it. That shape of the trans-Atlantic connection, NATO-centered and US-dominated, is gone with the fall of the Berlin wall. Since the old alliance was dominated by the security connection, it is little surprise that the end of that old alliance is most visible in the security realm. When the Cold War security threat ended, so did the old alliance.

In the run-up to the war in Iraq, it was easy to conclude that not just the NATO-centered alliance but *any* serious cooperation across the Atlantic is a thing of the past. Yet, powerful interests and values still connect the US and Europe. Indeed, some of those, such as the European Union (EU), are visible even as they play a role in ending the old alliance. The EU is an emerging power, a non-coercive force that serves as a pole of attraction through its democratic and economic values. The question for the future is whether and how what ended the old alliance can be shaped into a new pattern of cooperation, what might be called, echoing Robert Cooper, a post-modern alliance.¹ To provide some perspective, this chapter first looks at the history of perennial “crisis” in the old alliance. Those crises, in retrospect, turned out to be tempests in a very durable teapot. Next, it argues that the current crisis in Atlantic relations is fundamentally different by suggesting that issues and responses to them have changed both in Europe and in the United States. Finally, it concludes with suggestions about how elements of common purpose, visible through all that has changed, might be shaped into a viable post-modern alliance.

The Perspective of History

If one read or listened to commentary during the Cold War, the alliance between the United States and Europe, or more specifically the NATO alliance, was almost always in crisis. The recurring pattern of difficulties gave rise to books and articles with titles like “the troubled partnership” and “the enduring crisis in the alliance” (Kissinger, 1965; Joffe, 1981). So those of us who are veterans of that period are tempted to look with a certain bemusement at the current travails across the Atlantic. Tensions and disagreements are hardly new.

Is the crisis different and of greater consequence this time?² Bemusement aside, for those of us who have spent the better part of their careers managing trans-Atlantic relations inside of government or writing and speaking about them from the outside, the current state of affairs is the most worrisome yet. Some of the reasons are particular to the Bush administration and the set of episodes it has faced and are, therefore, probably transitory. The administration's particular brand of muscular unilateralism contributed to the almost disdainful of treatment of old allies in the run-up to the 2003 Iraq war. After the initial fighting, administration bitterness toward Germany and especially France continued to color other aspects of security relations.

For their part, the Europeans remained steadfast in their opposition to the war and refused to take responsibility for the aftermath. German Chancellor Gerhard Schroeder's willingness to play politics with German-American relations for his own political gain—opposing an unpopular war in Germany to enhance his electoral chances—was particularly irksome at the personal level.³ As American efforts to reconstruct Iraq foundered and the Iraqi insurgency grew, the administration's bitterness toward old allies sharpened as did the Europeans' temptation to mutter "we told you so."

Yet not all the reasons are particular and even some of those particulars are rooted in more lasting structural changes. In this sense, there is an emerging continuity that began with the fall of the Berlin wall and stretches from George Bush's presidency through the Clinton years to the administration of George W. Bush. While America needs Europe more than its current leaders realize, and Europe needs to be needed more than some of its leaders acknowledge, efforts to mend the rift will continue but can be only partly successful. The trans-Atlantic relationship will improve from the low point experienced during the Iraq war but it is unlikely to recapture the centrality it assumed after World War II or rebuild the reservoir of good will that sustained it during repeated Cold War crises.

To be sure, it is easy to cover differences in intra-alliance relations with the rosy glow of Cold War comity, but the significance of the early alliance crises should not be understated. If they look tame now because they were contained then, they often did not look so benign at the time. In 1956, the United States put enormous pressure on Britain and France, its closest allies, to cease the Suez war against Egypt (Hathaway, 1994). Washington succeeded by threatening to undermine Britain's currency, the pound sterling, a tactic much less likely to succeed in the contemporary world. The bitterness in Washington in 1966 when France left NATO's integrated military command and forced alliance headquarters out of Paris makes Franco-American differences over Iraq and proclamations of "freedom fries" look temperate by comparison. Looking much further back, an episode from the early nineteenth century validates many of Europe's worst complaints about the United States today. British merchants in then-Spanish Florida were irritating the Jackson administration by selling guns to the Indians in Georgia.⁴ In 1819, the President sent troops across that international border, captured the British merchants, brought them back to the United States, and hanged them. In so doing the Americans acted unilaterally, disregarded

international borders, subjected foreign citizens to a military tribunal, and imposed the death penalty.

What's Changed in Europe?

If the end of the old alliance is indeed in view, one explanation for its demise might be found among changes in Europe. Three particular European developments stand out; all are linked to broader structural changes in international politics generally and particularly as those bear on the European-American connection. The three will also likely give shape to any new post-modern alliance.

New Members and New Governance

While the effort to enlarge and extend “Europe” to the east and south by adding members to the European Union is very much in America’s long-term interest, it complicates the Atlantic relationship in the short-term. Enlargement and the politics of negotiating acceptable terms of transition for new members are absorbing and time-consuming for European leadership. Moreover, the resultant union of twenty-five or more member states magnifies the complexity of intra-European governance, further occupying the energies of politicians and bureaucrats.⁵ The most recent expansion has made mandatory a long overdue overhaul of EU governance.⁶

On October 29, 2004, the twenty-five heads of government assembled in Rome to sign the union’s first constitutional treaty. To become operational, the constitution must be ratified by each of the twenty-five nations. The “no” votes in the 2005 referenda in France and The Netherlands effectively ended this first European effort at constitution building. Europe is thus engaged in a process not unlike America’s own constitutional ratification process and, if the US parallel holds, it may take several attempts and considerable time before an acceptable and viable document is in place. Indeed, the principal author of Europe’s draft constitution, former French President Valéry Giscard d’Estaing, is said to have read David McCullough’s biography of John Adams, looking for American lessons from the 1780s and 1790s that can be applied to the contemporary European experience (McCullough, 2001). Both America then and Europe now struggled with ways to protect the rights of small states while recognizing the responsibilities of the large states and with balancing efficiency in governance with accountability to citizens. The process will no doubt take Europe back to some of the issues that were debated at the founding of the European Communities in the 1950s—intergovernmentalism versus supranationalism, the sharing of powers among the Commission, the Parliament, and the Council of Ministers, and the role of vetoes and qualified majority voting.

With the exception of international trade policy, foreign and defense policies have, to date, been the province of individual EU member states, enabling the United States to build and maintain closer relations with some states than

others. The recent naming by the EU of a High Representative for common foreign and security policy signals an effort to bring greater unity to EU security policy much as it has achieved in trade and other matters. Javier Solana, a Spaniard and former Secretary General of NATO, was the first appointed High Representative, a position that Europeans hope will evolve into that of EU Foreign Minister and Vice President of the European Commission, regularly appointed and terminated by the Council of Ministers by qualified majority.

For trans-Atlantic relations, the benefits of a larger and better governed European Union are many, though it may be some time before most are evident. In the meantime, these tasks are extraordinarily absorbing for Europe. The calendars of officials across Europe have come to be more and more filled with obligations to Brussels (as opposed to obligations to Washington) and “Europe” has created a more lengthy and entangling agenda of issues and accompanying meetings, more or less what its founding fathers had hoped. Building a broader, better governed Europe, one that includes those nations freed from communism’s yoke, is in the interest of both the United States and Europe, but as the Europeans craft their structures and cultures of governance, they may find it increasingly difficult to accommodate old patterns of relations with the United States.

Some of the difficulties may follow from differences in how power is conceived and exercised. Even with its newly expanded membership, the EU is not evolving into a traditional superpower and, indeed, few Europeans aspire to a role of that sort. Rather, its power is softer, what Robert Cooper calls the “lure of membership” (Kagan, 2004, p. B7). The EU is a pole of attraction for its neighbors and beyond. Rather than conceiving of power as “hard” or “soft,” it is helpful to think of power along a continuum from coercion at one end to bribery or economic inducements in the middle to persuasion or attraction at the other end (Nye, 2002, 2004). State power includes the power to coerce, to induce with payments, and to attract or persuade. While the United States has come increasingly to rely on coercive forms of power, the EU’s power resources clearly derive from the other end of the continuum. Particularly within Europe, the EU is a pole of attraction because non-member nations want to join; they want the economic benefits of membership but also the values, standards, and habits of governance emblematic of the Union.

Economic and Monetary Union (EMU)

EMU is a crucial piece of the broader construction of Europe, one that also demands ongoing European attention and has implications for future Atlantic security relations. Britain, Sweden, and Denmark have not embraced the common currency by choice, and the ten new members have not yet met the requirements for adopting the Euro. Adopting the same currency seems easy and technical, but it is not. A common currency requires agreement on a common monetary and, ultimately, fiscal policy, in effect, adopting the same policy toward inflation and growth. With national politicians not yet willing to cede taxing and spending powers to supranational institutions, the EMU, in the Stability and Growth Pact of

1997, specified criteria both for joining and remaining a member of the Eurozone. Those criteria seek to ensure that monetary and fiscal policies do not diverge significantly among member states. They also mandate conservative fiscal policy and aggressive measures to fight inflation, strategies not unlike those regularly pursued by Germany, the EMU's dominant economy.

Other chapters in this volume provide more detail on monetary and trade issues, so the key points for this argument are two: first, if enlarging the EU is broadening the institution, making EMU work will require what Europeans call "deepening"—that is it will require much more policy and budget coordination among European states. This will affect all kinds of policies—economic policies, social policies and, ultimately, defense policy. Like broadening, this will be very absorbing for Europe. Second, this deepening, the requirement of increasing policy convergence among European states, will bear on relations with United States by limiting the EU's flexibility in dealing with Washington.

Time will tell whether EMU turns out to be "a treaty too far." What happens if major countries cease to meet the conditions for EMU, for instance by running up unacceptably large budget deficits in an effort to promote economic growth? The Stability and Growth Pact has no real enforcement mechanisms. In November 2003, the EU finance ministers declined to use what sanctions exist and, in effect, gave the two biggest EU members, Germany and France, more time to bring their budget deficits down to within the EU guidelines. In March 2005, the Growth and Stability Pact was modified to permit Germany more budgetary flexibility. If profligate EU member nations had their own currencies, budget deficits would drive down the value of their currencies or drive up their interest rates. But neither can really happen within a common currency zone.⁷

A related issue, fiscal federalism, will be a test of how deepening plays out. What happens if an economic downturn falls most heavily on one part of the EMU zone, one nation perhaps? This will be all the more likely with more members, most of them at very different economic levels than existing members. Already, eastern European new members worry that a harder Euro will diminish their trade and wage advantages. When this happens within the United States common currency zone—such as during the oil crisis recession, or the high-tech bust—US "fiscal federalism" cushions the blow. Because the federal government takes a substantial share of taxes in the United States and provides a similar share of transfer payments, when recession hits a US region, the effect is cushioned because tax payments from that region go down and transfers to it rise.

By contrast, fiscal federalism is very limited in Europe because the Union takes only a sliver of Europe's income in taxes, and virtually all of that goes to support agriculture and subsidize the poorer regions of the Union. So EMU nations hit by local recessions might be tempted to devalue "their" currency if they could, just as Texas would have liked to devalue the "Texas dollar" or California the "California dollar" during the economic times that hit them harder than other states. Might European national economies so affected be tempted to opt out of EMU? Probably not, for reasons both political and technical given the sheer difficulty of untangling currencies which have already been joined. For these

reasons, Europe *has* to make EMU work, and it probably will. But that task too will be absorbing.

Yet, not only will making EMU work be absorbing for Europe, the consolidation of the European economy, now larger than its American counterpart, will have more and more spill-over effects on the United States. To be sure, trade disputes across the Atlantic go back to the beginning of the European Communities. Some of them were bitter, but in retrospect small amounts of trade were involved. Now, the Union is larger and so are the stakes. On the whole, the two sides of the Atlantic still share powerful interests in more open global trade. And the World Trade Organization (WTO) provides more structure for resolving trade disputes when they arise.

But the sheer economic weight of the Union means its actions will weigh more heavily on the United States. Europe long has been accustomed to being hit by the backwash of US economic actions, often taken for narrow domestic reasons; the EU will now increasingly return the favor. In 2001, for instance, the EU prevented the merger of General Electric and Honeywell, on the grounds that it would violate Europe's anti-monopoly rules. Debates over the meaning and legality of "subsidies" have simmered for years between Boeing and Airbus, with the EU taking the United States to the WTO in 2004. In December of the same year, an EU court upheld an earlier ruling by the Commission requiring the American firm Microsoft to offer an "unbundled" form of Windows and to provide certain technical information to its competitors to allow full interoperability with the software.

Europe's Bargain Upset

US Secretary of Defense Donald Rumsfeld was rude, perhaps, to distinguish the "new" from "old" Europe.⁸ And the distinction was crudely drawn, by including in "new" Europe some very old Western Europeans, like Britain and Italy. Yet, for all the impoliteness and inaccuracy, there is something to the distinction. That much was suggested by Europe's dueling manifestos in the run-up to the Iraq war of 2003. Eight European states—Britain, Italy, Spain and five East European nations—surprised "old" Europe by supporting US views. France, Germany, and other Western Europeans opposed the invasion. Moreover, French President Jacques Chirac singled out and publicly criticized those East Europeans supportive of the United States.⁹

Gratitude plays little role in statecraft and historians will argue for decades about what brought about the fall of communism. However, the "new Europe" nations, especially those who were members of the Warsaw Pact or who formed part of the Soviet Union, believed that American might, exercised through NATO, was crucial to their political liberation. Moreover, many of the same states, engaged in difficult transitions to market economies, have found the United States a more attractive economic model than some of the "old Europe" economies like France and Germany.

Charles Wolf of the RAND Corporation graded Washington's allies in 2004 according to whether their foreign policies were in tune with those of the United States on seven major issues where American policies were clear-cut.¹⁰ Not surprisingly, "new Europe's" Britain (along with Australia, South Korea and Japan) was more often in line with the United States than either France or Germany.

Divisions within Europe have always existed, and often those splits have pitted core states like France and Germany against those more on the margins—Britain, the Scandinavian countries, Spain, and Portugal. However, EU enlargement, particularly into Eastern Europe, increases the number of those who, on foreign policy issues, may disagree with France and Germany and choose to side with others at the margins or with the United States. Put somewhat differently, the fall of communism and EU enlargement diminishes the power and centrality of the Franco-German duopoly, sometimes caricatured as "French brains and German money," that has long dominated EU affairs. France and Germany will continue to exert considerable influence over EU affairs but the time when Franco-German agreement brought an end to policy deliberations is over. The inclusion of ten new states and sizeable populations, to say nothing of the prospect of adding Romania, Bulgaria, and even Turkey, suggests that, in time, the distribution of power in Europe will diffuse and shift markedly away from "old Europe." For France, these changes are especially worrisome, for its partnership with a largely compliant Germany has meant that for several decades the EC and now the EU has served as an instrument of French interests and statecraft. The new distribution of power, signaled in the run-up to the Iraq war, will offer both opportunities and challenges for the United States and the Atlantic relationship.

What Has Changed Across Atlantic?

The changes across the Atlantic are even more striking than those in Europe. They begin with the impact of the end of the Cold War and extend to the consequences of power asymmetries in a unipolar world.

The End of the Cold War

The memory of harmonious US-European relations during the Cold War may often be overstated, but the effect of the Cold War's end is, nonetheless, fundamental. As noted above, friction and disagreement were not uncommon between Europe and America during the Cold War. Working in government in the 1970s, we used to joke that the only thing worse than not consulting Japan was...consulting Japan, and it was often tempting to say the same thing about Europe. Knowing when and how to consult with Europe was never a simple matter—too little consultation was high-handed, too much consultation was failing to exercise leadership.

Yet the Cold War and the threat of the Soviet Union provided shape to the conversations, and consulting with allies became second nature in official

Washington. All too often, Washington consulted only *after* it had decided on a course of action so, in practice, consulting came to mean informing one's friends. Almost never were Europeans brought to the table before the United States made major changes in NATO strategy, yet by being subsequently informed they were involved (May and Treverton, 1986). The Cold War and the Soviet threat mandated that involvement. Unquestionably, if we did not hang together, we did indeed risk hanging separately. It is hard to imagine, for instance, a German Chancellor running for office during the Cold War on a platform opposing American military policy as Gerhard Schroeder did in 2002. Despite important differences, America and Europe remained steadfast in the belief that winning the Cold War depended on keeping NATO strong and the alliance together. Differences were tolerated only so long as these objectives were met.

With this understanding, the operational task of the period was "alliance management." Assessed and undertaken in different ways by different analysts, this political management of the alliance sought to be responsive to the sometimes diverging interests of its members while remaining attentive to the common threads that bound the members together.¹¹ For the United States, it meant being sensitive to allies' concerns when advancing its views and not pushing those allies beyond what their political constituencies would accept. As Richard Neustadt put it:

Simplicity consists in limiting our claims on other governments to outcomes reachable by them within a wide range of internal politics, under a variety of personalities and circumstances. These are outcomes which do not depend for their achievement on precise conjunctions of particular procedures, men and issues (Neustadt, 1970, p. 149).

In those years, the joke among policy-makers was that the main threat to US-European relations was the European Bureau of the State Department.¹² While the Department's task is representing US interests in foreign countries, in Washington it mostly represents the interests of foreign countries in their interactions with other departments of the US government. Not so, however, with the European Bureau. For many years, it has had an agenda, and that agenda has been the promotion and preservation of American leadership. Any European initiative, no matter how feckless, has been vigorously resisted as a threat to American leadership.

The European bureau was no doubt the cause of some of the trans-Atlantic wrangling and a formidable obstacle to solving some problems that remained unresolved for far too long. It took the United States two generations to give public support to common European security and defense arrangements, and even now the modest Solana operation is viewed suspiciously as a future challenge to US leadership. This instinct to strangle any European initiative at birth has not moderated in the new millennium. When the EU proposed in 2003 to create a military planning headquarters separate from NATO, the US ambassador to

NATO, Nicholas Burns, called the idea “one of the most serious dangers to the transatlantic relationship” (Dempsey, 2003).

Now, the Cold War is gone and with it much some of glue that demanded consultation, limited claims, and constrained politics. Because we will not hang separately if we do not hang together, we are free to argue more, longer, and often without the pressure to reach a mutually acceptable conclusion. Such disagreements are frequently magnified by societies that have always approached governance and public policies quite differently. The recent triumphs of evangelical Christians in American domestic politics and the neoconservatives in the shaping of foreign policy accentuates the gap between American and European political perspectives as represented by issues like abortion, the death penalty, the Kyoto accord, and the invasion of Iraq and the promotion of democracy in the Middle East.

The waning of the Cold War’s effect in containing inter-allied wrangling was plainly visible over the war in Iraq, differences that hardly need rehearsing. A year after the war in Iraq, the Pew Center for the People and the Press concluded, based on its surveys of public opinion, that:

...discontent with America and its policies has intensified rather than diminished. Opinion of the United States in France and Germany is at least as negative now as at the war’s conclusion, and British views are decidedly more critical. Perceptions of American unilateralism remain widespread in European and Muslim nations, and the war in Iraq has undermined America’s credibility abroad. Doubts about the motives behind the U.S.-led war on terrorism abound, and a growing percentage of Europeans want foreign policy and security arrangements independent from the United States. Across Europe, there is considerable support for the European Union to become as powerful as the United States (Pew Research Center, 2004).

Recent polls also suggest just how wide the Atlantic is on some economic and social matters. In December 2002, 62 percent of Britons polled would favor higher taxes in return for improved public services. For the United States, the percentage was less than one. In the same polls, 19 percent of Americans claimed they are in the richest one percent of the nation, and a further twenty percent expected to enter that one percent in their lifetime!¹³ The numbers can be taken as evidence of massive self-delusion, but they also bespeak the continuing vitality of the American dream.

Poll results on US leadership and the importance of the trans-Atlantic tie are equally—and perhaps more specifically—telling. In polls conducted by the German Marshall Fund of the United States in 2002, 68 percent of Germans thought a strong US leadership role in the world was desirable, but that percentage dropped to 45 percent the next year. When asked whether the United States or the EU was more important to vital German interests, 81 percent opted for the EU in 2003, versus 55 percent in 2002, and only 9 percent said the United States was more important, versus 20 percent in 2003 (Transatlantic Trends, 2003).

Asymmetry in Power

A second structural change across the Atlantic is the growth of American power, particularly in relative terms and especially in the military domain. US power now dwarfs not only Europe's military power but also everyone else's. Since power is a relative concept, this disparity is accentuated by the collapse of the Soviet Union. Perhaps the most important part of this change is on this side of the Atlantic. Many American leaders perceive that the United States is much more powerful, which in turn leads to a more ambitious post-9/11 agenda abroad—spreading freedom and democracy in the Middle East and elsewhere and imagining the growing boundaries of a benign American empire.

These changes flow from the underlying structural change—that is, the move from Cold War bipolarity to American unipolarity. In fact, the “unipolar” label is somewhat misleading, for the United States is in a class by itself only in the military domain, and even there Iraq demonstrates how hard it is to convert that power into successful outcomes. In one recent model, the United States holds about 20 percent of total global power, and the EU (considered as a unified actor) and China about 14 percent each. India holds about 9 percent.¹⁴ Still, Washington's belief in American omnipotence makes alliances both less necessary and increasingly a nuisance if allies refuse to follow the American lead. It also increases the temptation to resort to force rather than diplomacy to resolve problems. In both cases, the consequences for alliance dynamics are problematic.

During the Cold War, differences in power often reinforced differences in view. In the transatlantic debate in the 1980s over the Strategic Defense Initiative (SDI), power differences led to different views about the plan to defend against Soviet nuclear missiles. In the United States, opponents questioned its technological feasibility or pointed to its exorbitant costs. If SDI could have been shown to work at a reasonable cost, opposition would have quickly died away. For the weaker Europeans, dependent on US protection for their nuclear security, SDI offered the promise of protection to the United States while leaving Europe more vulnerable if America simply retired behind its nuclear shield.¹⁵ Not hopeful of finding the resources to mount their own successful strategic defense, Europeans preferred not to tamper with the existing nuclear state of affairs. If SDI was the solution, they preferred to leave the problem unsolved.

During the Cold War, differences in capacity were muted because both agreed that the primary security objective was defending Europe in the event of a Soviet attack from the east. While the United States was primarily responsible for the nuclear deterrent, both America and Europe deployed conventional troops to face off against the Red Army and both would have sent troops to fight and die in the event of conventional war. After the Cold War, the absence of a real and common threat lead Robert Kagan to conclude that transatlantic differences run more strongly to means (Kagan, 2002). As the globe's preeminent and largely unchallenged military power, the United States understandably emphasizes that power. As a much smaller, weaker, and often-divided military power, Europe will understandably deemphasize military means in favor of its not insignificant

“softer” elements of power. That the European integration movement was intended from the outset to make war unlikely reinforced this emphasis on the non-coercive aspects of power.

This argument over the effectiveness of different means in international affairs produces contrasting judgments about recent developments in eastern and southern Europe. In explaining the fall of communism and the breakup of the Soviet Union, Washington emphasizes the American military buildup and NATO’s military capabilities. The Europeans view the US as rooted in an older Hobbesian world where rules are unreliable, and security requires the application of raw power. By contrast, Europeans argue that they have moved beyond traditional notions of power and highlight the attractiveness of European values and economic models as enticements to socialist societies. As Kagan puts it:

On the all-important questions of power—the utility of power, the morality of power—power Europeans believe they are moving beyond power into a self-contained world of laws and rules and transnational negotiation and cooperation. Europe itself has entered a post-historical paradise, the realization of Immanuel Kant’s ‘Perpetual Peace’ (Kagan, 2002).

For the US, this European view looks a lot like free-riding, defining Europe’s role as addressing the “soft” or “nice” aspects of international politics, leaving the tough, grubby, military aspects of security issues to the United States.

In some respects, both sides of the Atlantic are defined by their most important recent events. Former Swedish Prime Minister Carl Bildt spoke of different defining dates for Europe and America:

Our defining date is now 1989 and [America’s] is 2001...While we talk of peace, they talk of security. While we talk of sharing sovereignty, they talk about exercising sovereign power. When we talk about a region, they talk about the world. No longer united primarily by a common threat, we have also failed to develop a common vision for where we want to go on many of the global issues confronting us.¹⁶

Surely, the shock of September 11, 2001 was a defining moment for the United States. But Bildt’s lines are all the more intriguing because it was fighting and winning the Cold War that defined the public personalities of senior Bush administration officials. That was as true for Condolezza Rice, then national security adviser and a former Soviet specialist and now Secretary of State, as it was for Donald Rumsfeld, Secretary of Defense and long-time Cold Warrior. Perhaps the reason different lessons are drawn from September 11th by Europe and the United States derives fundamentally from the asymmetry in power. The Bush officials drew the lesson that freedom could be extended in response to terror and that military power could be the most effective means to extend it. The Europeans drew the opposite lesson—freedom could be extended only by patience and diplomacy with those who were likely to benefit from freedom.

Will this asymmetry in power and preferences for different means strengthen or weaken the alliance over time? There is a long academic debate about whether or under what conditions weaker nations will be drawn into coalition or alliance with a dominant power, the so-called “bandwagon” effect, or whether they will organize and united in opposition to that power in an effort to create a “balance of power” (Walt, 1987; Ikenberry, 2002) In the debate over the Iraq war, some Europeans chose to climb on the bandwagon; others experimented with opposition and balancing. It is not clear, for the foreseeable future which, if either, tendency will prevail. As a group, the European nations appear to be both unwilling and unable to act together to challenge the United States as it acts assertively abroad but they are also reluctant to follow imprudent American leadership and take some quiet satisfaction when American adventurism goes awry. For the time being, much of Europe is neither bandwagoning nor balancing. Rather, it is sitting on the fence.

Toward a Post-Modern Transatlantic Alliance?

While conflict in the Balkans gave some indication of the problems of managing a Cold War alliance in a post-Cold War world, the responses to the attacks of the September 11 provide better indication of the challenges that are likely to face the Atlantic Alliance in the future. Those responses also provide some guidance for the construction of a postmodern alliance able to sustain transatlantic security cooperation well into the twenty-first century.

September 12, 2001 was a stunning day in the history of NATO and the Atlantic alliance. No one in the policy community imagined that Article 5 of the NATO charter that proclaimed that an attack on one was an attack on all would ever be invoked, much less that it would be invoked on behalf of the United States. Yet, on September 12, European newspapers, including those in France, proclaimed that “we’re all Americans now.” European support for an American military response in Afghanistan was quick and decisive, and cooperation during the subsequent fighting was impressive (Bensahel, 2003). Military personnel from 23 European nations participated, though not all took part in combat. Cooperation was primarily bilateral in form, spokes around a US hub. NATO provided the infrastructure even though it was not formally a NATO operation.

The American-proposed invasion of Iraq produced a very different European response, resulting in the lowest of the low points in transatlantic cooperation, worse than anything during the Cold War.¹⁷ It highlighted all of the transatlantic differences outlined in this chapter. Unlike the network of terrorists protected by the Taliban regime in Afghanistan, most Europeans did not feel imminently threatened by Iraq. Iraq was a problem but a problem largely contained. The removal of Saddam Hussein was likely to aggravate problems in Iraq, not resolve them. A plural and decent, if not democratic, regime in Iraq was the desirable outcome but that would come with time and patience; to risk imposing it by force risked producing a much more ominous outcome. Most

importantly, the terrorist threat that all Atlantic nations opposed might be expanded rather than contained or eliminated by American action. Finally, much of Europe acted to oppose Washington knowing full well that they were powerless to prevent American action and powerless too to affect any change in the behavior of Iraqi leadership regarding international inspections for weapons of mass destruction.

If there has been any good news following President Bush's declaration of the end of the war in Iraq, it has been that the worst of transatlantic feuding seems to be in the past. The embarrassing public display among friends who continued to share many common interests was enough to induce leaders on both sides of the Atlantic to try to patch things up.

Moreover, Iraq quite clearly demonstrated the limits of an American strategy of unilateral muscularity. The cost in lives and treasure of both defeating and pacifying Iraq makes it unlikely that the United States will entertain a similar venture any time soon. To be sure, the administration has seen the departure of Syria from Lebanon, as well as democratic openings elsewhere in the Arab world, as evidence of a happy contagion from regime change in Iraq. Still, in dealing with would-be nuclear proliferators, military measures have explicitly been taken off the table in the case of North Korea and all but taken off the table in the instance of Iran.

So, too, both Iraq and North Korea have demonstrated that the Bush doctrine of prevention, a doctrine that Europe vigorously opposed, is increasingly compromised by issues of legitimacy and capacity, particularly US intelligence capacity (National Security Strategy, 2002, pp. 14-15). While the United States has plenty of military power to take on any objectionable regime it chooses, it still lacks the ability to locate and target weapons of mass destruction precisely, a prerequisite for effective preemptive action (Treverton, 2003). In short, military unilateralism, even for the most powerful country "in the history of the world," is not a viable strategy in the contemporary environment. Even in a unipolar world, the sole superpower needs friends and allies.

What kind of alliance is possible after the peak of US unilateral muscularity has passed but the alliance problems brought on by the asymmetry of power in the international system have not? If the Department of State's European Bureau was the enemy of close and harmonious US-European relations during the Cold War, the US military and defense establishment may play that role now. For the US military, cooperating with foreigners, with the exception of the British, is increasingly viewed not only as unnecessary but also as an irritating distraction from important tasks at hand. Paradoxically, it may have become more of a distraction because the three branches of the US military services have recently come to coordinate their own efforts more effectively. During first Iraq war, US Air Force planners said privately that their most troublesome partner was not the British air force or even the French but rather the US Navy, which insisted on doing things its own way. Inter-service coordination was less problematic in the second Iraq war and so planning and cooperation with allies, who were contributing little beyond a symbolic presence, was increasingly distracting.

Still, because the United States needs partners, and partners with some capacity, Europe remains the only viable choice (Gompert and Larrabee, 1997). Japan has modest capacity but it will remain a partner sharply limited by domestic politics, a struggling economy, and by the attitudes of its neighbors. China is focused on internal economic change, and it is not yet clear what role it will play in maintaining international security. Russia is an important player in the war on terrorism but its military capacity is limited, and, to boot, cooperating with Moscow entangles Washington in Russian internal disputes like Chechnya. Given the alternatives, it makes sense to rebuild cooperation with Europe.

In refashioning transatlantic cooperation into a post-modern alliance—one rooted in shared values and tasks, not in military arrangements to contain a foe—several guidelines are critical. The first is to re-establish common purpose and common resolve in the war on terrorism. As support for the war in Afghanistan showed clearly, here is where the United States has the moral high ground. Terrorism poses risks that are shared across the Atlantic, all the more so following the March 11th attacks in Madrid and the July, 2005 bombings in London. Iraq was a military distraction from the war on terrorism that strained the fabric of Atlantic political cooperation. This “war” is not primarily military; rather it is a matter for quiet police and intelligence work, an arena in which European has considerable experience and expertise. A series of recent judicial and administrative initiatives in the European Union have facilitated cooperation. In the wake of the Madrid attacks, the EU created a counterterrorism coordinator.

The war on terrorism will most crucially be centered in the region between Europe and Asia, a region where both Europe and the United States have strategic and economic interests. As Zbigniew Brzezinski put it:

For the next several decades, the most volatile and dangerous region of the world—with the explosive potential to plunge the world into chaos—will be the crucial swathe of Eurasia between Europe and the Far East. Heavily inhabited by Muslims, we might term this sub-region of Eurasia the new ‘Global Balkans.’ It is here that America could slide into a collision with the world of Islam while American-European policy differences could even cause the Atlantic Alliance to come unhinged (Brzezinski, 2003-2004, p. 5).

Managing this part of Eurasia will be crucial, and keeping the emphasis on terrorism will be essential.

The second building block for the new alliance will be for Europe to help in Iraq. Following the US abuses of Iraqi prisoners at Abu Ghraib, it was not clear what form that help might take, for the abuses represented a kind of final failing of American policy there. Some of the bitterness of the trans-Atlantic debate over Iraq has passed, but it has taken some time, and the abuses have replaced bitterness with sadness. For its part, the United States has moved too slowly to reach out to NATO and friends and partners after the war. When it did, it gratuitously slapped France and Germany, in particular, by announcing that no nation that had not participated in the war could apply for reconstruction contracts. The United States

also delayed in carving out a serious role for the United Nations and continues to be ambivalent about the UN's role.

European help in Iraq is crucial because Iraq's postwar fate is crucial for the entire region, a region with which Europe has long and close ties. Democracy in Iraq is likely to be the work of generations, and a European presence, both political and economic, is likely to be critical to a successful outcome. In the short-term, "success" probably means, diminishing Iraqi and Muslim resentment of the United States. That can be facilitated by restoring Iraqi control over matters of governance, sharply reducing US military presence, and encouraging European involvement through trade, investment, and peacekeeping.

A third guideline for rebuilding the alliance is to look for issues where power asymmetries between the United States and Europe create opportunities for cooperation rather than foster disagreements. While the EU lacks the military capacity of its Atlantic partner, it has had a powerful impact on the political and economic shape of regimes in Eastern Europe and the Balkans. The promise of EU membership could not prevent bloodshed in the Balkans, but it has encouraged new states to embrace European norms of good governance and respect for human rights. As such, the EU has played a powerful role in returning some stability to the region. More recently, the lure of membership has re-shaped political discourse in Turkey, resulting in better protection of political and cultural rights for minorities in that country and fostering better economic management and reform.

Pressuring Russia not to intervene in the 2004 Ukrainian elections was what Kagan called a "flagrant act of transatlantic cooperation." The strategy of both the United States and Europe was to persuade Russian President Vladimir Putin that he had more to lose than to gain by manipulating the elections. In a joint exercise of soft power, both argued that Russia's interests would be better served by an independent and democratic Ukraine than by a reassertion of Russian power in the region. Without the prospect of EU association and possible eventual membership, it is unlikely that such a strategy would have been persuasive. The United States and Europe share common interests, but it is the soft power resources of the EU as opposed to the military might of the US that is crucial for the realization of these shared objectives.

The fourth component of a renewed alliance is for the United States, as the primary power, to articulate and to stand for the values that all members of the alliance share but be prudent and patient about their realization within the Atlantic community and elsewhere. I have worked for Democratic administrations, not Republican ones, but one of the things I admire about Republican leaders is that they are not embarrassed about stating their values clearly and pursuing them aggressively. They take public diplomacy seriously, even if they do not always do it well. Democratic administrations, by contrast, are often reluctant to press their own values, worried about being insensitive to those who embrace other cultures. Such reluctance is often interpreted as uncertainty and diffidence about normative claims, characteristics that often confuse rather than advance public diplomacy. As the 2003 Djerejian Commission put it, US inaction had amounted to "a process of unilateral disarmament in the weapons of advocacy over the last decade [that]

has contributed to widespread hostility toward Americans which has left us vulnerable to lethal threats to our interests and our safety.”¹⁸

Articulating values clearly and confidently, however, is not the same thing as crusading for them. Crusades usually fail. American crusades have failed in the past and are likely to fail in the future. Our generation-long crusade against Fidel Castro has been successfully used by the Cuban president as a rallying point for his continued leadership. Demonizing others, as was often our approach to communists and communism during the Cold War and has too often been the pattern of discourse with Islamic leaders, seldom wins hearts or changes minds. When Margaret Tutwiler, the State Department official in charge of public diplomacy and a senior official in several Republican administrations, acknowledges that America’s reputation abroad is so tarnished that “it will take us many years of hard, focused work” to repair it, the consequences of crusading are plain for all to see.¹⁹

Refashioning a post-modern alliance, one based on shared values as much as on shared threats is a harder task of statecraft than the alliance management of the Cold War. The Soviet threat provided a shape to the alliance and a justification for American leadership. The end of the Cold War ended both the shape and the justification. At the same time, the emergence of the United States as a unipolar power in military terms increased the temptation to act unilaterally on one side of the ocean, while risking that leadership would be seen as bullying on the other. Having tried crusading, not to mention preventive war conducted unilaterally, it is time for the United States once again to reach out to its closest allies, those in Europe. The reaching this time around will not produce the kind of cooperation that existed during the Cold War. Too much has changed in the structure of the relationship. But reaching out is still the right thing in very different circumstances. A post-modern alliance might just be possible.

Notes

1 See his *The Breaking of Nations: Order and Chaos in the Twenty-First Century*, (New York: Grove/Atlantic, Inc., 2003). He argues that there are now three kinds of states—pre-modern ones, like Somalia; modern ones, like China and India, that straightforwardly pursue their national interests; and post-modern ones, like the EU and Japan, that operate on the basis of openness, law, and mutual security.

2 As Ton Nijhuis, the academic director of the Germany Institute in Amsterdam, puts it: “The problem with transatlantic relations is not just *what* to think about them but *how* to think about them.” See Nijhuis, 2003, p.7.

3 In a survey conducted in twenty nations in April to May 2003 for the Pew Research Center for the People and the Press, 78 percent of Americans said they had a lot or some confidence in President Bush. In Europe, the percentage ranged from a high of 51 percent in Britain to a low of 20 percent in France.

4 I am grateful to Walter Russell Mead for this vignette.

5 The fifteen EU members before the expansion in 2004 were Austria, Britain, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands,

Portugal, Spain, and Sweden. Ten countries joined the EU in 2004: Greek Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia.

6 For documents on enlargement, including the 2003 Strategy Paper, and the constitution, see http://europa.eu.int/index_en.htm.

7 See Neu and Treverton, 1998. Local interest rates might vary some over the zone, but those variations would be limited because investors always have the option of borrowing elsewhere within the zone.

8 He made that comment in a press briefing, January 23, 2003. For the transcript, see http://www.defenselink.mil/transcripts/2003/t01232003_t0122sdfpc.html.

9 Chirac said they had missed an opportunity to “shut up” when they supported the United States. For his quote, see <http://www.cnn.com/2003/WORLD/europe/02/18/sprj.irq.chirac/>.

10 The seven were “countering global terrorism; making a commitment to security, reconstruction and democratization in Iraq; making a commitment to security, reconstruction and democratization in Afghanistan; promoting a two-state “road map” solution to the Israel-Palestine conflict while maintaining strong support for Israel; insisting on “multilateral” negotiations by the six powers (rather than unilateral negotiations by the United States) for the elimination of North Korea’s nuclear programs and capabilities; endorsing a peaceful resolution of Taiwan’s status through negotiations between the parties, while opposing provocative moves by Taiwan, as well as the use of force by the mainland; demanding that Iran be inspected and monitored to ensure that it forgo nuclear weapons development.” See “A Test to Determine Who Is an Ally: Allies and Interests,” *International Herald Tribune*, July 7, 2004.

11 For my version, see Treverton, 1985.

12 My friend and colleague, Christopher Makins, reminded me of this.

13 From “A Tale of Two Legacies,” *The Economist*, December 21, 2002; and *Financial Times*, January 25-6, 2003.

14 The estimate is by the CIA Strategic Assessments Group, using Barry Hughes’ International Futures Model. See Gregory F. Treverton, *Measuring National Power*, CF-215, (Santa Monica: RAND Corporation, 2005).

15 In fact, by the logic of nuclear strategy, a less vulnerable America would have been *more*, not less, willing to risk nuclear threats to defend Europe, but that was not the politics of the trans-Atlantic argument.

16 As quoted in Thomas Friedman, “The End of the West?” *New York Times*, November 2, 2003.

17 As then Speaker of the U.S. House of Representatives, Jim Wright, said years ago during the long debate over confirming John Tower as secretary of defense, “Everything has been said, but not everyone has said it yet.”

18 Edward P. Djerejian, a former U.S. ambassador, was the chair of the group, officially the Advisory Group on Public Diplomacy in the Arab and Muslim World. See *Changing Minding, Winning Peace*, (Washington, 2003), available at www.state.gov/t/adcompd.

19 *New York Times*, February 5, 2004.

References

- Bensahel, Nora (2003), *The Counterterror Coalitions: Cooperation with Europe, NATO, and the European Union*, MR-1746, Santa Monica: RAND. Available at <http://www.rand.org/publications/MR/MR1746/>.
- Brzezinski, Zbigniew (2003-2004), "Hegemonic Quicksand," *The National Interest*, 74 (Winter).
- Cooper, Robert (2003), *The Breaking of Nations: Order and Chaos in the Twenty-First Century*, New York: Grove/Atlant, Inc.
- Dempsey, John (2003), "NATO Urged to Challenge European Defense Plan," *Financial Times*, October 17.
- Friedman, Thomas (2003), "The End of the West?" *New York Times*, November 2.
- Gompert, David C. and F. Stephen Larrabee, eds. (1997), *Europe and America: A Partnership for a New Era*, Cambridge: Cambridge University Press.
- Hathaway, Robert M. (1994), "Suez, the Perfect Failure: A Review Essay," *Political Science Quarterly*, 109.
- Joffe, Joseph (1981), "European-American Relations: The Enduring Crisis," *Foreign Affairs*, (Spring).
- Kagan, Robert (2004), "Embraceable E.U.," *Washington Post*, December 5, p. B7.
- _____ (2002), "Power and Weakness," *Policy Review*, 112, (June/July) .
- Kissinger, Henry, (1965), *The Troubled Partnership: A Reappraisal of the Atlantic Alliance*, New York: McGraw.
- May, Ernest R. and Gregory Treverton (1986), "Defence Relationships: American Perspectives," in Hedley Bull and W. Roger Louis, eds., *The "Special Relationship": Anglo-American Relations Since 1945*, Oxford: Oxford University Press
- McCullough, David (2001), *John Adams*, New York: Simon and Schuster.
- National Security Strategy of the United States of America* (2002), Washington: September. Available at <http://www.whitehouse.gov/nsc/nss.pdf>.
- Neu, C. Richard and Gregory F. Treverton (1998), "Whither Europe's Economy? (And Can European Politics Survive EMU?)," *Jobs and Capital*, VII, 1 (Winter), pp. 76-9.
- Neustadt, Richard (1970), *Alliance Politics*, New York: Columbia University Press.
- Nijhuis, Ton, (2003), *Transatlantic Relations at a Crossroads*, The Hague.
- Nye, Joseph S. (2004), *Soft Power: The Means to Success in World Politics*, New York: Public Affairs.
- _____ (2002), *The Paradox of American Power: Why the World's Only Superpower Can't Go It Alone*, New York: Oxford University Press.
- Peters, John, et. al. (2001), *European Contributions to Operation Allied Force*, MR-1391-AF, Santa Monica: RAND Corporation.
- Pew Research Center for the People and the Press* (2004), "A Year After Iraq War: Mistrust of America in Europe Ever Higher, Muslim Anger Persists, Report of Survey Results," Washington, D.C., March 16.
- Transatlantic Trends 2003* (2003), Washington: German Marshall Fund of the United States, pp. 10-11.
- Treverton, Gergory (1985), *Making the Alliance Work: The United States and Western Europe*, London and Ithaca: Macmillan and Cornell University Press, 1985.
- _____ (2003), "Intelligence: The Achilles Heel of the Bush Doctrine," *Arms Control Today*, July/August.

Walt, Stephen (1987), *The Origins of Alliances*, Ithaca: Cornell University Press.

Wolf, Charles, (2004), "A Test to Determine Who Is an Ally: Allies and Interests,"
International Herald Tribune, July 7.

This page intentionally left blank

Chapter 5

The ESDP: A Threat to the Transatlantic Alliance?

Christopher Coker

In 1959 C.P. Snow famously stirred up a hornet's nest of controversy when he warned that "advanced western society" was split into two hostile cultures facing each other across a gulf of mutual incomprehension.

For constantly I felt I was moving among two groups—comparable in intelligence, identical in race, not grossly different in social origin, earning about the same incomes, who had almost ceased to communicate at all, who in intellectual, moral and psychological climate had so little in common that ... one might have crossed an ocean (Snow, 1959, p. 5).

It is a passage which could well stand as a commentary for the present state of the Western Alliance. Two cultures with similar intellectual accomplishments, identical in race, and not grossly disparate in income do indeed cross each other across the Atlantic. Intellectually, they are growing apart, and psychologically too. The emotional distance of their respective political elites is alarming. Morally, they are increasingly judgmental of each other's actions.

C.P. Snow, of course, was not talking about the Western Alliance. He was describing the gap in incomprehension between two different elites, one scientific, the other literary. Snow himself was not of one culture. He was both an eminent scientist and a famous novelist. And he was aware (or perhaps should have been) that the division he drew was even at the time a gross caricature. There is no single scientific culture. The scientific community has split into cells, or different fields equally inaccessible to other scientists. It has never been easy to take a uniform view of science which is why one still speaks of the 'sciences'. But if Snow's jeremiad no longer describes the real split between the sciences and humanities it can be quoted to illustrate the growing divide between two different political cultures, Europe and the United States.

Snow ended his article by warning that "advanced Western society" was split into two hostile cultures facing each other across what he termed "a gulf of mutual incomprehension". The same can now be said of the Western alliance if not the whole Western world.

What we find in the alliance is a community linked by similar values, no different from those that brought Britain and the United States together in 1941, but divided by different norms. And insofar—and this is what makes alliance management so intractable—the West, as an alliance, seeks to instrumentalize its values, to promote them, and fight wars in their name, conflicts over norms have become even more pronounced.

Take peacekeeping. “We don’t escort children across the road” Condoleeza Rice notoriously said of the role of the US Marine Corps. “Peacekeeping is for chumps” added Charles Krauthammer. Of course, the US does peacekeeping but it does it differently. Europe is committed to what Jurgen Habermas calls “cosmopolitan law enforcement.” It does it through the United Nations, the Kosovo War excepted. America, writes Krauthammer, does not like UN peacekeeping and it is not difficult to identify a genuine American concern, which is to be found across the party divide. The UN, as someone once remarked, has become indispensable before it has become effective, a first in history, a deeply disturbing one if one happens to be the world’s only superpower.

What these differences illustrate is a growing rift between two distinctive political cultures with their own distinct, indeed competing, set of norms.

Cultures Diverge

The idea of political culture is actually quite recent. The word first gained currency in the 1960s when it was employed to describe the interaction, or interface, of ideas and policies, or instrumentalization of values. Strategic culture is even more recent. It was employed in the 1980s to describe the factors which influence defense policy, particularly how one conducts war and the role one allows war in statecraft. The third phrase which is often used is “way of warfare”. When employed by military historians such as John Keegan and Victor Davis Hanson it describes how culture (including political culture) determines strategic practice. It transcends the “strategic cultures” of the late nineteenth and twentieth century—especially the national strategic cultures that came into existence with the birth of the nation state, and which Liddel-Hart, in the case of Britain, identified in his 1932 book, *The British Way of Warfare*. It is the way which one normatizes one’s attitude to war.

What kind of political culture is the European Union? In many respects, it is still what Francois Duchene called it in 1972, a “civilian power,” short on weapons, long on its economic reach. The challenge Europe’s faced more recently is this: by militarizing itself may the EU at long last be able to act as a real civilian power? For clearly the Union is not what it was in 1972. In the post 9/11 world, civilian power status has been transformed.

We should recall what Duchene wrote in the early 1970s, namely that a civilian power was in the business of defusing civilian and democratic standards so that Europe itself would not fall victim to the power politics of the superpower

world. In the thirty years, however, that have transpired since Duchene first penned his article Europe has changed as a political culture quite dramatically.

It is no longer a West European social construct—a product of the thinking of its Christian democratic founding fathers and a social democratic political elite. With enlargement into Eastern and Central Europe it has had to embrace very different political cultures with very different historical experiences.

Second, it is no longer culturally homogenous. Its future will be determined by a new set of challenges that globalization has thrown up. Asylum seekers and migrants from the Middle East and North Africa have all added to its multicultural mix.

It is also living in a very different world from that of the early 1970s. The rise of the environmental movement was the first manifestation of a global civil society which has its own views on security matters. Since the 1970s, it has sought to syndicate its values through the market and to create a new normative regime whose landmarks include the International Criminal Court and the Kyoto Treaty, neither of which the United States has signed. Moreover, in infusing its values in the marketplace, the EU has managed to persuade even American companies to fall into line with its own standards with respect to mergers and acquisitions, data protection, and genetically modified food. It has persuaded Turkey to suspend the death penalty and Poland to change its legislation forbidding foreigners to own land.

A civilian power, of course, as Duchene defined it in the 1970s was one that had economic influence but little military power. Indeed, it was one dedicated to the proposition that military force should play little role in its national politics. Today, this too has changed. The Europeans now recognise, belatedly to be sure, that in today's security environment one cannot be a civilian power unless one is willing to militarily underwrite the values one syndicates. This changed thinking is clearly set out in the EU's Security Strategy for 2003 in which it is clearly recognized that if Europe wants international organizations and international regimes to be effective it must be ready to act when the rules are broken.

In terms of the strategic culture it has become, the world has changed enormously too. Back in the 1970s, the strategic environment was very different. It was one in which war itself as an instrument of policy of statecraft had been discredited by the American experience in Vietnam. The 1970s were arguably the most peaceful decade in Europe. For despite, or perhaps because of, the post-Prague Spring, the new CSCE system aimed to stabilize the post-war partition of Europe and through Ostpolitik the two Germanys established a more constructive relationship with each other.

The strategic environment today is very different. The end of the Cold War has removed a single Soviet threat and transformed a security community into a risk community. Globalization has confirmed the decline of strategic geography and the rise of indivisible threats. The end of the division of Europe has permitted the enlargement of the European Union. Security (in terms of NATO membership) has become a tool of integration. And intervention in the western Balkans made it necessary for Europe to think in terms of enforcing its values at the same time. In

that respect, Kosovo (1999) should be seen not only as NATO's first conflict but also the EU's first war, one that was sold to European public opinion in terms of the commitment to building a "humane Europe"—a "pan-European community of values." It was a war that was justified by East Europe's most eloquent spokesman Vaclav Havel, in terms of a "transnational moral order" that overrode the sovereignty of states (Coker, 2002, p. 79).

The Germans went even further arguing that they were not at war but engaged in a *Friedenspolitik*, or peace policy (a term with no meaning outside the European context in which it was formulated). The Europeans, indeed, went to great lengths to define a specific European responsibility. Logically, it followed after the war that they needed a European security and defense identity, and that is what they have pursued ever since.

And finally, since September 11 Europe has faced up to a new security environment in which the local has global consequences. September 11 should not be seen in its own terms only but also those of globalization. As Tony Blair had observed some years before in a speech in Chicago, globalization requires a "security dimension." Globalization has forced the EU to think strategically for the first time, but to conceive of security in a different way from its chief ally, the United States.

In other words, if the EU remains a "civilian power," it is not the power it was back in 1973. Certainly, the Europeans are out of the war business with each other even if the spectre of a return to European civil war is still sometimes invoked, as it was most recently in the preamble to the Maastricht Treaty (1992), and more recently still in a speech by Chancellor Kohl in 1997. Indeed, for that very reason, its founding myth remains that of World War I.

All political communities have founding myths which are usually based on war. In the case of the United States, there are two myths: the War of Independence in 1776 and the American Civil War. In the first, the citizen's rights to bear arms today reflects the fact that without their intervention the United States would never have come into being in the first place. The American Civil War, by contrast, reaffirmed the values asserted in the American Revolution but not always observed in the South. In the case of Europe, the founding myth is also one of war, but war of a very different kind. For the French and Germans (perhaps more than for the British), it is the Battle of Verdun, a battle in which 700,000 soldiers died in an area little larger than the combined acreage of the London Parks. In the late 1930s, French veterans returning to the battlefield to commemorate the Fallen began to celebrate the battle not so much as a French victory, or even a German defeat, so much as a European catastrophe.

In a film by Abel Jance "*J'accuse*," Europe is seen preparing for the next war. "*Aborts de Verdun—levez vous!*" (Arise dead of Verdun) cries a deranged veteran at the heart of the film and the dead do just that, emerging from their mass graves to reproach the living. Caught on the screen as in life, an army of ghosts in rotting uniform with close-ups of disfigured faces (*les gueules casses*—broken mugs in the patois of the time) reproach the living for producing a second disaster. It

was in the battle's shadow that European integration was born (Sontag, 2003, p. 26).

So if war has forced the Americans and Europeans to reaffirm their identity, it has also encouraged them to see war in a very different light. In the European case, Verdun is the symbol of how a war can be transcended into permanent peace. As Havel once wrote, with the history of Europe in mind, "transcendence is the only real alternative to extinction" (quoted in Bauman, 2004, p. 35).

What is especially interesting about the United States is that both founding myths have allowed it to marry two visions of western life which had been in conflict in the past thirty years—the celebration of the West for its democratic vision, and the condemnation of the West for militarism and imperialism (the usual critique of the Left). Instead of seeing these as irreconcilable, the Americans tend to see them as inseparable. Without democratic accountability they would not enjoy the military power they deploy today, and without military power they would not be able to make the world safe for democracy. For the Europeans, democratic power is an alternative to military power. This is a huge cultural chasm. To see the world through the eyes of the other requires a normative leap of faith—a leap too far.

Policing the Near Abroad

This difference in norms is most graphically illustrated in the field of security. By 2007 for example, the US, on current projections, will spend more on defense than every other country put together. Even were this not the case, the military imbalance between the US and Europe is now so critical that it raises important questions about whether American and European troops can continue to coordinate operations, or be factored into American planning.

The EU does not do war, but it does do policing. Formal consultation arrangements have been concluded with Canada, Russia, and Ukraine, while Brussels has a permanent consultative dialogue in crisis management with all the applicant countries as well as the non-EU members. This is really a DIY (Do-It-Yourself), improvised, informal form of peacekeeping based on risk assessment and the early monitoring of states of concern. If the US tackles rogue states, Europe tackles failing societies and keeps a "watch list" of which of them are most at risk. With a projected Rapid Reaction Force of 60,000 men, its ambition is to police Europe's "civil space." Policing that space, of course, means instrumentalizing values in ways that are specific to the EU.

In conceptualizing security in these terms, the Europeans are acting by the light of their own understanding of how the world works which, in turn, is rooted in their own experience: the recognition that their freedom of action is limited. A transnational community such as the EU is only as strong as the transnational states that make up its individual members. And the transnational state is one that does policing by joint venture.

In the transnational progressivist community that Europe has become, power is increasingly shared and risks distributed. This is a world of overlapping power networks which involve NGOs. Sovereignty is now shared. Politics increasingly involves a partnership between the public, private, and voluntary sectors. Take the EU's Humanitarian Office (ECHO) which is already active in some 80 countries, or the European Agency for Reconstruction (EAR) which funds everything from mine clearance to the repair of infrastructure (energy/supply). Third is the European Bank for Reconstruction and Development (EBRD) which in true transnational fashion aims at encouraging private sector development of investment and economic reform. This is a partnership system. ECHO acts through subcontracts to some 200 NGOs. Cooperation and consultation are its norms; the distribution of risks its rationale.

These organizations are the building blocks of what David Held calls "a cosmopolitan democratic view". Unfortunately, humanitarians and liberal international lawyers are increasingly disappointed to find that American power, especially its military power, cannot be integrated into this trans-national legal and economic order.

The reason for that is normative. In the rise of global governance the Americans—true to their own understanding of norms—find both a disembodied politics and a disempowered political community. They are critical of the Europeans for divorcing politics from power. For a century or longer the marriage of the two was represented vividly in the growth of international law and the triumph of multi-nationalism. Multilateral institutions such as the IMF and the World Bank still dispose of economic power and they are very much the creature of politics, hence the "Washington consensus"—the US view about global economic management. It is the global framework of multilateralism that gives American power its "constitutional characteristics," as well as what John Ikenberry calls "a semi-legalistic right of restraint" over those powers such as Iraq that are deemed to challenge international law, or to subvert international security. (Ikenberry, 2001, p. 359)

Ultimately, the Americans suspect that the European transnational state lacks the cultural ruthlessness which the exercise of power demands. Is international security best underwritten by trans-nation progressivism, or what the British diplomat Robert Cooper calls "old fashioned double standards," the standards of an earlier era (Cooper, 1996, p. 44)? Is it best secured by practices such as force, deception, and pre-emptive strikes? Is international law best secured by the norms and values of global governance or by the inter-state networks and institutions of our present multilateral world? Perhaps trans-national states can best promote "sustainable development," environmentalism or even fight "humanitarian wars" (such as Kosovo). But in the hard world of the war against terrorism, the use of force may well be the most important currency of power.

Transnational Use of Force

To understand what makes the EU's use of force "transnational," it is worth looking at the school of "sociological institutionalism" which is rapidly gaining ground in International Relations theory. Most members of the school are strongly of the opinion that organizational practices (or institutions) mold the preferences, identities, and interests of actors in the social world. The institutions of the EU, for example, were always, over time, likely to produce specific "outcomes", or specific behaviour or policy norms.

Institutions influence behaviour by providing the cognitive scripts, categories and models that are indispensable for action. Not least because without them the world and the behaviour of others cannot be interpreted. It follows that institutions do not simply affect strategic calculations of individuals, as rational choice institutionalists contend, but also their most basic preferences (Hall and Taylor 1996, p. 15).

What distinguishes the school is its claim that organizations often adopt practices (or opt for policies) not because they advance the means/ ends efficiency of the organization concerned but because they enhance its social legitimacy. In other words, the fact that the EU pursues inter-government bargaining and "consensus politics" can be explained, in part, by the extent to which the Europeans expect this of each other.

In the realm of foreign policy merely the attempt to formulate a common security policy has had a distinct affect on national identity and ideas.

This outside-inside process modifies the perpetual operation of domestic differences and it comes from the way in which attempts to create particular common foreign policies ... are part of the process of creating a collective memory based on shared myths out of which whatever principles come to be important to EPC can be read back. They stimulate a consciousness and a debate about what Europe ought to be doing in the world (Hall and Taylor, p. 16).

If these developments have made it increasingly difficult for European governments to mobilize public support for war then this, in turn, may be explained by the way transnational states reach their decisions. The European Union is used to collective bargaining and compromise both at the national and supranational level. Consensus and compromise are the preferred ways in which it reaches its decisions—and the inter-governmental bargaining process is often a long one. Even at the national level, transnational democracies tend to function on the notion of consensus politics, governed by party coalitions who owe their electoral success to proportional voting.

Consensus politics makes enemy stereotyping difficult even in domestic politics which is why Ulrich Beck can talk of something historically new—"a democracy without enemies" (Beck, 1996, p. 23). Democratic peace theory tells us that democratic policy makers need to mobilize so much public support for war that war becomes increasingly difficult to resort to as an instrument of policy.

Within a transnational society in which national identity is weakened and which the state is increasingly sensitive to global public opinion public support for war is likely to be more elusive still. And it is likely to be highly sensitive to events such as an attack on a convoy of refugees or the accidental bombing of a school or hospital. The Kosovo War was not so much won as “spun”—and spin doctors are a feature of transnational states. Winning in the old sense, decisively and conclusively, is becoming more and more difficult. Even for the United States. But it is far more difficult for the Europeans.

For their clear normative preference for arriving at decisions through summitry, lobbying and intensive bargaining appears to render them incapable of what the US Chiefs of Staff describe as “decision superiority.” In a world of risks rather than threats such superiority may make the difference between success and failure in risk management. The importance of decision dominance was identified years ago by Liddel Hart:

Decisive results come sooner from sudden shocks than from long drawn out pressures. Shocks throw the opponent off balance. Pressure allows him time to adjust (Hart, 1932, p. 121).

In the way in which the Kosovo War was dominated by committees who determined the targets and frequently quibbled over the targeting, the Americans saw a transnational warfighting “style,” if not culture. And what they saw convinced them that they should never again prosecute a war in the same way.

Military Power and Advocacy Networks

Any prospect of future military co-operation between Europe and the US is also made difficult by particular weapons systems which are at the heart of American military strategy. In this dialogue, states are finding they have little room for maneuver. Take two examples—depleted uranium and cluster bombs. In its native state uranium comprises highly radioactive U-235 and less active U-238. U-235 is used in reactors and atomic weapons. Once it is extracted, the rest is depleted uranium (DU). DU-tipped munitions are deployed in an anti-armor role on the US A-10 “Tankbuster” aircraft and the British Challenger 2 tank. Armored penetration is improved by concentrating the force of a shell into as small an area as possible. The denser the projectile, the harder the impact. The US fired 31,000 such shells during the Kosovo conflict and another 10,000 during peacekeeping operations in Bosnia. The problem is that uranium is “pyrophoric:” at the point of impact, it burns away into vapour so the projectile stays sharp. It also leaves behind uranium dust which is poisonous if inhaled.

After Kosovo, a storm of protest brought into question Europe’s use of DU shells in the future. Portugal’s Prime Minister Antoniou Guterres remarked that his country would have to think twice about trusting NATO again. A poll found 71 percent of the population thought troops should not be sent to the Balkans. Germany and Italy have officially called for a moratorium on DU use. In

each case government reaction was influenced by NGO advocacy. The UK-based Campaign Against Depleted Uranium (CADU) has links to the wider European Network Against Depleted Uranium (ENADU). The Dutch-based World Information on Energy is another grass-roots organization which acts as an information and networking center for citizens and groups concerned about radiation. Both of these groups organized a series of demonstrations such as the International Action Week in January 2001.

The use of cluster bombs in Kosovo sparked off another embarrassing debate. The cluster bomb is a metal canister dropped from aircraft or artillery. At pre-set times or altitudes it opens and releases submunitions. Not all of them, however, detonate; many lie on the ground exploding when touched like “victim activated” landmines. During the Kosovo war, the Campaign for a Transparent and Accountable Arms Trade questioned whether bombing from 35,000 feet made it impossible to control collateral damage effects. Amnesty International criticized the use of cluster bombs near Nis for creating particularly hazardous situations for civilians. The UK Working Group on Landmines accused NATO of concealing the number of civilian victims who had been harmed. In this climate of opinion it is becoming increasingly difficult to defend the use of cluster bombs, or to argue that they are not a form of landmine, now banned under the Ottawa Convention by all Western countries except the United States (Green Cross, Undated).

Environmental protest groups may be next in line to question American security policy. Already the environmental restraints that the US itself has imposed on its forces are deemed by some critics to have seriously compromised military effectiveness. They might be much more compromising had the US signed up to the Kyoto Accord. For America emits more than a third of all the world’s carbon dioxide, and in the US the federal government is by far the largest single energy user. A 1997 briefing paper for the Pentagon’s own Environmental Office evaluated the impact of the 10 percent reduction in carbon dioxide emissions that the Clinton administration had imposed:

- for the *army* a reduction in the amount of operations and training to “a level that would downgrade unit readiness and require up to 6 additional weeks to prepare and deploy;”
- for the *navy* a reduction of some 2000 steaming days per year from training operations;
- for the *airforce* a loss of 210,000 flying hours per year which had made it impossible to meet all of the requirements of the National Military Strategy (*Wall St Journal*, 7 April, 2003).

As a result, it came as no surprise to some military commentators that the accidents and mishaps resulting from insufficient training and battlefield simulation exercises were so numerous in Afghanistan and most recently, Iraq.

The Second Gulf War has added another factor to the debate. The British army may soon be under pressure from European advocacy groups to change its targeting criteria so that troops no longer fire upon unarmed or unarmored vehicles

merely suspected of carrying belligerents such as fedayeen. In principle, there is no end to the scope for delimiting the military's actions. As long as war is seen in terms of a joint venture with the voluntary sector, the Europeans will continue to carve out a "way of warfare" distinctive to themselves.

Whereas the Americans still think of war in Clausewitzian terms, as a "continuation of politics by other means," the Europeans tend to see it differently, as the promotion of international law by other means. This is what being a civilian power means in the early twenty-first century. It is required by its understanding of war and use of military force. As a West Point military lawyer, Michael Newton, puts it, Europeans prefer "lawfare" to warfare—they prefer to pursue traditional strategic objectives by using legal maneuvers, and when the use of force becomes unavoidable, they prefer to constrain it severely with legal norms (Newton, 2004).

Conclusion

In the end what divides the alliance is a different set of ethics. *The Europeans have an ethics of conviction; the Americans an ethics of responsibility.* I borrow the term from Max Weber. In contrasting the two different ethical systems Weber wrote that "it is not that the ethic of conviction is identical with irresponsibility, nor that the ethic of responsibility means the absence of principled conviction" (Gerth and Mills, 1997). If transnational organizations and countries are often less attuned to the consequences of the breakdown of order in the world, it would be wrong—following Weber's logic—to accuse them of being indifferent to the consequences of their own actions. What Weber meant was that a nation that subscribes to an ethic of responsibility tends to make allowance for the shortcomings of other people: "He has no right as Fichte correctly observed to presuppose goodness and perfection in human beings." Those who subscribe, by contrast, to an ethics of conviction are bound to reject any action which employs morally dangerous means (Lassman and Spiers, 1994, pp. 359-69).

Might we add then, after Weber, that many NGOs who espouse the ethics of conviction or countries such as France during the Iraq crisis, believing they occupy the moral high ground, cannot bear "the ethical irrationality of the world". Are they inclined to fall back on what Weber calls "cosmic—ethical rationalism?" Do they have a skewed view of politics because of a culturally deep aversion to the use of force as an unethical means? Both need to be reminded that the ethics of responsibility, like the ethics of conviction, are expensive in their different ways.

Let me offer two examples by way of conclusion. The first is the International Criminal Court. Quite apart from the fact that the Europeans engaged in a 'ethical irrationality' themselves when they failed to press the new government in Belgrade to extradite Milosevic to the Hague and waited for the United States to demand it, the Europeans are quite oblivious at times to the dynamics of responsibility where it involves the transfer of risk. Why should the US offer pro-bono humanitarian intervention in Kosovo—or anywhere else for that matter—if it risks being held to account for breaches of international law, or collateral damage

to civilians? Since the US practices war differently, relying on high firepower and high intensity operations, then the risks it runs of prosecution will be greater than those invited by Europe. In addition, as the world's only superpower it has to be much more attentive to the risk to its own soldiers, as well as the risk of failure in the form of political fallout. In short, there is a much greater incentive for it to transfer its risks to the enemy than there is for the Europeans.

But the United States also has its blind spots, especially when pursuing the war against terrorism. The US may subscribe to the ethics of responsibility, but this often blinds it to the fact that responsibility does not come cheap. Excessive risk aversion of its forces in Bosnia and Kosovo explains, in part, why so little political progress has been made in either. In Bosnia, the locals called the Americans "Ninja Turtles," or more charitably, "Prisoners of Peace," so reluctant were they to venture out of their barracks. Excessive force protection often negates their presence. Their reluctance to complete the job in Afghanistan is likely to prove a disaster for the country.

The ethics of conviction and the ethics of responsibility: both form the two instrumental ways in which Western values are translated into norms. The ethics of conviction is also the driver of the European Security and Defense Policy (ESDP)—one that threatens in its one dimensionality to drive Europe and the US further apart. In this respect, ESDP is indeed a threat to what is left of transatlantic unity—but it is a risk the Europeans seem willing to take.

References

- Bauman, Zygmunt (2004), *Europe: An Unfinished Adventure*, Oxford: Polity Press.
- Beck, Ulrich (1996), *Democracy without Enemies*, Cambridge: Polity.
- Beech, Hugh (2001), 'Cluster Bombs: A Case For Banning', *ISIS Briefing Paper 71*, February.
- Coker, Christopher (2002), *Globalisation and Insecurity in the Twenty-first century: NATO and the management of Risk*, London: IISS, Adelphi Paper. No. 345.
- Cooper, Robert (1996), *The Post Modern State and the World Order*, London: Demos.
- Gerth, H.H. and C. Wright Mills (1997), *From Max Weber: Essays in Sociology*, (London: Routledge.
- Green Cross International Position Paper*, 'The Balkans—endangered environment as a humanitarian concern', see <http://www.gci.ch/GreenCrossprograms/legacy/yugoslavia/balkanposition.html>.
- Hall, P. and R. Taylor (1996), 'Political Science in the three institutionalism,' Max Planck Institute, *Discussion Paper*, June.
- Ikenberry, G. John (2001), *After Victory: Institutions, Strategic Restraint and the Rebuilding of Order after Major Wars*, Princeton, New Jersey: Princeton University Press.
- Lasman, M. and R. Spiers, (eds) (1994), *Weber: Political Writings*, Cambridge: Cambridge University Press.
- Liddell-Hart (1930), *The Real War*, Boston: Little, Brown.
- McGrath, Rae (1999) 'Kosovo: A Wasteland Called Peace', June, *The Campaign for a Transparent and Accountable Arms Trade*, see <http://www.icbl.org/resources/raejune99.html>.

Snow, C.P. (1959), *The Two Cultures*, London: Routledge and Kegan Paul.

Sontag, Susan (2003), *Regarding the Pain of Others*, London: Hamish Hamilton.

Wall Street Journal (2003), 7 April.

PART III

ECONOMIC RELATIONS

This page intentionally left blank

Chapter 6

The Euro and Transatlantic Relations

Benjamin J. Cohen

Introduction

How will the euro affect transatlantic relations? Even while partners in a political and military alliance, Europe and the United States have long been rivals in monetary affairs. Until recently, however, it was a rather one-sided contest, since Europe had no currency—not even the fabled Deutsche mark (DM)—that could effectively match the US dollar as international money. Now Europe has the euro, which many have predicted will quickly emerge as a potent competitor to America's greenback. Could growing rivalry between the dollar and the euro endanger the larger European-American partnership?

The dollar today is the only truly global currency, used for all the familiar purposes of money—medium of exchange, unit of account, and store of value. Resentment has long simmered among Europeans sensitive to the inordinate power that the greenback gives the United States—America's "exorbitant privilege," in Charles De Gaulle's memorable phrase. The European Union (EU) is the equal of the United States in economic output and trade. Why should it not be America's equal in monetary matters, too? For many Europeans, this is the "hidden agenda" of the Economic and Monetary Union (EMU). Some degree of monetary conflict, therefore, would seem inevitable. In turn, monetary conflict could spill over into a broader geopolitical confrontation.

Can the dominance of the dollar be challenged? The answer to this critical question comes first by looking at the logic of market competition and second by examining government preferences. Treating the logic of market competition alone, the answer is clear. Despite its recent travails in the exchange markets, the dollar will continue to prevail as the world's only truly global currency. The euro will of course dominate monetary relations within the European region and may even extend its influence to some neighboring areas, such as the Mediterranean littoral or sub-Saharan Africa. But elsewhere, for the foreseeable future, Europe's new money is fated to remain a distant second to the greenback, however much many Europeans would prefer otherwise.

Once we factor in government preferences, however, the outlook becomes cloudier. The Europeans can be expected to make every effort to promote the

market appeal of their new currency. The greenback's global dominance will not go unchallenged. But will Europe go further, to seek formation of an organized monetary bloc with foreign governments? That is less certain. At the present time, there seems little reason to believe that Europeans are prepared to push currency confrontation with the United States to the point where it might jeopardize more vital political and security interests. The risk of a serious collision, accordingly, appears low. Mutual restraint, I argue, is the much more likely scenario.

The Stakes

What is at stake? Broadly speaking, currencies may be employed outside their country of origin for two purposes—for transactions between nations and within foreign states. The former is conventionally referred to as international currency use or currency internationalization; the latter goes under the label currency substitution and can be referred to as foreign-domestic use. For both purposes America's greenback today is indisputably the global leader, privileging the United States both economically and politically. The stakes, in fact, are considerable. Four distinct benefits may be cited.

Most familiar is the potential for seigniorage. International use of a national money generates the equivalent of a subsidized or interest-free loan—an implicit transfer that represents a real-resource gain for the issuing economy. Consider, for example, the widespread foreign circulation of Federal Reserve notes, which are a form of non-interest bearing liability. Authoritative studies put the value of all Federal Reserve notes in circulation abroad at between 50 and 70 percent of the total outstanding stock—equivalent at the turn of the century to between \$275 billion and \$375 billion in all (Porter and Judson, 1996; US Treasury, 2000). Estimates also suggest that as much as three-quarters of the annual increase of US notes now goes directly abroad, up from less than one-half in the 1980s and under one-third in the 1970s. Updating earlier estimates, current interest savings from foreign circulation of the greenback may be conservatively calculated at \$16-22 billion a year (Frankel, 1995; Blinder, 1996). To this may be added a saving of interest payments on US government securities, which are uniquely attractive to foreign holders because of their greater liquidity. Economists Richard Portes and H el ene Rey call this an "often neglected source of seigniorage to the issuer of the international currency" (1998, p. 309). In their words: "This international currency effect reduces the real yields that the United States government has to pay"—a "liquidity discount" that they suggest could amount to at least \$5-10 billion a year (1998, p. 309). Put these numbers together and, paraphrasing former Republican Senator Everett Dirksen's celebrated remark about the Federal budget, we are beginning to talk about real money.

A second gain is the increased flexibility of macroeconomic policy that is afforded by the privilege of being able to rely on one's own currency to help finance foreign deficits. Expanded cross-border circulation reduces the real cost of adjustment to payments imbalances by internalizing through credit what otherwise

would be external transactions requiring scarce foreign exchange. In effect, it reduces the role of the balance of payments as a constraint on policy formulation and implementation. How else could the United States have run current-account deficits for so long without any noticeable impact on domestic monetary or fiscal policy? Increased macroeconomic flexibility makes it easier for Washington to pursue strategic goals abroad, whether economic or political, without worrying about where the money is coming from.

Third, more psychological in nature, is the gain of status and prestige that accompanies market dominance. Money, as I have written elsewhere, has long played a key symbolic role for governments, useful—like flags, anthems, and postage stamps—as a means to cultivate a unique sense of national identity (Cohen, 1998). But that critical role is eroded to the extent that a local currency is displaced by a more popular foreign money, especially a money like the dollar that is so widely used. Through its use, foreign publics are constantly reminded of America's elevated rank in the community of nations. "Great powers have great currencies," Nobel laureate economist Robert Mundell once wrote (1993, p. 10). In effect, the dollar has become a potent symbol of American primacy—an example of what Joseph Nye calls "soft power," defined as the ability to exercise influence by shaping beliefs and perceptions. Though obviously difficult to quantify, the role of reputation in geopolitics should not be underestimated.

Finally, there is the gain of "hard" power that derives from the monetary dependence of others. On the one hand, an issuing country is better insulated from outside influence in the domestic arena. On the other hand, it is also better positioned to pursue foreign objectives without constraint or even to exercise a degree of coercion internationally. As political scientist Jonathan Kirshner reminds us: "Monetary power is a remarkably efficient component of state power... the most potent instrument of economic coercion available to states in a position to exercise it" (1995, pp. 29, 31). Money, after all, is simply command over real resources. If a country can be denied access to the means needed to purchase vital goods and services, it is clearly vulnerable in political terms. Kirshner lists four ways in which currency dependence can be exploited: (1) enforcement—the manipulation of standing rules or threats of sanctions; (2) expulsion—the suspension or termination of privileges; (3) extraction—the use of the relationship to extract real resources; and (4) entrapment—the transformation of a dependent state's interests. The dollar's widespread use puts all of these possibilities in the hands of Washington policymakers.

Admittedly, there are limits to these benefits, as the United States has been reminded lately. Swelling US payments deficits have put the greenback under great strain, risking an erosion of America's privileges. The risk has grown with the creation of the euro, which makes it easier for market actors to switch allegiance. In the first years of the new millennium, the greenback has lost roughly a quarter of its overall value in exchange markets; against the euro alone, the drop has been closer to half. The longer the dollar's depreciation continues, the greater will be the pressure on Washington to address it. In economic terms, this could mean higher interest rates, reducing both seigniorage income, on a net basis, and

macroeconomic flexibility. In political terms, both the prestige of the dollar and America's hard power abroad could gradually suffer. But even admitting such limits, there seems little doubt that on balance there are advantages here of considerable significance. The stakes are high indeed.

The Logic of Market Competition

Can the euro challenge the dominance of the dollar? Many have predicted that Europe's new currency will quickly match, and perhaps even surpass, the dollar's global popularity. But the logic of market competition, I contend, suggests otherwise. In pursuit of their own interests, market actors will continue to give a distinct preference to the dollar, current strains notwithstanding.

Barriers to Displacement

Displacement of a dominant international money is not easy, for two reasons—first, because the qualities required for competitive success are highly demanding; and second, because of inertia, a conservative tendency characteristic of monetary behavior.

Fundamentally, currency choice in the global marketplace is shaped by three sets of attributes. First, at least during the initial stages of a money's cross-border use, is widespread confidence in its future value. This confidence derives in large measure from a history of political stability in the country of origin. Second are the qualities of "exchange convenience" (a high degree of transactional liquidity) and "capital certainty" (reasonable predictability of asset value). The key to both these qualities is a set of well developed financial markets, sufficiently open to ensure full access by non-residents. Markets must not be encumbered by high transactions costs or formal and informal barriers to entry. They must also be broad, with a large assortment of instruments available for temporary or longer-term forms of investment. And they must be resilient, with fully operating secondary markets for most if not all financial claims. Third, a money must promise a broad transactional network, since nothing enhances a currency's acceptability more than the prospect of acceptability by others. Historically, this requirement has usually meant an economy that is large in absolute size and well integrated into world markets. The greater the volume of transactions conducted in or with a country, the greater are the potential network externalities to be derived from the use of its money. Few currencies meet all these demanding conditions.

Moreover, even with the requisite attributes, displacement is difficult because of inertia in currency choice. The principle source of inertia is the pre-existence of already well established transactional networks, which generate a well documented stickiness in user preferences—what specialists call hysteresis or ratchet effects. In effect, prior use confers a certain natural advantage of incumbency. Switching from one money to another requires expensive financial adaptation. Considerable effort must be invested in creating and learning to use

new instruments and institutions, with much riding on what other market agents may be expected to do at the same time. As attractive as a given money may seem, therefore, adoption will not prove cost-effective unless others also appear likely to make extensive use of it.

Inertia is also promoted by the exceptionally high level of uncertainty that is inherent in any choice between alternative moneys. Uncertainty encourages what psychologists call “mimesis,” the rational impulse of risk-averse actors, in conditions of contingency, to minimize anxiety by imitative behavior based on past experience. Once a currency gains a degree of acceptance, its use is apt to be perpetuated even after the appearance of powerful new competitors. In effect, a conservative bias regarding currency choice is inherent in the dynamics of the marketplace.

The salience of inertia is well illustrated by the dollar’s own experience when it first began to rival the pound sterling, the dominant currency of the nineteenth century. Even after America’s emergence as the world’s richest economy, it took decades for the greenback to ascend to top rank among currencies. As Paul Krugman has commented, “... the impressive fact here is surely the inertia; sterling remained the first-ranked currency for half a century after Britain had ceased to be the first-ranked economic power” (1992, p. 73). Similar dynamics have been evident for millennia in the prolonged use of such international moneys as the Byzantine solidus (otherwise known as the bezant) or the Spanish silver peso (later known as the Mexican silver dollar) long after the decline of the imperial powers that first coined them (Cohen 1998, ch. 2). Such inertias are very much the rule, not the exception, in global currency relations.

Exceptional or not, even the most stubborn inertias can in time be overcome, as these historical examples also illustrate. But to defeat the conservative bias in market behavior, a new contender must do more than merely *match* the attributes of the existing incumbent. It must be able to offer substantial *advantages* over its established rival. The dollar was able to do that in relation to sterling once New York overtook London as the world’s pre-eminent source of investment capital. The problem for the euro is that for the foreseeable future it cannot realistically hope to offer comparable advantages in relation to the dollar.

In principle, prospects for the euro should be bright, particularly following its rapid recent appreciation in exchange markets. Europe’s new currency started life in January 1999 with many of the attributes necessary for competitive success already well in evidence. Together, the twelve current members of the Economic and Monetary Union—familarly known as the euro area or euro zone—constitute an economy nearly as large as that of the United States, with extensive trade relations not only in the European region but around the world. The potential for network externalities is considerable. Likewise, the euro zone started with both unquestioned political stability and an enviably low rate of inflation, backed by a joint monetary authority, the European Central Bank (ECB), that is fully committed to preserving confidence in the euro’s future value. Much room exists, therefore, for a quick ascendancy, as frequently predicted. Typical is the attitude of Robert Mundell, who expresses no doubt that the euro

“will challenge the status of the dollar and alter the power configuration of the system” (2000, p. 57). In the oft-quoted words of Jacques Delors, former head of the European Commission, “*le petit euro deviendra grand.*”

In practice, however, the outlook for the euro is anything but rosy, despite the currency’s recent appreciation. Short-term movements of exchange rates should not be confused with longer-term trends in use for investment or transactional purposes. With each passing year, it becomes increasingly clear that serious obstacles lie in the path of the euro’s ascent as an international currency. Within the European region, of course, the euro will dominate easily, and its influence may soon extend to some neighboring areas around the Mediterranean and to sub-Saharan Africa. In these nearby locales the euro is the natural currency of choice given Europe’s long history of colonial and post-colonial economic involvement. As one European economist has remarked, “This is the euro’s turf” (Wyplosz 1999, p. 89). But that appears to be as far as the new money’s domain will expand due to market forces alone. Virtually all the growth of cross-border use of the euro since its introduction has occurred within the euro’s immediate neighborhood (ECB, 2003). Elsewhere, left to the logic of market competition, the currency seems fated to remain a distant second to the greenback. In a recent analysis, I spell out three critical reasons for this negative assessment of the euro’s prospects (Cohen, 2003b).

Transactions Costs

The first reason is the cost of doing business in euros, which directly affects the currency’s attractiveness as a vehicle for foreign-exchange transactions or international trade. Euro transactions costs, as measured by bid-ask spreads, are historically higher than those on the more widely traded dollar. Whether they can be lowered to more competitive levels will depend directly on what happens to the structural efficiency of Europe’s financial markets. On the face of it, prospects for euro transactions costs look good. In purely quantitative terms, the introduction of the euro promises to create the largest single-currency capital market in the world; and that expansion, in turn, should trigger major qualitative improvements in depth and liquidity as previously segmented national markets are gradually knitted together into an integrated whole. As a practical matter, however, progress to date has been disappointing, owing to stubborn resistance to many market-opening measures. Consequently, it is not at all clear that the euro’s promise in this respect can ever be fully realized. As a recent EU report on Europe’s financial markets, the so-called Lamfalussy Report, firmly insisted: “The European Union has no divine right to the benefits of an integrated financial market. It has to *capture* those benefits” (European Union, 2001, p. 8). So far, at least, the EU has not done a very good job of doing so.

In certain key respects the dollar’s advantages will persist no matter what the EU does. Most important is the lack of a universal financial instrument in Europe to rival the US Treasury bill for liquidity and convenience. This deficiency will be difficult, if not impossible, to rectify so long as the Europeans, with their

separate national governments, lack a counterpart to the Federal Government in Washington. Full consolidation of the euro zone's markets for public debt is stymied by the persistence of differential credit and liquidity risk premiums among participating countries as well as by variations in legal traditions, procedures, issuance calendars, and primary dealer systems. Market segmentation has also been prolonged by intense competition among governments to establish their own issues as EMU benchmarks.

It is unlikely, therefore, that anticipated efficiency gains, though substantial, will soon suffice on their own to drive the dollar from top rank. To date, there is little evidence of reduced transactions costs for Europe's new money. Indeed, for some transactions bid-ask spreads actually increased after introduction of the euro, relative to earlier spreads for the Deutsche mark, Europe's most widely traded currency prior to EMU (Detken and Hartmann, 2002; Hau *et al.*, 2002a, 2002b). No one expects that euro transactions costs will ever decline to a level substantially below those presently quoted for the dollar.

Anti-Growth Bias

A second critical factor is a serious anti-growth bias that appears to be built into the institutional structure of EMU. By impacting negatively on yields on euro-denominated assets, this structural bias directly affects the currency's attractiveness as a long-term investment medium. When EMU first came into existence, eliminating exchange risk within the European region, a massive shift was predicted in the allocation of global savings toward holdings of European assets. In fact, however, international portfolio managers have been slow to move into the euro (ECB, 2003; Geis *et al.* 2004). Liquid funds have been attracted, of course, by the prospect of short-term appreciation. But underlying investor preferences have barely budged, in good part because of doubts about prospects for longer-term growth. In turn, one of the main causes for such doubts seems to lie in the core institutional provisions of EMU that govern monetary and fiscal policy, the key determinants of macroeconomic performance. In neither policy domain is priority attached to promoting real production. Rather, in each, the main emphasis is on other considerations that can be expected to limit opportunities for future expansion, imparting a distinct anti-growth bias to the economy of the euro zone as a whole.

On the monetary policy side, the European Central Bank, unlike many other monetary authorities, was created with the single policy mandate to maintain price stability. Moreover, the ECB is formally endowed with absolute independence, largely insulating it from political influence. Legally, the ECB is free to focus exclusively on fighting inflation, even if over time this might be at the cost of stunting real growth. In practice, naturally, the ECB is not wholly insensitive to growth concerns. Nonetheless, the overall orientation of ECB priorities is clear. From the start, EMU monetary policy has been biased toward restraint, not expansion.

Likewise, with fiscal policy, euro-zone governments have formally tied

their own hands with their controversial Stability and Growth Pact (SGP) that mandates a medium-term objective of fiscal balance in all participating economies as well as a strict cap on annual budget deficits. These fiscal restraints make it exceedingly difficult for elected officials to use budgetary policy for contracyclical purposes or to offset the anti-growth bias of monetary policy. Here too, we know, practice has increasingly diverged from principle, and new loopholes have been added to the SGP that effectively ratify larger budget deficits. Many specialists in Europe have called for revision or repeal of the Pact's principle provisions. Until now, however, such appeals have made little headway. So long as the SGP remains formally binding on all euro-zone governments, an anti-growth bias will be perpetuated in fiscal policy, too.

Governance

Finally, there is the governance structure of EMU, which may be the biggest obstacle of all for the euro's prospects as an international currency. The basic question is: Who is in charge? The answer, regrettably, has never been clear. From the start, there has been much confusion concerning the delegation of authority among governments and EU institutions. The Maastricht Treaty, which brought EMU into existence, embodies a variety of artful compromises and deliberate obfuscations in provisions for the political management of the euro, resulting in a high level of ambiguity. Prospective users of the new currency, therefore, may be excused for hesitating to commit themselves to what amounts to a pig in a poke, even if in fact transactions costs could be lowered to competitive levels and rewards to European capital could be improved significantly.

Three key provisions are at issue. First is the governance of EMU's core institution, the European Central Bank. Immediate operational control of monetary policy lies in the hands of the ECB's Executive Board, made up of the President, Vice-President, and four other members. Ultimate authority, however, is formally lodged in the Governing Council, which in addition to the six-member Executive Board include heads of central banks of the participating states—a number seemingly greater than consistent with efficient collective decision making. Sooner or later, therefore, as so often happens in large multinational institutions, real power will have to devolve to a smaller "inner" group formally or informally charged with resolving differences on critical issues. But who will be allowed to join this exclusive club? Will it be the members of the Executive Board, who might be expected to take a broad approach to the euro zone's needs and interests? Or will it be a select coterie of central-bank governors, whose views could turn out to be more parochial? For the moment, no one knows.

Second is the critical matter of exchange-rate policy. Under the Maastricht Treaty, the ECB is assigned day-to-day responsibility for the euro's external value. Authority over the more general orientation of policy, however, is uneasily shared with both the Council of Ministers, representing national governments, and the European Commission in Brussels. Plainly, power over exchange rates was meant to be shared in some form of consensual process.

However, efforts to reach agreement over these provisions could result in political deadlock and drift. Again, no one knows.

Finally, there is the issue of external representation. Who is to speak for the euro zone on broader macroeconomic issues such as policy coordination, crisis management, or reform of the international financial architecture? Here there is no answer at all, leaving a vacuum at the heart of EMU. Unlike in trade and the WTO, no single body or person is designated to represent EMU, whether at the International Monetary Fund or in other monetary forums. Instead, the Maastricht Treaty simply lays down a procedure for resolving the issue at a later date, presumably on a case-by-case basis. At a minimum, this compounds confusion about who is in charge. At worst, the vacuum condemns the euro zone to lasting second-class status by limiting its ability to project power in international negotiations. As one source warns: "As long as no 'single voice' has the political authority to speak on behalf of the euro area, as the US Secretary of the Treasury does for the American currency, the pre-eminence of the US in international monetary matters, as in other realms, is likely to remain unchallenged" (McNamara and Meunier, 2002, p. 850).

Government Preferences

But is Europe really likely to accept such an unappealing outcome? Whatever the logic of market competition, the Europeans can hardly be expected to leave market actors entirely to their own devices, particularly if that means passively submitting to the continued dominance of the dollar. Currency rivalries, in practice, reflect the influence of government preferences as well as market forces. Once we introduce government preferences, the future of the Atlantic currency rivalry becomes considerably cloudier.

A Critical Distinction

One thing is certain. A strategy to maintain or enhance the market position of the euro will be Europe's preferred choice. Rational policymakers are unlikely to turn their back on the considerable benefits that may be derived from broader circulation of their currency. Given this preference, some level of friction in Atlantic currency relations is inevitable. But following a suggestion I have made elsewhere, a critical distinction must be drawn between two different kinds of monetary conflict: *informal* and *formal* (Cohen, 2003a).

Given the stakes involved, there seems little doubt that the Europeans will do all they can to promote the attractiveness of the euro, with the objective of cultivating widespread use by *market* actors. Rivalry for market use, what I call *informal* conflict, is natural between major currencies. It is less evident, however, whether Europe will be motivated to go a step further, to seek to influence the behavior of *state* actors by sponsoring formation of an organized currency bloc, what I call *formal* conflict. Within the European neighborhood, a bloc can be

expected to form more or less naturally. That is uncontroversial. What is less clear is whether Europeans will offer direct inducements to encourage greater use of the euro by governments beyond the European neighborhood. About this prospect there is more uncertainty, not least because the balance of benefits and costs implied by that extra step is not at all clear.

What is clear is that whatever Europe does is sure to be closely watched by Washington. Any move to promote an organized euro bloc outside the European neighborhood would, by definition, transform the low politics of market competition into the high politics of diplomatic confrontation. The risk is that policy maneuvering could lead to increased political tensions, particularly if monetary initiatives are perceived to be encroaching on America's established regional relationships, say in Latin America or Southeast Asia.

Precisely for that reason, it is more likely that Europe will act with restraint to avoid a direct confrontation with the United States that could jeopardize more vital political and security interests. While some Europeans might relish the prospect of a blunt challenge to the world's "last remaining superpower," others will not—including, in particular, most of the EU's newest members, whose history and geography provide strong motivation for maintaining close ties to Washington. A European consensus in favor of an open break with the United States is difficult to imagine. The safest bet, therefore, is that currency rivalry will be restricted mainly to the realm of market transactions. The one exception could be in the Middle East, where rivalry for the monetary favor of OPEC governments could initiate serious conflict.

Informal Conflict

Although Europe has an obvious incentive to promote the attractiveness of the euro, officially aspirations remain modest. According to authoritative statements by the European Central Bank, the development of the euro as international money—to the extent that it happens—will mainly be a market-driven process, simply one of many possible byproducts of EMU. Europe, says the ECB, "does not pursue the internationalisation of the euro as an independent policy goal...It neither fosters nor hinders this process" (2002, p. 11). These carefully considered words, however, may be dismissed as little more than diplomatic rhetoric, revealing nothing. Behind the scenes it is known that there is considerable sentiment for a much more pro-active stance.

More revealing, therefore, is not what the ECB says but what it does. Especially suggestive is the bank's controversial decision to issue euro notes in denominations as high as 100, 200, and 500 euros—far greater than most Europeans are likely to find useful for everyday transactions. Why issue such large notes? Informed sources suggest that the plan may have been decided in order to reassure the German public, fearful of losing their beloved Deutsche mark, that notes comparable to existing high-denomination DM bills would be readily available. But that is hardly the whole story. It is also likely that the decision had something to do with the familiar phenomenon of currency substitution: the

already widespread circulation of large-denomination dollar notes, especially \$100 bills, in various parts of the world. In the words of one knowledgeable source: "Given the apparently overwhelming preference of foreign and underground users for large-denomination bills, the [ECB's] decision to issue large notes constitutes an aggressive step toward grabbing a large share of developing country demand for safe foreign currencies" (Rogoff, 1998, p. 264). Europeans who favor more widespread use of the euro have openly applauded the plan. Writes one: "The United States is able to obtain goods and services by simply giving foreigners pieces of green paper that cost pennies to print...There is no reason why the United States should monopolize these benefits" (Hüfner, 2000, p. 25).

What more could Europe do, apart from issuing high-denomination notes? The answer lies in the three reasons for the euro's sluggish ascent to date. More could be done to lower transactions costs for non-residents in European financial markets. International investments in euro bonds and stocks might be encouraged with selected tax incentives, including abolition of any withholding or reporting requirements. Similarly, broader use of the euro for vehicle purposes could be underwritten with targeted subsidies for European banks, lowering the cost of commercial credit for third-country trade. More could also be done to reverse the anti-growth bias built into EMU's institutional structure and to clarify the governance structure of EMU. As indicated, much room exists for policy actions to make the euro more appealing to market actors.

How will Washington react to such competition? Publicly, the United States remains unconcerned. Policy statements regarding a prospective challenge from the euro have been studiously neutral, avoiding provocation. But such words too may be dismissed as diplomatic rhetoric, concealing as much as they reveal. As Richard Portes observes: "It is difficult to believe that the American authorities are indifferent" (1999, p. 34). In fact, in Washington too there is considerable sentiment behind the scenes in favor of a more pro-active stance designed to respond in kind to any direct threat to the dollar. Introduction of the ECB's large-denomination bills, for example, quickly generated counterproposals to issue a rival \$500 Federal Reserve note, designed to preserve America's seigniorage earnings abroad. In sum, the probability is that aggressive policy measures from Europe will ultimately provoke countermeasures from Washington, with both sides doing what they can to maximize market use.

Formal Conflict?

This does not mean, however, that Europe must necessarily go the next step, to seek to influence *state* behavior. As compared with the benefits of extensive market use, the additional gains from sponsoring a formal currency bloc could be considerable. But so too could be the costs, political as well as economic, which might discourage new initiatives. Prediction, therefore, is chancy. The Europeans, as indicated, will no doubt make every effort to promote use of their new money at the market level wherever they can. It is also evident that they will not discourage greater reliance on the euro by nearby governments, particularly in East-Central

Europe and the Balkans. But none of this will trigger geopolitical conflict with Washington unless the EU's aspirations begin to spread beyond its immediate neighborhood to regions more traditionally aligned with the United States. The safest bet is that the Europeans will act with restraint to avoid direct confrontation with the United States. Arguably, only in the Middle East is there a significant risk of serious tension.

That is not to say that there are no Europeans with more global ambitions for the euro. Portes and Rey, for example, plainly favor what they call the "big euro" scenario, where the euro would join the dollar as a global currency (1998). The dollar, they declare, "will have to share the number-one position" (1998, p. 308). But this is a minority view. Most informed opinion in Europe accepts that there are limits to what might be regarded as the natural home for a formal euro zone.

An EMU bloc certainly would include most if not all of the countries of Europe itself, including of course all the ten new members that joined in 2004. Beyond EMU's present dozen members, six regional jurisdictions have already adopted the euro as their exclusive legal tender, including the tiny enclaves of Andorra, Monaco, San Marino, and the Vatican as well as Montenegro and Kosovo, two special cases in the Balkans (Winkler *et al.*, 2004). In addition, several regional economies are pegged to the euro via currency boards, including Bosnia and Herzegovina, Bulgaria, Estonia, and Lithuania; and most other nearby currencies are more loosely linked. Some maintain basket pegs that give greatest weight to the euro; others have adopted systems of managed floating with the euro unofficially used as an anchor. Momentum toward full "euroization" will only grow as EU enlargement proceeds. As Pier Carlo Padoa-Schioppa suggests: "The case is easily stated. What matters is not 'if' but 'when'" (2000, p. 101). Every regional government aspiring to join the EU club expects to adopt the euro, too.

Whatever the rate of momentum, however, Washington is unlikely to take offense. The United States has never questioned the EU's privileged interests in what is universally acknowledged as its own backyard. Indeed, for geopolitical reasons Washington might even be inclined to prod the Europeans along. More positive support for the new members promises to bring greater stability to a potentially volatile region. As Randall Henning has observed:

The consolidation of the monetary union contributes to economic and political stability in Central and Eastern Europe...If the monetary union were to fail, Central and Eastern Europe would probably be considerably less stable...As a consequence, U.S. manpower and resource commitments would have to be correspondingly greater. This geopolitical consideration is profoundly important for U.S. foreign policy (2000, p. 18).

Nor is Washington likely to take offense if the growing EMU bloc were extended to encompass as well countries of the Mediterranean littoral and sub-Saharan Africa that have close economic and political linkages with the EU. These too are regarded as part of Europe's backyard. Some of their currencies are already

pegged to the euro, including most prominently the CFA Franc in central and west Africa, for which Europe's new money has seamlessly taken over the anchor role previously played by the French franc. For most, the euro is already an important reserve currency. Here too Washington might even prod the Europeans along in the interest of regional stability.

Might Europe aspire to go further? There is no evidence that the EU would seriously consider challenging the dollar in Latin America or Asia, where Washington's interests are clearly seen as privileged. These areas, Europeans acknowledge, are America's turf. But what about the Middle East, with its concentration of wealthy oil exporters? If the dollar-euro rivalry is to lead to direct confrontation anywhere, it will be here.

The Middle East

Three factors explain why the Middle East could become a currency battleground. First is the sheer scale of monetary riches in the area controlled directly or indirectly by national governments. Exports of oil generate massive revenues for state authorities in Saudi Arabia, Kuwait, and other countries scattered around the Persian Gulf. Much of this wealth is either stored away in central bank reserves or invested abroad in publicly held portfolios. What these governments decide to do with their money can have a major impact on the relative fortunes of international currencies.

Second is the instability of great-power alignments in the area. In the euro's immediate neighborhood, the United States may happily defer to the EU; conversely, across Latin America and Asia, Europe may still accept Washington's strategic dominance. But in geopolitical terms the Middle East remains a hotly contested region, as the still-unfinished business of Iraq clearly testifies. For the moment, most governments in the region find it prudent to accept US leadership and even US troops. But with significant and long-standing economic and cultural ties to the area, European governments remain committed to playing an important regional role. Resentment of Washington's displacement of Europe's historical pre-eminence in the area is rife among Europeans.

And third is the seeming contradiction between the region's commercial ties with the outside world and its financial relations. Foreign trade is dominated by Europe, which is by far the biggest market for the Middle East's oil exports as well as the largest source of its imports. Yet financial relations are dominated by the United States and the almighty dollar. America's currency is not only the standard for invoicing and payments in world energy markets. It also accounts for the vast majority of central bank reserves and government-held investments in the region and is the anchor, *de jure* or *de facto*, for most local currencies. In the eyes of many, the disjunction seems anomalous, even irrational. Repeatedly, the question is asked: Would it not make more sense to do business with the area's biggest trading partner, Europe, in Europe's own currency rather than the greenback? And if so, would it not then make sense to switch to the euro as a

reserve currency and monetary anchor as well?

Together, these three factors add up to an obvious recipe for conflict, should Europe choose to turn up the heat. Certainly, the possibility of a switch to the euro is tempting from a European perspective. Almost immediately, given the large sums involved, the EU's new currency would be vaulted to the "big euro" scenario favored by Portes and Rey (1998) and others, while restoring a measure of Europe's historically privileged position in the Middle East. Arguably, the prospect might be tempting to Middle Eastern governments, too, as a means of diversifying their financial holdings and curbing America's presently overwhelming influence in the region. It is well known that from time to time oil exporting states have actively explored alternatives to the dollar, only to be discouraged by the lack of a suitable substitute. Now, with the arrival of the euro, they see the possibility of a truly competitive rival for their affections. In the artfully composed words of a high official of the Organization of Petroleum Exporting Countries (OPEC): "It is worthwhile to note that in the long run the euro is not at such a disadvantage versus the dollar...I believe that OPEC will not discount entirely the possibility of adopting euro pricing and payments in the future."¹

Indeed, some straws are already in the wind. As early as October 2000, in a deliberate snub to the United States, Iraq's now deposed dictator Saddam Hussein began demanding payment in euros for his country's oil exports. He also converted his \$10 billion United Nations reserve fund into euros, making a considerable profit once Europe's currency began to appreciate. And more recently Iran is known to have considered a similar strategy. Talk in OPEC of a switch to the euro has only intensified lately as the greenback has weakened. Should Europe seek to take advantage of current market conditions, directly promoting use of its money by regional governments, it might find itself pushing against an open door.

Any effort along these lines, however, would surely provoke determined opposition from the United States, which clearly prefers to keep the region's door as firmly shut to the euro as possible. For Washington today, there is no higher politics than the Great Game being played out in the Middle East. With so much at stake, the level of tolerance for a formal currency challenge from Europe would be correspondingly low, making geopolitical conflict a virtual certainty. Indeed, for some observers the conflict has already begun. America's attack on Iraq, it is said, was motivated above all by the euro's threat to the dollar. In the words of one widely circulated commentary:

It is an oil currency war. The real reason for [the war] is this administration's goal of preventing further OPEC momentum towards the euro as an oil transaction currency standard (Clark, 2003, p. 1).

Such a theory, wholly unsubstantiated by plausible evidence, obviously smacks of conspiratorial thinking.² But one does not have to be a sensationalist to recognize the seeds of truth that it contains. A battle of currencies in the Middle East could

become serious.

Would Europe risk it? In the end, however strongly tempted, the Europeans are more likely to keep their aspirations in check, averting direct confrontation with Washington. Even after the Bush Administration's decision to promote "regime change" in Iraq, there is no consensus among Europeans to risk the broader political and security relationship that they have long enjoyed with the United States. Beyond their currency's natural home in Europe's immediate neighborhood, therefore, they will most probably act with restraint. Maneuvering for advantage will undoubtedly persist, particularly in the Middle East. Monetary rivalry, however, is unlikely to be allowed to get out control.

Conclusion

Overall, therefore, the outlook for the dollar-euro rivalry appears relatively benign. In the global marketplace, competition between the two contenders will continue to be intense, and the authorities on both sides of the Atlantic will do all they can to sustain the competitive appeal of their respective currencies. But at the level of inter-governmental relations, the low politics of market competition is unlikely to be transformed into the high politics of diplomatic confrontation, largely because Europe will not be eager to provoke the United States. Miscalculations are always possible, of course, despite the best of intentions. The Europeans might well go too far in promoting use of the euro in the Middle East. The safest bet, however, is for mutual restraint, limiting geopolitical tensions.

Notes

- 1 Yarjani 2002. Yarjani is head of OPEC's Petroleum Market Analysis Department.
- 2 For a direct critique of the oil-currency war theory, see Caffentzis 2003.

References

- Blinder, Alan S. (1996), "The Role of the Dollar as an International Currency," *Eastern Economic Journal* 22:2 (Spring), pp. 127-36.
- Caffentzis, George (2003), "A Note on the 'Euro' Explanation of the War" (Infoshop News), available at <http://www.infoshop.org>.
- Clark, William (2003), "The Real Reasons for the Upcoming War With Iraq: A Macroeconomic and Geostrategic Analysis of the Unspoken Truth" (Independent Media Center), available at <http://www.indymedia.org>.
- Cohen, Benjamin J. (1998), *The Geography of Money*, Ithaca, NY: Cornell University Press.
- _____ (2003a), *The Future of Money*, Princeton, NJ: Princeton University Press.
- _____ (2003b), "Global Currency Rivalry: Can the Euro Ever Challenge the Dollar?," *Journal of Common Market Studies* 42:4 (September), pp. 575-95.
- Detken, Carsten and Philipp Hartmann (2002), "Features of the Euro's Role in International Financial Markets," *Economic Policy* 35 (October), pp. 553-69.

- European Central Bank (2002), *Review of the International Role of the Euro*, Frankfurt.
- European Central Bank (2003), *Review of the International Role of the Euro*, Frankfurt.
- European Union (2001), *Final Report of the Committee of Wise Men on the Regulation of European Securities Markets*, Brussels.
- Frankel, Jeffrey A. (1995), "Still the Lingua Franca: The Exaggerated Death of the Dollar," *Foreign Affairs* 74:4 (July), pp. 9-16.
- Geis, André, Arnaud Mehl, and Stefan Wredenberg (2004), *The International Role of the Euro: Evidence from Bonds Issued by Non-Euro Area Residents*, Occasional Paper 18, Frankfurt: European Central Bank.
- Hau, Harald, William Killeen, and Michael Moore (2002a), "The Euro as an International Currency: Explaining Puzzling First Evidence from the Foreign Exchange Markets," *Journal of International Money and Finance* 21:3 (June), pp. 351-83.
- _____, William Killeen, and Michael Moore (2002b), "How Has the Euro Changed the Foreign Exchange Market?," *Economic Policy* 34 (April), pp. 149-91.
- Henning, C. Randall (2000), "U.S.-EU Relations after the Inception of the Monetary Union: Cooperation or Rivalry?," in C. Randall Henning and Pier Carlo Padoan, *Transatlantic Perspectives on the Euro*, Washington, DC: Brookings Institution, Ch. 1.
- Hüfner, Martin (2000), "Give the Euro Greater Currency," *The International Economy* (November/December), pp. 24-25, 50.
- Kirshner, Jonathan (1995), *Currency and Coercion: The Political Economy of International Monetary Power*, Princeton, NJ: Princeton University Press.
- Krugman, Paul R. (1992), "The International Role of the Dollar," in Paul R. Krugman, *Currencies and Crises*, Cambridge, MA: MIT Press, Ch. 10.
- McNamara, Kathleen R. and Sophie Meunier (2002), "Between National Sovereignty and International Power: What External Voice for the Euro?," *International Affairs* 78:4 (October), pp. 849-68.
- Mundell, Robert A. (1993), "EMU and the International Monetary System: A Transatlantic Perspective," Working Paper 13, Vienna: Austrian National Bank.
- _____, (2000), "The Euro and the Stability of the International Monetary System," in Robert A. Mundell and Armand Cleese, eds., *The Euro as a Stabilizer in the International Economic System*, Boston, MA: Kluwer Academic, Ch. 5.
- Padoan, Pier Carlo (2000), "The Role of the Euro in the International System: A European View," in C. Randall Henning and Pier Carlo Padoan, *Transatlantic Perspectives on the Euro*, Washington, DC: Brookings Institution, Ch. 2.
- Porter, Richard D. and Judson, Ruth A. (1996), "The Location of U.S. Currency: How Much Is Abroad?," *Federal Reserve Bulletin* 82: 10 (October), pp. 883-903.
- Portes, Richard (1999), "Global Financial Markets and Financial Stability: Europe's Role," Discussion Paper 2298, London: Centre for Economic Policy Research.
- Portes, Richard and Hélène Rey (1998), "The Emergence of the Euro as an International Currency," in David Begg, Jürgen von Hagen, Charles Wyplosz, and Klaus F. Zimmermann, eds., *EMU: Prospects and Challenges for the Euro*, Oxford, UK: Blackwell, pp. 307-43.
- Rogoff, Kenneth (1998), "Blessing or Curse? Foreign and Underground Demand for Euro Notes," in David Begg, Jürgen von Hagen, Charles Wyplosz, and Klaus F. Zimmerman, eds., *EMU: Prospects and Challenges for the Euro*, Oxford, UK: Blackwell, pp. 261-303.
- United States Treasury (2000), *The Use and Counterfeiting of United States Currency Abroad*, Washington, DC.

- Winkler, Adalbert, Francesco Mazzaferro, Carolin Nerlich, and Christian Thimann (2004), *Official Dollarisation/Euroisation: Motives, Features and Policy Implications of Current Cases*, Occasional Paper 11, Frankfurt: European Central Bank.
- Wyplosz, Charles (1999), "An International Role for the Euro?," in Jean Dermine and Pierre Hillion, eds., *European Capital Markets with a Single Currency*, Oxford, UK: Oxford University Press, Ch. 3.
- Yarjani, Javad (2002), "The Choice of Currency for the Denomination of the Oil Bill," speech prepared for a meeting of European Union financial officials (April 14), available at <http://www.opec.org/NewsInfo/Speeches>.

This page intentionally left blank

Chapter 7

Trade Relations Between the US and the EU

S. Linn Williams

The popular press on both sides of the Atlantic cites each new trade dispute as evidence that a “trade war” is imminent and that “the relationship” is going badly, and we are invited to infer that if we could only get “the relationship” right we would have fewer trade disputes. When one examines the evidence, however, the notion of an imminent “trade war” is nonsense, and what emerges is not the deterioration but the resilience of the trade relationship.¹ Trade disputes are normal when two large economies bump up against one another. The current disputes are not worse than earlier ones; indeed many of them are just the latest episodes of earlier ones. There has been some tetchiness on occasion, but that too is neither new nor unduly troubling. What is most striking about the economic relationship is that the US and the European Commission have resolved the recent trade disputes successfully, within the framework of the trade rules, in spite of rising domestic political opposition to some of the resolutions and in spite of disagreements between the US and much of Europe over some significant matters of security and foreign policy.

We cannot take this success for granted, however. The challenges for the economic relationship in the twenty-first century, although not as daunting as those for the security relationship, are nonetheless significant. The EU is evolving, US-EU competition is intensifying, there is a tendency to try to impose trade rules on “trade related” issues, and the global trade regime is under strain. To meet these challenges we should be open to creative approaches, including flexible “coalitions of the willing,” rather than turn to rigid rules and processes.

The DOHA Round

The launch of the Doha Round suggests that the US-EU trade relationship is in good working order.² It was not a round that anyone except the US and the EU seemed to want much. To get it we had to overcome tepid business support, ambiguity or hostility from other WTO members, and intense opposition from a

well organized and well funded “anti-globalization” coalition. With the exception of agriculture, the US and the EU agree on far more of the Doha agenda than we disagree. We have similar positions on “developing country issues”³ and on free trade agreements (FTAs),⁴ and our differences on services are modest. We differ on some small issues regarding industrial tariffs and intellectual property, which reflect old policies or standard gamesmanship, not new disputes. Our differences over changing the antidumping rules and including “trade related” areas like antitrust could be more troubling.

Agriculture

The US and the EU have long disagreed about agriculture, which is the central issue of this round. Both have protected and subsidized agriculture for many years, but the US, with its larger, more efficient farms and dynamic biotechnology industry, has become globally competitive in many products, while the EU’s competitiveness has been steadily undermined by its Common Agricultural Policy (CAP), one of the EU’s founding entitlements. The US, supported by Canada, Australia, New Zealand, and exporting developing countries, has proposed elimination of export subsidies and an across-the-board reduction of domestic subsidies over a fixed period. The EU, supported by Japan and importing developing countries, wants smaller reductions and rejects a fixed period in which to eliminate them, particularly export subsidies. It relies on exports subsidized by the CAP to offload overproduction subsidized by the CAP.

Industrial Tariffs

The US and the EU have low tariffs on most industrial goods and want developing countries to reduce theirs. The US has proposed eliminating all industrial tariffs by 2015 and has supported a proposal by some developing countries for larger immediate reductions in tariff peaks (high tariffs) and tariff escalation (higher tariffs on products having higher added value), which tend to be applied to products that developing countries export. The EU has proposed eliminating tariffs only for the least developed countries but doing so immediately, and addressing tariff peaks by reducing all tariffs to a flatter range. This is not a US-EU issue but a “North-South” issue or even a “South-South” issue. Many developing countries want to restrict imports from other developing countries, mainly China, as well as from industrialized countries.

Intellectual Property

The EU wants the trade rules governing intellectual property to include “geographic appellations,” proprietary rights over foods associated with locations. The US recently won a WTO claim that EU law discriminates against non-European geographic appellations but seems to prefer trademark to geographic protection and would at least prefer a shorter list of protected products if the new

rules include “geographic appellations.” There is a consensus that the intellectual property rules should allow developing countries to make patented medicines in order to cope with “national emergencies,” but the US wants more protection against sales back into industrialized countries. These are not unimportant issues, but they do not suggest deep US-EU divisions.

Dumping

Japan and developing countries strongly support changes in antidumping laws, which the US, especially the Congress, strongly opposes. This is an old issue, much debated in earlier rounds and WTO claims. In the Declaration that launched the Doha Round, the parties agreed to “clarify and improve” antidumping disciplines and “to preserve the basic concepts, principles, and effectiveness” of them. As intended, no one agrees on what that meant. The US wants to focus on procedural fairness. Other countries want rule changes, arguing that US rules, although procedurally fair, substantively favor complainants. Antidumping regimes have proliferated (even China has one, and uses it). The EU has aggressively used its own antidumping rules and may not in the end find rule changes any more acceptable than would the US.⁵

“New Areas”

The EU has proposed that the trade rules be applied to new areas, including antitrust and environment. Recent US FTAs have included provisions on the environment and labor, but the US is wary of broadly extending trade remedies to new areas. Developing countries are adamantly opposed.⁶

Summary

The US-EU dynamic in the Doha Round is similar to what it was in other multilateral trade negotiations and does not suggest a deterioration of the trade relationship. To the contrary, there is a high level of agreement on the issues. The dynamic of this round does show the challenge that the US and the EU will face in trying to lead a global trade regime over which they have declining influence. US-EU cooperation is still necessary, but is no longer sufficient.

Bilateral Disputes

The bilateral trade disputes present a more complex picture. The US and the EU have ten to twenty disputes under discussion at any given time; most are resolved informally. Fifty have been submitted to the WTO; half were resolved prior to formal arbitration.⁷ Some of the more important recent cases illustrate the generally healthy state of the bilateral trade relationship.

Steel

Despite the public kerfuffle, the steel tariffs imposed by the Bush Administration in 2003 led to a routine dispute that was routinely resolved. The trade rules permit “safeguard” tariffs if they meet tests regarding whether the domestic industry was harmed by imports. The US thought those tests had been met; the EU did not. The EU brought a WTO claim and won; the US appealed and lost. The US did not change its law to comply with the ruling; the EU got permission to impose retaliatory tariffs, but the US withdrew the steel tariffs before that could occur. This is routine stuff. Of course the decision to impose “safeguard” tariffs was “political.” Steel has always been political. Most European steel businesses were owned by governments until recently, and steel subsidies have been a major target of the Commission’s own campaign against state aid. In response to the US “safeguard” tariffs the Commission made the “political” decision to impose unilaterally its own “safeguard” tariffs, primarily against Eastern European imports that the Commission expected to be diverted from the US.⁸ Disputes over steel have a long history in the Atlantic trade relationship. The prickly overall state of the bilateral relationship may have contributed to the Commission’s prickly initial response, but once the process was underway the dispute was resolved professionally and on the merits.

Aircraft

The dispute over subsidies to aircraft is also not new. In 1990-91, the US weighed making a claim that European support of Airbus violated the GATT Subsidies Code. At the urging of Airbus, Boeing and McDonald-Douglas, the US and the EU entered into a bilateral agreement in 1992 that allowed a certain level of subsidies and provided that military procurement could be deemed an “indirect” subsidy. In October 2004, the US abrogated the bilateral agreement and brought a WTO complaint alleging that subsidies to Airbus violate the trade rules. The EU counter-claimed that Boeing also received impermissible subsidies. The US and the EU suspended their WTO claims in January 2005 while they tried to negotiate a new bilateral agreement. The amounts at stake are large and some of the issues are complex. For example, is a government shareholder’s equity contribution *always* a subsidy? *Never* a subsidy? A subsidy if it exceeds certain amounts, and what are they?⁹ Not a subsidy if it is “repaid,” or nonetheless a subsidy if the aircraft model would not have been launched “but for” the government’s funding? These issues, although difficult, are straightforward trade issues contemplated in the rules, and the WTO is equipped to address them if the parties are unable to agree bilaterally. Whether military R&D and procurement, which was covered in the bilateral agreement, is also covered under the trade rules is more difficult, and the WTO does not in any event have the expertise or political authority to assess the relative merits of military aircraft. It is likely that the dispute over aircraft subsidies will end up at the WTO sooner or later. The US takes the position that

Airbus is now a mature company and requires no subsidies, a position with which the EU will find difficult to agree.

Genetically Modified Organisms (GMOs)

The US has filed a WTO claim that the EU does not have an adequate scientific basis to support its exclusion of GMOs. The US won a GATT claim fifteen years ago that the EU failed to show an adequate scientific basis for excluding hormone treated beef. The EU appealed the beef case, lost, and did not comply with the ruling. The US imposed retaliatory tariffs, which remain in effect.

Any country can exclude anything it wants for any reason it wants, so long as it compensates those adversely affected. The EU can, for example, go completely organic so long as it compensates, in the form of retaliatory tariffs, as it has in the case of hormone treated beef. A country need not compensate if it excludes a product for legitimate reasons of health and safety, but the trade rules require an adequate scientific basis for the exclusion in order to assure that it is not disguised protectionism. It is not unreasonable to be skeptical about the EU's stated "health and safety" reasons for banning GMOs. Most European countries have long and continuing histories of agricultural protectionism, there has been no independent EU health authority, the national health authorities are instruments of government policy that can be influenced by local politics, and US companies dominate the GMO industry.

There is obviously more to a health regime than its trade effects. The disputes over GMOs engage the trade rules and remedies in sensitive issues of consumer preference as well as of food safety. The beef case was relatively easy because the EU had almost no scientific evidence to support its ban. The EU says it now has a scientific study that supports the ban and has filed a claim with the WTO asserting that it should not be required to continue to compensate the US and others. The US and others disagree, noting that the hormone levels in question are lower than levels occurring "naturally" and consumed without ill effect. In response to the new claim on GMO seeds, the EU responds that it allows the import of some and bans others on the basis of adequate scientific evidence. The US disagrees, noting that the products in question have been used elsewhere without ill effect and that the "natural" products to which they are compared have themselves been "genetically modified" many times over by Mendelian cross-breeding, radiation, and chemicals to resist diseases and pests. It will be difficult for the EU to sustain its position under the trade rules, but it is doubtful that a WTO finding will have much influence on consumer resistance.¹⁰

Microsoft

The EU has proposed that the trade rules cover antitrust, so it is worth looking at the recent dispute involving Microsoft. The Commission found that Microsoft engaged in "abusive behavior" by "bundling" its media player into its basic software package, which the Commission held unfair to other producers of media

players, and by refusing to license the proprietary technology that governs the exchange of data and commands between desktop computers and servers, which the Commission held unfair to producers of interoperable server software. The Commission required that Microsoft delete the media player from its software package, offer to license enough proprietary technology to allow competing servers to be fully interoperable with Windows, and pay a large fine.¹¹ The Antitrust Division of the US Department of Justice argued against both the finding and the remedy but did not persuade the Commission. The matter is now before the European Court of First Instance.

The US and the EC have different approaches to antitrust, based on policies in which foreign trade plays only a small role. Broadly, the US now approaches antitrust as how to protect potential *competition*. “Big” and “bundling” are not necessarily “bad” where the cost of entry is low or technology changes rapidly, and the American economy is replete with stories of start-up companies that successfully challenged larger, established ones. The Commission has approached antitrust as more an analysis of how to protect existing *competitors*. “Big” and “bundling” may be “bad” where many markets have been dominated by large companies, some of them “national champions,” and start-up businesses have not emerged as important players in many sectors of Europe’s economy. The issues are more complex in Europe because the scope of intellectual property rights is determined by national laws, but antitrust law is increasingly driven at the EU level. Different work and employment rules could also influence how the US and the EU might approach antitrust law differently. Recent EU court decisions have reversed the Commission and moved substantive EU antitrust law closer to US law, but less so remedies. The US has been increasingly reluctant to impose “conduct” remedies like the Commission’s order that Microsoft disclose proprietary codes that would make internet browsers readable by Windows. Interoperability may or may not be good policy—Japan takes the same position as the EU—but that is different from the question whether antitrust law should impose it. The Commission’s decision regarding Microsoft would have raised serious trade issues if it were based on the pursuit of that elusive national or European champion, but the principal proponents are American companies trying to get in Europe what they could not get in the US. The Microsoft case demonstrates the difficulty of trying to apply trade rules to regulatory matters as complicated as antitrust, particularly when there are significant differences on basic assumptions and regulatory structure.

Less “Routine” Disputes

The EU brought four WTO cases in the past five years that are harder to characterize as “routine” but are also probably not important enough to suggest that the trade relationship is deteriorating. The disputes have some common themes—with one (notable) exception they involve relatively small issues, the WTO interpreted its authority broadly, the US lost, the Bush Administration asked

Congress to comply with the rulings, Congress did not, and the EU got permission to impose retaliatory tariffs.

The Byrd Amendment. Under the “Byrd Amendment”¹² the US pays antidumping duties to successful complainants. Several, mostly steel companies, received some \$700 million over three years. The EU brought and won a WTO claim. The US appealed and lost. The Bush Administration asked Congress to repeal the law, but Congress did not do so. The EU obtained WTO approval to impose retaliatory tariffs of about \$80 million annually and has said that it will begin to impose them in 2005. The House of Representatives recently approved legislation to repeal the law, but the Senate has not acted. The WTO did not find that the dumping orders were invalid but nonetheless agreed with the EU that the Byrd Amendment violated the trade rules by conferring a double benefit on the complainants—the imposition of higher tariffs on competitors’ imports because of the dumping, plus the payout. The remedy was more problematic. Retaliatory tariffs are usually compensation for exports lost because of a violation of the rules. But if the dumping tariffs were valid, how could the EU have “lost” exports even if the payout was also a “benefit” to the complainant? Nonetheless, the WTO allowed retaliatory tariffs of about 70 percent of the payout—in effect “punitive damages” intended to discourage behavior rather than “compensatory damages” for lost exports.

Triple Damages for Dumping. A 1916 US law allowed a claimant to collect triple damages if it could prove dumping. It had never been applied because it required a finding in keeping with its origins in World War I that the dumping party intended to “destroy” an American industry. Courts had also interpreted the law to require that the plaintiff prove violations of antitrust law as well as dumping, but in 1999 two US courts ruled that the plaintiff only needed to prove dumping. Even though the requirement to prove “intent to destroy” remained and no damages had then ever been awarded, the WTO agreed with the EU that the provision itself violated the trade rules. The US appealed and lost. The Bush Administration asked Congress to amend the law, and Congress did so in the most recent appropriations legislation. The WTO’s holding was controversial because the statutory provision had never been applied.¹³ The remedy was even more problematic. Even if the WTO imposed “punitive damages” in order to discourage the application of the law, as it had with the Byrd Amendment case, what was a fair level of “retaliation” given that no company had ever been awarded damages and no trade had ever been interrupted? The EU argued that it should be able to impose “qualitative” damages, a novel concept that the WTO rejected. The EU then asked permission to enact its own “1916 Act” and apply it whenever it wanted, which the WTO also rejected. The WTO held that the EU could enact its own “1916 Act” but could apply it only if and to the extent the US applied its law.

Patents and Trademarks Expropriated by Cuba. In the 1999 Omnibus Trade Act, Congress provided that US law would not protect patents or trademarks that had

been expropriated by the Cuban government. Economic sanctions are a long-standing US foreign policy towards Communist Cuba. The EU disagrees with that foreign policy and has argued that US sanctions violate the trade rules. In 1996, the EU brought a WTO claim against the sanctions, which it lost. In 2002, it brought a WTO claim against the specific provision regarding patent and trademark recognition, which it won. The US appealed and lost. The Bush Administration asked Congress to repeal the provision, but Congress has not done so. This was also a claim against a law rather than against its application, but the EU has not requested remedial tariffs.

Foreign Sales Corporation. US tax law exempted certain export earnings by Foreign Sales Corporations (FSCs) from US income tax. In 2001, the EU claimed that this was an export subsidy that violated the trade rules. The EU won; the US appealed and lost. The Bush Administration asked Congress to change the law, but Congress did not do so until October 2004. In the meantime, the EU received WTO approval of retaliatory tariffs and, after waiting three years, imposed them. The FSC claim is by far the most important of these recent “non-routine” EU claims, not only because the EU got approval to impose \$4 billion in retaliatory tariffs but also because it raises representative questions about the application of trade rules and remedies to laws or regulatory regimes that are fundamentally grounded in a non-trade policy. At one level, the FSC claim is “routine”—the trade rules proscribe export subsidies, and a tax break can fairly be deemed a subsidy. At another level, however, the matter is not “routine,” and the Commission knew it when it brought the claim. The EU has a value added tax (VAT) which it applies to American (and other) imports but from which European exports are exempt. The economic effect of the VAT export exemption and the FSC is effectively the same, but the trade rules permit VAT rebates. This dubious distinction between “direct” and “indirect” taxes emerged from the Kennedy Round of multilateral trade negotiations in the 1960s, when Europe argued that VAT rebates were essential to European economic integration, and, at the time, promoting this integration was more important to the US than the reciprocal treatment of “indirect” taxes.

The US and Europe have evolved tax systems that differ in many respects. Americans can deduct mortgage interest; Europeans cannot. Americans are taxed twice on dividends; Europeans are not. Europe has VAT; the US does not. Both tax systems subsidized exports in different ways. Before a WTO panel, however, a tax break is a subsidy unless it is a VAT rebate. To get reciprocity under the trade rules, the US would have to adopt a federal VAT and then rebate it for exports. This, however, would represent a fundamental change in US tax policy that would have a small trade tail wagging a large tax dog. Although the FSC case represents an escalation in US-EU trade disputes, both the Bush Administration and the Commission managed it judiciously. The Bush Administration asked Congress to repeal the law even though it disagreed strongly with the WTO decision. Congress and American business, which might have been expected to balk, turned their attention to how to redistribute \$4 billion of tax benefits. Having shown

questionable judgment in bringing the case, the Commission showed commendable restraint in exploiting the ruling, waiting three years before gradually imposing retaliatory tariffs. With bipartisan support, Congress passed legislation terminating the FSC in October 2004.

These four cases raised questions in the US about the EU's motives. Three of the underlying issues had been around for decades, the trade effects were small (with the exception of the FSC, which had a counterbalance in Europe), and the proposed remedies were problematic. Was Europe just playing "gotcha," cleaning up old policy issues, collecting bargaining chips to use against the expected GMO claims (my choice), or signaling a more aggressive approach to trade disputes? These four cases also raised questions in the EU about the US commitment to the WTO process. Even Europeans who did not support the filing of the EU's claims were disturbed by the slow response of Congress and the obvious distain with which the WTO was regarded by a significant number of American politicians and commentators. These cases also reminded everyone that Congress is a key player in the trade issues and has a mind of its own that often does not follow party lines. A Republican president could not persuade a Republican Congress to comply with WTO decisions that it considered fundamentally wrong, and most observers believe that a Democratic president or a Democratic Congress would have been even less receptive.

Summary

Most of the recent trade disputes between the US and the EU have followed a customary pattern. Many are not new, none suggests a deterioration of the trade relationship, and all have been managed with due regard for the importance of the trade relationship.

Persistent Friction in a Durable Relationship

The paradox of the Atlantic trade relationship is that it is characterized by a steady cadence of problems and disputes, and yet it not only lasts but also grows. Trade disputes do not occur because our leaders and representatives cannot get along or because lots of us do not like each other. The chief trade negotiators during the Clinton years had a frosty personal relationship and those during the George W. Bush years have had a warm one, but the pattern of trade disputes is much the same during both periods. Trite as it may be to read it again, one of the reasons that the US-EU relationship is so resilient is that it has so many strong personal relationships at so many levels. Trade disputes occur because the US and the EU often have different interests. But then why have trade disputes been successfully managed despite different interests when many argue that the security relationship has deteriorated because the US and much of Europe often seem to have different interests? I suggest three reasons: the globalization of business, the WTO and, most importantly, effective diplomacy.

The Globalization of Business

Many businesses have substantial operations on both sides of the Atlantic and will work hard to avoid a serious deterioration in the trade relationship. The US and the EU encourage this involvement by applying retaliatory tariffs to those businesses that are assumed to have the most political clout—farm products from France and California will be on any retaliatory tariff list. Many American and European businesses prefer one set of rules and regulations. For example, business is behind the drive for common rules of accounting and disclosure. Globalization has been a stabilizing factor in the economic relationship, but there are limits to what it can do. Global businesses drive some of the disputes—steel, aircraft, software, biotechnology and agriculture. Business lobbies have often been ineffective in getting Congress or the Commission to comply with WTO rulings. They did not persuade the EU to end its ban on hormone treated beef, and there is no indication that they were decisive in the repeal of the FSC (redistribution of tax benefits before an election was a more important factor) or the steel tariffs (opposition by US steel users was more important). Global businesses typically want an international harmonization of rules only if those rules reflect their preferences. Microsoft, for example, would probably not support a universal application of the EU's approach to antitrust. Globalization has contributed to a backlash against reducing trade barriers, and businesses have often been out-lobbied by well-organized and well-funded anti-globalists.

The WTO

The WTO (and the GATT before it) has also been a stabilizing factor in managing the trade disputes. It has brought expertise and credibility to many cases, and it has been successful in resolving disputes, like steel, that involved straight-forward trade issues of tariffs and quotas. But the WTO also has its limitations. It has been less successful in resolving disputes, like GMOs and the FSC, that engaged significant non-trade issues. It has been criticized for over-broad interpretations in some of its recent decisions. Its retaliatory tariffs have also emerged as an option as well as a deterrent. The Commission and the Congress have realized that the guy who gets a parking ticket every day at the same meter has the option of moving his car or paying the ticket. The Commission elected to pay the ticket for hormone-treated beef and may elect to do so for all GMOs. Congress elected to pay the ticket for the Byrd Amendment, Cuban sanctions and (for a time) the FSC. This is not necessarily a bad outcome—one can think of it as a safety valve when the WTO overreaches or makes a ruling that is wholly unacceptable—but we would not want to test this too often.

Diplomacy

Despite the bad press given to US-European diplomacy of late, it is diplomacy that has been primarily responsible for resolving the most difficult trade disputes.

There has been a reassuringly *ad hoc* resourcefulness to this process, relying on the common sense and resolve of leaders and officials at many levels. This pragmatic diplomacy is supported by a dynamic economic relationship. From the end of World War II through much of the 1960s, the US-Europe economic relationship was one-sided, and the resolution of disputes was motivated largely by a shared interest in the economic recovery and the economic integration of Western Europe. For the past three decades, the economic relationship has been roughly balanced, and the resolution of disputes has been motivated by broad recognition that both the US and the EU benefit mutually from bilateral trade and investment, by contrast to the perpetually unbalanced and more troublesome Atlantic security relationship. We have also become accustomed to having different views on some economic fundamentals and to resolving disputes arising out of those differences cooperatively and transparently. Western European states were attracted to socialist principles after World War II—the Treaty of Rome, the EU’s founding document, puts state and private ownership on the same policy footing—and have mixed state ownership, state intervention, and the free market since. Communist parties participated actively in Western European politics during the Cold War without changing the economic relationship with the US, and when those parties were discredited after the fall of the Soviet Union many of their economic ideas were seamlessly assumed by other parties.¹⁴ The economic relationship did not suffer the whiplash at the end of the Cold War that the security relationship did, because the Cold War had never defined the economic relationship with Western Europe. So any deterioration in the security relationship need not affect the economic relationship because they have different histories and different drivers. There will be occasional hiccups across the two relationships, such as the popular “boycotts” of McDonalds in France or of French-owned Target in the US arising out of the war with Iraq, but they should be few in consumer driven economies.

“*Multilateralism.*” The success of diplomacy in the economic area has been obfuscated by invocations of “multilateralism” and “unilateralism” that have rendered both terms meaningless and have misinformed the public discourse. Europe is no more “multilateral” than the US, although it has been more adroit.¹⁵ For example, the EU will reach an internal agreement on the CAP, and the rest of the world will be told in the Doha Round, adroitly, to take it or leave it. When the WTO held that there was no scientific basis on which to exclude hormone treated beef from consumption, Europeans did not consume it, nor did the Commission advise them to do so, in support of “multilateralism”; rather, the Commission hired a study that ended up saying what its consumers wanted to hear. The EU “unilaterally” warned China against export surges when global textile quotas end (so did the US). This is not intended to be critical of the EU but to make the point that, to both of us, “multilateralism” is a means not an end. Each of the US and Europe is prepared to support a “multilateral” process so long as it can support the substance of what the process is intended to address. US objections to the Kyoto Treaty and the International Criminal Court, for example, are about substance not about the “multilateralism” of the process.

Bush Administration. Persistent efforts to suggest that the Bush Administration's trade policies have hurt the US-EU economic relationship are also not objective or accurate. US differences with the EU over trade (and, in my view, over security) are non-partisan. When the EU challenged US Cuban sanctions at the WTO the Clinton Administration's position, reasoning, and rhetoric were indistinguishable from what the Bush Administration's would have been. The disputes over bananas¹⁶ in the Clinton Administration were as bitter as the disputes over steel in the Bush Administration. The Kyoto Treaty and the International Criminal Court were overwhelmingly rejected by bipartisan resolutions of Congress, not just by the Bush Administration. It was the Bush Administration that asked Congress to comply with the WTO's holdings, even though it disagreed with them, and it was bipartisan opposition in Congress that refused. It is President Bush who has continued to support the Doha Round and FTAs, despite rising bipartisan opposition in Congress.

Summary

Globalization and the WTO are stabilizing factors, but the US-EU trade relationship has been successful because bilateral diplomacy has been steady, pragmatic, and creative. We have similar views about "multilateralism," and recent US administrations have followed similar trade policies.

The Future of the Economic Relationship

The post World War II paradigm of a US-European partnership that would lead the world to higher levels of prosperity and democracy may have run its course, and a new paradigm has not yet emerged.¹⁷ The US and Europe are partners when it suits them, and it will often suit them, but they are no longer inherently so. By contrast to the more dramatic shifts that are likely to occur in the security relationship, the economic relationship is likely to change gradually because it is driven primarily by mutually beneficial market forces rather than government intervention. The principal challenges to the relationship are: (1) the evolution of the EU; (2) US-EU competition; (3) efforts to impose the trade rules on "trade related" areas that engage other important values and policies; and (4) the potential backsliding of the global trade regime. Rigid rules and procedures will not meet the challenges, and we should be open to flexible, creative solutions, including economic "coalitions of the willing."

Europe's Evolution

The principal components of Europe's evolution are the growth of European-wide institutions, the enlargement of the EU to include new countries, and the movement towards political union. These are Europe's business, but how they unfold will affect the US-EU trade relationship. "Europe" has as many different

views about trade as it does about security, but it speaks with only one voice on trade. The Commission articulates, negotiates, and enforces policy. Its influence over the making of trade policy has grown, and it has been, by and large, a force of liberalization within Europe. For example, the Commission recently confronted France, Austria, Germany, Luxembourg, and Greece to enforce its ruling that certain strains of GMO imports are safe.

“Europe” is still a work in progress, however, with some ways to go before it becomes a single market let alone a single polity.¹⁸ The US recently filed a WTO claim that the EU is even failing to function as a unified customs union because member states maintain different customs procedures. This may be intended to prod the WTO to become more involved in the EU’s internal compliance process or it may just be payback for the EU’s four “non-routine” cases. If the EU’s institutions do advance the single market, trade disputes with the US should decline because instances of protectionism should be resolved internally. For example, the Commission recently found that Germany’s “deposit return” bottling requirements violated the EU’s trade rules, rejecting Germany’s argument that they were imposed for environmental reasons, and an EU court upheld the finding. The main beneficiaries were non-German European purveyors of bottled water, but American companies like Coca Cola also benefited. The EU’s Court of First Instance recently decided that the Commission’s administrative review process was not sufficiently transparent, consistent, or supported by the record in three high-profile antitrust cases.¹⁹ The US had previously argued these same points to the Commission without success. In these instances, EU institutions applying EU laws resolved trade disputes that US pressure was unable to resolve, and if those institutions and laws continue to be a force for liberalization they should reduce the number and rancor of US-EU disputes.

Enlargement of the EU should reduce trade disputes with the US in the long-term as new members embrace market economies, although the transition arrangements that permit temporary protectionism may actually increase trade disputes in the near term. The impact on the trade relationship of the EU’s movement towards political union is more difficult to gauge. It will depend in large part on two factors. *First*, does the process support or distract from the internal economic reforms? Political union is not necessary for the continuation of the economic reforms, but what happens if the reforms are perceived as impediments to political union? Will some governments, for example, want to slow down or even roll back some of the economic reforms in order to garner support for the proposed constitution? *Second*, how does the EU define its approach to nation-building? As the EU concentrates on nation-building, it is likely that the internal agenda will dominate the external one,²⁰ that external trade issues will matter less, and that the US will increasingly be perceived as a problem to be managed and as an “economic partner” only to the extent that it supports the nation-building. Europe has also tended to define and motivate its nation-building in terms of competition with the US.

US—EU competition

The initial objectives of European integration, to avoid a third war in Europe and rebuild Europe's economies, have been achieved. The EU's *raison d'être* now seems to be to use its economic power to recover in the twenty-first century the political power that it lost in the twentieth century with two world wars and lingering colonialism. Although power and influence are not always zero-sum games, Europe has singled out the US as its principal competitor for them. The launch of Airbus, for example, the subject of a serious trade dispute spanning at least two decades, was about nation-building, not about improving competition in the aircraft industry. When four European governments started Airbus, there were many competing aircraft manufacturers, but all of them were American. Government leaders used the recent launch of Airbus A380 to call for similar European industrial cooperation in other areas. The EU Commissioner for Industry recently proposed reconsidering the rules governing mergers in order to make it easier for companies to form "European champions." When France recently encouraged member states to increase their defense spending, it cited not defense spending by Russia or China but by the US. The launch of the euro is more about nation-building and challenging the dollar than about foreign exchange efficiencies or more effective fiscal and monetary policy. There were simpler ways to handle currency exchange, and the inherent structural fictions of the Growth and Stability Pact were quickly exposed. How Europe does its nation-building is entirely Europe's business of course, but it should not be a surprise if decisions defined and motivated by competition with the US may now result in some strains in the economic relationship (and may evoke tepid US support for Europe's political union, by contrast to its strong support for Europe's economic unification).

The truism that the US and the EU have "shared core values" no longer adds much insight to the US-EU economic relationship after the defrocking of communism. Of course we both value capitalism. We both want a reasonable balance between markets and regulation, between preserving existing jobs and creating new ones, between welfare and growth; but we have struck those balances in very different places. The different ways in which we approach capitalism affects the trade relationship, just as the security relationship has been affected by the different ways in which we appear to approach our shared core value of spreading democracy. These differences may erode of course, but most Americans still seem as wary of embracing the welfare state as most Europeans still seem determined to keep it. There is some exaggeration of our differences in the popular press—the Nanny State vs Cowboy Capitalism—but the same differences are often articulated with more sophistication at meetings of the G-8 in which each of us characterizes what is wrong with the other. The US and the EU also seek to have any global rules reflect their different approaches to the "shared core values," which will exacerbate frictions in making the rules.

“Trade-related” Issues

Such differences in approach are evident in what is probably the most serious real threat to the US-EU trade relationship: the tendency in recent years for the US and the EU to try to use trade rules and remedies to impose its own policies, values, and regulatory approaches on the other. In a departure from earlier ground rules, trade complaints have addressed with increasing frequency issues of health, the environment, intellectual property, taxation, and antitrust—issues governed by widely divergent domestic laws and regulatory regimes—on the basis that they are “trade related.” The Uruguay Round included intellectual property and investment in the trade regime on that basis, and the EU has recently proposed extending the WTO’s trade rules and remedies to include antitrust, the environment, and labor on that basis.

Tariffs and quotas are direct barriers that restrict imports. They are relatively simple to analyze and to provide remedies for (even if the remedies are sometimes resisted). “Trade related” barriers are rules and regulations that do not formally restrict imports but can distort trade “indirectly.” The few formal references in the treaties to “trade related” matters provide little guidance on what the term means. With sufficient imagination and incentive, many laws and regulations can be labeled “trade-related” distortions. If higher taxes make a German company less competitive, are US tax laws a trade distortion? (Germany made that argument with respect to low tax regimes in Austria and Eastern Europe, and the US suspects this may be behind the EU’s interest in “tax harmonization” at the OECD.) If a British airline would have to liquidate in situations where an American airline can restructure its business under the protection of a bankruptcy court, do US bankruptcy laws distort trade? (British Airways has made that argument with respect to the bankruptcy proceedings of American airlines.) If the US Pension Benefit Guarantee Corporation assumes the obligations of a US steel company and makes it more competitive against a French company, is the PBGC a trade distortion? (In light of the FSC case, would it matter if the French Government is obligated for similar pension benefits but did not assume them from a private company?) In light of the 1916 Act and Byrd Amendment cases, do US antitrust laws that permit private enforcement and triple damages distort trade? If the US has patent or copyright protection for computer programs and other forms of intellectual property that the EU does not protect, do EU patent and copyright laws distort trade? Or is it the US laws that do? Should these and other potential “distortions”—using miles instead of kilometers, speaking bad French, working in August, having different electric plugs or voltage—be addressed under WTO trade rules and remedies?

Proponents argue that submitting divisive “trade related” issues to an international tribunal will depoliticize them, ensure greater enforcement, and promote international harmonization. This view is more widely held in Europe, perhaps because it supports the Commission’s agenda of encouraging the “convergence” of national policies and regulations among its member states. Opponents believe that extending the trade rules and remedies will increase

political tensions between the US and the EU and will overload, politicize, and ultimately compromise the trade regime itself. It is difficult to envision what norms an international institution could credibly and authoritatively apply to decide among the competing policies and values that are reflected in most “trade related” issues. The WTO has probably reached its limits and may already be trying to box above its weight. It should be answering only the narrowest of questions that arise from an agreed text, not writing normative standards. This is not intended to single out the WTO for criticism. There are limits to what institutions can do. National and local institutions in pluralistic societies have succeeded or failed based upon complex variables of public trust, impartiality, common values, competence, and accountability, assessed and reassessed over time. Given that international institutions are pluralistic in the extreme, it should not be surprising that they can succeed only if they follow a similar pattern.

“Converging” US and European regulatory systems may not even be good policy. Some “convergence” probably makes sense—some labeling requirements, for example—but in general competition is a good thing, the more so in ideas than in goods, and the world is better for the fact that the US and the EU have different approaches to markets and regulation. Just as American and European consumers have chosen freely among products, American and European voters have chosen freely over time among rules and regulatory structures that reflect what they value. Many of these choices “distort” trade, but it is unreasonable to suggest that Americans, Europeans and others should not freely continue to choose. Too much uniformity in regulatory approach, like too much uniformity among products, may be insensitive to important national and regional differences and may deny us and others the opportunity to learn from different approaches. It is more constructive, although messier, to allow leeway for different economic policies and different mixes of market and regulation to compete in a decentralized marketplace that is continuously casting about for better policies and institutional practices. In general, all that the international rules should require for most non-trade areas is transparency.

A better approach to “trade related” issues is to build on our successful bilateral and multilateral diplomacy to form creative, flexible “coalitions of the willing.” The US and EU agreed in 2002 on Guidelines for Increased Regulatory Cooperation and Transparency in accounting and disclosure. We recently agreed to have regular exchanges of information on food safety. The US, EU and other willing countries can address antitrust issues in the OECD. Many issues can be addressed in private bodies. By beginning with a small number of participants willing to try to craft some common approaches, it may be possible to engage more participants and achieve greater formality over time.

We should also reinvent a political and diplomatic process for addressing trade disputes that does not depend on regular judicial intervention. For example, a stronger “Transatlantic Dialogue” could allow more legislators and affected parties to meet more frequently and openly discuss regulatory issues and approaches. A more open and informative process could also be an effective antidote to the confrontational tactics of those opposed to globalization.²¹

Global Economic Rules

The US and the EU need to cooperate in support of the global trading regime. Even though trade and investment have probably been the most important contributions to the unprecedented worldwide prosperity of the last half century, the global trading regime is now under unprecedented pressure from powerful anti-trade coalitions on both sides of the Atlantic, the commitment and funding of which should not be underestimated. The US and Europe, even with the support of Japan, do not have the influence over the global trading system they once had. There was a time when agreement between the US and the EU would have guaranteed a successful multilateral trading round, but that is no longer the case with Doha. Most developing countries evince limited interest in two-way trade liberalization and are often advised by antiglobalist NGOs. It is possible that the new trading powers of China, India, and Brazil will step up to support liberalization, but the evidence thus far is to the contrary, and the inclusion of formerly socialist countries in Eastern Europe and Asia will make it even more difficult to sustain a liberalization agenda.

The irony is that US-EU cooperation has become more important for the global trade regime just when our influence over it is less and our competition with each other is greater. How, for example, should the global system respond if China's textile exports cause large dislocations not only in South Carolina and Portugal but also in Bangladesh and Sri Lanka when the quota system for textiles ends? Without US-EU cooperation on this and other global trading issues, short term politics is likely to encourage general retrenchments or special arrangements that will abet the degeneration of the global trading regime into an unprincipled bazaar of "special and differential treatment."

There are at least two concrete ways for the US and the EU to cooperate in support of the global trading regime. *First*, make the necessary compromises to finish the Doha Round in 2005, and then do not initiate another round until this one is fully digested. There are indications that developing countries believe they overplayed their hand at Cancun and are more willing to settle. *Second*, find common approaches to FTAs with the long-term goal of integrating them into the global trading regime. Trade "coalitions of the willing" are a useful and perhaps necessary prod to keep the WTO's common denominator from sinking too low, but they should not be allowed to undermine the global system. As participants in most of the existing FTAs, the US and the EU are well positioned to advance a strategy of harmonization.²² For example, the US and the EU could negotiate an FTA connecting both our economies with most if not all the countries in the Middle East. Each of us has negotiated FTAs with some countries in the region. We could harmonize the terms of those agreements and try to extend them country by country within the region. The lure of the two economies would be a powerful incentive and an opportunity to use our economic relationship in support of the security relationship.

Conclusion

The US-EU economic relationship is in good shape. Much of the sentiment has been drained out of it over the past four decades, yet it remains solidly grounded in mutual regard and interest at many levels. Atlantic trade and investment flows will probably become a smaller percentage of the global total as new trading powers and patterns emerge, but they will still be the world's largest, most stable, and most mutually beneficial. There will be disputes, some loud and ugly, but they will involve a small part of our trade and investment, and the processes that managed them well in the past will continue to do so.

By contrast to the Atlantic security relationship, which was so definitively shaped by the Cold War that it will require a thorough reworking by governments now that the mission has changed, the economic relationship, which has evolved incrementally and has been supported by market forces, has required less government intervention and should now be managed with an even lighter hand. The internal economic reforms that are unfolding as the EU pursues economic unification and "enlargement" are likely to reduce trade frictions with the US, but external trade frictions, and perhaps even the internal economic reforms, may take a back seat to the EU's pursuit of political union. US-EU competition should be shaped mostly by decisions made in the marketplace, not forced by governments, although each side should of course continue to define and defend its own interests (the respective publics expect no less). Definition and defense should be informed and prudent. We should communicate our priorities and limits more clearly and quietly, employing our many levels of contact and our successful diplomatic experience. We should explain and debate the issues themselves more openly so that our publics understand them better and should of course continue to resolve our disputes transparently. These guidelines are particularly apposite to the resolution of "trade related" issues that reach deeply into the fabrics of the respective domestic societies. Informality, quiet diplomacy, and inclusive and transparent decision-making are likely to prove much more effective than appeals to formal rules and international tribunals that will become increasingly dysfunctional as the disputes move further away from purely trade issues. US and European governments do need to cooperate and perhaps to intervene in support of the global trading regime, which will probably require that we ratchet down our expectations and demands of it for a time.

The US-EU economic relationship has been blessed by incremental growth, balance, decades of public and private commitment and effort, and literally millions of points of contact. It is so valuable and so broadly and deeply integrated that it may be protected from all but the most catastrophic and unlikely political blunders. It will prosper, and continue to induce global prosperity, if we have the patience to allow the marketplace of goods and ideas to guide future developments.

Notes

1 Two-way trade and investment totals about 2 trillion dollars, by far the largest in the world, and “foreign affiliate sales” (sales in Europe by American subsidiaries located in Europe and vice versa) is five times the external trade. This grows steadily in spite of not only trade disputes but also slow growth in Europe, the dot-com collapse in the US, September 11 in New York, March 11 in Madrid, two wars and other major problems that would have derailed weaker economic relationships. It is balanced over time in amount, and annual imbalances are cyclical not structural. It is also balanced over time in content, as the US and Europe buy and sell the same sorts of products and services from each other—comparative advantage is broadly balanced at the industry level, and individual companies compete on the basis of price and quality. *Data from US Department of Commerce, OECD.*

2 The Doha Round of multilateral trade negotiations, launched in 2001 with a completion target of 2005, is supposed to liberalize agriculture; further reduce trade barriers in industrial goods, services and investment; and rationalize a grab-bag of “special and differential” treatment that allows more flexibility for developing countries to comply with the rules. It is not a particularly ambitious round compared to earlier ones. It is the first multilateral negotiation following the Uruguay Round, an ambitious round completed in 1994 after more than 10 years of negotiation, which created the World Trade Organization (WTO), successor to the General Agreement on Tariffs and Trade (GATT); made the trade rules enforceable by a quasi-judicial procedure that was also given authority to approve “retaliatory” tariffs for failure to comply with its rulings; broadly applied trade rules and remedies to intellectual property, services and investment; and brought roughly 100 developing countries into the process.

3 That developing countries should comply with undertakings made in the Uruguay Round without getting additional concessions; that only the least developed countries should get “special and differential” treatment; and that developing countries should receive support for “capacity building” (trade jargon for providing technical assistance and funding so that they can actually do what they undertook to do).

4 That FTAs liberalize trade.

5 The EU’s antidumping and anti-subsidy measures more than doubled in 2004.

6 They view the “new areas” as disguised protectionism, threatening trade remedies for subjective rules that they do not have the resources to enforce. Their opposition to these “new areas” helped scupper the ministerial meeting in Cancun in 2003, which effectively halted negotiations.

7 The US brought 23, the EU 27—25 were resolved without arbitration or have become inactive, 17 were arbitrated and eight are pending. (The numbers are a little misleading, because some disputes resulted in more than one case.) US-EU cases account for about 15% of the total disputes, which is more than twice their percentage of global trade (US-EU trade accounts for 4.5-7% of global trade in goods and services), but it is not surprising that countries having high volumes of competitive trade will have a disproportionate number of disputes. Of the 17 cases that went to arbitration the US won six and the EU 11, although “winning” and “losing” can be highly subjective in complex trade cases. *Data from Report on US Barriers to Trade and Investment; National Trade Estimate Report on Foreign Trade Barriers; WTO Dispute Settlement Reports; OECD; various news sources and interviews.*

8 The most significant casualty of the steel dispute may have been the “safeguards” regime itself. Both the US and the EU have had a common interest in preserving it, primarily with respect to Chinese exports. The WTO has held “safeguards” in low regard, and the steel cases gave it another opportunity to say so.

9 The Commission has taken the view that equity contributions that the German government proposes to make to seven state-owned banks (“Landesbanken”) are impermissible subsidies if they exceed what a private investor would have invested. Reported in *European Information*, 3 December 2004.

10 Some have suggested that the WTO may try to avoid articulating a standard of adequate scientific evidence by not weighing the competing views of experts and deciding instead that any expert will do, but that would be inconsistent with the broader interpretive approach the WTO has taken under the Vienna Convention in other WTO cases and would not be well received in the US.

11 European consumers can still get Microsoft’s media player—in the stripped down version they have to pay for it instead of getting it free, and apparently they can still buy the full version with the media player in it—and even before the order they had the right to download other media players. Open source providers have the right to license Microsoft’s technology (for a fee), but whether they will actually do so will depend up whether they think the European marketplace will support it.

12 The Continual Dumping and Subsidy Offset Act of 2000.

13 The GATT rules distinguished between laws that could be enforced without violating the trade rules (“discretionary”) and those that could not (“mandatory”); the former did not violate the trade rules unless they were actually enforced in violation of the rules. Perhaps the WTO reasoned that enforcement of the 1916 Act was not “discretionary” (a difficult position to sustain since it had then been on the books for eighty-five years without being enforced), but some commentators suggest that it asserted the authority to declare even discretionary laws violations of the trade rules. The WTO seemed to uphold the distinction between “discretionary” and “mandatory” when it decided in 1999 that Section 301 of the Trade Act of 1974 did not violate the trade rules because the method of enforcement was discretionary. The results in the two cases are hard to reconcile, because the US had enforced Section 301. Some commentators have argued that the WTO in fact asserted the authority to void a “discretionary” law in the Section 301 case because the US undertook not to impose remedies except through the WTO. But then the WTO seems to have unequivocally upheld the “discretionary/mandatory” distinction in a recent case brought and lost by the EU, alleging that the Korean Export Import Bank law mandated prohibited subsidies. The remedy in the 1916 Act case suggests that *retaliation* is appropriate only if a law is actually applied, even if the law itself has been found to be a violation of the rules.

14 Some European parties have also assumed the *political* point of view of the old Soviet oriented parties, however, and that may well be affecting the security relationship.

15 The EU has had a remarkably successful run of “top down” treaties “on the come” in pursuit of European union, in the course of which governments have often very nearly outpaced their constituencies. The Maastricht and Nice treaties just squeaked by in most plebiscites, lost in one or two and were not even submitted to some electorates. It has been a gutsy performance, and it continues with the proposed new constitution, which will be submitted to 12 electorates. The EU has tried the same approach outside Europe with the Kyoto and ICC treaties, but the formula—leaps of faith without much attention to detail in single-minded pursuit of a common aspiration—may have limited general application among those who do worry about the detail or do not unreservedly share the single-mindedness or the common aspiration.

16 This was a proxy dispute. The EU’s import regime favored former European colonies in Africa and Asia. The US took the side of Caribbean and Central American producers, where US companies had invested. The WTO found against the EU in 1997, but the US

alleged in subsequent WTO complaints (and still believes) that the EU then engaged in dilatory acts that did not comply with the ruling.

17 The US often seems to insist on a level of control that no longer exists, and the EU often seems to manipulate multilateral processes just to circumscribe US power without regard to how it might be used.

18 The Commission's biannual report in 2004 noted that 134 laws on deregulation, about 9 percent of the total, have not been enacted into national law even though the deadlines have passed, and that it has more than 2000 lawsuits against member states (one-third of them against France and Italy) for non-compliance. Reported in *European Information*, 27 January 2005. The EU's courts have no power to order a member state to take an action. The Commission can ask a court to "fine" a member state, but there are few cases in which a court actually did so. Prices of brand goods inside the EU still vary widely. There are structural rigidities arising from long traditions of state involvement and low labor mobility, issues involving the admission of formerly non-market economies and, if Turkey is admitted, the challenge of accommodating the EU's most populous and poorest member.

19 The proposed mergers of GE and Honeywell, Tetra Laval and Sidel, and MCI and Sprint.

20 The political leaders of the EU's member states decided in March 2005 to put political integration ahead of *internal* economic reform by scrapping the Commission's economic agenda—which had provided, among other things, for significant liberalization of the services sector—and by overruling the European Central Bank and weakening the restrictions on budget deficits that had underpinned the euro. The EU's political leaders decided that, whatever their economic merits, the politically unpopular services reforms and budget restrictions posed unacceptable threats to the ratification of the new draft constitution.

21 Trade was for a long time the province of experts. The public was uninterested because most people were not directly or substantially affected by trade liberalization. The trade rules and remedies slipped more and more into the arcane and subjective. When trade liberalization did begin to have a more direct and substantial effect on more people, the public got more interested but has not gotten proportionally better informed. The antiglobalization movement owes much to this failure.

22 There are more than 200 FTAs, most of them initiated by the EU.

This page intentionally left blank

PART IV

DOMESTIC POLICIES AND TRANSATLANTIC VALUES

This page intentionally left blank

Chapter 8

Transatlantic Tensions in Food and Agriculture: Coming Together?

Adam Sheingate

Issues of food and agriculture have long been at the center of diplomatic relations between the United States and the European Union. From the “Chicken Wars” of the 1960s to the more recent disputes over beef hormones and genetically modified foods, agricultural trade has been a persistent source of transatlantic tension. In addition, multilateral trade negotiations, from the nearly decade-long Uruguay Round to the current Doha efforts, often hinge on the successful conclusion of agricultural provisions and the seemingly intractable disagreements between US and EU negotiators over the status of farm subsidies.

More broadly, issues of food and agriculture seem to encapsulate deep-seated and persistent differences between Americans and Europeans that touch upon economic, cultural, and environmental sensibilities. Indeed, one is tempted to characterize agricultural policies in the United States and European Union in terms of two divergent and irreconcilable approaches to food and farming: between the promotion of a large-scale, economically efficient, and technology-driven sector and the preservation of small-scale farms, traditional rural communities, and production methods that privilege animal welfare and environmental protection. Like the French thirty-five hour workweek or generous Scandinavian social programs, the European “agricultural” welfare state would appear to embrace a very different vision about the purpose and scope of government programs than is found in the United States (Esping-Anderson, 1990; Sheingate, 2001).

But one must be careful to separate rhetoric from reality and avoid caricatures that obscure the diversity of European and American agriculture. The vision of a small-scale, traditional European agriculture does not square easily with the large-scale grain farming of the French Paris Basin or the export-oriented dairy and pork producers of Denmark. In 2003, European Union farm exports (excluding intra-EU trade) totaled \$62.6 billion, marginally higher than total US farm exports of \$62.3 billion (FAOSTAT, 2004). In fact, bilateral US-EU farm trade shifted from a \$2.4 billion agricultural trade surplus for the United States in 1995 to a \$5.5 billion agricultural trade deficit with the European Union in 2004 (Census Bureau, 2005). Popular images of European peasants notwithstanding, portions of the sector are quite competitive. Nor do all Europeans embrace the image of the

farmer as a simple steward of the land. French politicians, particularly on the right, routinely invoke an image of agriculture as a strategic sector for economic competitiveness. As French President Jacques Chirac stated with characteristic brusqueness in response to proposals that would link farm subsidies more directly to the adoption of environmental practices, “farmers are not gardeners” (Chirac, 1998; Fulda, 1998).

Similarly, it would be a mistake to assume that all American farms resemble the massive feedlots of the Great Plains. To be sure, farm structures are much different in the United States: at more than four hundred acres, the average farm in the United States is nearly ten times larger than the average European holding. Yet, like Europe, agriculture in the United States also displays great variety. For instance, 35 percent of US farms are less than fifty acres, comparable in size to European farms. In fact, nearly two-thirds of the almost 80,000 farms in California, the largest agricultural producer in the United States with more than \$25 billion in annual farm receipts, are less than fifty acres. Of course, the largest farms in the United States account for the lion’s share of agricultural output and receive most of the government payments from agricultural programs. In 2002, operations that sold more than \$500,000 in farm products comprised only 8 percent of all American farms but accounted for more than three-quarters of total agricultural output and received nearly half of all government payments (US Department of Agriculture, 2002). But, European subsidies are also skewed toward the largest farms, albeit less dramatically than in the United States. In 2002, the largest 25 percent of European farms in terms of sales received 58 percent of subsidies and accounted for 69 percent of agricultural output (European Commission, 2005).

The diversity of American and European agriculture casts doubt on the simple notion that farm trade disputes between the US and EU reflect fundamental differences in farm structures or policy priorities. Contrary to romantic notions, not all European farmers are simple peasants. Similarly, not all American farmers oversee thousands of acres of grain or heads of cattle. Moreover, American and European agriculture bear similarities that are characteristic of farming in advanced capitalist countries: land, production value, and government subsidies are concentrated in the largest farms, the number of small and medium farms continues to decline, and those small farms that survive only do so through the production of high value-added luxury items (organics, for example) or as marginally productive “hobby” farms.

In fact, similarities in American and European farming are reflected in agricultural policies. As I describe below, levels of agricultural subsidies are moving closer together. Although European agriculture remains more subsidized than in the US, the gap is narrowing. At the same time, the mechanisms employed in agricultural policy are converging, with an increasing reliance in both the US and Europe on direct government payments rather than price supports. Finally, even in an area where Americans and Europeans would seem to display clearly contrasting cultural sensibilities, such as genetically modified foods, the

differences may be more apparent than real with US and EU regulatory regimes moving closer together, albeit incrementally.

These convergent trends beg the question, if policies are moving closer together what explains the persistent tensions between the US and EU in agricultural matters? Like our examination above, we must separate rhetoric from reality. Put differently, the rhetoric of irreconcilable differences in values, goals, and practices in farming belies a reality of convergence in agricultural programs and policies. Ultimately, I conclude that trade disagreements in agriculture, although grounded in part on different material interests and policy priorities, largely reflect a political strategy by politicians to deflect blame for policy failures and budget scarcity on external trade relations.

Policy Convergence I: Producer Subsidies

We gain our first look at agricultural policy convergence by examining trends in overall levels of government support received by farmers over the past several years. Despite the technical challenges of comparing various types of subsidy programs and other agricultural policies, the Organization for Economic Cooperation and Development (OECD) has developed very comprehensive measures of agricultural support. The Total Support Estimate (TSE) captures the monetary value of all policies that specifically support agriculture. These include various production subsidies received by individual farmers as well as general services that aid the farm sector as a whole such as research and development, marketing and promotion (including domestic food aid programs), and storage of surplus commodities (OECD, 2004, pp. 38-9). As indicated in figure 8.1, over the last ten years a decreasing share of the economy has been devoted to agricultural supports in both Europe and the United States. In the case of the EU, agricultural support fell from nearly 2 percent of GDP in 1993 to about 1.3 percent a decade later. Over the same period, US support fell from around 1.3 percent to less than 1 percent of GDP. Figure 8.1 also indicates that the difference in support levels between the United States and European Union narrowed in the late 1990s, although a recent widening of the gap is also evident.

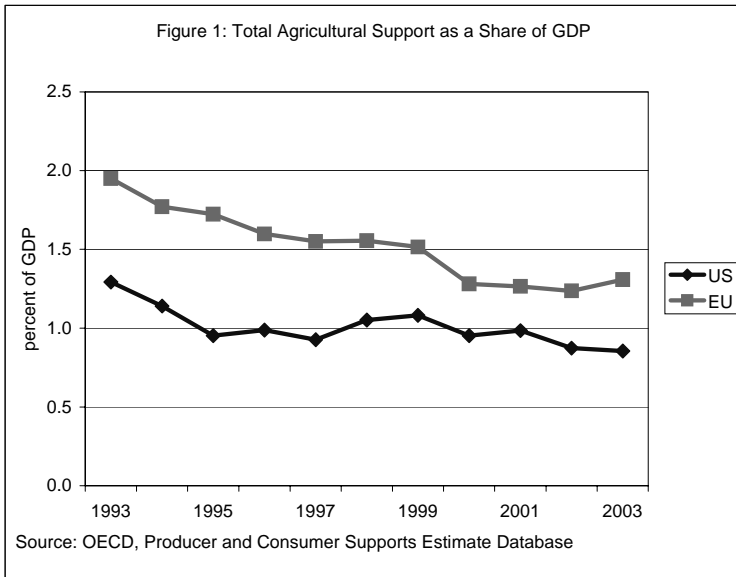


Figure 8.1 Total Agricultural Support as a Share of GDP

Looking more specifically at subsidies, the Producer Support Estimate (PSE) captures the monetary value of all government transfers to farmers. These include market price supports—policy measures that raise the prices of agricultural products—and direct budgetary payments based on agricultural output, acreage, historical subsidy receipts or some other criteria. When expressed as a share of total farm receipts, the percentage PSE gives some indication of the economic significance of agricultural programs to overall farm income. Figure 8.2 shows trends in the percentage PSE for the European Union and the United States from 1993 to 2003 and reports the five-year moving average to reveal underlying policy trends. As indicated, the value of farm subsidies in the EU has remained around 36 percent of total agricultural receipts. In the United States, subsidies decreased to about 15 percent of farm receipts in 1997 but have since increased to more than 20 percent of farm receipts. Although a gap remains, we do see some convergence with the EU in levels of agricultural support due to an increase in US subsidies.

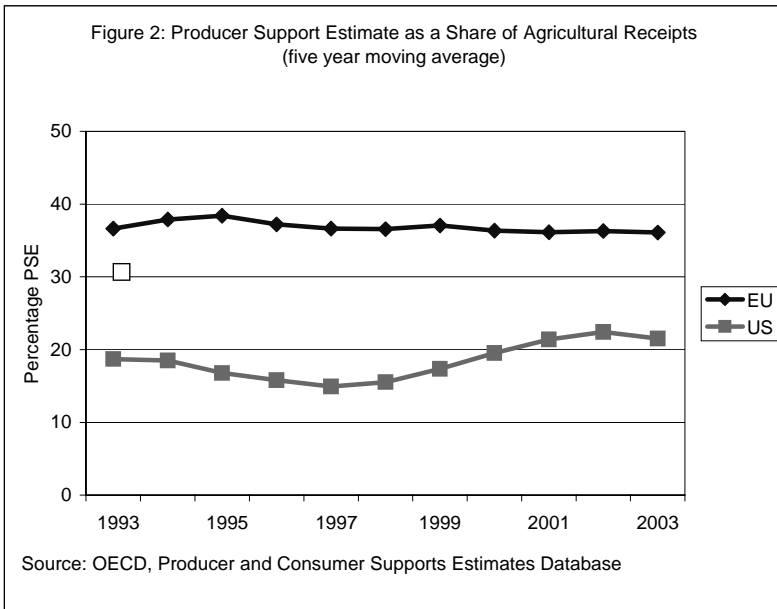


Figure 8.2 Produce Support Estimate as a Share of Agricultural Receipts (five year moving average)

In addition, the kinds of agricultural supports found in the US and EU have also converged to some extent. Farm subsidies generally take one of two forms. As described above, market price supports increase the prices farmers receive for their crops and livestock, for example, by setting a floor on prices or imposing a levy on imports. Direct payments, on the other hand, pay farmers a cash transfer based on the amount they produce, acreage under production, or past levels of subsidy payments. Whereas consumers pay most of the cost of market price supports in the form of higher food prices, taxpayers foot the bill for direct payments paid from general revenues. For those critical of agricultural programs, direct payments are preferable to price supports as the former have fewer market-distorting effects. As indicated in Figure 8.3, market price supports have decreased as a share of overall producer subsidies in both the US and EU. Moreover, the difference between the US and EU narrowed considerably during the mid-1990s and although this gap has widened somewhat in recent years, differences in agricultural support mechanisms are less than they were in the early 1990s. In sum, although the European Union spends more on agricultural programs, provides higher levels of farm subsidies, and relies more heavily on price supports, differences between the EU and US have narrowed in each case. This convergence

reflects policy changes in agriculture that have taken place in both the EU and US over the past decade.

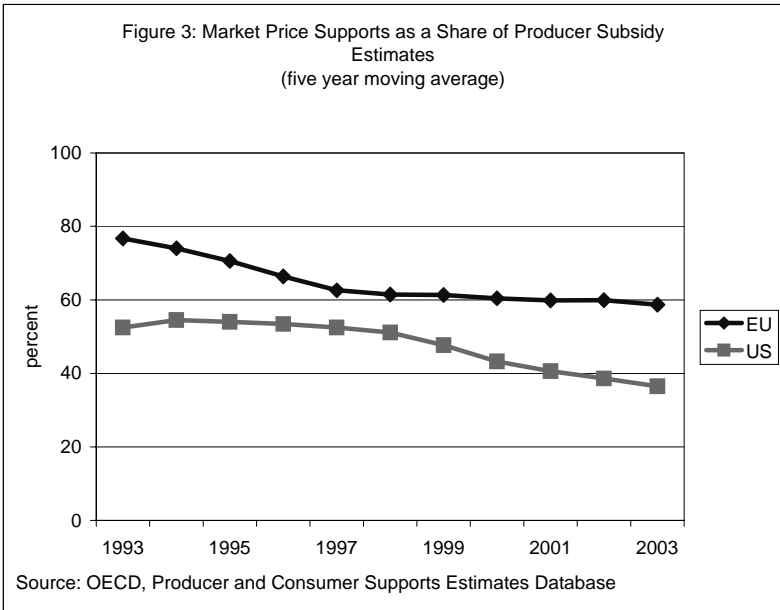


Figure 8.3 Market Price Supports as a Share of Producer Subsidy Estimates (five year moving average)

Recent Policy Developments

Beginning with the United States, Figure 8.2 indicates that farm subsidy levels began to increase in the late 1990s after an earlier period of relative decline. Several factors contributed to these developments. First, passage of the Federal Agricultural Improvement and Reform (FAIR) Act in 1996 capped off two decades of policy reforms designed to sever production decisions from subsidy payments and reduce the cost of agricultural programs. In the case of the FAIR Act, farmers were to receive fixed, declining payments based on historical subsidy levels in exchange for the near-complete removal of acreage restrictions on crop production that had served as a supply control mechanism since the 1930s. Passed at a time of record high commodity prices, the FAIR Act seemed to herald a future of free market agriculture (Republicans in control of Congress dubbed the new law “Freedom to Farm”); in fact, the “market transition payments” farmers received in 1996 resulted in higher subsidies than would have been paid under the previous system (Orden, 2003, p. 1).

Moreover, hopes that farmers could be gradually weaned from government programs were dashed when prices dropped in the wake of the Asian financial crisis and appreciation of the US dollar. In the two years after the FAIR Act became law, crop prices declined by more than a third. Corn farmers were especially hard hit: prices dropped by two-thirds between July 1996 and August 2000 (Orden, 2003, p. 10; National Agricultural Statistics Service, 2005). Support payments designed to pay farmers when prices fell below legislated levels subsequently skyrocketed. At the same time, two political factors contributed to the rise in government largesse. First, with slim majorities in the House and Senate and an electoral base concentrated in the agricultural Midwest, Republican majorities in both chambers were eager to attend to the farmer's plight in advance of congressional elections in 1998 and 2000. Second, after more than a decade of deficit reduction efforts that had helped reduce farm subsidies, the US enjoyed a budget surplus that reached \$230 billion in 2000. The combination of budgetary means and political motive resulted in the passage of several emergency measures that channeled an additional \$27 billion in government payments to farmers between 1998 and 2001 (Economic Research Service, 2005).

In 2002, new farm legislation took effect designed to provide a more robust farm income safety net and reduce the need for ad hoc emergency payments in the future. Under the Farm Security and Rural Investment Act, producers of major field crops are eligible for three types of support: direct payments based on historical acreage, payments based on loan guarantees that help boost prices, and new "counter-cyclical payments" triggered when prices are especially low (Orden, 2003, pp. 21-2). In 2004, with prices having recovered somewhat, total direct payments in the United States were \$14.5 billion, down considerably from the \$22.9 billion paid in 2000, but still about twice as much as what farmers received in 1996. With prices for most major field crops weakening in 2005, government payments may again reach the high levels seen earlier in the decade (Economic Research Service, 2005a). In sum, farm program reforms designed to reduce the role of government in agriculture have proven less durable than their advocates had hoped (Patashnik, 2003).

At the same time as US farm supports have increased, reforms of the Common Agricultural Policy (CAP) have brought EU subsidy policies closer to the United States, particularly in terms of the mechanisms employed to augment farm incomes. In 2003, member state farm ministers agreed to a comprehensive package that moderately cut support levels for most major products. In large measure, the 2003 reforms continued a trend begun a decade earlier of incremental reductions designed to rein in the high levels of agricultural spending that had threatened to bankrupt the EC in the 1980s. In addition, the 2003 reform package calls for the creation of a single farm payment system that will replace many of the commodity-specific farm programs currently in operation. Like the ill-fated market transition payments of the 1996 FAIR Act in the United States, these new single farm payments will be based on past subsidy levels and offer European farmers more flexibility in production decisions (OECD, 2004a, pp. 8-15).

Several distinct features of the 2003 CAP reform, however, are worth noting. First, member states may choose to calculate payments at the regional rather than farm level in order to redistribute subsidies toward smaller farmers. Moreover, beginning in 2005, recipients of large subsidies will see a small reduction in payments with the savings used to support rural development initiatives. Finally, the 2003 reforms include compulsory cross-compliance measures that require farmers who receive subsidy payments to meet environmental, food safety, and animal welfare standards. In these respects, the recent CAP reforms attempt to redirect subsidy programs away from their traditional emphasis on production agriculture. However, environmental and rural development programs touch upon national competences. As a result, the implementation of some reform measures will vary greatly across member states (OECD, 2004a).

Moreover, the full effects of the 2003 reforms must await the consequences of enlargement. Currently, farmers in the ten accession countries have access to the single market and with it the market price supports of the CAP, including export subsidies. Direct payments, however, will be phased in over a ten-year period during which farmers in the accession countries are exempt from cross-compliance requirements related to environmental and animal welfare practices. For 2006, the EU budget earmarked an additional EUR 16 billion for enlargement. Of this, approximately EUR 5 billion will be spent on agriculture (European Commission, 2004, pp. 9-15). These expenditures will no doubt rise once the phase-in of direct payments is complete. Even then, the recent trend of incremental reductions in farm supports and the ongoing shift away from market price supports and toward direct payments is likely to continue.

Converging Pressures

In sum, recent policy developments in the United States and European Union have brought domestic agricultural programs closer together. In the European Union, support levels have decreased slightly and the policy emphasis has switched from price supports to direct payments. In the United States, support levels increased due to a combination of low commodity prices, political pressures, and a momentary budget surplus. This convergence in agricultural policies reflects similarities in the political context of farm subsidies in the United States and European Union.

First, agricultural subsidies are costly and are subject to the same austerity pressures as other social welfare programs (Pierson, 1998; Sheingate, 2001). Despite the overall reduction in support levels as a share of GDP, policymakers in both Europe and the United States still face severe fiscal constraints and have adopted similar policy mechanisms to address them. For example, by shifting the CAP away from market price supports and toward direct payments, the cost of farm programs becomes more transparent and budget discipline easier to impose. These considerations only increase with the uncertain costs of EU enlargement. Moreover, to the extent that these payments are separated, or “decoupled,” from

production decisions, the move away from price supports also lessens the problem of oversupply that in the past led to huge stockpiles of excess commodities. Similarly, in the United States budget concerns have been a forceful consideration in agricultural policy debates. Indeed, had it not been for a momentary surplus, the rather generous provisions of the 2002 farm bill would have been unlikely. With the return of large budget deficits in the United States, farm programs may again fall under the budget cutter's ax (Pear, 2005, p. 1).

Second, the Uruguay Round Agreement on Agriculture (URAA) imposed a ceiling on the most trade-distorting forms of farm subsidies, namely those linked to prices and production. Direct payments based on acreage or historical subsidy receipts, however, are not included in these limits. Consequently, the increasing reliance on direct payments enables the EU to abide by its WTO commitments without dramatically reducing overall levels of support. Because US farm programs historically have relied less on market price supports, concerns about WTO compliance have not been central to American policy debates. In recent years, however, the United States has approached this subsidy ceiling as market price supports increased. In fact, had the emergency payments between 1998 and 2001 been counted against this limit (rather than exempted under a questionable loophole), the United States would have exceeded its WTO ceiling.¹ With higher farm supports forecast for 2005, concerns about WTO compliance may enter US debates more forcefully in the future.

Together, domestic budget constraints and international trade commitments have prompted policymakers in both the EU and US to settle on a roughly similar set of policy instruments to support agricultural incomes. Although European support levels remain higher, the gap is narrowing through a combination of incremental European reforms and recent farm subsidy recidivism in the United States. Nevertheless, important differences do remain. As mentioned above, the 2003 CAP reform included a number of distinct policy instruments that aim to reorient agricultural programs toward rural development goals. Like the continued skepticism toward genetically modified crops, such goals may constitute a distinctively European approach to agriculture and agricultural policy. However, as I describe below, even on the contentious subject of GM foods, differences between US and EU policies may be more apparent than real.

Policy Convergence II: Genetic Modification

As discussed more fully in the following chapter, few issues illustrate the apparent gulf in transatlantic relations as the ongoing conflict over genetically modified (GM) foods and crops. Although American officials insist that GM foods are safe, European officials remain reluctant to approve new GM products in the face of widespread consumer distrust and continued concerns about the potential environmental and health risks of genetic modification.² Whereas the United States criticizes European policy as a form of thinly veiled protectionism, many in

Europe perceive American demands as an attempt to further the corporate interests of US agribusiness.³

To be sure, agricultural biotechnology presents a hard case for arguments that would downplay differences between the United States and Europe. Whereas cultivation of genetically modified crops is virtually nonexistent in the European Union, GM varieties accounted for 45 percent of all corn and 85 percent of all soy planted in the United States in 2004 (National Agricultural Statistics Service, 2004, pp. 24-5). However, a closer look at the GM food debate suggests that what separates American consumers from their European counterparts is not so much their acceptance of biotechnology per se, but rather a relatively high degree of trust in the regulatory authorities responsible for genetically modified foods and crops. Such divergent levels of trust reflect particular historical and institutional circumstances rather than some underlying cultural predisposition to risk and regulation.

Nevertheless, differences remain, including in the regulatory regimes that govern biotechnology products. Whereas US regulators have adopted a promotional approach to agricultural biotechnology, seeking to develop the commercial potential of this new technology, European officials have adopted a precautionary stance toward the potentially unknown risks of genetic modification. Yet even here, there is some indication that the US and EU may be moving closer together rather than further apart. The recent adoption of new EU regulations, including stricter rules on the labeling and tracing of GM products, at least opens the possibility of future regulatory approvals. Meanwhile, for several reasons discussed below, US regulators have demonstrated greater circumspection toward genetic modification than in the past. And despite the claim by US regulators that genetically modified foods and crops are treated no differently than those produced through conventional means, in fact many GM varieties undergo a higher level of scrutiny than conventional products.

Public Perceptions of Biotechnology

During the 1990s, European attitudes toward genetically modified foods and crops turned decidedly negative. Survey research on the topic indicated growing opposition to the new technology amid widespread concerns about the possible risks of genetic modification. This public skepticism deepened over the course of the decade. In 1996, for example, a majority of respondents to a Eurobarometer survey actually viewed the genetic modification of plants for insect resistance as morally acceptable and agreed it should be encouraged. By 1999, however, a majority of respondents answered the same questions in the negative.⁴ Opinions on GM food were even lower. Only 31 percent of respondents to the 1999 Eurobarometer survey agreed research into genetically modified food should be encouraged and 59 percent agreed that GM food posed risks for society.⁵ Moreover, concerns about GM food became widespread across Europe. In 1996, for example, opposition to GM food was most pronounced in four of the fifteen EU

countries (Austria, Sweden, Denmark, and Greece). By 1999, similar levels of opposition to the technology were evident in twelve of the fifteen EU countries.⁶

This period of deepening concern between 1996 and 1999 corresponds to a time of mounting public controversy over the regulation of genetically modified foods and crops. In 1996, member state concerns emerged over a European Commission proposal to approve the marketing of a GM corn variety produced by the Swiss company Ciba-Geigy. Although the Commission endorsed the proposal, a scientific regulatory committee was unable to reach a consensus on its safety. Consequently, the Commission forwarded the application to the Council of Ministers for decision, which despite overwhelming opposition (only France, which had originally forwarded the application to the Commission, voted in favor) deadlocked nevertheless ("Member States Reject...", 1996). After several months of delay and three additional reports from scientific committees, the Commission reluctantly authorized approval of the GM corn ("Transgenic Maize," 1996). Critical of the Commission's decision, Austria announced its intention in early 1997 to ban imports of the variety.⁷ With member state opinion on biotechnology increasingly divided, questions about the legality of the Austrian ban lingered for two years until the Commission ordered Austria (and Luxembourg, which had also imposed a ban) to allow imports of GM corn in February 1999 ("Vienna and Luxembourg...", 1997). By this time, however, member state concerns over the safety of GM foods and crops had become so widespread that the Commission decided to scrap its approval process and draft a new set of biotechnology regulations. In the interim, the Commission called a halt to its approval procedures, putting in place a *de facto* moratorium on GM foods and crops in the European Union that lasted until 2004 ("Commission Suspends," 1999).

These European developments stand in sharp contrast to the relatively quiescent approach to genetic modification in the United States where public misgivings about genetic modification were muted and the adoption of GM varieties by farmers increased steadily. However, this quiescence masked lingering doubts about the safety of agricultural biotechnology. A majority of respondents to a 1997 US survey, for example, agreed that GM food posed risks for society; like most Europeans, Americans registered greater concerns about GM food than other biotechnology applications (Miller, 2000). Similarly, a 2003 survey of Americans revealed doubts about genetically modified foods and crops with only 25 percent of respondents favoring the introduction of genetically modified products into the food supply (Pew Initiative, 2003, p. 2). In addition, the survey revealed public support for stricter government regulation of agricultural biotechnology. In fact, almost half of the respondents said they would be more likely to eat genetically modified foods if the submission of safety data to the FDA was mandatory rather than voluntary, as currently is the case (Pew Initiative, 2003, p. 5).

In part, this skepticism toward genetic modification reflects a generally limited knowledge of biotechnology: only a third of respondents reported having heard anything about genetically modified foods sold in grocery stores and only one quarter believed they had ever eaten genetically modified foods. In fact, once survey respondents were given information about the prevalence of genetically

modified products in the food supply, their support for agricultural biotechnology increased. Informed that, "more than half the products at the grocery store are produced using some form of biotechnology or genetic modification," the number of respondents who believed that GM foods were basically safe jumped from 27 percent to 44 percent (Pew Initiative, 2003, p. 4).

Put another way, many Americans assume that if genetically modified foods are already on the grocery store shelves, they must be safe. This perception reveals an important difference between the United States and Europe. Whereas consumers on both sides of the Atlantic have misgivings about the safety of GM foods and crops, what truly separates Americans and Europeans on the issue is the level of public trust in the regulatory authorities responsible for agricultural biotechnology. For example, 63 percent of respondents to the American survey in 2003 said they trusted what government regulators said about biotechnology "some or a great deal" (Pew Initiative, 2003, p. 4). By contrast, the 2002 Eurobarometer survey found that barely half of respondents thought that the European Commission was "doing a good job for society" in biotechnology policy and less than half of respondents felt the same about their national governments. Although not strictly comparable, the European and American surveys do suggest lower levels of trust in public authorities in Europe than in the United States, a conclusion supported by public sentiments toward different kinds of actors. Whereas respondents to the US survey ranked government regulators higher than consumer or environmental groups as reliable sources of information of biotechnology, European respondents expressed just the opposite sentiment (Gaskell, et al., 2003, 19-23; Pew Initiative, 2003). As one recent study of public attitudes toward biotechnology found, such differences in levels of trust in various actors are critical for understanding cross-national differences in perceptions of biotechnology (Priest, et al., 2004).

For a nation historically wary of central state authority and government regulation of business, these US results present something of a surprise. Equally surprising is the fact that most Europeans appear to trust non-governmental organizations more than public bodies as sources of information on biotechnology. Two related factors likely contribute to this puzzle. First, the "mad cow" (BSE) crisis and other European food safety scares of the late 1990s revealed severe shortcomings in the regulatory systems of many European countries. By contrast, the first case of mad cow disease in the United States was not discovered until 2003 and even then did not precipitate a larger crisis as public concern quickly dissipated in the wake of assurances about the integrity of the federal food inspection system (Strauss, 2004).

Second, European officials' handling of these recent food scares prompted criticisms about a lack of government commitment to consumer protection, a point underscored by the absence of an independent food safety authority in many countries and in the European Union. By contrast, the United States has a long history of federal involvement in issues of food safety. In particular, the Food and Drug Administration (FDA) has long been at the forefront of consumer protection, from the campaigns against adulterated foods in the early

twentieth century and through the Thalidomide scandal of the 1960s. As a result, the FDA routinely receives high marks in public opinion surveys and enjoys a robust reputation for ensuring product safety (Carpenter, 2004). More so than many other federal agencies, people trust the FDA. This reputation for consumer protection likely played an important role in assuaging public concerns over GM food. In fact, Americans' faith in government regulation of biotechnology appears to revolve around the particular reputation of the FDA. Whereas 63 percent of respondents said they trusted what government regulators said about biotechnology, fully 83 percent of respondents said they trusted the FDA "some or a great deal."⁸

In sum, although cultural attachments to food or the environment likely contribute something to the attitudes of Americans and Europeans on genetic modification, differences clearly reflect specific historical and institutional circumstances as well. In particular, the relatively passive acceptance of GM food in the United States is not due to a lack of concern about the risks, but instead reflects the trust Americans hold in the food safety regime to accommodate new technologies. By contrast, Europeans confronted the risks of GM foods and crops without the benefit of a robust agency like the FDA at either the national or EU level. This contributed to low levels of trust in public regulatory authorities; a sentiment no doubt exacerbated by BSE and other food scares of the late 1990s. It is a testament to the importance of public trust and bureaucratic reputation that the EU has established a new European Food Safety Authority to review applications for genetically modified foods and crops and that responsibility for food safety in the UK, France, and several other member states now resides in newly created independent agencies (Ansell and Vogel, forthcoming).

Policy Developments

As described above, differences in the levels of public trust in regulatory authorities had important consequences for consumer acceptance of GM foods and crops. In addition, the rules that govern the testing and approval of GM varieties also shaped the development of agricultural biotechnology. In the United States, regulations imposed minimal burdens and generally fostered the commercialization of GM foods and crops. By contrast, European rules have established higher barriers for the approval of GM varieties. For example, regulations promulgated in 2003 include strict labeling requirements and the capacity to trace GM products "from farm to fork" that impose additional hurdles to the commercialization of biotechnology not found in the United States.⁹

According to Sheila Jasanoff, these divergent policies toward agricultural biotechnology reflect fundamental differences between "process" and "product" based approaches to regulation (Jasanoff, 1995). In the European Union it is the process of genetic modification itself that triggers regulatory scrutiny. Coupled with a precautionary principle that seeks zero or minimal risk of hazard to human health or the environment, a process based approach renders the approval of any GM varieties difficult in the absence of scientific certainty about its effects (Poli,

2003). In the United States, on the other hand, rules governing the regulation of agricultural biotechnology stipulate that products created through genetic modification “will be reviewed...in essentially the same manner for safety and efficacy as products obtained by other techniques” (Office of Science and Technology Policy, 1986). In the absence of evidence of any unique risks of genetic modification, biotechnology products that share the same underlying biological characteristics as conventional products fall under the existing statutory authority of the USDA, EPA, and FDA. This is not to imply that GM products are completely free from regulatory oversight but rather, unlike the EU, the US does not have a separate statutory process for the regulation of biotechnology.

The effects of these different regulatory approaches can be seen in the pattern of approvals of genetically modified organisms in the United States and European Union, illustrated in Figure 8.4. The data are organized according to the year a particular crop trait (such as herbicide tolerant corn) was first approved for any use; subsequent approvals of the same trait for different uses (such as food or animal feed) are not included. As indicated, the United States has approved sixty-five GM varieties for various uses, compared to only 15 in the European Union. Figure 8.4 also illustrates the effect of the EU moratorium: the 2004 decision to approve the marketing of an herbicide-tolerant corn for animal feed was the first GM approval since 1998 and the first under the stricter labeling and tracing requirements agreed to in 2003.¹⁰

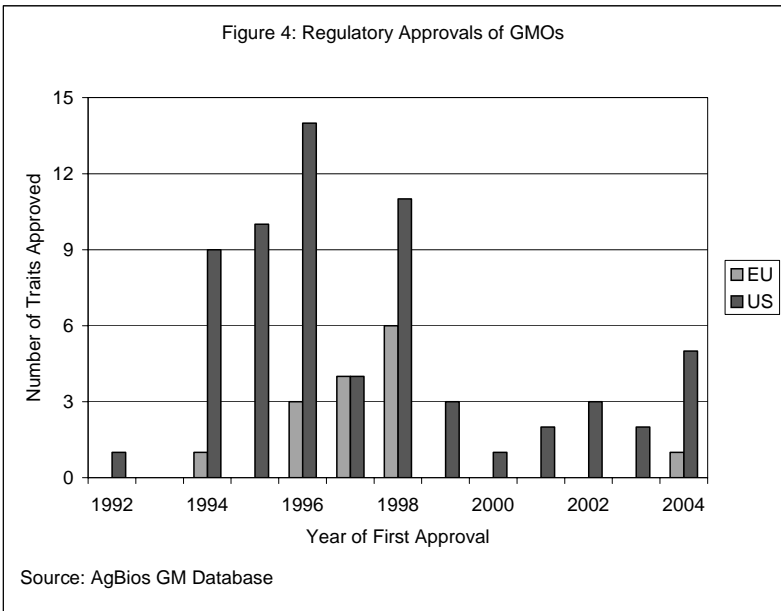


Figure 8.4 Regulatory Approvals of GMOs

However, Figure 8.4 also indicates that regulatory approvals of new crop traits in the United States slowed considerably after 1998 as well. In fact, three-quarters of all GM product approvals in the United States took place before 1999. Put differently, since 1999 and the beginning of the *de facto* moratorium on GM foods and crops in Europe, there have been only sixteen new crop traits approved in the United States, five of which were only just approved in 2004, the first year that EU regulators again began reviewing GM product applications. Although a number of factors may have contributed to this trend in the United States, such as a slowdown in the number of new crop traits coming through the biotechnology research pipeline, it is also possible that US regulators are taking a more cautious approach to GM foods and crops.

Evidence from agency decisions on biotechnology lends some support to this hypothesis. In the early 1990s, a number of important administrative rules established guidelines for the testing and marketing of GM products in the United States. In general, these rules facilitated the commercialization of biotechnology. In 1992, the FDA announced that most foods derived from GM plants would be “generally regarded as safe” and therefore did not require special pre-market approval. Instead, firms intending to market GM foods would undergo a voluntary consultation process with the FDA to consider the safety and nutritional attributes of the product.¹¹ In 1993, the Animal and Plant Health Inspection Service (APHIS), the agency in the USDA responsible for addressing environmental risks of genetically modified plants, relaxed its rules for GM field trials, requiring only a notification (rather than a permit) for field trials of six crops, and introduced a petition process to remove certain transgenic plants from regulated status, thereby opening the way to commercial sale of GM seeds (Animal and Plant Health Inspection Service, 1993). Under these rules, more than sixty commercial biotechnology applications have reached the market and there has been more than a twenty-fold increase in the area planted in GM crops since 1996.¹²

In recent years, however, the agencies responsible for biotechnology have sought to address possible loopholes or strengthen regulatory requirements. In 1996, the FDA published additional guidance for its consultation procedures, including more specific recommendations for the submission of scientific data on various nutritional, safety, and regulatory issues (Center for Food Safety and Applied Nutrition, 1997). Although FDA review remains voluntary and does not constitute “approval” in the regulatory sense, developers have routinely conducted consultations in part to boost consumer confidence in new products and avoid any product liability issues down the road. In addition, the FDA has endeavored to strengthen the consultation process even further and in 1999 began a series of public meetings on its policies toward GM food (US Department of Health and Human Services, 1999). Subsequently, in January 2001, the FDA announced a proposed rule in the Federal Register that would have made the voluntary pre-market consultation process mandatory; however, a final rule to this effect has yet to be issued under the current Bush Administration (Food and Drug Administration, 2001).

Similarly, the USDA has endeavored to strengthen its policies toward biotechnology. In 1999, then Secretary of Agriculture Dan Glickman asked the National Research Council (NRC) to conduct an independent review of USDA's biotechnology policies (Glickman, 1999). The NRC report, issued in 2002, noted a number of potential loopholes in the APHIS regulatory process (National Research Council, 2002). In response, APHIS established a new Biotechnology Regulatory Services unit within the agency to coordinate and review the procedures for field-testing new crops and the approval of petitions for deregulated status prior to commercial sale. In 2004, moreover, APHIS initiated an Environmental Impact Statement on the regulation of GM products, a top-to-bottom review of agency rules on the environmental effects of biotechnology open to public comment (US Department of Agriculture, 2004).

In addition to these incremental changes in agency rules and reviews of biotechnology regulations, there is evidence that new crop traits are subject to closer scrutiny than in the past. As mentioned previously, the number of new crop traits approved for use has declined. Moreover, the approval process itself has slowed as the amount of time that new biotechnology applications are under consultation or review with government regulators has increased. Table 8.1 reports data from FDA pre-market consultations with industry and APHIS reviews of petitions for deregulated status of GM crops. As indicated, the number of completed consultations and approved petitions has decreased by half since 1998. More telling is the duration of FDA pre-market consultations or APHIS reviews of petitions for deregulated status. In both cases, the median number of days in which new crop traits are subject to agency scrutiny has doubled in the period since 1998. Whereas FDA consultations and APHIS reviews were typically conducted in less than six months, today new crop traits are under review for more than a year.

Table 8.1 FDA and APHIS Review of Biotechnology Products, 1994-2004

Period	Consultations and Petitions Completed	Median Days under FDA Review	Median Days under APHIS Review
1994-1998	43	157	163
1999-2004	19	376	395

Sources: USDA and FDA (see footnote 12)

Two factors may be contributing to this trend. First, as Alasdair Young has argued, closer regulatory scrutiny of biotechnology in the US may be evidence of a "Baptist and bootlegger" coalition of anti-GM activists and domestic producers who together pressure for stricter regulations on biotechnology. In particular, Young argues that European rejection of GM foods and crops at once

mobilized US groups critical of the new technology and prompted concern among US farmers fearful of losing access to European markets (Young, 2003). In fact, biotechnology developments have coincided with a marked decline in American crop exports to the European Union. Since 1998, US exports to the EU of soy and corn gluten (a corn byproduct commonly used in animal feed) have declined by 43 percent and 35 percent, respectively (Census Bureau, 2005). As mentioned above, this also corresponds to a period when the US agricultural trade surplus with the European Union turned to a deficit. It is interesting to note that by comparison US wheat exports to Europe grew during the late 1990s and have only experienced a slight downturn recently due to the strong dollar. Moreover, unlike corn and soy, genetically modified wheat has yet to reach the market and in 2004 Monsanto, the largest developer of GM crops, withdrew its plans to sell GM wheat after American farmers expressed concerns about potential losses of export revenues (Pollack, 2004). In this way, US policies may be “trading up” to meet the higher regulatory requirements of the EU and thereby preserve access to a lucrative export market (Young, 2003; Vogel, 1995).

Second, US biotechnology policies may be evolving in a more restrictive direction in order to address a new wave of technological developments that have raised concerns about the adequacy of federal rules for the testing and marketing of GM foods and crops. Analysts predict that in the coming decade, the next generation of commercial GM varieties will include plants modified to produce pharmaceuticals or foods modified for particular nutritional characteristics (Pew Initiative, 2004, p. 18). These new applications pose challenges to a regulatory system first conceived nearly thirty years ago. Moreover, the 2000 StarLink controversy, in which a variety of GM corn not approved for human consumption inadvertently entered the food supply, revealed serious shortcomings in federal monitoring of biotechnology products after they are approved for use (Eichenwald, 2000, p. 1). Of course, the European experience is not lost on American producers or regulators who recognize that consumer acceptance of biotechnology hinges on the public’s trust of government regulatory capacity.

Ultimately, then, the designation of the US regulatory system as a product-based approach that treats GM foods and crops the same as those produced by conventional means may be something of a misnomer. Although the United States lacks specific statutes governing biotechnology or a single agency with responsibility for regulation of GM foods or crops, administrative rules and agency practices have evolved in such a way that distinct procedures now exist for regulating the products of biotechnology. With the advent of new and more complicated crop traits developed through genetic modification, this trend is likely to continue, bringing US policies gradually closer to European regulatory standards.

Conclusion: Coming Together?

It has become commonplace to focus on the vast gulf that separates Americans and Europeans on a variety of political, social, and economic issues. The transatlantic relationship has become, like a long marriage, somewhat embittered. And in the introspection that accompanies such a breakup, it is easy to blame irreconcilable differences as the root cause of underlying tensions. Such is the case with Robert Kagan's caricature of Americans from Mars and Europeans from Venus, a metaphor itself taken from a popular relationship self-help book (Kagan, 2003).

My point in this chapter is not to deny that differences exist between Americans and Europeans, but rather to point out that there are prominent similarities as well, and that the trend is one of convergence rather than divergence. Both the levels of agricultural subsidies and the mechanisms employed to support farm incomes in the United States and Europe are closer today than they were a decade ago. Similarly, Americans and Europeans both share underlying concerns about the safety of genetically modified foods and policymakers on both sides of the Atlantic have sought to address the regulatory challenges posed by this new and highly contentious technology. Admittedly, the stakes are not as high in food and agriculture as they are in foreign affairs and national security. Then again, agriculture has long been at the center of transatlantic tensions and is considered by many to reflect deeper cultural values that separate Americans and Europeans.

If, as I have argued, many of the differences in food and agriculture policies are more apparent than real, what explains the persistent conflicts between the United States and European Union over farm subsidies and food safety issues? Such disputes continue to be a sticking point in bilateral relations and the current multilateral trade negotiations again hinge on the successful resolution of US-EU differences over export subsidies. Put differently, what prevents the successful resolution of transatlantic differences given that the distance each side must traverse to find agreement is less than one might suppose?

The answer, not surprisingly, resides in politics. In the case of agriculture, policymakers have long sought to externalize the cost of domestic farm supports. This is, after all, the purpose of the export subsidy: to guarantee farmers high prices for their products at home with the surplus dumped on markets abroad. Since the 1970s, this practice has become less tenable not only because of efforts to bring agriculture under world trade rules but also because the domestic costs of farm programs became increasingly difficult to bear. However, rising costs placed politicians uncomfortably between a politically mobilized farm constituency eager to defend income supports and urban voters increasingly critical of agricultural programs. Facing such pressures, politicians found that, like export subsidies, they could externalize the political costs of farm programs by blaming foreign governments.

For European politicians looking to defend the inefficiencies of the CAP to a largely urban and increasingly circumspect electorate, this means touting the special virtues of European agriculture and recasting the CAP as the last line of defense against American farm exports and the threat they pose to rural

communities. Restrictions on GM foods and crops tap into a similar sentiment in so far as opposition to biotechnology is mixed with anti-globalization sentiments and concerns about US agribusiness giants like Monsanto. On the other side of the Atlantic, American politicians, looking to defend the costs of US farm programs in the midst of record high deficits, have sought to emphasize the economic virtues of export-agriculture and recast farm policy as an important weapon in preserving access to foreign (especially European) markets. Disputes over biotechnology also fit into this larger frame of economic competition. US politicians herald the commercial benefits of GM foods and crops and criticize European biotechnology policies as simply another protectionist brick in "Fortress Europe." In sum, politicians on both sides of the Atlantic look to displace criticisms and concerns about domestic agricultural programs by shifting blame toward the policies of the other.

What are the prospects of overcoming this blame game? Unfortunately, politicians will always seek to minimize blame, and it will always be easier to shift blame abroad than face hard choices at home. Nevertheless, domestic agricultural reforms are possible, particularly in the context of multilateral trade talks (Davis, 2003). In fact, recent negotiations appear to signal an agreement on agriculture and real progress in efforts to complete the Doha Round. Moreover, the recent judgment by the WTO against US cotton subsidies raises the prospect that changes to American farm programs may be in the offing as well (Minder, 2004; Williams, 2005). These are encouraging signs. But rather than signal any particular thaw in US-EU relations, these developments may reflect the new found prominence of countries like Brazil in the world economy and the fact that neither side wants to bear responsibility for scuttling the Doha Round or its promise to bring new economic opportunities to developing countries.

As one observer recently suggested, the appropriate classical referent for the United States and European Union may not be Mars and Venus but rather Narcissus (Lieven, 2005). In the case of food and agriculture, both American and European politicians are in love with their own slightly distorted reflection. More to the point, it is this self-absorption that stands in the way of closer relations between the US and EU, and, as this analysis suggests, it is self-interest that will incrementally bring the two sides closer together.

Notes

1 In 1995, US market price supports were 25 percent of its WTO allowance. In 2000, these supports reached 88 percent of WTO limits. For data on US compliance with WTO commitments, see Economic Research Service, "WTO Domestic Support Notifications," *WTO Agricultural Trade Policy Commitments Database*, US Department of Agriculture, 2004, available at <http://ers.usda.gov/db/wto>. See also Orden, 2003, p. 18.

2 Although the European Union recently lifted its *de facto* moratorium on GM foods and crops in May 2004, five member states—France, Austria, Germany, Greece, and

Luxembourg—continue to prohibit GM crops and the Council of Ministers remains deadlocked over the approval of new GM varieties. See Geitner, 2004.

3 For representative samples, see, Tom Rhodes, 1999; and Paul Magnusson, 2002. Despite the end of the moratorium, a dispute between the United States and European Union over GM products is still pending before the World Trade Organization. For the most recent action on the dispute, see World Trade Organization, 2004.

4 Respondents to the 1996 and 1999 survey were asked if they definitely agree/tend to agree/tend to disagree/definitely disagree that “taking genes from plant species and transferring them into crop plants, to make them more resistant to insect pests” is useful for society/pose risks for society/is morally acceptable/should be encouraged. In 1996, 62 percent of respondents definitely agreed or tended to agree that GM crops were morally acceptable; in 1999, only 47 percent agreed. Between 1996 and 1999, the percentage of respondents who agreed GM crops should be encouraged declined from 58 percent to 42 percent. See INRA—ECOSA, 2000, pp. 37-38. As the authors of a 2003 Eurobarometer report note, however, the 1999 survey included a filter question that asked respondents whether they had heard of each application before giving their opinion on usefulness, risk, moral acceptability, or encouragement, resulting in a significant increase in “don’t know” responses between 1996 and 1999. Consequently, part of the decrease in support may be due to the higher non-responsive rate, thereby diminishing the comparability of the two surveys. See Gaskell, et al., 2003, pp. 14-15.

5 Respondents to the 1996 and 1999 survey were asked if they definitely agree/tend to agree/tend to disagree/definitely disagree that “modern biotechnology in the production of foods, for example to make them higher in protein, keep longer or change the taste” is useful for society/posed risks for society/is morally acceptable/should be encouraged. In 1996, 44 percent of respondents agreed GM food should be encouraged and 61 percent agreed GM food posed risks for society.

6 Opposition here refers to respondents who agreed that GM food was risky and disagreed GM food was useful, morally acceptable, or should be encouraged. Only respondents who answered all four questions are included (that is, “don’t knows” are excluded), thereby making comparisons between 1996 and 1999 surveys possible. Amongst this “decided” public, the number of countries with a majority of respondents opposed to the technology increased from four to twelve between 1996 and 1999. Gaskell, et al., 2003, pp. 17-18.

7 In announcing the ban, Austria invoked the safeguard clause of Directive 90/220/EEC governing the release of GMOs into the environment, which permitted member states to “provisionally restrict or prohibit the use and/or sale” of GMOs that pose “a risk to human health or the environment.” See Directive 90/220/EEC, Article 16. “Austria Seeks Euro-Wide Ban on Transgenic Maize,” *European Report*, Number 2211 (28 March 1997).

8 Pew Initiative on Food and Biotechnology, “An Update on Public Sentiment About Agricultural Biotechnology.” Using a split sample, half of the respondents were asked whether they trust “government regulators” and half were asked whether they trust “the Food and Drug Administration.”

9 For the text of these new rules, see Regulation (EC) No 1829/2003 and Regulation (EC) No 1830/2003, *Official Journal of the European Union*, 18 October 2003, pp. L.268/1-268/28.

10 The 2004 approval only permits marketing for feed use; it is not approved for planting or for human consumption. For information on regulatory approvals, see the AgBios GM Database, available at <http://www.agbios.com/dbase.php>.

11 However, GM products that are not ‘substantially equivalent’ to those produced conventionally, for example if genetic modification introduces a new allergen, require pre-market approval under Section 409 of the Federal Food Drug and Cosmetic Act. See Food and Drug Administration, U.S. Department of Health and Human Services, ‘Statement of Policy: Foods Derived from New Plant Varieties’, *Federal Register*, 57 FR 22984 (29 May 1992).

12 For data on completed FDA consultations see Center for Food Safety and Applied Nutrition, Food and Drug Administration, US Department of Health and Human Services, ‘List of Completed Consultations on Bioengineered Food’, <http://www.cfsan.fda.gov/~lrd/biocon.html#list>. For the status of petitions for deregulated status from APHIS, see “Current Status of Petitions”, available at <http://www.aphis.usda.gov/brs/status/petday.html>. For data on the adoption GM varieties in the United States, see Jorge Fernandez-Cornejo and William D. McBride, “Adoption of Bioengineered Crops,” Economic Research Service, USDA, Agricultural Economic Report, No. 810 (May 2002) and National Agricultural Statistics Service, *Acreege Report*, pp. 24-25.

References

- Animal and Plant Health Inspection Service (1993), US Department of Agriculture, ‘Genetically Engineered Organisms and Products’, *Federal Register*, 60 FR 17044 (31 March).
- Animal and Plant Health Inspection Service (2005), “Current Status of Petitions,” US Department of Agriculture, available at <http://www.aphis.usda.gov/brs/status/petday.html>.
- Ansell, Christopher and David Vogel, eds. (forthcoming), *Why the Beef? The Contested Governance of European Food Safety*, Cambridge: MIT Press.
- “Austria Seeks Euro-Wide Ban on Transgenic Maize” (1997), *European Report*, Number 2211 (28 March).
- Census Bureau (2005), “Foreign Trade Statistics,” U.S. Department of Commerce, available at <http://www.fas.usda.gov/ustrade/>.
- Center for Food Safety and Applied Nutrition (1997), “Guidance on Consultation Procedures: Foods Derived from New Plant Varieties,” Food and Drug Administration, US Department of Health and Human Services, available at <http://www.cfsan.fda.gov/~lrd/consulpr.html>.
- Center for Food Safety and Applied Nutrition (2005), “List of Completed Consultations on Bioengineered Food,” Food and Drug Administration, US Department of Health and Human Services. Available at <http://www.cfsan.fda.gov/~lrd/biocon.html#list>.
- Chirac, Jacques (1998), “C’est l’Europe organisée qui donnera à la France la force et les moyens de faire valoir ses intérêts et de réaliser ses ambitions,” *Le Monde*, 18 April.
- Commission Suspends Licensing Procedures (1999), *European Report*, Number 2409 (22 May).
- Davis, Christina L. (2003), *Food Fights and Free Trade: How International Institutions Promote Agricultural Trade Liberalization*, Princeton: Princeton University Press.
- Directive 90/220/EEC, Article 16 (1997).

- Economic Research Service (2004), "WTO Domestic Support Notifications," *WTO Agricultural Trade Policy Commitments Database*, US Department of Agriculture, available at <http://ers.usda.gov/db/wto>.
- Economic Research Service (2005), "Direct Government Payments by Program, United States, 1996-2003," U.S. Department of Agriculture, available at <http://www.ers.usda.gov/data/FarmIncome/finfidmu.htm>.
- Economic Research Service (2005a), "Direct Government Payments, 2001-2005," US Department of Agriculture, available at <http://www.ers.usda.gov/data/FarmIncome/finfidmu.htm>.
- Eichenwald, Kurt (2000), "New Concerns Rise on Keeping Track of Modified Corn," *The New York Times*, 14 October, p. 1.
- Esping-Anderson, Gosta (1990), *Three Worlds of Welfare Capitalism*, Cambridge: Polity Press.
- European Commission (2004), "Enlargement and Agriculture," Directorate General for Agriculture, available at http://europa.eu.int/comm/agriculture/eu25/index_en.htm.
- European Commission (2005), *Farm Accountancy Data Network Public Database*, Directorate General for Agriculture, available at <http://europa.eu.int/comm/agriculture/rica/>.
- FAOSTAT (2004), "Agriculture and Food Trade Database," Food and Agriculture Organization of the United Nations, available at <http://faostat.fao.org>.
- "FDA Announces Public Meetings on Bioengineered Foods" (1999), US Department of Health and Human Services Press Release, 18 October, available at <http://www.cfsan.fda.gov/~lrd/hhbioeng.html>.
- Fernandez-Cornejo, Jorge and William D. McBride (2002), "Adoption of Bioengineered Crops," Economic Research Service, US Department of Agriculture, Agricultural Economic Report, No. 810 (May).
- Food and Drug Administration (1992), US Department of Health and Human Services, "Statement of Policy: Foods Derived from New Plant Varieties," *Federal Register*, 57 FR 22984 (29 May).
- Food and Drug Administration (2001), US Department of Health and Human Services, "Pre-market Notice Concerning Bioengineered Foods: Proposed Rule," *Federal Register*, 66 FR 4706 (18 January).
- Fulda, Anne (1998), "En visite dans le Cantal, Jacques Chirac 'vigilant,'" *Le Figaro*, 3 October.
- Gaskell, George, Nick Allum, and Sally Stares (2003), *Eurobarometer 58: Europeans and Biotechnology in 2002*, Brussels: European Commission, Directorate General for Research.
- Geitner, Paul (2004), "EU Deadlock over Biotech Products Unbroken," *Associated Press*, 29 November.
- Glickman, Dan (1999), "Remarks Before the National Press Club," 13 July, available at <http://www.usda.gov/news/releases/1999/07/0285>.
- INRA—ECOSA (2000), *Eurobarometer 52.1: The Europeans and Biotechnology* Brussels: European Commission, Directorate General for Research.
- Jasanoff, Sheila (1995), "Product, Process, or Programme: Three Cultures and the Regulation of Biotechnology," in Martin Bauer, ed., *Resistance to New Technology: Nuclear Power, Information Technology, and Biotechnology*, Cambridge: Cambridge University Press.

- Kagan, Robert (2003), *Of Paradise and Power: America and Europe in the New World Order* New York: Alfred A. Knopf.
- Lieven, Anatol (2005), "Partial Visions," *Financial Times*, 19 February, p. 27.
- Magnusson, Paul (2002), "Biotech Food: Europe's Phony Open Door," *Business Week*, 22 October.
- "Member States Reject Ciba-Geigy's Genetically-Modified Maize" (1996), *European Report*, Number 2144 (29 June).
- Miller, John D. (2000), *United States Biotechnology Study, 1997-1998* Ann Arbor: Inter-University Consortium for Political and Social Research.
- Minder, Raphael (2004), "EU Offer on Farm Tariffs Revives Prospects for Doha Trade Talks," *Financial Times*, 5 May, p. 10.
- National Agricultural Statistics Service (2004), *Acreage Report*, U.S. Department of Agriculture, 30 June.
- National Agricultural Statistics Service (2005), "Prices Received by Farmers, Corn, US," US Department of Agriculture, available at <http://www.usda.gov/nass/aggraphs/pricecn.htm>.
- National Research Council (2002), *Environmental Effects of Transgenic Plants: The Scope and Adequacy of Regulation*, Washington, DC: National Academy Press.
- OECD (2004), *Agricultural Policies in OECD Countries: At a Glance*, Paris: Organization for Economic Cooperation and Development.
- OECD (2004a), *Analysis of the 2003 CAP Reform*, Paris: Organization for Economic Cooperation and Development.
- Office of Science and Technology Policy (1986), Executive Office of the President, "Coordinated Framework for the Regulation of Biotechnology," *Federal Register*, 51 FR 23302 (26 June).
- Official Journal of the European Union (2003), "Regulation (EC) No 1829/2003 and Regulation (EC) No 1830/2003, 18 October, pp. L.268/1-268/28.
- Orden, David (2003), "US Agricultural Policy: The 2002 Farm Bill and WTO Doha Round Proposal," TMD Discussion Paper No. 109, International Food Policy Institute, Washington, DC, February.
- Patashnik, Eric (2003), "After the Public Interest Prevails: The Political Sustainability of Policy Reform," *Governance* 16 (April), pp. 203-34.
- Pear, Robert (2005), "Bush Is Said to Seek Sharp Cuts in Subsidy Payments to Farmers," *The New York Times*, 6 February, p. 1.
- Pew Initiative on Food and Biotechnology (2003), "An Update on Public Sentiment About Agricultural Biotechnology," survey conducted by The Mellman Group, Inc./Public Opinion Strategies, September, p. 2. Available at <http://pewagbiotech.org/research/2003update/>.
- Pew Initiative on Food and Biotechnology (2004), *Issues in the Regulation of Genetically Engineered Plants and Animals*, Pew Initiative on Food and Biotechnology: Washington, D.C.
- Pierson, Paul (1998), "Irresistible Forces, Immovable Objects: Post-Industrial Welfare States Confronting Permanent Austerity," *Journal of European Public Policy* 5 (December), pp. 539-560.
- Poli, Sara (2003), "The Emerging EU Regulatory Framework on Genetically Modified Organisms: Dilemmas and Challenges," in Giandomenico Majone, ed., *Risk Regulation in the European Union: Between Enlargement and*

- Internationalization*, San Domenico di Fiesole: Robert Schuman Centre for Advanced Studies, European University Institute.
- Pollack, Andrew (2004), "Monsanto Shelves Plans for Modified Wheat," *The New York Times*, 11 May, Section C, p. 1.
- Priest, Susanna Hornig, Heinz Bonfadelli, and Maria Rusanen (2004), "The 'Trust Gap' Hypothesis: Predicting Support for Biotechnology Across National Cultures as a Function of Trust in Actors," *Risk Analysis*, 23, pp. 751-66.
- Rhodes, Tom (1999), "Bitter Harvest: The Real Story of Monsanto and GM Food," *Sunday Times (London)*, 22 August.
- Sheingate, Adam D. (2001), *The Rise of the Agricultural Welfare State: Institutions and Interest Group Power in the United States, France, and Japan*, Princeton: Princeton University Press.
- Strauss, Robert (2004), "The Cows May Be Mad But the People Aren't Fazed," *The New York Times*, 8 February, Section 14NJ, p. 3.
- "Transgenic Maize Gets Commission Marketing Authorisation" (1996), *European Report*, Number 2185 (21 December).
- US Department of Agriculture (2002), *2002 Census of Agriculture: United States Summary and State Data*, Volume 1, Geographic Area Series Part 51, available at <http://www.nass.usda.gov/census>.
- US Department of Agriculture (2004), "USDA Announces First Stop to Update Biotechnology Regulations," Press Release, 22 January, available at <http://www.usda.gov/Newsroom/0033.04.html>.
- US Department of Health and Human Services (1999), "FDA Announces Public Meetings on Bioengineered Foods," Press Release, 18 October, available at <http://www.cfsan.fda.gov/~lrd/hhbioeng.html>.
- "Vienna and Luxembourg Ordered to Repeal National Provisions" (1999), *European Report*, Number 2385 (24 February).
- Vogel, David (1995), *Trading Up: Consumer and Environmental Regulation in a Global Economy*, Cambridge: Harvard University Press.
- Williams, Frances (2005), "WTO Appeal Judges Declare U.S. Cotton Subsidies Illegal," *Financial Times*, 10 March, 2005, p. 9.
- World Trade Organization (2004), "European Communities—Measures Affecting the Approval and Marketing of Biotech Products—Communication from the Chairman of the Panel," Doc # 04-4681 (2 November).
- Young, Alasdair (2003), "Political Transfer and 'Trading Up'? Transatlantic Trade in Genetically Modified Food and US Politics," *World Politics* 55 (July) pp. 457-84.

Chapter 9

European Environmental Leadership: The EU Approach to GM Foods

Paulette Kurzer

Like fashion, policy initiatives come in waves. For more than two decades, and until the mid-1980s, US policy makers pursued detailed comprehensive environmental and consumer protection legislation that routinely exceeded standards regarded appropriate by their European counterparts (Brickman, Jasanoff and Ilgen, 1985; Jasanoff, 1993; Vogel, 2003). The US was a pioneer in identifying toxic substances in the air, water, soil, and food chain and followed with comprehensive precautionary legislation to protect the consumer and the environment. However, since the late 1980s, the tables have turned and the European Union through the European Commission has taken the lead in pushing for strict environmental and consumer protection legislation while the US has only reluctantly engaged in regulatory activity.

The recent interesting case of genetically modified (GM) food and feed illustrates this regulatory pattern in the EU and the US since the late 1980s. While European consumer advocates and regulatory agencies have kept most GM food and feed from the EU market between 1998 and 2003, officials across the Atlantic have permitted the introduction of many GM crop varieties with the result that Americans are calmly ingesting hundreds of products containing genetically modified matter with little concern for health or environmental consequences. Since 2004, the Commission, Council of Ministers, and European Parliament issued new rules for authorization of planting and selling GM crops. But formidable obstacles to placing GM products on the market remain in place because a handful of member states (Austria, Greece, Denmark, Luxemburg, and France) continue to prohibit the import or sale of those few GM products now approved by the Commission. In short, the EU remains an unwelcoming market for GM products. Because the largest producers of GM food and feed are American farmers and US-based agrochemical companies, European resistance to GM products fuels trade friction with the US, friction that continues in spite of the passage of several EU directives aimed at permitting the introduction of a limited range of products.

The question for this chapter is whether this conflict is likely to be repeated between the EU and US over other environmental and consumer issues,

signaling a further deterioration in broader Atlantic relations or whether this particular case study is a short-term anomaly, likely to be resolved through regulatory policy convergence over time. No straightforward answer is possible. On the one hand, the current situation can be construed as the outcome of a role reversal where the US has relaxed consumer protection and environmental regulations while the EU has taken a more precautionary stance. In the future, it is possible that these positions will be reversed yet again with the US taking a harder line on consumer and environmental protection while the Commission and the EU embrace deregulation. On the other, in particular with regards to genetic engineering, European public interest groups and consumers are genuinely dubious about the utility of genetic engineering and question the benefits of this technological innovation for society. It is not clear that this skepticism will soon be replaced by tacit acceptance or tolerance. It seems more likely that popular attitudes and policy preferences will continue to diverge in the near future.

Although there is always the possibility that the gap between the US and EU positions may close as one or both alter their direction, the debate over the safety of GM food and feed has had a considerable short-term impact on American business. At this point, 80 percent of soybeans (animal feed) and 40 percent of corn (animal feed and sweetener) planted in the US are of the GM variety. US farmers and agrochemical firms have lost billions of dollars in revenues during the six-year EU moratorium and the near-term prospects are not much brighter. But the turmoil in Europe has also awakened fresh interests in the US to revisit the environmental consequences of GM crops. In 2001, the FDA admitted that 'unanticipated effects' may be more prevalent with bioengineered products than conventional crops. It also urged GM food producers to test their crops for nutritional variations, allergenicity, and toxicity. The 2001 report added a modest note of caution to the rapid development of GM crops by explicitly recognizing that genetic engineering does differ from conventional breeding in a number of ways that can affect food safety and so requires greater scrutiny of foods developed via biotechnology or genetic engineering (FDA, 2001).

This chapter first examines why GM food and feed has been largely accepted in the US and why it has been so vigorously resisted in the EU. Second, it explores the considerable differences of opinion among the EU member states regarding GM products and how these differences often make negotiations with external actors such as the US more complicated. Finally, the chapter concludes with some evidence that continuing disagreements between the US and EU on matters of genetic engineering may, paradoxically, result in modest convergence of corporate practices.

The European Opposition to Green Biotechnology

Many European consumers express profound skepticism about the utility of and need for transgenic crops or products. Genetically modified or transgenic crops or products contain DNA from another plant, animal, or microbe that changes the

properties of the original plant or plant product. Soybeans, corn, cotton, and oilseed rape (canola) have been genetically modified to make them resistant to herbicides (Roundup Ready soybeans) or insects (Bt-corn). While not yet on the market, biotechnology firms are already contemplating the design of crops that go beyond herbicide or insect resistance and offer enhanced nutritional value or specific medicinal features.

Why do transgenic plants and food products provoke anguish and regulatory activism in Europe while the reaction is largely one of indifference across the Atlantic? As recently as 2004, many Americans were still oblivious about the extent to which GM matter has entered the food chain. Approximately half of surveyed Americans were aware that GM foods were for sale in supermarkets and a third knew that they consumed GM food products (Hallman, et al., 2004). Thus after years of turmoil in Europe, the overwhelming majority Americans are indifferent and unconcerned about “Frankenfoods,” including half of the consumers who are vaguely aware of the existence of GM crops or food products. This goes some way in explaining why American interest groups and activists repeatedly fail to mobilize the consumer. Their rhetoric and arguments fall flat as the scaremongering and imagery conjured by American campaign activists do not resonate with the average citizen.

A cluster of special and distinctive circumstances turned the European public against GM foods and feeds. Consumer anxiety was exploited by social movements made up of environmentalists, consumer advocates, and small farmers that brought up the inequities of free trade, the abuses of corporate power, and the uncertainties of scientific risk (Ansell, forthcoming). These anti-GMO forces engaged every level of decision-making—local, regional, national, and European—permitting small volunteer groups at the local level to feel that they had considerable impact in their national capitals and Brussels.

Consumer anxieties grew from a spate of European food scandals in the late 1980s and 1990s that raised serious questions about the ability of national and European authorities to safeguard food and food production. The most serious was the outbreak of mad cow disease (BSE), the origins of which were traced to the factory-like feeding and slaughter practices common in Britain and elsewhere in Europe. The handling of the crisis by British officials contributed importantly to declining public confidence in government’s ability to protect public health. After repeatedly dismissing suggestions that infection from the disease could spread from cows to humans, British authorities suddenly announced in early 1996 the discovery of a new variant of Creutzfeldt-Jakob disease (vCJD) in young people and that it might have been caused by tainted beef (BSE Inquiry, 2003; Ratzan, 1998). The about face by the British government also implicated the Commission which was the guardian of the Community-wide beef market.¹

The lack of oversight in the UK, the narrow commercial considerations taken by the Commission when dealing with the European beef market, and scientific reassurances which turned out to be inaccurate quickly undermined

consumer confidence. Doubts were raised about whether any pronouncement by expert committees, public officials, or politicians could be trusted. When policy officials issued assurances that genetically modified Roundup Ready soybeans posed no health hazard, the public was understandably skeptical (Grant, 1997; Poppe and Kjærnes, 2003; Wynne, 1995).

Although food scandals and BSE in particular turned the public against official declarations, genetic engineering of crops, so-called green biotechnology, evoked concerns from the beginning (Eurobarometer, 1996). Although lack of trust certainly played a role, hostility to GM food also reflects a certain approach and view of farming and food production inimical to genetic engineering. Most European consumers prefer natural, unadulterated, "simple" foods and reject the view that foods should be altered to assure greater yields or resistance to pests. Natural, in this context, is defined not only by taste and texture but also by the process of production itself, features that have been passed along through many generations. Environmental, ethical, and animal welfare considerations all contribute to the goodness or "naturalness" of a product. While Americans buy vast quantities of "low fat," "low carb," or decaffeinated foods, most Europeans regard such products as artificial and unnatural. While most Americans are unaware of the short and unpleasant lives of laying hens, the EU passed legislation outlawing enclosed cages for chickens after 2007. Attention to production technique and concern for animal welfare also figure prominently in the European discourse about 'natural' or 'safe' foods aside from taste, texture, amount of chemicals used, hormone treatment and so forth.

Second, Europeans hold different views about farming. In the US, most farming takes place in thinly populated regions, away from large metropolitan areas. Most urban dwellers have little knowledge of or experience with farming, treating it as yet another industry. As a result, the American popular imagination shows little interest in preserving the vestiges and values of rural life (Echols 1998). In addition, the US is blessed with ample space and possesses vast amounts of lands largely untouched by human activity. In Europe, it is rare to find a landscape unchanged by human habitation. Therefore, the role of farmers besides producing foodstuff also includes the conservation and protection of the cultural landscape. Popular rhetoric claims that farmers are in harmony with nature since virtually all nature is an artifact of human occupation. Because of population density, farming is proximate to cities and towns and is routinely integrated into urban life through local markets and specialized products tied to particular regions over many generations. In Europe, the countryside is a link to the past and a repository of nostalgia and important cultural symbols (Lowe, 2000; Alun and Clark, 2001; Huylenbroeck, 2003). The combination of appreciating food for its freshness, taste, and texture and also viewing farmers as preservers of the country's rural landscape and pre-industrial history predisposed many consumers against GMO products from the beginning.

Environmental and consumer non-governmental organizations (NGOs) and farming associations have effectively tapped into existing distrust of government regulators (only 12 percent believed government pronouncements in

2000) by playing up the long-standing European commitment to local agriculture and by offering a frightening scenario where Europe's food production chain is compromised by genetic engineering. In the US, public interest groups lobbied for mandatory labeling of GM food and feed and some policy entrepreneurs even managed to get a GM labeling question on the 2002 Oregon ballot, but in the end they failed to generate a strong public emotional response sufficient to ensure the appropriate policy protections. In addition, some of the largest American NGOs such as the Consumer Union and the Environmental Defense Fund agreed with American regulatory agencies and agribusiness that the increased yields from GM crops would help feed the world. Even the accidental contamination of Kraft taco shells by genetically modified Starlink corn, a product approved for animal feed from the European-based firm Syngenta, did not turn the American public against green biotechnology (Bernauer, 2003; Meins, 2003). Trust in government remained high with 90 percent of American consumers believing statements on biotechnology offered by the US Department of Agriculture and other expert voices (Lang, O'Neill, and Hallman, 2003).

In addition to differences in consumer attitudes about food and farming, contrasting institutional arrangements also help to explain policy divergence between the US and Europe. Under pressure by consumers and NGOs, national representatives in EU committees insisted on vetting each application for authorization to plant or sell a GM product after careful scientific deliberation and to grant permission for only a limited duration while expecting post-release or post marketing gathering of data. Because of the multilayered decision-making structure at the EU level, influential NGOs allied with members of European parliament can raise the barriers for authorization thereby frustrating product approval. Since approval requires a qualified majority vote in the Council of Ministers, many applications have neither garnered the necessary majority nor have they been rejected outright. In such cases, the Commission can step in and take action. In all such cases, the Commission has approved the applications because the Food Safety Agency has certified the product safe for human consumption.

At the other end of the spectrum are the pro-GMO forces—seed laboratories, agro-chemical companies, and scientists. Compared to their American counterparts, the European advocates are smaller, fragmented, and less influential politically. In part, this is explained by their belated interest in genetically modified plants. Much of the early research focused on corn or maize that easily lends itself to genetic manipulation. But Europe grows relatively little corn and European biotech firms were slow to appreciate the potential gains. European public research institutes were active but commercialization lagged in comparison to the US. Moreover, Europe's biotechnology sector failed to secure the support of key national and European decision makers. Relevant trade associations that have a long history of influencing public policy at the national level struggled to design a European-wide campaign in the face of public concerns about health effects, tampering with nature, and the introduction of American farming methods (Bernauer, 2003; Ansell, Maxwell, and Sicurelli, forthcoming). Facing this hostile business climate, many European firms shed their green biotechnology divisions or

moved their operations out of Europe. Syngenta, a large Swiss-based producer of agro-chemicals, announced in December 2004 that it was discontinuing all genetic engineering activities in Europe and moving research operations to the US because of public resistance, regulatory hurdles, and a shrinking market (Croll, 2004).

In contrast to the complex decision-making environment and the many points of access for affected groups in Europe, policy-making in the US has been relatively stream-lined and much less contentious. Decision making has been centralized, the number and range of participants has been limited, and NGOs have generally not taken a hard line against agricultural biotechnology. Perhaps most importantly, confidence in the regulatory process has not led to public or legislative agitation for higher standards and greater supervision of the biotechnology sector. Without a strong challenge mounted by anti-GMO forces and with generally supportive administrations in Washington, the American biotechnology industry has, for the most part, been able to set its own rules while maintaining cordial ties with its primary regulator, the US Food and Drug Administration (FDA) (Meins, 2003, p. 155).

The differences in responses to GM foods and feed in the US and the EU could hardly be more striking. The US has generally embraced the introduction of these products into the market place with concerns about their health and environmental affects left largely to the firms that introduce them. Repeatedly, American regulators charged with the oversight of GM foods have declared that the final product is substantially equivalent to existing products and thus does not require extra safety measures. Adopting a science-based policy, US regulatory agencies emphasize that science alone will form the basis of their decisions. The objective is to identify any unacceptable human health and environmental risks. If none are found, the GM product should be released commercially. By contrast, the EU has designed a regulatory system that also scrutinizes all aspects of the genetic engineering process. Following the "precautionary principle," European regulators take every possible precaution prior to market introduction to minimize health and environmental affects. Moreover, environment and health are defined broadly, including the 'health' of an economic sector (i.e. farming) as well as the impact on animal welfare, and the environmental consequences for a particular landscape.

While institutional differences and particularly the complexity of EU procedures account for some of the differences in approach, the primary determinants of policy divergence rest with public perceptions of risk and public trust, or lack of it, in regulatory officials and scientific experts. Cultural attitudes toward farming and the role of agriculture in contemporary society also shape these policy outcomes in that these sentiments can be exploited by activists and NGOs to offer alternative perspectives that challenge narrow scientific assessments. As noted above, the American and European perceptions of risk regarding health and environmental threats and public confidence in government regulators were reversed in the 1970s and early 1980s. One might expect that a series of health or environmental crises in the US or the absence of such crises over time in Europe might alter the dynamics of policy formation once again.

The EU Commission and Framework Regulations for GM Products

European policy regarding GM products is both a product of what is decided by EU institutions led primarily by the Commission and how member states respond to those decisions, actively or passively. This section summarizes actions taken at the EU level; the following section examines national responses.

In the late 1980s, the Commission expected that its principal task regarding GM food and feed would be the promotion of a new green biotechnology industry. By the early 1990s, that focus had been diverted to drafting regulations that would address mounting consumer concerns regarding the health and environmental affects of GM products. Subsequently, the Commission and the Council of Ministers produced a steady stream of directives and regulations, the most significant of which are discussed here, to address the complex dynamics and potential harmful effects of genetically modified food products. In 1990, The former Directorate-General XI (Environment and Consumer Policy) first drafted the Contained Use Directive (90/219) that addressed laboratory experiments with genetic engineering technologies and required users to conduct prior risk assessments. In the same year, the Commission also issued a Directive on Deliberate Release (90/220) which required that genetically modified organisms be the subject of risk assessment studies and receive official approval prior to their being imported, marketed, or released into the environment. The Council of Ministers for the Environment passed both directives, setting a minimum standard of safety. As a concession to states such as Denmark and Germany that argued that regulatory requirements were too weak, the Council permitted individual member states to impose their own higher standards. In the end, the effect of the Directive was to give each member state the authority to approve or prohibit any imports of GM seeds, field trails of GM products, commercial planting of GM seeds, and marketing of GM food and feed. Both directives provoked a storm of protest from industry and scientists both in Europe and the US (Meins, 2003; Patterson, 2000).

In early 1996, the Commission approved Roundup Ready soybeans (a Monsanto product) and later in the year approved Bt-corn (a Novartis product) for sale in EU markets. In response, Ministries of the Environment in Austria, Denmark, France, and Luxembourg declared a unilateral ban of both products in their markets. Later, several states banned the import and sale of all GM crops and products. In April 1998, the Commission declared a moratorium on all GM products in order to work out a new framework to appease the objections of member states.

The Novel Foods Directive (97/258) addressed food products that contain, consist of, or are produced from GMOs and introduced the idea of mandatory labeling. The Directive was contentious both because it excluded additives and flavorings and because it did not cover products already approved such as Roundup Ready soybeans and Bt-corn. The European Parliament and the Council adopted the Directive in 1997 but it was soon supplemented by the Novel Foods Regulation (1139/98) that broadened mandatory labeling to all products where a “substantial” genetic modification had taken place (Hunter, 1999). The Council regulation included mandatory labeling for food stuffs produced with modified

soybeans or corn. That regulation was later amended to include additives and flavorings.

Directive 90/220, which handled deliberate release of GM products into the environment was originally only modestly contested because no deliberate release of GM crops had yet taken place in 1990. By 1996, GM crops were on the market and confusion and conflicting interpretations necessitated a revision. Its replacement was the directive on the deliberate release of GMOs in the environment (2001/18/EC). The revised directive creates a more effective and efficient authorization procedure, making the process stricter and more transparent. Authorization is on a case-by-case basis and national authorities must send the Commission and other member states a summary of their notification. The Commission must then immediately make the summary available to the public for comments. Directive 2001/18 EC also explicitly references the precautionary principle and the need to assess indirect and long-term effects of the product.

The European Parliament, which since the 1997 Amsterdam Treaty has greater decision making powers, has insisted on comprehensive labeling requirements. One related and contentious issue for consumers as well as scientists and producers and taken up by the Parliament was when a product could be declared GM free. In July 2003, after considerable debate and negotiation, the Parliament, the Commission, and the Council agreed that a product could be declared GM-free if it contained less than one percent of GM ingredients.² In July 2003, the European Parliament adopted two amendments to directive 2001/18 (The Deliberate Release of GMOs) and established guidelines for labeling and tracing GM products from “farm to fork.”³ Its revisions established higher safety standards to protect the environment and human health and introduced a more comprehensive risk assessment approach with new approaches to traceability and monitoring aimed at earlier identification and remedy of adverse effects. Suppliers have to certify the purity of non-GM ingredients and provide a substantial paper trail.

Since the new rules went into effect, there have been eight rounds of voting by national representatives on the request for authorization to import or sell GM crops or products made by European and American companies. None of the votes yielded a qualified majority for any product. Regardless of the rigor of the rules, some member states are disinclined to approve the entry of any GM product into the market regardless of the cumbersome authorization process. But Community regulations cannot respond to what is by far the single largest complaint against genetic engineering, namely that this food technology compromises cherished institutions and traditions. The regulatory framework is meant to permit the sale and cultivation of GM crops and products, not to forbid their introduction into the EU. When the member states cannot reach a qualified majority vote, the Commission has the right to make the final decision, which it has done by granting approval to requests for the sale of GM products.

Diversity in the EU⁴

While the early part of this analysis treated the US and the EU as uniform blocs, the discussion on decision making dynamics in the EU suggests that differences within Europe are considerable. This section looks at those differences in greater detail because it is the interaction among various layers and stakeholders that shape the pattern of trans-Atlantic relations. While the EU decision making process outlined above has tended to advantage those opposed to GM food and feed, there are striking national variations on these issues. Some member states are strongly and steadfastly opposed to GM products while others are much more tolerant so long as tracing and labeling rules are in place. In 2002, popular acceptance of GM foods ranged from 24 percent in Greece to 74 percent in Spain. Similarly, member state voting records in the EU's Council of Ministers and Standing Committees on GM issues reveal considerable national variations. While it is too early to predict the positions of the ten new members admitted in May 2004, the fifteen established members fall along a continuum with some fiercely opposed to others whose positions more closely resemble that of the US.

Accounting for this variation is not easy since many intersecting factors play a role. One particular explanation is the character of a country's agricultural sector and its corresponding culinary tradition. Countries with thriving, dynamic, and specialized small-scale food production regimes existing alongside commercial farming are likely to want to protect themselves from GM crops that are generally designed for large-scale enterprises and generic and homogenized product lines. Countries or regions with capital-intensive commercial agriculture (wheat/grains or livestock) might be more accepting of GM varieties that promise increased yields and pest resistance.

Taking the whole of the EU-15, at first glance the most plausible explanation for continuing divergence in hostility or acceptance is the environmental consciousness of a country. For example, we can make the argument that Northern European member states, distinguished by strong environmental activism and organic farming, might be expected to oppose GM foods and crops because of their potential to endanger biodiversity, human health, and the purity of organic food. In "green" countries, activists, politicians with a strong commitment to the environment, and consumers can all point to risks that may accompany the cross-pollination of GM and conventional crops, to the diminishing of biodiversity, and to unanticipated harm to native species of flora and fauna. This "greening" of politics and public attitudes has, in recent years, proceeded rapidly in the EU, particularly in countries such as Germany, Denmark, the Netherlands, Luxembourg, Austria, Finland, and Sweden. On these grounds, such countries would seem the most likely opponents of the commercialization of GM plants and products. All of these countries have sizable environmental movements with engaged citizens and established consumer and environmental associations with the organizational resources to shape the public discourse and

mobilize civic action. Some have established ecology parties that proclaim their opposition to GM technologies. Anti-GMO organizations such as Greenpeace and Friends of the Earth claim more members in northern than southern Europe. In The Netherlands, for example, Greenpeace has attracted 800,000 members in a population of 16 million.

However, Table 9.1 and 9.2 point out that some hardcore green states are generally favorably disposed to GM food products (Finland, the Netherlands, and Sweden). Other countries with weak environmental records are in turn highly hostile to the idea of GM food products. Environmentalism in and by itself does not hold much predictive power to account for the range of preference and opinions across the EU-15. Rather, a more persuasive explanation is the presence of a sizable organic farming sector or regional food specialties.

Member states in Southern Europe possess vibrant “traditional” or “specialty” agricultural sectors that are heirs to a rich tradition of local food specialties and strong culinary identities. Such sectors regularly argue that genetic engineering and GM products are the antithesis of traditional farming techniques aimed at reproducing pure and authentic food products associated with particular towns or geographical areas (Sicurelli, 2004). Some regions in Italy, for example, have banned bioengineering not because of health risks or environmental concerns but rather to protect their culinary distinctiveness that is closely integrated into local farming practices and products (Rosenthal, 2004).

Table 9.1 Public Acceptance of GM Foods, Ordered in Ascending Order of 1996-2002 Average; and Number of “No” Votes on GM Issues Cast by Member States at EU Level

Country	1996	2002	1996-2002 Difference	1996-2002 Average	# no votes (out of 8)
Greece	49	24	-25	36.5	8
Austria	31	47	+16	39	8
France	54	30	-24	42	4
Denmark	43	45	+2	44	8
Luxembourg	56	35	-21	45.5	8
Sweden	42	58	+16	50	0
Italy	61	40	-21	50.1	5
FRG	56	48	-8	53 (median)	0
Belgium	72	56	-16	64	2
UK	67	70	+3	68.5	1
Portugal	72	68	-4	70	3
Netherlands	78	65	-13	71.5	0
Ireland	73	70	-3	71.5	0
Finland	77	70	-7	73.5	0
Spain	80	74	-6	77	0

Sources: Eurobarometer, The Consumer and Biotechnology, 1996, 2002.

Table 9.2 Voting Record of Member States in Council and Regulatory Committees

	Au	B	DK	Fi	Fr	Gr	FRG	Ir	It	Lux	Ni	P	Sp	Sw	UK
Yes votes (max=8)	0	3	0	8	4	0	0	5	2	0	8	4	2	7	6
Abstention (max=8)	0	3	0	0	0	0	8		3	1	0	0	6	1	2
No votes (max=8)	8	2	8	0	4	8	0	0	5	8	0	3	0	0	0

Sources: *How have EU national members voted on the approval of new GMOs thus far? Friends of the Earth*, <http://www.foeurope.org/GMOs/Index.htm>

One indicator of the vitality of regional food specialties is the initiative member states have taken to petition the EU Commission to have its unique local products assigned the label of Protected Designation of Origin or Protected Geographical Indication. Examples include Camembert cheese from France, Kalamata table olives from Greece, and Mortadella Bologna, a pork-based product from Italy. As Table 9.3 indicates, Italy, France, Portugal, Greece, and Spain lead in the number products so designated. With the exception of Germany, northern European states have submitted few requests for these special designations.

Table 9.3 Protected Designation of Origin (PDO)/Protected Geographical Indication (PGI) through June 2004. Number per Member State

Au	B	DK	FRG	Fr	Fi	Gr	It	Ir	Lux	Ni	P	Sp	Sw	UK
12	5	3	67*	136	1	80	134	3	4	6	91	74	2	27

Source: http://europa.eu.int/comm/agriculture/qual/en/1bbab_en.htm

*Includes 43 different types of natural waters and beer

Whereas northern European states do not share the same tradition of local specialties, the indirect ramifications of environmentalism has led to the growth of eco-farming. Not all countries have provided the necessary support schemes to promote alternatives to intensive commercial farming, but countries with sizable organic sectors also tend to object to GMOs. Table 9.4 lists countries according to size of organic agriculture. It shows that the countries with the records of both the highest public rejection and no votes in official Community settings have either a strong attachment to culinary traditions in the form of regional specialized food products or a small but visible organic farming sector.

Table 9.2 tabulates the votes after April 2004 cast by officials in the Council of Ministers, the Standing Committee on the Common Food Chain and Animal Health, and the Committee on GMO Releases in the Environment (Friends of the Earth 2004). In these three bodies, there have been eight rounds of deliberations on five different products.⁵ The items in question addressed the import and sale of a genetically modified canned sweet corn (Bt11) produced by Syngenta; corn (NK603) widely planted in the US and used for animal feed and industrial processing marketed by the American firm Monsanto; oilseed rape or canola (GT73), another product from Monsanto, and not meant for direct human consumption; and Monsanto's corn (MON863) that resists some insects by producing a toxin in the plant. Although the authorization votes failed to produce a qualified majority (232 out of the total of 321 votes (72.27 percent), the Commission was empowered to make the final decision. In these cases, it authorized the import and sale of the sweet corn and seventeen GM corn seeds for farming. While four of the votes took place after EU enlargement to twenty-five members, new state participation did not significantly alter the outcome. New members generally abstained or turned down the authorization request.

Table 9.4 Organic Farming in the EU with Countries Ranked from Highest to Lowest, based on Organic Farming as a percentage of Total Utilized Agricultural Area in 2000

Country	Organic Farming as % of Utilized Agricultural Area	Organic Farms as % of country's Total Farms
Austria	8	9
Italy	8	2.5
Finland	7	6.2
Denmark	6	6
Sweden	6	4.5
Britain	4	1.6
Germany	3	2.8
Netherlands	1.6	1.1
Spain	1.5	1
Belgium	1.5	1
France	1.2	1.4
Portugal	1.2	< 1
Luxembourg	0.8	1.1
Ireland	0.8	< 1
Greece	0.4	< 1

Source: Elisabeth Rohner-Thielen, Statistics in focus: Agriculture and Fisheries. Brussels: Eurostat, 31/2005.

Table 9.2 indicates that Austria, Denmark, Greece, and Luxemburg rejected all authorization requests. Finland, the Netherlands, Sweden, and the UK approved all or most of the eight submissions. German national officials consistently abstained because of disagreements between Social Democrats and the Green party in the ruling coalition and because of differences between selected state (Lander) governments and Berlin. Other member states were less consistent, sometimes approving, sometimes abstaining, and sometimes rejecting authorization. Ireland and Spain never voted against authorization while Belgium and Portugal voted no twice. Italy and France, clearly divided about the issue, granted approval to some products while rejecting others because of safety concerns.

For reasons briefly described below, the intensity of the protest campaigns fluctuates with the ability of NGOs to link the hazards of GMOs to wider risks beyond health or the environment. The strongest, broadest, and widest resistance is found in countries where environmental non-governmental organizations forged an alliance with associations representing “extensive” family farming specializing in organic products or regional specialties. The formation of an anti-GMO bloc consisting of food producers and environmentalists—a so-called green-green bloc—heightens popular opposition and allows campaign strategists to frame risk in a concrete socio-cultural context. Rather than elaborating on the potential harm caused by the introduction of GM products on the environment, ecology, and possibly health, in countries with a green-green protest movement, GMOs are linked to the disappearance of or threat to culinary traditions, food culture, food safety, consumer choice, a certain way of life on top of environmental pollution and possible health risks.

In countries with intensely hostile publics, biotech industry, scientific experts, and government officials were outmaneuvered by anti-GMO voices, who redefined the debate by introducing new concepts linking technological innovations and the survival of a country's alternative food production regime. Since scientists are unable to reassure the public that GMOs do not hinder the growth of organic farming or regional specialties, public interests are able to hijack the debate by isolating policy officials who rely on straightforward scientific reports. Moreover, European commercial agriculture did not neutralize the growing storm about GMOs because it had not yet embraced green biotechnology. It was not until much later into the controversy that the European industry made use of a trade association at which point the terms of the debate had been cast by entrepreneurial NGOs and frightened consumers (Bernauer, 2003). Big agriculture was also conspicuously absent and failed to address anti-GMO protests (Ansell, Maxwell, and Sicurelli, forthcoming)

In short, the most durable and persistent opposition is found in countries where environmentalism is tied to elementary questions related to quality of life and national culinary treasures. Countries with a distinct food tradition and pride in “natural fresh” foodstuffs are more likely to become hostile to GMOs than countries with an eco-consciousness but lacking a farming sector that offers a specific food alternative.

A good example of this is the Dutch government. The Netherlands has a strong environmental record, but its organic farming is underdeveloped and it cannot claim to be heir to a rich tradition of regional specialty foods. Over the years, Dutch officials stood behind biotechnology, arguing it could solve environmental problems, diminish food shortages in developing countries, and, at the same time, strengthen the Dutch farming and food sectors. The Dutch minister of agriculture pressured conventional, organic, and small farming associations to agree on liability rules to compensate victims of accidental contamination without which GM crops cannot be introduced into the environment (Mudeva, 2004). Its position at home is reflected in its voting preferences in Community-level committees. Dutch representatives in EU committees or meetings have voted eight times to approve the request for use or sale of GM products in EU committees or council meetings.

Austria is like the Netherlands except that it invested resources in nurturing eco-farming by setting aside extra funds and creating eco-labels and rules. It has a sizable organic agriculture sector that is among the EU's largest. The Grand Coalition government of the early 1990s adopted an eco-social market policy to preserve the livelihoods of those in the shrinking farming sector. Agricultural policy promoted organic farming as a means to support Alpine farmers who made their living by cultivating small plots of land. Beginning in 1994, official campaigns celebrated the quality of locally grown food. Mandatory labeling specified product origin, quality, and family ownership. Consumers were encouraged to favor Austrian-produced goods. Under pressure by consumers, organic farmers, and NGOs, politicians yielded to demands to keep Austria GM-free. However, this concession meshed with the prevailing orientation of decision makers. Ministries of environment and agriculture each lend support to the campaign to ban GM technology because of the threat to organic farming (Sassatelli and Scott, 2001; Torgesen and Seifert, 2000).

France and Italy have enclaves of agricultural sectors still devoted to traditional methods of farming and producing a sizable array of PDO products. They are also countries with probably the strongest culinary identities and Italy is home to the "slow food" movement and the largest organic farming sector in Europe. Growth in organic farming in Italy has been exponential and the numbers of farmers has increased from 1300 farmers in 1990 to over 44,000 in 2003.⁶

French and Italian publics made the connection between innovations related to the advances of green biotechnology and the livelihood and survival of a marginal farming sector, representing an essential part of the nation's identity. Governments were on the whole supportive of genetic engineering and both countries have a sizeable agricultural biotech industry. The French government poured public funds into laboratories with the hope of becoming a leader in the field. Accordingly, by 1996 French research and development centers planted test crops of transgenic rice. Moreover, Novartis' GM corn seeds were authorized in France in 1997 (Boy and Cheveigné, 2001).

Eventually, public pressure forced the French government to reverse course. Civic mobilization did not come about because of strong environmental activism. When the GMO controversy arose, Greenpeace France was in poor financial straits and had declining membership compared with other European countries (Bonny, 2003). But Greenpeace found common ground with associations representing small farmers in marginal regions specializing in “quality” food. NGOs and farming associations, fighting on behalf of sustainable farming and preservation of the French culinary tradition, resonated strongly with the French public, exerting influence over and beyond their organizational reach and economic importance (Heller, 2002).

Italy is very similar to France although commercial agriculture is domestically oriented. Greenpeace-Italy launched the first campaign in 1996 and soon thereafter a conspicuous large number of organizations joined the GMO protest (Sicurelli, 2004). Italy has a strong tradition of regional cuisine and food specialties. There is a definite recognition that different agricultural systems and conditions have created great regional diversity. This diversity is appreciated for its contribution to regional cultural identities and to enhancing the competitive edge of local places and products (Lowe et al., 2000). As in France, GMOs are linked with mass production of food and considered inconsistent with the desire of the consumer to preserve high quality and unique food products reflective of different regions. Nonetheless, Italian agriculture is split between capital intensive commodity producers and smaller traditional farmers, and not all farmer associations have opposed GMOs. But the opponents of GMOs speak a language that resonates with the public and that is supported both financially and logistically by NGOs with international networks. Italian farm organizations claimed that GMOs would undermine the value and status conferred by the system of PDO and PGI assignments of products and undermine Italy’s international competitiveness in global food markets (Ansell Maxwell, forthcoming; Sassatelli and Scott, 2001).

Both French and Italian consumers perceived GMOs to be contrary to national food priorities. This predisposition to oppose these products predated the arrival of the policy entrepreneurs that turned GMOs into a national issue. Such sentiments help to explain why politicians quickly succumbed to the mobilization of anti-GMO forces. Traditional agricultural practices and food products touch on a core feature of what it means to be Italian or French.

Such emotional arguments fell flat in the Netherlands, Finland, and Sweden. Even in the UK, the anti-GMO forces found it difficult to capture in slogans or images the hazards of GM foods and their threats to British society and identity. Even though the Friends of the Earth and Greenpeace are formidable organizations, the Labor government has consistently sided with the biotechnology sector. Moreover, as Table 9.1 shows, the British public is more tolerant of GM food than either the French or the Italians.

Anti-GMO forces were handed unexpectedly an important victory in 2005. To avoid another BSE scandal, the Labor government has preferred to delegate complicated scientific questions to external committees of experts to assess particular scientific risks. The Farm Scale Evaluation started in 1999 and

was completed in March 2005. The trials were designed to test whether weeds and insects fared better in fields of conventional crops or crops which had been genetically modified to be resistant to herbicides. Four crops were selected for this controlled test. Maize, sugar, beet, and oilseed rape were paired with non-GM crops in adjacent fields. When the Steering Committee released its findings, the results showed that GM crops decreased the density of weeds and reduced wildlife or biodiversity. The one exception was herbicide-resistant maize, which was better for many groups of wildlife than conventional maize.⁷

Whereas the Labor government can shrug off scary stories about “Frankenfoods,” it faces a much greater opponent in the Royal Society for the Protection of Birds. Europe’s largest wildlife-conservation charity, it has over one million members and more members than the three main political parties in Britain combined (Moss, 2004). British people are atypically enthusiastic about animals. Indeed, animal charities do better than charities for the blind, the deaf, and the elderly put together (*The Economist*, 2005). The news that “bumblebees, butterflies, skylarks, yellowhammers, house sparrows, beetles and slugs” all faced disaster if the cabinet approved the wide use of transgenic plants changed the tone of the debate by landing it in the headlines of the tabloid press. Intimidated, insurance companies announced that they will not issue a policy to farmers who might wish to grow GM crops if the authorities give them the green light.⁸

Opposition to GMOs in Europe combines a host of concerns, priorities, fears, and anxieties going beyond the simple description of “technophobia.” The public becomes especially hostile if GM crops and food undermine the survival of struggling rural sectors in society. Small farmers not only must compete with commercial farms, but are also disadvantaged by the income support schemes of the EU (the CAP). In countries where small-scale ‘extensive’ farming provides particular goods or services appreciated by the public, campaign activists such as Greenpeace and Friends of the Earth can link GMOs to the demise of a treasured institution. Though it is too early to predict the behavior of British decision makers, Friends of the Earth and other opponents of GMOs have a much stronger case if they can associate herbicide resistant crops with the disappearance of insects and birds.

Environmental concerns topped the agenda in the UK, Germany, and the Netherlands. There, consumers and public interest organizations expect comprehensive mandatory monitoring mechanisms to be provided. Where environmental issues are primary, authorities have more tools to satisfy the public and more room to approve selected products or processes. In Southern Europe (and countries with large organic farming sectors such as Austria), labeling and tracing also receive high priority, but of equal importance is the survival of distinct approaches to food production and preferences for local fresh and organic food. The anti-GMO coalition represents both environmental and health interests as well as local food producers.

Consensus bargaining dynamics in the EU are such that countries insisting on high standards usually triumph. The Commission has yielded to their demands for careful scrutiny of each request supported by scientific reports issued by the Food Safety Agency and post-marketing monitoring to ensure that the product is indeed safe. It has also passed rules that require complete transparency regarding the particular ingredients in finished food products (the exception is meat and poultry that has been fed GM animal feed). However, even these rules do not satisfy the many consumers who would prefer to see an end to all agricultural genetic engineering.

Consumer Preferences and Corporate Strategies

Does the case of GM food and feed suggest that the US and the EU are each going their own way with respect to environmental and consumer protection? Over the past two decades, the US has moved away from strict and detailed regulations regarding consumer and environmental protection and the mandates of federal agencies have been curtailed. These developments can be explained in part by a belief shared by many that earlier government efforts had been excessive and ineffective and had undermined the global competitiveness of the American economy. However, a sudden and shocking failure in regulatory supervision could rapidly redefine the American politics of consumer and environmental protection and prompt new calls for a more precautionary regulatory approach not unlike that which has dominated many countries within the European Union in recent years. Activism addressing consumer and environmental protection comes in waves, frequently driven by unanticipated public crises or dramatic instances of regulatory failure. The US experienced a wave of this sort in the 1970s; the European wave came a decade or so later. Intra-European differences elaborated above suggest that the magnitude of these waves vary considerably country by country and also that certain forces may in fact bridge some of the differences between the US and Europe. In short, while European and American approaches to regulatory rigor may vary over time, there is little reason to believe that the current chasm is unbridgeable or that differences cannot be mediated. Indeed, with the major firms in this sector actively participating in both the US and European markets, activist NGOs scrutinizing behavior on both sides of the Atlantic, global media shining a spotlight on potential hazards, and international institutions like the WTO charged with dissecting regulatory trade effects, the forces for convergence are considerable.

Indeed, the European aversion to GM products has not gone unnoticed in the US. American consumers are still blissfully ignorant, but farmers and food processors are certainly keenly aware of what is unfolding in the EU. Their attentiveness reflects two trends. First, there is always the possibility—however remote—that American consumers will “wake up” and turn against GMOs or at least insist on labeling with the result that consumers will alter purchasing habits and avoid GM products. Though it seems highly unlikely that Americans will

reject GMOs categorically since three quarters of all food available in the US contains some trace elements of GM products and most Americans continue to consume mass produced homogenous processed foods. However, interest in fresh and natural products has been growing among American consumers. Moreover, the American FDA has been severely criticized for its handling of several drug products and for permitting its regulators to collect large consultant fees from the very pharmaceutical companies they regulate, suggesting that American faith and trust in regulatory institutions may also be eroding. Although American consumers are unlikely to revolt, certain segments of the market may wish to push for greater regulatory transparency with respect to genetically engineered ingredients.

Of greater significance is a second trend. American farmers, food processors, and thus indirectly agro-chemical companies have taken note of the turmoil in Europe primarily because it has been costly. American farmers and seed companies have lost market shares as Europeans refuse to purchase GM seeds and GM foodstuffs. Subsequently, European food processors are reluctant to use GM ingredients and shy away from marketing products with GM labels. Not surprisingly, American food processors are also not immune from the negative publicity that may come from using GM ingredients and from the distribution complications that come from producing different products for different markets. Gerber, Heinz, McGain, and Frito Lay, each with significant markets in Europe, have announced that their products would be GM-free (Pollack, 2004; Young, 2003). In response, Monsanto has scaled back some of its projects and announced in May 2004 that it was dropping plans to market GM wheat, even in the US. The company abandoned the product after many farmers indicated that they would not plant it, uncertain of its reception in the marketplace. It also shelved plans to market GM potatoes after McDonalds indicated that it would not use them. There is no doubt that European preferences influence American corporate strategies.

American companies operating in Europe may increasingly adopt EU regulatory rules in order to maintain some uniformity in their product lines. For example, the Kellogg's cereal company imports conventional corn from Argentina and spends extra money to make sure that the entire transportation and processing chain is free of bioengineered products. This permits Kelloggs to label its products GM free, a condition of sale in European supermarkets. Kellogg's preference is to sell one breakfast cereal for all markets rather than producing two or more different products with different mixes of flavorings, additives, and preservatives to meet different regulatory standards. Effective April 2004, EU labeling regulations will require that food and animal feed products which contain more than 0.9 percent of GM materials be labeled. Exporters are also required to identify the sources of GM materials even if the amount is less than 0.9 percent of product ingredients. Complying with the Commission's rules requires that products be tested. Firms may decide that it is simply too costly to meet these requirements, avoiding GM ingredients altogether. If competing firms from other parts of the world that export to Europe choose to remain GM-free, the pressure will only grow on American firms to follow suit (Paarlberg, 2001).

In the 1990s, food processors and distributors in Europe switched to products prepared with oil derived from modified American soybeans. However, large retail stores in Germany, France, UK, Ireland, Italy, and Belgium refused to carry products containing GM soy or corn by 1998. Moreover, food retailers and processors in these countries sought alternative non-European sources such as Canada and Brazil of GM-free soybeans to reduce dependence on American imports. In other words, the private sector developed its own system to detect, trace, and identify the trail of product ingredients and prudently sought GM-free supplies should resistance to GM products spread to other markets (Barling, 2002; Bernauer, 2003, pp. 86-88; Wales and Mythen, 2002). When the European Commission decided to grant permission to sell modified canned sweet corn in 2005, supermarkets refused to stock the product because the prevailing suspicion was that consumers would not buy it. In short, European food manufacturers and retailers, fearful of losing customers, have tended to avoid GM ingredients—even those approved before the EU moratorium.

The lesson seems to be that the regulatory compromises painfully negotiated in the EU ultimately may not dictate conditions in the marketplace. Retailers shun GM products because consumers reject them and since labeling is now mandatory, the highly competitive food sector has all the more reason to exclude GM products. Genetic engineering of food crops may diminish in importance in both the US and Europe if firms decide that growing and then processing them risks consumer alienation and declining sales. Food processors, large retailers, and restaurants may come to realize that GM-free products are increasingly preferred by their customers and offering these products may actually increase their market share. However, this leaves plenty of room for transgenic non-food crops such as tobacco, cotton or canola, which are rarely meant for direct human consumption (*The Economist*, 2004).

Genetic engineering of food crops will not disappear as some other large farming states have adopted GM crops. Brazil is a leading producer of soybeans and the federal government gave in to pressure from its farmers in September 2003 and approved the planting of a variety of GM soybeans. Canada, Argentina, and Australia are already relying on GM crops. China is another major producer, though cotton is still the main crop (*The Economist*, 2003). While Monsanto has dropped some of its GM products, other regions of the world are quickly adopting GM seeds. As supplies of GM-free seeds dry up, consumers may have to pay a premium for GM-free foods.

Recently, the FDA has been pushed to take a greater interest in the rapid growth of this new technology and problems it may pose. A committee of experts from the life sciences, medicine, and the fields of food and agriculture published a report in 2004 that laid out the scientific method for determining the unintended changes in nutrients, toxins, allergens, and habitat of GM crops. Like the European Union, this Committee on Identifying and Assessing Unintended Effects strongly encouraged the creation of a post-marketing surveillance system to monitor and evaluate changes brought about by GM foods. The scientific communities in both

the US and the EU have embraced similar approaches to identifying and addressing potential risks.

Conclusion

Substantial differences will persist both between the US and the EU and among the various EU members states about how to assess risk, reduce harm, and meet consumer expectations for safety, transparency, and financial compensation in case of accidental contamination. The single largest source of disagreement is the fact that the American administration or political leadership is still keen to further the growth of agricultural genetic engineering. Rather than acknowledging that greater caution and some regulatory intervention may be warranted to prevent harmful health and environmental effects, the Bush administration continues to lend strong support to the development of “designer” crops that go beyond herbicide or insect resistance. They hold to this view even though the American National Academy of Science cautions that this new generation of highly specialized genetically engineered plants warrants much tighter oversight and inspection regimes if hazards are to be avoided (Committee on Biological Confinement, 2004). While decision-makers in many European countries have crafted legislation for addressing problems of inevitable cross pollination of GM-free by GM plants, Washington, as of yet, has no effective rules to prevent the “inadvertent” contamination of food, feed, and seed stocks by plants from experimental sites. The scientific community is sounding more critical or cautious notes, but the political leadership in Washington sees little urgency for action and the American public to date has done little to bring pressure for action. A vigorous response may have to await a health or environmental crisis or new American political leadership.

Notes

1 There was also an outbreak of e-coli, salmonella in eggs, and listeria. In 1999, a major public health scare emerged over dioxin contamination of food products produced in Belgium.

2 Food products may still contain GM matter in the form of enzymes, food ingredients, and animal feed none of which is subject to mandatory labeling.

3 The directive sets out the principles for environmental risk assessment, post-market monitoring requirements, mandatory information to the public with the requirement to ensure labeling and traceability. “Questions and Answers on the regulation of GMOs in the EU,” *MEMO/04/85* (Brussels, 15 April 2004).

4 This discussion is confined to the EU-15 because the new member states have not yet developed strong opinions about genetic engineering.

5 Some products were submitted to a vote three times (NK603) in the hope of obtaining approval by the member states.

6 http://www.organic-europe.net/country_reports/italy/default.asp.

7 Department for Environment, Food and Rural Affairs Scientific Steering Committee for the GM crop farm scale evaluations, available at:

<http://www.defra.gov.uk/news/2005/050321b.htm>.

8 AGBioWorld. UK Farm Scale Evaluation—Comments and Analysis, available at: <http://www.agbioworld.org/biotech-info/articles/biotech-art/farmscaleevaluations2.html>.

References

- Ansell, Chris, Rahsaan Maxwell, and Daniela Sicurelli, "Protesting Food: NGOs and Political Mobilization in Europe," in Christopher Ansell and David Vogel, eds. *Why the Beef? The Contested Governance of European Food Safety*, forthcoming.
- Barling, David (2002), "The European Response to GM Foods: Rethinking Food Governance," Britt Bailey and Marc Lappe, eds. *Engineering the Farm*, Washington: Island Press.
- Bernauer, Thomas (2003), *Genes, Trade, and Regulation: The Seeds of Conflict in Food Biotechnology*, Princeton: Princeton University Press.
- Bonny, Sylvie (2003), "Why are most Europeans opposed to GMOs? Factors explaining rejection in France and Europe," *Electronic Journal of Biotechnology*: 6 (10).
- Brickman, Ronald, Shelia Jasanoff, and Thomas Ilgen (1985), *Controlling Chemicals: The Politics of Regulation in Europe and the United States*, Ithaca, N.Y.: Cornell University Press.
- Commission of the European Communities (2002), *Eurobarometer: The Attitudes of Europeans towards the Environment*, 58, Brussels: Commission of the European Communities.
- Commission of the European Communities (1996), Eurobarometer, *The Europeans and Modern Biotechnology*, 46.1, Brussels: Commission of the European Communities.
- Commission of the European Communities (2003), *Eurobarometer: Consumer Protection in the EU*, 59.2, Brussels: Commission of the European Communities.
- Committee on the Biological Confinement of Genetically Engineered Organisms/National Academy of Sciences (2004), *Biological Confinement of Genetically Engineered Organisms*, Washington DC: National Academies Press.
- Croll, Hannelore (2004), "Syngenta halts genetic engineering projects in Europe," *Die Welt* (29 November).
- Echols, Marsha A. (1998), "Food Safety Regulation in the European Union and the United States: Different Culture, Different Laws," *Columbia Journal of European Law*, 4, pp. 525-44.
- FDA (2001), *Premarket Notice Concerning Bioengineered Foods*, <http://www.cfsan.fda.gov/~lrd/fr010118.html>.
- Friends of the Earth (2004), http://www.foeeurope.org/GMOs/pending/votes_results.pdf.
- Giles, Ciaran (1999), "EU-Biotech Food," *American Press*, (22 July).
- Hallman, W. K., Hebden, W. C., Cuite, C. L., Aquino, H. L., and Lang, J. T. (2004), *Americans and GM Food: Knowledge, Opinion and Interest in 2004*, (Publication number RR-1104-007), New Brunswick, New Jersey: Food Policy Institute, Cook College, Rutgers—The State University of New Jersey.

- Hunter, Rod (1999), "European Regulation of Genetically Modified Organisms," in Julian Morris and Roger Bate, eds., *Fearing Food: Risk, Health, and Environment*, Boston: Butterworth-Heinemann, pp. 188-232.
- Huylenbroeck, Guido van, Guy Durand, eds. (2003), *Multifunctional Agriculture*, Burlington, VT: Ashgate.
- Jasanoff, Sheila (1993), "American Exceptionalism and the Political Acknowledgement of Risk," in Edward Burger, ed., *Risk*, Ann Arbor: University of Michigan Press, pp. 61-82.
- Jones, Alun and Julian Clark (2001), *The Modalities of European Union Governance*, New York: Oxford University Press.
- Kurzer, Paulette and Alice Cooper (2005), "What's for Dinner? Variations in European Support for Genetically Modified Food," paper presented at the 9th Biennial European Union Studies Association conference, Austin, TX, 31 March-2 April.
- Lang, John, Karen O'Neill, and William Hallman (2003), "Expertise, Trust, and Communication about Food Biotechnology," *AgBioForum*, 6 (4), pp. 185-190. Also at: <http://www.agbioforum.org>.
- Lowe, Philip, et al. (2000), "National Cultural and Institutional Factors in the CAP and Environment," *CAP Regimes and the European Countryside*, New York: CABI, pp. 257-80.
- Meins, Erika (2003), *Politics of Public Outrage: Explaining Transatlantic and Intra-European Diversity of Regulation on Food Irradiation and Genetically Modified Food*, Hamburg: Lit Verlag.
- Moss, Stephen (2004), *Bird in the Bush: a Social History of Birdwatching*, London: Aurum Press.
- Mudeva, Anna (2004), "Controversial Dutch Co-existence Rules," *Reuters*, (2 November).
- Paarlberg, Robert L. (2001), *The Politics of Precaution: GM Crops in Developing Countries*, Baltimore: John Hopkins University Press.
- Patterson, Lee Ann (2000), "Biotechnology Policy," in Helen Wallace and William Wallace, eds., *Policy-making in the EU*, New York: Oxford University Press, pp. 367-86.
- Poppe, Christian and Unni Kjærnes (2003), *Trust in Food in Europe: A Comparative Analysis*, National Institute for Consumer Research, Professional Report No. 5. Available at www.trustinfood.org.
- Ratzan, Scott ed. (1998), *The Mad Cow Crisis: Health and the Public Good*, New York: New York University Press.
- Rosenthal, Elisabeth (2004), "Europe closes ranks on bioengineered food," *International Herald Tribune*, (5 October).
- Sakellaris, G. and A. Chatjouli (2001), "Greece: Losing Faith in Biotechnology," in G. Gaskell and M. Bauer, eds., *Biotechnology 1996-2000*, London: Science Museum, pp. 204-14.
- Sassatelli, Roberta and Alan Scott (2001), "Novel Food, New Markets, and Trust Regimes," *European Societies*, 3, pp. 213-44.
- Sicurelli, Daniela (2004), "Italy and the EU's environment and consumer policies: coalition-building, problem framing and informal channels of influence," *Modern Italy*, 9, pp. 203-215.
- Stafford, Ned (2004), "GM law 'a blow for science,'" *The Scientist*, (1 December). Available at: <http://www.biothai.org/cgi-bin/content/news/show.pl?0420>.
- The BSE Inquiry (2003), <http://www.bseinquiry.gov.uk/report/volume1/toc.html>.
- The Economist* (2003), "GM crops in Brazil An amber light for agri-business," (2 October).

- The Economist* (2004), "Non-food GM: The men in white coats are winning, slowly," (7 October).
- The Economist* (2005), "Bird-Watching: Starling-struck," (17 March).
- Torgersen, Helge et al. (2000), "Europe the Spoil-Sport: On the Europeans Reluctance Towards Genetically Modified Food," *Journal of Biolaw and Business*, 3, pp. 4-10.
- Torgesen, Helge and Franz Seifert (2000), "Austria: Precautionary Blockage of Agricultural Biotechnology," *Journal of Risk Research*, 3: pp. 209-17.
- Vogel, David (2003), "The Hare and the Tortoise Revisited: The New Politics of Consumer and Environmental Regulation in Europe," *British Journal of Political Science*, 33, pp. 557-80.
- Wales, Corinne and G. Mythen (2002), "Risky Discourse: The Politics of GM Food," *Environmental Politics*, 11, pp. 121-44.
- Wayne, Grant (1997), "BSE and the Politics of Food," in P. Dunleavey, et al., eds., *Developments in British Politics*, New York: St. Martin's, pp. 342-54.
- Wynne, Brian (1995), "Public Understanding of Science," in Sheila Jasanoff, et al., (eds), *Handbook of Science and Technology Studies*, Thousand Oaks, CA: Sage, pp. 361-88.
- Young, Alisdair (2003), "Political Transfer and Trading Up? Transatlantic Trade in Genetically Modified Food and US Politics," *World Politics* 55, pp. 457-84.

This page intentionally left blank

Chapter 10

Anti-Europeanism and Euroskepticism in the United States

Patrick Chamorel

Since the end of the Cold War and the terrorist attacks of September 11, 2001, Americans have become increasingly aware of renewed anti-American sentiment across the world, including among their traditional West European allies. They have also witnessed an unprecedented wave of anti-French sentiment in the United States in the run-up to the 2003 invasion in Iraq (Vaisse, 2003; Colombani and Wells, 2004). Less noticed in America—and Europe for that matter—has been the parallel rise in the United States of two related yet distinct phenomena: anti-Europeanism and Euroskepticism. Anti-Europeanism refers to patterns of skeptical or negative attitudes, beliefs, and opinions towards European foreign policy, history, politics, economics, and culture; Euroskepticism refers to similar patterns but its objects are the process of European integration, the shape and direction of the European Union, or its key policies (Taggart and Szczerbiak, 2001). Although they are more the consequence than a cause of deteriorating transatlantic relations, anti-European and Euroskeptical views in the US could durably shape attitudes, visions, political discourse, and policies about Europe and European integration, and further complicate transatlantic relations.

Over the last decade, anti-Europeanism and Euroskepticism have become entrenched in conservative political circles, including the higher echelons of the White House, the Department of Defense, and the traditionally pro-Atlanticist State Department under the Bush administration. The same is true of Congress, especially since the Republican victory of 1994. The phenomenon has its core among political conservatives but extends beyond their ranks into the wider business, academic, and policy communities and in segments of the public. It is more an elite phenomenon than the expression of a grass-roots movement. Anti-Europeanism and Euroskepticism disproportionately reflect the thinking of political conservatives, especially neo-conservatives, on a wide range of cultural, economic, and foreign policy issues (Chamorel, 2003 and 2004). Although the number of persons holding these views remains far less than those who hold anti-American sentiments in Europe, Anti-Europeanism and anti-EU perspectives have increasingly permeated the American political debate since the early 1990s, especially as it relates to foreign policy (Ash, 2003).

The progress made over the last decade by anti-European and Euroskeptical views represents a major shift among American elites. During the Cold War, the political and business establishment was overwhelmingly Atlanticist and favorable to European integration (Lundestad, 1997; Harper, 1994; Calleo, 2001). These elites included the most convinced and committed Europeanists, while the majority of the population remained largely uninformed or indifferent. Today, political elites are again shaping America's visions and policies vis-à-vis Europe and European integration. But the number of Atlanticists has diminished and many of those who remain are more critical of Europe's economy and foreign policy. Those who are the most outspoken and active in policy debates are to be found among the anti-European and Euroskeptical ranks. The quasi-consensus about Europe that prevailed during the Cold War is no more; it has been replaced by conflicting visions and agendas. Paradoxically, this shift has taken place at a time when Europe is freer, more peaceful, more democratic, more united, and more prosperous than ever before, precisely the objectives pursued by American policy during and after the Cold War.

Anti-Europeanism and Euroskepticism have grown in the long shadow of the deteriorating transatlantic relationship in the post-Cold War era. US support for European integration owed a great deal to the Soviet threat (Harris, 1993; Walt, 1998; Layne, 2003). The end of the Cold War means that the US and Europe do not depend as much on each other for their security. However, the military power asymmetry has kept growing. The conflicts in the Balkans, the terrorist attacks of 9-11, war in Iraq, and the Israeli-Palestinian conflict have led to a widening transatlantic gap in strategic visions and interests. In addition to the international environment, new demographic, economic, and cultural trends have reshaped US and European domestic politics, often in ways not fully grasped or welcomed across the Atlantic. Such diverging public opinion and policy in the US and Europe have led in turn to different approaches and priorities in foreign policy. The result has been a reassessment of the image Americans and Europeans have of each other—and themselves. Internally, Europe has reached a new, more political stage of its unification since the 1991 Maastricht Treaty, which laid the foundation for a common currency and a common foreign and defense policy bound to challenge the role of the dollar and that of NATO. The integrated vision of the West that prevailed during the Cold War has given way to one where the hegemonic and unilateral inclinations of the sole superpower clash with the EU's own ambitions to proceed with political integration and play a bigger role on the world stage.

Economic and regulatory disputes have multiplied and intensified (Pfaff, 1998-9). Because the American economy has performed better than most economies in Europe, there is a widely held American view that the European economy has been constrained by an unreformed welfare state and cumbersome EU regulations (Legrain, 2003). At the same time, many European countries are ambivalent about adopting the liberal structural economic reforms undertaken by the US in the 1980s and 90s. Even political cultures have drifted further apart, with the American right and the European left each taking aim at the other on

issues such as the death penalty in the US and anti-Semitism in Europe. Anti-Europeanists and anti-Americanists of the right and the left feed on each other, exaggerate each other's political influence, and create a distorted view of the other side of the Atlantic (Lambert, 2003).

Anti-Europeanism and Euroskepticism, however, are not solely produced by changing events; they are also the products of political actors in pursuit of specific agendas. Although they have roots among some "hawks" of the Cold War, anti-European and Euroskeptical dispositions and arguments were more systematically nurtured in conservative think tanks in the 1990s. Neo-conservatives firmly opposed the policies of several key European nations with regard to Iraq and the Israeli-Palestinian conflict. Their Euroskeptical views became an extension of their hegemonic and unilateral strategies of US foreign policy, which would necessarily be frustrated by a unified and politically active European Union, especially one seeking to become a counterweight to the US.

These Euroskeptical tendencies were reinforced by the efforts of British Thatcherites and American allies in Washington whose goal has been to reverse traditional US support for European integration in the early 1990s. They have argued that integration is essentially an anti-American project at odds with US strategic and economic interests and key American values. Such views were widely shared in the first George W. Bush administration and shaped the style and direction of US policy toward Europe. However, Euroskeptics have more recently experienced a setback as the deteriorating situation in Iraq has prompted Bush to reach out to his European allies in Brussels, expressing US "support for a strong and united Europe."

At a time when Americans are coming to accept that future relations with Europe will be conducted less with NATO, where the US has enjoyed a dominant position, and more with the EU, Euroskeptics offer a vision of Europe that is often in conflict with American interests and values. They portray Europe as a weak and unreliable ally, a political and economic rival, and a breeding ground for anti-Americanism if not anti-Semitism. The EU itself is cast as a bureaucratic and undemocratic political community and an economic and regulatory anti-model. It regularly stands "in the way" of closer ties with the US because intra-European compromises constrain the conduct of transatlantic relations (Cimbalo, 2004; Asmus, Blinken and Gordon, 2005).

Like anti-Americanism, anti-Europeanism and Euroskepticism can be analyzed as socio-political phenomena as well as sets of individual attitudes and beliefs (Katzenstein and Keohane). Throughout this chapter, I give priority to the aggregate rather than individual level of analysis. Anti-Europeanism and Euroskepticism are construed as sets of ideas developed and mobilized by groups and individuals to influence public opinion, political discourse, and policy. I emphasize their intellectual roots, their major themes and arguments, and their constituencies and organizational bases. I examine various domestic and international contexts in which these ideas develop and the political agendas they inspire. Finally, I explore their interactions with related phenomena—anti-Americanism, Francophobia, and Europe's own varieties of Euroskepticism.

Why Two Concepts?

Why have I chosen to use two separate concepts? Why not collapse them into the single category, anti-Europeanism? Anti-Europeanism and Euroskepticism are two distinct phenomena. However, they can overlap and reinforce each other. Anti-Europeanism is broadly cultural, although it permeates some policy areas, most notably foreign policy. It reflects individual and collective views of European history, societies, cultures, politics, economics, and diplomacy. It has infused American history and culture from the days of the country's founding, alternating between latent and active stages. American exceptionalism was largely defined in contrast with Europe. As C. Vann Woodward wrote:

The United States from the beginning virtually defined itself morally in terms of anti-Europeanism: the land of the future versus the Europe of the bankrupt past... America was a country of innocence, virtue, happiness and liberty as against a Europe of vice, ignorance, misery and tyranny (Woodward, 1991, pp. 37-38).

The recent rise of anti-European sentiment is rooted in a renewed belief in American exceptionalism. America's victories in the Cold War and the first Gulf War, its status as the undisputed military, economic, and technological superpower, its role in spreading democracy and free-markets around the world, and the terrorist attacks of 9-11 themselves all attest to its exceptional position. And after the collapse of the Soviet Union, a growing minority of Americans started to view Europe as a potential strategic rival and an anti-model to triumphant America.

Euroskepticism is a more recent and narrowly targeted phenomenon. Criticism of Europe has increasingly been directed at the European Union as continued integration and geographical expansion has turned the EU into a potential political, economic, and diplomatic rival of the US. Opposition to European integration or its main policies has been primarily confined to well-informed policy, business, and academic elites affected by transatlantic trade disputes such as those in agriculture and aerospace. In many fields of academia, Europe specialists often object to regional integration processes, supra-nationality, or the EU's regulatory philosophy, in part because these are at odds with American traditions of national sovereignty, self-government, free markets, and suspicion of bureaucratic regulations.

The concept of Euroskepticism first gained currency in Europe where it referred to Britain's deep-rooted ambivalence about European integration. It remains primarily a European phenomenon but now refers more broadly to the heterogeneous anti-EU sentiments that have spread across Europe. Each European country has its own Euroskeptical complexion. European Euroskepticism derives from how individual countries view their relationship with EU institutions and processes. American Euroskepticism, by contrast, is concerned primarily with how the EU affects America's unique position as the world's superpower and the prerogatives that accompany this role. However, as the American strain has taken

root, it has been incorporated into the vision of many political conservatives, reshaping the political debate, especially in foreign policy. It remains highly doubtful that Euroskepticism will ever occupy the central role in American politics that it retains in European political affairs.

Anti-Europeanism and Euroskepticism are more intertwined than the analytical distinction suggests. The terms “Europe” and “European Union” are often used interchangeably. Both phenomena have overlapping histories, intellectual inspirations, constituencies, and political agendas. Most importantly, both have grown significantly in appeal since the early 1990s. Today, Euroskeptics and anti-Europeans combine some of the same political philosophies, goals, and organizational strategies. The overlap is most complete among neo-conservatives.

Anti-Europeanism and Euroskepticism reinforce each other both at the individual and the aggregate level. A negative image of Europe undermines the European Union and Euroskepticism can end up projecting a more negative image of Europe. Most anti-Europeans come to embrace at least the basic tenets of Euroskepticism. For critics of European culture and foreign policy, the European Union is likely to be the ultimate incarnation of the kind of politics, economics, and values they oppose—support for the welfare state, supra-nationality, and multilateral diplomacy. But if anti-Europeanism begets Euroskepticism, the reverse is not necessarily the case. Individually, many Euroskeptics are not anti-European. These predominantly Atlanticist Euroskeptics want to strengthen transatlantic ties at the expense of European integration but fear that a negative image of Europe will discourage continuing American ties with the continent.

Finally, anti-Americanism, anti-Europeanism, Euroskepticism and Francophobia are subjective and highly controversial concepts and beliefs. Even an honest analytical attempt to define and discuss them might not escape the ideological crossfire. The most passionate critics of anti-Americanism are sometimes tempted to deny the very existence of anti-European and Euroskeptical sentiment in the US. Like anti-Americans, they are sometimes the last to acknowledge the implications of their own beliefs. Some even believe that anti-Europeanism and Euroskepticism are myths invented by anti-Americans to conceal their beliefs or divert attention from them.

Anti-Europeanism, Euroskepticism, and Anti-Americanism

Are anti-Europeanism and Euroskepticism the equivalents of anti-Americanism, both conceptually and as real political and social phenomena in the US and Europe? Anti-Americanism is both an unavoidable term of comparison in the analysis of anti-Europeanism and Euroskepticism, and one of the main factors behind their recent rise in the US. All three phenomena belong to the same family and can be defined along similar lines. Anti-Americanism is the projection by groups and individuals of patterns of negative attitudes, beliefs and opinions on a wide range of American attributes and policies. It targets not only what the other

is but what it does and proposes to do (Berman, 2004; Kohut, 2003; Colombani/Wells, 2004).

Anti-Europeanism and anti-Americanism also perform important functions in domestic politics. Anti-American messages can help a political party or leader mobilize electoral or policy support as was the case of German Chancellor Gerhard Schroeder in his successful 2002 reelection campaign. In 2003, French president Jacques Chirac's tapped anti-American sentiment when he opposed the US invasion of Iraq and subsequently enjoyed greater popularity at home. The fate of many economic reforms in continental Western Europe often hinges on the government's capacity to deflect the charge by the opposition that such initiatives are inspired by an American free-market philosophy (Roger, 2003; Revel, 2002; Chamorel, 2004). Anti-European sentiments and the images they confer have also been used extensively in American domestic political debates. Political conservatives use European attributes they consider to be negative to refer to Democrats, State Department officials or liberal elites from the northeast. Anti-Europeanism has been exploited in internal political battles to discredit the welfare state, multiculturalism, multilateralism and, among neo-conservatives, the "Realist" school of international affairs best symbolized by European émigré Henry Kissinger. In the 2004 presidential election, the Republican campaign sought to portray Bush's Democratic challenger John Kerry at once as a northeastern elitist and weak on national security. Secretary of Commerce Donald Evans even said: "He looks French." However, both political parties exploited a popular association that linked "Europe" with weakness on national security (Twining, 2004). By criticizing Europe, Democrats hoped to look tougher on security issues. Republicans sought to paint liberals and Democrats as supportive of European views on the use of force, multilateralism, trust in international organizations, preemptive war, and Security Council authorizations of war (Gallup survey, 2004; Pew survey, 2003).

Despite these and other similarities, the impact of anti-Europeanism remains much less than that of anti-Americanism. Currently, Europe enjoys more positive attitudes in the United States than America in Europe. In part, this is because most Americans are largely uninformed about or indifferent to Europe, whereas the US is widely covered by the European media and arouses strong interest and opinions. In brief, the US looms much larger in Europe than does Europe in the US. Anti-Americanism has a long and influential role in political and intellectual life in Europe regularly expressed in everything from street demonstrations to election campaigns to policy debates (Roger, 2003; Revel, 2002). Anti-Europeanism remains largely confined to debates among political and intellectual elites engaging the popular press only at times of crisis or conflict. Anti-Europeanism is inspired by distrust and contempt, anti-Americanism by envy and resentment. Anti-Europeanism and Euroskepticism originate mostly from the political right; anti-Americanism arises largely from the left. Anti-Europeanism is a reaction to anti-Americanism much more than the reverse. Anti-Europeanism is supported primarily by nationalists in the United States while anti-Americanism counts for its support mostly on anti-nationalists in Europe.

In addition, most Europeans are not aware of anti-Europeanism in the United States, or do not care about it if they are. Neither Europe nor the EU is able to arouse the kind of identification and patriotism typically reserved for nations. The fact that anti-French sentiment in the US did not add to anti-Americanism in France is a reflection that most anti-Americans there are not nationalists and most nationalists are not anti-American. The opposite is true of anti-Europeanism in the United States. Criticizing Europe is another way of reasserting American exceptionalism and one's own national identity and patriotism.

American and British Euroskepticism

Another comparison involves the American and European forms of Euroskepticism. I will focus on the British variety because, like its American counterpart but unlike the form in continental Europe, it is essentially inspired by a liberal economic and conservative political philosophy. Euroskepticism in continental Europe has grown mostly on the political fringes of the right and left. Continental economic liberals and political conservatives are for the most part pro-EU, although their enthusiasm has been tempered and replaced by more critical views since Maastricht. In addition, American Euroskeptics interact closely with their British counterparts, often holding membership in the same organizations.

There are obvious and important differences between the American and British forms of Euroskepticism but these national strains may be converging. Euroskepticism in both countries has a different history, constituencies, and agendas. It occupies a much more central place in British than American politics and is closely tied to deeply-felt notions of British sovereignty, identity and national interest (Young, 1999). The British are wary of the vision of Europe as a "superstate" while Americans focus on Europe's potential to become a "superpower." The British concern with national sovereignty contrasts with the American suspicion that the EU's efforts to promote the sharing of sovereignty will limit American power and influence in international relations. The British version of Euroskepticism is more Atlanticist than the American conception. Most British Euroskeptics are Atlanticists, internationalists, and multilateralists. Their American counterparts tend to be isolationists, nationalists, and unilateralists.

However, there are strong similarities in both political and economic culture and in strategic outlook. Euroskeptics from both countries are likely to be deeply suspicious of continental Europe's political and economic culture. They both back the vision of a unipolar world under US leadership. Although the protectionist inclinations of some Republicans in the US Congress have no counterpart at Westminster, both countries share a market-oriented and global free trade approach to the world economy. Euroskeptics in both countries value self-government and suspect supranationality. Their ideological base is primarily economically liberal and politically conservative, despite Euroskeptical traditions on the British left. The British Euroskeptical press is their common source for news about Europe. After the Cold War, British Euroskeptics came to embrace the

prevailing American vision of a unipolar world and a global free-market while their American brethren adopted the Thatcherite view of European integration (Black, 1999).

Their European agendas also show considerable overlap. They both favor EU enlargement to the East, including Turkey, and the cultivation of political allies in Eastern Europe. They support a broader role for NATO outside Europe and oppose an autonomous European foreign and defense policy. They also would slow or reverse the processes of EU fiscal and regulatory harmonization. Both support efforts to balance the influence of France and Germany in the EU and strategies designed to detach Germany from French influence.

The New Anti-European and Euroskeptical Political Discourse

Negative American attitudes about Europe have traditionally been based on a combination of cross-national characteristics such as Europe's proclivities for ethnic, religious, and national conflicts, and sentiments towards specific countries such as France, Britain, or Germany that are based on cultural antipathies or historical legacies. In addition, Europe evokes ambivalent feelings among many Americans. They may admire Europe for its high culture, its traditions, and its sophistication while at the same criticizing its elitism, secularism, class structures, and expansive state sector. Even Eisenhower criticized Sweden for its welfare state and France for its immoral secularism.

The period surrounding the recent US invasion of Iraq is a powerful reminder that anti-French and, to a lesser extent, anti-German sentiment, can be readily mobilized among US political elites and in popular opinion. These phenomena are largely cumulative, in the sense that they capitalize on the legacy of previous diplomatic crises. However, the originality of the recent attacks on Europe was not that they were partly underpinned and accompanied by anti-French or German sentiment; but rather, that they targeted Europe as a whole—its foreign policy, economic organization, and social structures. References to individual countries served only to underscore the broad geographical scope of the European affairs subjected to criticism.

There are several reasons why Europe as a whole has become a target for anti-Europeanists and Euroskeptics. First, as the EU adds more members and completes more of its integration agenda, more and more contentious issues come under its jurisdiction. And the compromises required for the resolution of issues touching trade, anti-trust, monetary policy, immigration, and foreign policy all have implications for transatlantic relations. Second, beyond specific issues and policies, the criticism targets what has come to be central to a new European identity—a social market economy, the welfare state, the difficult assimilation of large Muslim communities, multilaterally negotiated foreign policies, and secular values. Third, while many differences remain, European public opinion has increasingly converged in opposition to the American government's position on key transatlantic issues such as the war in Iraq and American unilateralism, Ariel

Sharon's policies in Israel, strategic missile defense, genetically modified organisms, and the Kyoto protocol on climate change.

Another novel characteristic of the recent wave of anti-Europeanism has been the breadth of issues subject to attack. Past transatlantic crises such as Suez, Gaullism, Ostpolitik, the Soviet pipeline, or the Pershing II episode, centered on one or two issues related to the conflict at hand—colonialism, communism, détente, or nuclear proliferation (Kissinger, 1982). Europe was often criticized in the US for being too accommodating of communism and the Soviet Union or for refusing to shoulder a larger share of their own defense. Critics of European integration targeted protectionist elements of the Common Agricultural Policy not the full range of the integration agenda. Today, policy disagreements range from Iraq to Israel, from NATO to the United Nations, and from the International Criminal Court to the use of the death penalty (Mead, 1999).

A final feature of the recent attacks on Europe is the rising political profile of the disputes both inside the US and abroad. Euroskepticism is not new in the United States, but until the 1990s, American Euroskeptics were few and they were largely confined to narrow political, professional, and academic circles. They had little influence on policy. While they raised objections to each new stage of European integration as a threat to American interests, their concerns were seldom heeded: the European Coal and Steel Community was labeled a cartel; Euratom created new competition for the US nuclear power industry; the Common Market discriminated against US exports and distorted world trade; the Single Market raised the specter of a "Fortress Europe" (Pryce-Jones, 1999); and the euro would challenge the supremacy of the dollar (Feldstein, 1997). In 1991, the Maastricht Treaty handed American Euroskepticism a new *raison d'être*. It not only made real the prospect of a common currency, it envisioned a European foreign and defense policy that pushed integration into a whole new realm. New issues, a broadened constituency that included British Thatcherites and East Europeans, and a new foreign policy vision and framework constructed by American neo-conservatives together animated Euroskepticism and gave it public visibility and credibility.

A compelling illustration of the rising fortunes of American anti-Europeanism and Euroskepticism is provided by the campaign led by conservative political commentators during several years leading up to the US invasion of Iraq in March of 2003. Built on work done in conservative think tanks and other like-minded political circles over the preceding decade, Euro-bashing became increasingly acceptable in the broader Washington community following the election of George W. Bush in 2000. It intensified further after September 11, 2002 and in the run-up to the Iraq war in 2003. Anti-Europeanism became a favorite theme of conservative think tanks such as the Heritage Foundation and the American Enterprise Institute as well as for influential conservative commentators such as William Safire, George Will, and Charles Krauthammer.¹ It made the headlines of key conservative policy publications such as the *National Review*, the *National Interest*, *Commentary*, and the *Weekly Standard*. Newspapers such as the *Washington Times*, the *New York Post*, the *New York Sun*, the *Chicago Sun-Times*, and Canada's *National Post* rode the anti-Europeanism and Euro-skepticism wave,

along with Fox Television. Not surprisingly, many of these publications and news outlets were owned by Rupert Murdoch and Conrad Black, well known for their politically conservative and Euroskeptical views.

With conservative political lenses, this campaign sought to illustrate what was wrong with Europe and with the European Union. The main themes and arguments ranged from foreign policy to economics, to society and culture. Regarding foreign policy, anti-European sentiment hardened with each international crisis after the Cold War. Events in the Balkans planted the seeds of discord by coupling Western Europe's military weakness with a vocal and resurgent anti-Americanism. Following the Gulf War, European efforts to lift economic sanctions against Iraq further irritated US conservatives. Europe's strong and negative reaction to the election, personality, and policies of George W. Bush, particularly those on missile defense and climate change, reminded conservatives of the way Europeans greeted Ronald Reagan's election twenty years earlier. Anti-Europeanists stepped up their attacks after 9-11 first against European "Schadenfreude," then in response to European criticism of US military strategies for fighting terrorism and their criticism of the treatment of prisoners in Guantanamo Bay. Polls showing that Europeans were more critical of the tactics of Sharon than those of Arafat and Palestinian suicide bombers and others that showed that Europeans believed that the US was a greater threat to global security than Saddam Hussein further energized the anti-Europeanists.

For anti-European critics like Robert Kagan, Europeans live in a kind of dream world which prevents them from facing global threats or responding to them effectively (Kagan, 2002). Instead of joining the fight with the Americans, Europeans prefer to criticize from the sidelines or even side with the adversaries. As former Secretary of Defense James Schlesinger put it: "Most of Europe treats Yassir Arafat with the same naïveté that once marked Europe's attitude towards Ho Chi Minh and the Vietcong" (Schlesinger, 2002). European populations and some of their governments are not just ungrateful to the country which saved them from Nazism and communism they are now actively betraying America when it needs their support.

The European preference for multilateralism was also a major theme and target. There were two fundamental criticisms. First, American conservatives believe that Europe's preference for multilateralism is based on its desire to contain US power. And US power is precisely what conservatives seek most to maximize. Second, the EU model of shared sovereignty undermines the model of national identity and sovereignty long embraced in the US, Europe, and around the world. The international appeal of this new model of shared sovereignty elevates Europe's global influence and challenges US dominance (Fukuyama, 2002; Ceaser, 2002; Spiro, 2000).

Europeans were also accused of using multilateralism as an excuse for inaction, particularly in the case of Iraq (Krauthammer, 2002). Moreover, they failed to accept the view that international organizations are instruments of anti-American and anti-Israeli propaganda and elected Libya rather than the US to the UN Human Rights Commission. As Columnist George Will put it:

The UN's overweening vanity is made possible by the acquiescence of the European nations. They are eager to disguise decadence as a moral gesture, that of sloughing off sovereignty, and with it responsibility (Will, 2002).

Conservatives also blamed the Europeans for putting the US in positions that required that it decline to ratify the Kyoto protocol on global warming, the treaty banning landmines, and the treaty establishing the International Criminal Court. European leaders were eager to create an image of moral superiority as contrasted with a self-serving US and consequently failed to acknowledge the responsibilities and considerations that came with American superpower status.

European military weakness has inspired as much contempt as its preference for multilateralism (Hanson, 2002). In the words of Robert Kagan, "their tactics, like their goal, are the tactics of the weak" (Kagan, 2002). Europe is criticized for being too soft on terrorism and on those seeking to acquire weapons of mass destruction. It is too concerned with protecting its political and commercial interests abroad and too concerned with accommodating its large Muslim communities at home. European duplicity and greed is contrasted with America's principled and unambiguous fight for freedom. US ambassador to the UN John Bolton wrote in 1996 that the "Europeans have never lost faith in appeasement as a way of life" (Bolton, 1996). Europe is further criticized for refusing to pay its fair share of the alliance defense burden, preferring to free ride on US protection and dedicating its resources to welfare payments at home. The growing military gap with the US makes Europe increasingly irrelevant and NATO a less operational alliance.

Next to foreign policy, cultural and societal critiques have figured prominently in the conservative assault on Europe. Attacks have centered on the anti-American leanings of liberal political and intellectual elites in Europe and on violent expressions of anti-Semitism (Berman, 2004). European criticism of America's unbridled capitalism, its high crime rates, and its use of the death penalty are regularly denounced (Blinken, 2001). Having enjoyed some successes in taking on liberals and Democrats at home, American conservatives have taken their fight to left wing activists across the Atlantic. They argue that while American crime rates have been falling, European rates have been on the rise and that Europe's statutory ban of the death penalty is out of step with the opinion of a majority of Europeans.

Another prominent theme has been the resurgence of anti-Semitism in Europe. In France in particular, anti-Semitic incidents have multiplied during Palestinian "intifadas." One indication was the renewed popular support for far-right leader Jean-Marie Le Pen, well known for his anti-Semitic remarks. Le Pen's electoral results earned him a place in the 2002 presidential election run-off against Jacques Chirac. In Germany, the late politician Jurgen Mollemann, made anti-Semitic comments during the September 2002 electoral campaign. In the face of such evidence, neo-conservatives and others concluded that Europe had succumbed to its old demons (Joffe, 2004; Krauthammer, 2002; O'Sullivan, 2002). Mortimer Zuckermann wrote in *US News and World Report*:

Europe is sick again...Somehow anti-Semitism in Europe has outdone every other ideology and prejudice in its power and durability. Fascism came and went; communism came and went; anti-Semitism came and stayed. And now, it's been revitalized (quoted in Lambert, 2003).

The widely-shared conclusion was that the rise of anti-Semitism largely explained Europe's pro-Palestinian and anti-Israeli diplomatic positions.

Europe was also portrayed as a breeding ground for Middle-Eastern terrorists because many 9-11 hijackers operated out of big European cities such as Hamburg. Neo-conservatives argued that, unlike the US, Europe had failed to assimilate its Muslim immigrants and their resentment turned many into angry terrorists. Less concern for internal security and a generous welfare state that supported terrorist immigrants fueled the growth of terrorist organizations. As cultural critic Mark Steyn wrote:

If you're putting in a ten hour...shift, you're too wiped out to wipe America out. But in the fetid public housing of London, Paris, Frankfurt and Rotterdam, the government pays you to sit around the flat all day plotting world domination (Steyn, 2002).

Attacks against Europe were also directed at the European Union and the process of integration. Euroscepticism was fueled in the early 1990's by European impotence in resolving the conflicts in the Balkans, the resurgence of anti-Americanism accompanying the deployment of US troops in that region, and the signing of the Maastricht Treaty. Attacks against Brussels targeted EU economic aid to the Palestinian Authority, European objections to US sanctions against Cuba, Iran and Libya, and, more recently, the EU's attempt to lift its own ban on the sale of weapons to China (Gaffney, 2004). The recent EU-sponsored survey that showed that a majority of Europeans considered Israel under Sharon to be the greatest threat to world peace shocked most Americans, not least the Washington establishment. The recent opposition of France and Germany, the traditional engines of European integration, to war in Iraq, has confirmed the views of those who suspect that French and German leadership inside Europe is designed to increase the potential for Europe to become a viable counterweight to American global power (Ramos-Mrosovsky, 2004).

The EU's recent initiative to develop a common defense and foreign policy is further confirmation of the view that Europe is seeking to become a power independent from and potentially opposed to the US. For neo-conservatives, European integration is a French-inspired, anti-American, and anti-democratic project. With a distinct political and economic culture, the EU is viewed increasingly as an economic and political rival of the US at a time when American neo-conservatives seek to consolidate US global hegemony.

The process of European integration has been criticized for its supranational and centralizing features as well as its elitist and bureaucratic character (Seidentop, 2001; Fonte, 2003; Moravcsik, 2001). American conservatives, like their British counterparts, believe that since the Delors

presidency the EU has become an increasingly socialist, anti-market project stifled by a growing agenda of regulatory activity inspired by social-democratic parties now rallied to the European cause (Gonzalez, 2001). The EU's institutional complexity and instability, its politics of give-and-take between member states, as well as the incoherence of its policies make it an unpredictable and unwieldy partner for the US. Conservative US observers have interpreted the EU's slow and reluctant inclusion of former communist countries as evidence of a lack of support for new democracies and vis-à-vis Turkey, as plain religious bigotry. The long and complicated European constitution has been unfavorably compared with its American counterpart (Epstein, 2004; Gaffney, 2004). And West European fears about immigration—an area where EU powers have increased dramatically—have only confirmed the view that the EU is a closed club both culturally and economically.

In the economic realm, a growing number of trade disputes have allowed critics to denounce European protectionism (the Common Agricultural Policy for example), anti-modernism (in the case of genetically modified organisms) or challenges to US fiscal sovereignty (as in the case of the "Foreign Sales Corporation"). The European Commission's decision to block the GE-Honeywell merger has been cited as evidence of European protectionism, a flawed anti-trust philosophy, and a challenge to US sovereignty (Evans, 2002). More generally, poor European economic performance in the 1990s, especially when compared with the US, has been viewed as proof that the European economic model does not work. It is characterized as anti-growth, anti-jobs, and anti-innovation as well as being over-taxed and over-regulated (Stelzer, 2001). Recent initiatives to create the euro and to encourage tax and regulatory harmonization only compound existing problems.

These themes and arguments are very diverse: they relate to international relations, economics, society, culture and their interactions; they target European visions, policies and cultures; they reflect the prejudices as well as the concerns and political agendas of different constituencies.

Isolationist, Hegemonic, Atlantic, and Libertarian Strains

A typology of anti-Europeanism and Euroskepticism should identify the main schools of thought from which such views emanate. What specific visions and political agendas inform the anti-European and Euroskeptical discourse we have just reviewed? Each strain of political conservatism—neo-conservatives, nativists and isolationists, social conservatives, defenders of national sovereignty, libertarians, anti-multiculturalists—has developed its own themes and arguments for opposing Europe. The American left too has its own anti-European views, but internal divisions and diminished political influence have prevented the articulation of a clear message or political agenda. Isolationism, for example, is attractive to some segments of the American left. Others reject what they perceive as a statist, bureaucratic, and elitist culture, as well as the Realpolitik inclination of Europe's

foreign policy. Multiculturalists denounce the Euro-centric view of history deeply engrained in European thought and challenge the anti-multiculturalist traditions of countries like France. The recent ban of the veil for Muslim students in French public schools is evidence of this cultural insensitivity. European cultures are suspected of latent racism and anti-Semitism, and more generally of discriminating against minorities and women. However, anti-nationalists on the far-left are likely to be supportive of the integration project that aims to break down national barriers and promote Europe unity.

Beginning in 1945, most American political elites on the left and the right supported European unification as being in the interest of both Europe and the US. The initial vision was one of gradual US-European convergence around strategic interests and common socio-economic development with the US continuing to play the primary leadership role (Calleo, 1965 and 1970; Van Cleveland, 1966; Buchan, 1970). Europe might match the US economically but American strategic preeminence and leadership would remain a permanent part of the partnership. Europe would not seek to become an independent base of power apart from the United States. Much of the logic of this relationship was sustained by the Cold War and the persistent threat of the Soviet Union. The elimination of the Soviet threat diminishes the scope of common interests and permits more extreme views that treat former allies as adversaries to gain a greater following.

Only a minority of American observers and analysts share the prevailing view in Europe of the EU as an ascending force in global politics (Reid, 2004) that will regularly seek to challenge American leadership. That minority predicts that diverging interests partly brought about by European integration itself, will necessarily lead to heightened transatlantic tensions (Kupchan, 2002). Such views are often exploited, but seldom shared, by Euroskeptics (Sullivan, 2003; Ferguson, 2004). Most in the US have not been receptive to this view because they view an enlarged European Union as more internally divided and less able to project power abroad, particularly vis-à-vis the US. This view emphasizes Europe's persistent democratic deficit, its sluggish and unreformed economy, and its steady demographic decline.

The negative views of the conservatives and neo-conservatives conflict sharply in their assessment of what contemporary Europe implies for American foreign policy. Traditional conservatives such as Pat Buchanan, dubbed "Paleo-conservatives" by some, point to European de-Christianization, excessive immigration, and falling fertility rates along with the processes of European integration as destructive of European national identities.² Americans should not take on the burden of European defense if Europeans are unwilling to shoulder their share of the burden. Isolationism is the appropriate response for Americans in the post-Cold War era.

However, these traditional conservative isolationists find themselves increasingly marginalized on the right by the ascendant neo-conservatives. They too believe Europe to be anti-American, socialist, and in full demographic, economic and cultural decline (Goldberg, 2004). But instead of lamenting immigration, they would like to see more of it, provided Muslim immigrants and

others can be better assimilated into European society. They are more concerned by European anti-Semitism than de-Christianization and they forcefully denounce rogue states, terrorism, and anti-Americanism. Neo-conservatives aggressively make the connection between the attacks of September 11 and European's failed foreign policy and political culture that provides safe harbor for terrorists.

Unlike the old anti-Europeanism that was rooted in the heartland of the country and prescribed American isolationism, this neo-conservative strain has been nourished by triumphant US internationalism. It is spearheaded by intellectuals from the northeast who know Europe well. In its promotion of American primacy and European marginalization, it has nationalist roots and embraces unilateralism as the means to nationalist objectives. Its Euroskepticism is founded on the fear that Europe might one day challenge American primacy. It differs sharply from the cultural strain of isolationist anti-Europeanism, which is populist, anti-intellectual, anti-elitist, and anti-secular.

In the view of many neo-conservatives, the European Union is a desperate attempt to avoid decline, but its effect is to accelerate that decline (Frum, 2005). Its gigantic bureaucracy and cumbersome regulatory apparatus is ungovernable and undemocratic. Its welfare state has narrowed and constrained individual freedom. Europe's foreign policy has lost its moral compass, supporting foreign dictators and criticizing Israel. It doesn't have the will or capacity to defend itself against foreign threats, thereby disqualifying itself as a power to be taken seriously. Its advice is of little value to American policy-makers because its political judgement has often been wrong (Krauthammer, 2002). As historian Walter Russell Mead writes:

Americans just don't trust Europe's political judgment. Appeasement is its second nature. Europeans have never met a leader, Hitler, Mussolini, Stalin, Quaddafi, Khomeni, Saddam, they didn't think could be softened up by concessions (Mead, 2002).

The neo-conservatives' prescription is to marginalize, divide, dilute, and weaken Europe, cultivating American friends in Britain and Eastern Europe as potential partners in "coalitions of the willing" (Hulsman and Gardiner, 2004). This strategy by-passes the EU, NATO, and the UN, discredits the Franco-German alliance, and seeks to isolate the French diplomatically. Neoconservatives can claim credit for much of the unilateral foreign policy approach taken by the Bush administration during the first term. Bush's efforts to reach out to Europeans, especially France and Germany, early in his second term was viewed as a major disappointment for neo-conservatives and Euroskeptics alike.

Not all Euroskeptics are anti-European, either culturally or strategically, even among neo-conservatives. These Atlantic Euroskeptics choose to focus on opposing European integration, politically and economically. They reject an international and military role for the EU and value strong bilateral relations between individual European nations and the US. They seek to put an end to traditional US support for European integration and encourage the US to play a

more active role in favor of an outward-looking, Atlanticist, and free-market Europe. Such a vision is shared by many foreign policy Realists, the least isolationist among economic libertarians, free-marketers, and advocates of strong Anglo-American ties. They can count on allies among conservative members of Congress, in business circles, and in the NATO and national security establishment. They tend to represent the most Atlanticist views among Euroskeptics and the most Euroskeptical views among Atlanticists.

These Atlantic Euroskeptics do not share the anti-Europeans' extreme pessimism regarding European society, on topics such as anti-Semitism. They reject Robert Kagan's idea of a strategic and cultural divide, emphasizing instead Europe's diversity of perspectives and the greater affinity of Britain and Eastern Europe with the US (O'Sullivan, 2002). They believe the EU to be anti-market, anti-democratic, anti-American and undermining of the nation-state.

Like the neo-conservatives, Atlantic Euroskeptics want to dilute and divide Europe. They fear that the prospect of a more Atlantic Europe following the recent addition of pro-American nations to the EU might nevertheless undermine the progress of Euroskeptical views in the US. The Bush administration's debt to Tony Blair for supporting US policy in Iraq has been one reason why the US has refrained from pursuing more overtly Euroskeptical initiatives. This could change the next time a conservative government in London coincides with a republican administration in Washington.

Libertarians are economically Euroskeptical and they oppose fiscal and regulatory harmonization as well as the Social Charter. While they criticize the EU as highly regulated and protectionist, many are hostile to an interventionist US foreign policy and lean towards isolationism. They have improbable allies in Europe that include the advocates of an independent Europe who, like them, favor US military withdrawal from Europe and an autonomous European defense (Layne, 2001).

These different strains of Euroskepticism share common core beliefs, notably an aversion to the EU's dominant economic and regulatory culture and the emergence of a political Europe, internally and externally. Some put more emphasis on the strategic vision that informs their Euroskepticism, others on economic and regulatory issues, and still others on national sovereignty or the evolution of the balance of power within the European Union.

The "Atlanticist" Euroskeptics' vision is at odds with that of most neo-conservatives: an Atlantic Europe under US leadership and the resuscitation of the West after the disappearance of the former common enemy. Weakening the EU, protecting Britain's sovereignty and its "special relationship" with the United States require a renewed US commitment to Europe that is neither the US nor Europe's current priority. However, such a strategy includes undermining the emergence of an autonomous European defense and the establishment of a Transatlantic Free Trade Area to dilute the European trading bloc (O'Sullivan, 2003). Publisher Conrad Black has tried to rally US support for British membership in NAFTA and the same political forces have been promoting the far-

fetched idea of an “Anglosphere”, a loose alliance of white English-speaking countries (Black, 2000; Ponnuru, 2003).

Since the fall of the Berlin wall, American Euroskeptics and their European allies have been actively cultivating free market conservatives in the new democracies of Eastern Europe and throughout the rest of the continent. European free market conservatives who, with the exception of Britain, have traditionally been pro-integrationist, have softened their support for the new phase of European integration and backed pro-American economic and strategic ideas. More generally, pro-EU and pro-Atlanticist constituencies in continental Europe largely overlap, as do Euroskeptical and anti-American ones. If, however, Americans were perceived by Europeans to be increasingly Euroskeptical, it could strengthen the case for an independent Europe.

What Explains Anti-Europeanism and Euroskepticism?

Throughout this analysis, I have identified and discussed several important factors that have encouraged the resurgence of anti-Europeanism and the progress of Euroskeptical views in the United States. These have included a transformed international environment with important implications for US foreign policy; the emergence of a more political European Union; the rise of American conservatives, and the policies of President George W. Bush. I now turn to a discussion of other factors what may influence these developments—rising anti-Americanism in Europe and anti-French sentiment in the United States, socio-economic models and trade disputes, the transatlantic cultural divide, and the import of British Euroskepticism.

A Backlash Against Anti-Americanism?

Anti-Americanism is one of the most frequent justifications offered by the critics of Europe (Gedmin, 1999). However, it does not provide an explanation for attacks that target aspects of European identity such as the welfare state or, for example, the way Europeans fail to assimilate Muslims. Moreover, anti-Americanism has been a long-running phenomenon in Europe. In the past, it did not trigger the kind of sweeping criticism of European foreign policy, culture, and economics. It was much more targeted against individuals such as Charles de Gaulle or particular policies such as Ostpolitik. Has anti-Americanism reached unprecedented levels over the recent period or have Americans become less tolerant of it or both (Frankel, 2003)? Opinion surveys consistently show that anti-Bush sentiment accounts for most of the rise of anti-Americanism over the last few years. But the level of anti-Bushism is artificially inflated compared with the level of structural anti-Americanism because Bush serves as a magnet for preexisting anti-American sentiment. It would be naïve to believe that the Bush presidency explains almost all the rise in anti-Americanism (Zakaria, 2004).

Given the recent tenor of relations one might expect that Bush supporters would be the most likely to be highly sensitive to anti-American and anti-Bush attacks from Europe and elsewhere, and to hold anti-European sentiments. We can expect them to associate legitimate criticism of President Bush and his policies with anti-Americanism, either out of spontaneous patriotism or because it is an easy and effective way to discredit European critics. They attribute their anti-European views to their reaction to anti-Americanism, but the latter is likely only to be a trigger for latent predispositions. In addition, their definition of anti-Americanism is likely to be very broad. For example, is the idea that Europe should be a counterweight to US power inherently anti-American?

Anti-American Europeans remind conservatives of the “blame America first” attitude for which they have chastised liberals for several decades. The vision of some European leftists that Bush’s unilateralism and use of force has turned the US into a rogue state contradicts the conservatives’ belief that, thanks to a string of US economic and military successes since the key victory in the Cold War, the US is going through one of its finest hours. In addition, the wounds of September 11, the war-like atmosphere, and the new feelings of vulnerability have made Americans less tolerant of criticism, both at home and abroad. As President Bush declared, “those who are not with us are with the terrorists” (Bush, 2001).

Are Anti-Europeanism and Euroskepticism only Francophobia in Disguise?

There is a temptation to equate American anti-Europeanism and Euroskepticism with Francophobia since France is the one West European country that has consistently aroused negative sentiment among Americans through the Cold War and after (Gordon, 2000). European culture is closely associated with French culture, which some Americans believe to be corrupt, immoral, statist, elitist, effete, anti-Semitic and anti-American. French-American relations have historically been difficult, particularly after World War II when the US took a leading role in Europe, a role that the French believed to be rightfully theirs (Brenner, Parmentier, 2002). Some have distrusted the French role in the EU from the beginning, viewing it as a project led by a French-inspired bureaucracy that was poised to centralize power, advance French interests, and turn the EU into a counterweight to the United States (Boyles, 2004). And more than any other European country, France is known for its deep and persistent strain of anti-Americanism (Roger, 2003; Revel, 2002).

While it is tempting to claim that anti-Europeanism and Euroskepticism are simply an outgrowth and expansion of Francophobia, the phenomena are both broader and deeper than the old antipathies toward France. The wave of Francophobia that preceded war in Iraq unfolded only after the anti-Europe campaign had gained momentum in the US in the mid 1990s. As discussed above, criticism focused on common characteristics shared by most European countries in foreign policy, economics, society and culture, as well as views about European integration. Britain’s “liberal” political and cultural elites were no less criticized than their French counterparts. Attacks did not concentrate on France—and

Germany—until after their opposition to war in Iraq became clear and Defense Secretary Donald Rumsfeld made his infamous distinction between “Old and New Europe.” Broad anti-European attacks were then replaced by pointed anti-French and anti-German remarks. Many Americans remember only the latter.

Diverging Economic Performances and Socio-Economic Models?

Europe’s poor economic performance since the mid 1990s and its failure to make the structural reforms that revitalized the US economy also contribute to the more negative American views toward Europe (Bartlett, 2004). And strong critiques have not been limited to conservatives. Clinton’s Treasury Secretary Lawrence Summers repeatedly expressed his frustrations with Europe’s poor economic performance and the inadequate remedies offered to improve it.

The case for the EU has not been helped by the fact that the three traditional leaders of European unification—France, Germany, and Italy—have been among the poorest economic performers. And Euroskeptic Britain has performed much better. Some attribute British success to its decision not to adopt the euro but other eurozone countries such as Spain and Ireland have performed as well or better than Britain. Many Americans share the British Euroskeptics’ criticism of the continent’s rigid labor regulations and blame the EU even though such regulations remain outside its jurisdiction. More generally, Americans blame EU monetary and regulatory policies for discouraging economic growth, job creation, innovation, and entrepreneurship. In contrast to many Europeans who view the EU as a force for promoting more continental market efficiency, many in the US regard the EU as stifling competition and fostering greater protectionism.

After the collapse of Soviet communism and with the flowering of globalization, Europe has become the economic anti-model for many Americans, especially those who count themselves among the conservative political and business elites. In this view, there should be no retreat from the reforms of the Reagan and Thatcher eras. Globalization and the disappearance of the Soviet model highlight the contrasting capitalist models at work on each side of the Atlantic. The European social market model contrasts sharply with the liberal market model entrenched in the US (Judt, 2004; Rifkin, 2004). American critics of the European model view the EU as a shield against globalization rather than a partner with the US expanding the benefits of a global market economy. They see the EU as a haven for anti-globalists, symbolized by José Bové, the French sheep farmer and union leader whose fame was assured when he destroyed a McDonald’s restaurant under construction in South Central France. Opposition to globalization is largely synonymous with anti-Americanism in the eyes of both the European left and the American right.

A Transatlantic Cultural Divide?

Another popular theory offered to explain the rise of both anti-Europeanism and anti-Americanism is the “cultural divide.” Neo-conservatives like to draw a

contrast between strong and rugged Americans and weak and effete Europeans, Americans from Mars versus Europeans from Venus in Robert Kagan's formulation. They see themselves as powerful warriors guided by the moral certitude of their heroic leaders—Reagan, Thatcher, and Churchill. Europeans, by contrast, are weak and waffling, distinguished by their inclination for pacifism and moral compromise. Bush, the Texan, has never shown much interest in European history and culture unlike Clinton, the Rhodes scholar, who perhaps came closest to the American version of a European social democrat. Clinton sought to build on American and European cultural similarities; Bush accentuates the cultural differences.

Since 1994, American Congressional leadership has become more conservative and populist, reflecting the views of many new political leaders from the south and west (Walt, 1998). Many from these regions have much weaker connections to Europe unlike the Atlanticists of the past who came disproportionately from the northeast (Daalder, 2003). This new leadership was not only less connected to Europe but it also articulated its own cultural views more forcefully and displayed little of the cultural inferiority vis-à-vis Europe that characterized much of earlier American leadership.

The seeds of the Atlantic cultural divide were planted by a westerner, Ronald Reagan, in the early 1980s. Reagan rehabilitated many of the traditional American values—limited government, self-reliance and risk-taking, the centrality of religion, nationalism and patriotism, the use of military force, anti-elitism, trusting in markets and the acceptance of greater social and economic inequality, and the importance of law and order. In the same years, the Europeans have been reluctant to dismantle their elaborate and expensive welfare states and have aimed to extend human rights and ban the death penalty, and to embrace methods of conflict resolution that minimized the use of force. These differences were not altogether new but they were frequently overlooked during the Cold War when Atlantic unity was highly valued. As that unity became less pressing in the 1980s and 1990s, conservatives and neo-conservatives since Reagan became much more willing to reassert the case for American exceptionalism, a case that highlighted differences between the US and Europe. As William Kristol, editor of the *Weekly Standard*, wrote, "America is nationalist, religious and martial. Europe is post-nationalist, post-Christian and pacifist" (quoted in Barnes, 2002). Or, as David Rothkopf put it, "Americans should not deny the fact that of all the nations in the history of the world, theirs is the most just, the most tolerant, the most willing to constantly reassess and improve itself, and the best model for the future" (Rothkopf, 1997).

The thesis of the cultural divide has to be tempered by the reality that, on most foreign policy issues, American and Europeans not only share common interests but embrace similar strategies for realizing those interests. With the notable exception of the Iraq War and the handling of the Israeli-Palestinian conflict, Americans and Europeans have similar objectives and prefer multilateral strategies for reaching them. Most American political leaders and diplomats support European integration and want Europe to assume a larger role in world

affairs (Transatlantic Trends 2004, 2004). In their preference for unilateralism and distrust of European power, neo-conservatives and Euroskeptics are to be found at the margins of American elite and public opinion.

In fact, the cultural rift might more accurately be found to exist within American and to a lesser extent European societies rather than neatly dividing at the Atlantic. In the United States, a divide can quite clearly be shown to exist between the cosmopolitan, multilateralist, socially liberal east and west coasts and the more culturally conservative, populist, and “America First” South and Midwest (Barone, 2002; Judis and Teixeira, 2002; Chamorel, 2004; Fiorina, 2004). The 2000 and 2004 presidential elections revealed just this division in the positions taken by the two major political parties on issues such as religious practice, homosexuality, and gun control at home and unilateralism versus multilateralism and the use of force versus reliance on diplomacy in addressing issues abroad (Ash, 2004). Europe’s political culture is, if anything, even more heterogeneous. Opinions vary widely with regard to attitudes towards the US, European integration, capitalism, globalization, national traditions of foreign policy and national sovereignty (Asmus et al., 2003). For different reasons, Britain and the former communist countries of Eastern Europe share more positive attitudes towards the US and NATO than do most nations in Western Europe. The most pro-American European Euroskeptics are reluctant to subscribe to the idea of a transatlantic cultural divide; they would rather underscore cultural divisions within Europe (Kremer, 2005).

At least in the short and medium-term, American and European political ideologies appear to be growing further apart. The American neo-conservative ascent in foreign and social policy has no equivalent in Europe. Neo-conservatives have few ideological brethren in Europe despite the very close ties between the Republican party and the British Conservative party. Conversely, the left and the far-left are much stronger in Europe than in the US. Paradoxically, the end of Soviet communism has fuelled a more vigorous criticism of the US by the European left, unconstrained by the superpower dynamics of the Cold War. French historian Francois Furet observed that in the post-Cold War era, criticizing the US and globalization has been made easier because there no longer is a need to defend a discredited communism or propose an alternative to capitalism. Rather than the end of ideology, he predicted the return of pure political utopia. Moreover, a weakened American left and a disoriented Democratic Party following September 11 and the electoral defeat in 2004 have made the globally influential European left a prime target for American neo-conservatives.

British Import?

While the spread of Euroskepticism among American political conservative elites can be explained largely by domestic developments within the United States, British Thatcherites in Washington made a notable contribution. After the Maastricht treaty in 1991 laid the groundwork for the euro and the formulation of an EU foreign and defense policy, Euroskeptics in Britain grew increasingly

concerned about the loss of Britain's national sovereignty and the preservation of its "special relationship" with the United States (Gedmin, 1997). They tried to convince a receptive audience of American conservatives that supporting European integration was no longer in America's best interest. They argued that American interests are not served by EU trade and regulatory policies nor by its plans to develop its own foreign and defense policy. Further, they claimed that EU policies were inspired by the French and informed by a strong anti-Americanism (Baker, 2003; Sullivan, 2003; Stelzer, 2001).

Deeper European integration constrains British policy independence and makes it more difficult to play the role of loyal, market-oriented American ally. The same concerns were raised about the impact of the proposed EU constitution on the Anglo-American "special relationship." Moreover, American Euroskeptics, including many neo-conservatives, fear that the development of a common European foreign policy would prevent Britain from pursuing its Atlanticist vision if over-ruled by a majority of EU states. The old transatlantic politics of European integration has been turned on its head. In the 1950s, the US favored a federal Europe and tried, unsuccessfully at first, to push a reluctant Britain into the Common Market. Britain has since joined, but now the Thatcherites are pressuring Washington to withdraw its support for deeper integration. The main axis in the transatlantic politics of European integration used to be strongly pro-integrationist and to link the political mainstreams of the US and continental Europe. The link now is strongest between British and American Euroskeptics.

A convenient informal alliance exists between American neo-conservatives and British Euroskeptics (Studemann, 2004). Despite their differences, both are working to prevent the emergence of a politically integrated, anti-American, inward-looking, and protectionist Europe. Their agenda, which includes British membership in NAFTA, a renewed US commitment to NATO, and the establishment of a Transatlantic Free Trade Area, has made little progress thus far. Since the formation of the coalition to defeat Saddam Hussein, the idea of an "Anglosphere" has gained currency (Black, 2000; Ponnuru, 2003; Conquest, 1999; Bennett, 2004). Focusing on trade and security, it would bring together Britain, the US, and countries such as Australia and New Zealand in a loose alliance. Americans would be satisfied with an "Atlantic" Europe in which Britain and East European countries such as Poland play a prominent role. Even though the concept of the "Anglosphere" was conceived as an alternative to an EU dominated by France and Germany, a combined European and global strategy is what appeals to most British conservative Euroskeptics.

Conclusion

As I have tried to make clear, the recent resurgence of anti-Europeanism and the parallel emergence of Euroskepticism in American attitudes and the political debate have been fuelled by a combination of many interspersed international and domestic factors. The transformed political and economic international

environment since the end of the Cold War has provided the preeminent source as well as the context for the rise of these phenomena. Such structural changes helped redefine the traditional images and expectations that European and Americans had of each other. They also provided domestic political forces in Europe and the US the opportunity to further old agendas and develop new ones inspired by or leading to anti-Europeanism and Euroskepticism.

In the US, the end of the Cold War has corresponded with the coming of age of a regenerated conservative movement vindicated for its anti-communist and anti-Soviet stances and its belief in American exceptionalism. For many conservatives, victory in the Cold War was obtained despite a “soft” Western Europe, not jointly with it. Frustrations with Europe had also built up with regard to Central America in the 1980’s, the Balkans in the 1990s, and of course the Israeli-Palestinian conflict and Saddam’s Iraq. The EU was all too often in the way of American diplomatic and military objectives. Americans, proud of their country’s accomplishments and wounded by the attacks of 9-11, became less tolerant of European anti-Americanism.

The new economic focus of transatlantic relations revealed a Europe unable to reform its archaic economy and welfare state, but nevertheless positioning itself as a rival to the US in strategic industries, a determined opponent in trade disputes and a springboard for the anti-globalization movement. The European Union has often developed the reputation of an unworkable and undemocratic project and a regulatory nightmare. Its model of shared sovereignty clashes with America’s reasserted national sovereignty and suspicion of multilateralism. Culturally, Western Europe has been increasingly perceived as unwelcoming to immigrants, unable to assimilate its Muslim population and occasionally anti-Semitic. The strong anti-elitist and religious backlash in the United States contrasts with the persistence of European secularism and political values somewhat reflecting the culture of the 1960s. Anti-Europeanism is further sustained in the US by the use of Europe as a surrogate for “blue America” and liberal elites, and a marker for weakness on national security, American patriotism, and sense of national identity. These domestic political functions help entrench anti-Europeanism and Euroskepticism among conservatives. However, the transatlantic ramifications of Euroskepticism, especially the American agenda of British Euroskeptics and the European agenda of American neo-conservatives and economic libertarians have helped in developing its agenda and legitimacy.

The fact that anti-Europeanism and Euroskepticism have made inroads in the American political debate does not guarantee that they can be sustained. These phenomena could very well have reflected a difficult but transitory phase in transatlantic relations following the Cold War. They might also have been fuelled by the unusual and unfortunate convergence of a series of crises unlikely to repeat themselves. But it is more likely that anti-Europeanism and Euroskepticism have entrenched themselves in the attitudes of many Americans as well as become part of the political debate. This would result partly from a new stage in transatlantic relations and partly from the self-sustaining quality of such sets of beliefs.

Since the run-up to the war in Iraq, anti-European and Euroskeptical campaigns have largely abated. Transatlantic relations have improved markedly as the US has realized that it still needs Europe to bring legitimacy to its actions and as a partner in the fight against terrorism and the proliferation of weapons of mass destruction. Difficulties in Iraq have revealed the limits of US unilateralism and military approaches. Since 9-11 and the terrorist attacks in Madrid and London, Europeans have made counter-terrorism and anti-proliferation efforts an ever higher priority and used their influence in the Middle-East to pursue goals supported by the US, notably in Iran and Lebanon. The Europeans have also learned from their divisions over the Iraq war that they cannot build a united Europe against the United States. Like anti-Americanism or Francophobia, however, anti-Europeanism and Euroskepticism have permeated attitudes and can be mobilized in times of crisis or in support of a political campaign.

The fact that the main protagonists of the tensions over Iraq—George Bush, Tony Blair, Jacques Chirac and Gerhard Schroeder—will soon leave office suggests that they will likely have a small and temporary effect. The neo-conservatives have largely discredited themselves over Iraq. However, this or another school of thought is bound to express the hegemonic strain in American foreign policy as long as the US remains the only superpower. Imperial temptations, opposition to the United Nations, suspicion of a European political system built on shared sovereignty, and the Anglo-American dimension of Euroskepticism will help sustain the negative discourse about Europe and the EU. China might well divert American attention from Europe but it is also likely to contribute more to transatlantic tensions than to rapprochement. A more peaceful and democratic Middle-East would likely diminish American criticism of European diplomacy and anti-Semitism but such a Middle East is not now in view.

Developments in Europe could also improve the transatlantic relationship and the discourse and attitudes about Europe and the EU. A more Atlanticist Europe resulting from the addition of US-friendly states from Eastern Europe may help significantly. An EU of 25 will certainly see the influence of France and Germany decline. Moreover, the likely successors of Schroeder and Chirac will likely broaden the leadership group of EU nations to give more voice to the UK, Italy, Spain and Poland—all more pro-American than “Old” Europe’s leadership.

Tensions should continue both within Europe and with the US regarding the development of a European Security and Defense Policy (ESDP). The enlarged EU will likely prove to be more supportive of NATO, less cohesive as a group, and more accessible to American influence. In the unlikely event that France and Germany are able to persuade a core group of European nations to accelerate the process of political and economic integration, the response of Euroskeptics would be to focus their attacks on these efforts. If, on the contrary, a “Europe a la carte” model emerges where state membership in the various European projects is voluntary and can proceed at different rates, the criticism of Euroskeptics will likely focus on the complications and complexity of over-bureaucratization that will interfere with transatlantic cooperation. On the EU’s current agenda, most American conservatives support membership for Turkey and

Ukraine; they favor the liberalization of services but are skeptical about tax harmonization and other regulatory initiatives; and they oppose ESDP.

Since the failures of early efforts to ratify the EU constitution in France and the Netherlands, economic reforms have become the EU's priority. In Germany and France, political hopefuls Merkel and Sarkozy present themselves as champions of much-needed market reforms. If successfully implemented, such reforms could boost economic growth, create jobs, and re-cast the EU's economic image. Renewed economic vitality could do much to rid the EU of its label of economic "anti-model" given to it by Euroskeptics. However, differences in economic cultures will persist as will trade and regulatory disputes. Both will offer ample fuel for confirmed anti-Europeans and Euroskeptics.

Differences in political culture are also certain to remain. American politics lean more to the right than politics in Europe which has a strong leftist legacy and a powerful social-democratic tradition. American political culture is more religious, legalistic and litigious, and more patriotic and militaristic. Americans hold tighter to notions of national sovereignty than their continental European counterparts who are more comfortable sharing sovereignty in supranational institutions. But there are also signs of change in European political culture that suggest more support for law and order, more concern for individual rights, more attention to security in efforts to combat terrorism, and more aggressive policies designed to curb immigration and promote assimilation. Should such changes mark the beginning of a slow convergence in Atlantic political cultures, they might foster the decline of Anti-Americanism in Europe which in turn could help reduce the manifestations of anti-Europeanism and Euroskepticism in America. Future developments in American anti-Europeanism and Euroskepticism are, of course, extremely difficult to predict but they bear watching for they are likely to be important markers in the continuing assessment of the health of the Atlantic partnership.

Notes

1 American Enterprise Institute, "Continental Drift", *The American Enterprise*, Washington, Dec. 2002. The titles of articles that leading political commentators published in the December 2002 issue of the American Enterprise Institute's review (AEI is widely considered to have been the most influential Washington think tank during the Bush presidency) read as follows: "The European Disease;" "German-American Requiem;" "Continental Drift;" "Old and in the Way;" "America won't Listen to Europe's Appeasers;" "The Real Problem is European Elites;" "Goodbye Europe;" "Irritating and Irrelevant;" "Europe Loses its Mind" (AEI, 2002).

2 In its Aug. 17, 2005 edition, the "Financial Times" quoted James Dobson, the chairman of "Focus on the Family," a leading conservative Christian organization, accusing the members of the US Supreme Court of being guided by public opinion in Western Europe, "the most liberal area of the planet." At the same "Justice Sunday II" nationwide live telecast to churches, pastor Jerry Sutton noted that India was the most religious country in the world and Sweden the most irreligious: "We are a nation of Indians ruled by Swedes."

References

- Ash, Timothy Garton (2003), "Anti-Europeanism in America," *The New York Review of Books*, 27 March.
- _____ (2004), *Free World*, New York: Random House.
- Asmus, Ronald, Anthony Blinken, and Philip Gordon (2004), "Power, War and Public Opinion," *Policy Review*, (February-March), pp. 73-88.
- _____ et al. (2005), "Nothing to Fear," *Foreign Affairs*, (January-February), p. 174.
- Baker, Gerard (2003), "Against United Europe," *Weekly Standard*, September 22.
- Barnes, Fred (2002), "Why Bush has given up on Europe," *The Weekly Standard*, May 24.
- Barone, Michael (2002), "49% Nation," *Almanac of American Politics*.
- Bartlett, Bruce (2004), "Lag-Luster Europe," *National Review Online*, August 11.
- Bennett, James (2004-5), "Dreaming Europe in a Wide-Awake World," *The National Interest*, (Winter), pp. 119-29.
- Berman, Russell (2004), *Anti-Americanism in Europe: A Cultural Phenomenon*, Stanford, CA: Hoover Press.
- Black, Conrad (1999), "Britain's Atlantic Option and America's Stake," *The National Interest*, (Spring), pp. 15-24.
- _____ (2000), "The European Union, Britain and the United States: Which Way to Go?" Address to the Nixon Center, Washington D.C., April 11.
- Blinken, Anthony (2001), "The False Crisis Over the Atlantic," *Foreign Affairs*, (May-June), pp. 35-48.
- Bolton, John (1996), "Appeasement as a Way of Life," *New York Times*, July 28.
- Boyles, Dennis (2004), "Jacques's Cracks," *National Review Online*, November 19.
- Brenner, Michael, and Guillaume Parmentier (2002), *Reconcilable Differences*, Washington, D.C.: Brookings Institution.
- Buchan, Alastair, ed. (1970), *Europe's Futures, Europe's Choices: Models of Western Europe in the 1970s*, New York: Columbia University Press.
- Bush, George W. (2001), "Address to a Joint Session of Congress and the American People," Washington D.C., September 20.
- Calleo, David (1970), *The Atlantic Fantasy: the US, NATO and Europe*, Washington, D.C.: Johns Hopkins University Press.
- _____ (1965), *Europe's Future: the Grand Alternatives*, New York: Horizon Press.
- _____ (2001), *Rethinking Europe's Future*, Princeton: Princeton University Press.
- Ceaser, James (2002), "America's Ascendancy, Europe's Despondency," *The Weekly Standard*, May 20.
- Colombani, Jean-Marie and Walter Wells (2004), *Dangerous De-Liaisons*, Hoboken, New Jersey: Melville House.
- Chamorel, Patrick (2003), "Ces Américains qui détestent l'Europe," *Sociétal*, no. 41, Paris, 3rd Quarter.
- _____ (2004), "Anti-Europeanism and Euroskepticism in the United States", Working Paper # 2004/25, Robert Schuman Centre for Advanced Studies, European University Institute, Florence.
- _____ (2004a), Unpublished paper "Anti-Americanism in France," presented at a workshop on anti-Americanism in Europe, Center for the Advanced Study of Behavioral Sciences, Stanford University, Nov. 5-7.
- _____ (2004b), "Basculément Politique aux Etats-Unis?" *Sociétal*, Paris, 2nd Quarter.

- Cimbalo, Jeffrey (2004), "Saving NATO from Europe," *Foreign Affairs*, (November-December), pp. 111-20.
- Cleveland, Harold Van B. (1966), *The Atlantic Idea and Its European Rivals*, New York: McGraw Hill.
- Conquest, Robert (1999), "Towards an English-Speaking Union," *The National Interest*, (Fall), pp. 64-70.
- Daalder, Ivo (2003), "The End of Atlanticism," *Survival*, vol. 45, no 2, (Summer), pp. 147-65.
- Epstein, Richard (2004), "The Dangers of a Contradictory Constitution," *Financial Times*, October 11.
- Evans, David (2002), "The New Trustbusters; Brussels and Washington May Part Ways", *Foreign Affairs*, (January-February), pp. 14-20.
- Feldstein, Martin (1997), "EMU and International Conflict," *Foreign Affairs*, (July-August), pp. 60-73.
- Ferguson, Niall (2004), "The End of Europe?" Bradley Lecture, American Enterprise Institute, 1 March.
- Fiorina, Morris (2004), *Culture War? The Myth of a Polarized America*, New York: Longman.
- Fonte, John (2003), "Paradise?" *National Review*, 7 April.
- Frankel, Glenn (2003), "Anti-Americanism Moves to Europe's Political Mainstream," *Washington Post*, 11 Feb. 11.
- Frum, David (2005), "Up with Europe, Down with the EU," *National Post*, 28 February 28.
- Fukuyama, Francis (2002), "Has History Restarted since 9-11?" John Bonython Lecture, 8 August. Lecture summary in Francis Fukuyama, "Us versus Them: Opposition to American Policies Must Not Become the Chief Passion in Global Politics," *Washington Post*, 11 September.
- Gaffney, Frank (2004), "False Friends," *Washington Times*, 28 December.
- _____ (2004a), "Friend and Foe," *Washington Times*, 10 November.
- Gedmin, Jeffrey (1999), "Continental Drift," *The New Republic*, 28 June.
- _____, ed. (1997), *European Integration and American Interests*, Washington, D.C.: AEI Press.
- Goldberg, Jonah (2004), "The European Model," *National Review*, 16 December.
- Gonzalez, Michael (2001), "Why Europe Needs Britain," *Policy Review*, August.
- Gordon, Philip (2000), "The French Position," *The National Interest*, (Fall), pp. 57-65.
- Hanson, Victor Davis (2002), "Goodbye to Europe?" *Commentary*, (October), pp. 21-25.
- Harper, John Lamberton (1994), *American Visions of Europe*, Cambridge: Cambridge University Press.
- Harries, Owen (1993), "The Collapse of the West," *Foreign Affairs*, (September-October), pp. 41-53.
- Hulsman, John and Nile Gardiner (2004), "A Conservative Vision for US Policy Toward Europe," Heritage Foundation, 4 October.
- Joffe, Josef (2004), "The Demons of Europe," *Commentary*, January.
- Judis, John and Ruy Teixeira (2002), *The Emerging Democratic Majority*, New York: Scribner.
- Judt, Tony (2005), "Europe vs. America," *The New York Review of Books*, 10 February.
- Kagan, Robert (2002), "Power and Weakness," *Policy Review*, no. 113, June.
- Katzenstein, Peter and Robert Keohane (forthcoming), *Anti-Americanisms in World Politics*, Ithaca: Cornell University Press.

- Kissinger, Henry (1965), *The Troubled Partnership*, New York: McGraw Hill.
- Kohut, Andrew (2003), "Anti-Americanism: Causes and Characteristics," Pew Research Center for the People and the Press Commentary, 10 December.
- Krauthammer, Charles (2002), "The Axis of Petulance," *Washington Post*, 1 March.
- _____ (2002a), "Europe and Those People: Anti-Semitism rises again," *Washington Post*, 26 April.
- _____ (2002b), "Who Cares What the Europeans Think?" *Jewish World Review*, 4 March.
- Kremer, Thomas (2004), *The Missing Heart of Europe*, London: June Press.
- Kupchan, Charles (2002), "The End of the West," *Atlantic Monthly*, 2 November, pp. 42-44.
- Lambert, Richard (2003), "Misunderstanding Each Other," *Foreign Affairs*, (March-April), pp. 62-74.
- Layne, Christopher (2003), "America as European Hegemon," *The National Interest*, (Summer), pp. 17-29.
- _____ (2001), "Death Knell for NATO?" *Policy Analysis*, CATO Institute, no. 394 (April), p. 15.
- Legrain, Philippe (2003), "Why America Should Fear Europe's Economy," *The New Republic*, 16 June.
- Lundestad, Geir (1997), *Empire by Integration: The United State and European Integration, 1945-1997*, Oxford: Oxford University Press.
- Mead, Walter Russell (2002), "The Case Against the Europeans," *The Atlantic Monthly*, April.
- _____ (1999), "Friendly Fire; As Far as Europe is Concerned, Nothing the US Does—Economically, Culturally or Politically—is Right," *Los Angeles Times*, 14 March.
- Moravcsik, Andrew (2001), "Despotism in Brussels?" *Foreign Affairs*, (May-June), pp. 114-22.
- O'Sullivan, John (2002), "Defending Europe," *National Review Online*, 8 May.
- _____ (2002a), "The Over-Skeptics," *National Review*, 7 June.
- _____ (2003), "The Great Game in Europe; How the US can Play," *National Review*, 24 February, pp. 33-44.
- Pew Global Project Attitudes (2003), 18 March.
- Pfaff, William (1998-9), "The Coming Clash of Europe with America," *World Policy Journal* (Winter), pp. 1-9.
- Ponnuru, Ramesh (2003), "The Empire of Freedom; Where the US Belongs: the Anglosphere," *National Review*, 23 March, pp. 35-39.
- Pryce-Jones, David (1999), "Bananas are Just the Beginning: A War Brews between the US and Europe," *National Review*, 5 April.
- Ramos-Mrosovsky, Carlos (2004), "A Fake Country," *National Review Online*, 20 December.
- Reid, T. R. (2004), *The United States of Europe: The New Superpower and the End of American Supremacy*, New York: Penguin Press.
- Revel, Jean-Francois (2002), *L'obsession américaine*, Paris: Plon.
- Rifkin, Jeremy (2004), *The European Dream: How Europe's Vision of the Future Is Quietly Eclipsing the American Dream*, New York: Tarcher Penguin.
- Roger, Philippe (2003), *L'ennemi américain*, Paris: Seuil.
- Rothkopf, David (1997), "In Praise of Cultural Imperialism," *Foreign Affairs*, 107, (Summer), pp. 38-53.
- Seidentop, Larry, *Democracy in Europe*, New York: Columbia University Press, 2001.

- Stelzer, Irwin (2001), "Is Europe a Threat?" *Commentary*, (October), pp. 34-42.
- Steyn, Mark (2002), "Who Is Ugly Now?" *The Spectator*, 4 May.
- Sullivan, Andrew (2003), "The Euro Menace; the Threat of European Integration," *The New Republic*, 16 June.
- Survey for the German Marshall Fund, et al. (2003), *Transatlantic Trends*, Washington DC: German Marshall Fund.
- Schlesinger, James (2002), "Europe's Chorus of Disapproval," *Financial Times*, 21 May.
- Spiro, Peter (2000), "The New Sovereignists," *Foreign Affairs*, (November-December) pp. 9-15.
- Studemann, Frederick (2004), "Neo-Cons Fear Competition from EU," *Financial Times*, 6 November.
- Taggart, Paul and Aleks Szczerbiak (2001), "Parties, Positions and Europe: Euroskepticism in the EU Candidate States of Central and Eastern Europe," SEI Working Paper no. 46, Sussex European Institute, (May).
- "Transatlantic Trends 2004," (2004), EOS Gallup Europe for the German Marshall Fund of the United States et al., 7 June.
- Twining, Daniel (2004), "The Party of Europe," *The Weekly Standard*, 20 September.
- Vaisse, Justin (2004), "American Francophobia Takes a New Turn," *French Politics, Culture and Society*, vol. 21, no. 2, (Summer), pp. 17-33.
- Walt, Steven (1998-99), "The Ties that Fray; Why Europe and America are Drifting Apart?" *The National Interest*, (Winter), pp. 3-11.
- Will, George (2002), "Stuck to the UN Tarbaby," *Jewish World Review*, 19 September.
- Woodward, C. Vann (1991), *The Old World's New World*, Oxford: Oxford University Press.
- Young, Hugo (1999), *This Blessed Plot*, Woodstock, New York: Overlook Press.
- Zakaria, Fareed (2004), "The World's Most Dangerous Ideas," *Foreign Policy*, September-October, pp. 32-33.

This page intentionally left blank

Chapter 11

Conclusion: The Future of the Transatlantic Partnership

Thomas L. Ilgen

Introduction

The primary questions addressed in this volume are whether the recent crises in relations between the United States and Europe are wider and deeper than those that have preceded it and whether or not there is a promising future for the Atlantic partnership. As is often the case with such questions, the answers are not clear and unequivocal. Nevertheless, the authors provide useful guidance for responding to each. Regarding the first, most believe that indeed the challenges currently facing EU-US relations are greater and potentially more disruptive than any that the Atlantic partnership has faced in the past. While this comes through clearly in the discussions of security relations, the potential for serious disagreements, while not yet manifest, is also acknowledged in trade relations and to a lesser extent in monetary affairs. Even the current alignments in domestic politics on matters of agriculture, the environment, and ideology predict tough times ahead in forging Atlantic consensus on any of these matters.

Regarding predictions about the future of the Atlantic partnership, consensus is more elusive with those writing about economic matters assuming a more optimistic posture than those treating security affairs. Those addressing domestic politics identify larger patterns of convergence on issues like agriculture and the environment while identifying and acknowledging short-term patterns of domestic divergence. All speak to continuing if evolving common interests among Atlantic partners but some claim that those interests are less compelling than before for constructing a renewed and sustainable relationship.

The preceding chapters also show clearly that EU-US relations are complex and multi-dimensional. We remain dependent on one another for important aspects of our mutual security even as the nature of security threats and our perceptions of them have changed. We have constructed a dense fabric of financial and commercial relationships that make it difficult to determine any more whether firms and the products and services they offer are either American or European. And many of the policy and regulatory institutions that we have constructed to manage our civil societies and market economies while not always

designed from the same mold are informed by common concerns that arise in our advanced industrialized societies. In the half century since the end of World War II, the consequences of the Atlantic relationship have burrowed their way deep into the fabric of our lives on both sides of the Atlantic. While some of the most compelling reasons for the partnership have changed, evolved, or disappeared altogether, the pathways to dissolution are seldom clear and compelling and the costs of disentanglement in most instances remain unacceptably high.

Change and the Atlantic Partnership

These essays highlight three sets of changes that have buffeted EU-US relations over the last decade or so. A successfully renewed partnership will have to give attention to each set of changes. First, the end of the Cold War removed the most compelling reason for establishment of the Atlantic Alliance—the threat of a Soviet invasion from the east. The Soviet threat bound American and European security interests together in ways that made leaving the alliance unthinkable for either party. Alliances always work best when common dangers are clear and present. Without a compelling common threat, less compelling motives must animate and commit alliance partners to what Treverton identifies as shared values and tasks in his call for a “post-modern” alliance. The efforts to contain conflict in the Balkans and the response to global terrorism offer some glimpses into the nature of these post-Cold War tasks. American efforts to enlist European partners and sell democracy to skeptical regimes in the Middle East offer some evidence about the difficulty of alliance efforts to act on shared values.

The end of the Cold War also resulted in a substantial redistribution of global power, particularly military power. This has resulted in a fundamental structural change in the international system, replacing a rough balance of military power between the East and West with a system in which the United States alone is preponderant. This shift from bipolarity to unipolarity and the American willingness to use this “hard power” more assertively have fueled talk of an emerging American empire. Nye argues that this American preference for “hard power” and the neglect of its considerable “soft power” resources combined with Europe’s inclination to use its growing “soft power” potential and its inability to build adequate “hard power” capabilities results in the Atlantic partners viewing and responding to common challenges such as global terrorism or the threat of weapons of mass destruction in quite different ways. Coker’s contention that Americans view war as the clearest path to victory while the European’s view war as tragedy for all concerned helps to explain these diverging preferences for “hard” and “soft” power. In such an environment, a “coalition of the willing” rather than a united alliance is the most anyone might reasonably expect. Nye suggests that a good cop/bad cop routine (European soft power and American hard power) might work for certain global tasks—shutting down nuclear programs in Iran and North Korea for example—but its applicability is likely to be limited.

The second set of changes follow the integration of global markets that accelerated rapidly in the 1990s and continue apace into the new century. The integration of markets have a long history both within Europe and across the Atlantic, facilitated by the Treaty of Rome in the 1950s and the liberal monetary and trading systems put in place after World War II. Free currency convertibility and the centrality of the dollar built a highly integrated financial sector where banks and financial services firms operated with increasing ease across national borders. As Cohen discusses, it is the legacy of this system and the inertia created by it that gives the dollar its competitiveness and staying power vis-à-vis the euro. By tearing down the barriers to trade and facilitating trans-Atlantic investment and production, the international trading regime created a dense network of EU-US economic interdependence. As Williams elaborates, the considerable mutual benefits that such interdependence bestows commit both Atlantic partners to work diligently for the resolution of the modest frictions and disagreements that inevitably arise in so close a partnership. Neither can afford to permit this interdependence to unravel; its benefits reach too deeply into the economic and social well being of the respective domestic societies.

In the 1990s, the integrated markets that linked Europe, America, and Japan became truly global, spreading elsewhere in Asia, most notably to China, to Eastern Europe and former Soviet republics, to Latin America, and to a much lesser extent to Africa. The international financial crisis of the late 1990s that began in Southeast Asia but quickly spread to Russia and then to Latin America, symbolized this globalization, the extent to which financial markets had become interwoven, and the importance of global cooperative strategies to contain the damage. Accelerated market integration not only tied European and American economies closer together but also created a global environment over which Atlantic partners had less and less control. Key negotiations over monetary rules-of-the-game were largely contained to the Atlantic community in earlier years as were deliberations that produced agreeable outcomes to successive multilateral rounds of trade negotiations. Such Atlantic dominance will not be feature of twenty-first century deliberations.

Moreover, as Williams and Cohen point out, the last fifteen years have witnessed both the steady enlargement of the European Union and commitments to ever-deeper levels of internal integration and harmonization. The Single European Act committed Europe to finishing the job of creating a common market by 1992. The Maastricht Treaty moved forward the agenda on monetary union and created a common currency and a European Central Bank by the beginning of the new century. Most recently, constitution-writing and deliberations about a common foreign and security policy have occupied the attention of the European leaders. Membership expanded from twelve to fifteen in 1995 and then again to twenty-five in 2004. As has been the case in the past, rapid forward movement in the European project often generates popular and nationally-based backlashes and resistance in some quarters and Europe may be in for a period of internal turmoil as has surfaced in the constitutional referenda and in budgetary negotiations. Big changes take time to accept and digest. Regardless of the outcome, Europe has set

out an ambitious agenda and is likely to be focused primarily on that agenda, often to the detriment of tending to problems with the United States and others. Indeed, economic troubles with the Americans outlined by Williams, Cohen, and Sheingate, are likely to seem like small potatoes by contrast to intra-European travails.

Viewed since the end of the Cold War, the Atlantic economic relationship should provide bedrock for any reconstituted EU-US partnership in the first decades of the new century. If the rationale for a security alliance changed markedly with the collapse of the Soviet Union, the rationale for close economic ties has only gotten stronger as Atlantic economies have become more intertwined. However, that bedrock is not immune from shifts and slippage. Managing Atlantic economic relations is no longer a game with only two players. Emerging economically powerful nations may choose to ally with one Atlantic partner or the other making Atlantic bargains difficult to construct and sustain. China is clearly the most significant new actor but India and Brazil may figure prominently as well. Moreover, internal EU fissures in an enlarged union between “old” and “new” Europe or among the major actors who seek to adapt to the locus of Europe’s power shifting eastward may limit the ability of EU leaders to meet the Americans half way. Put somewhat differently, the vigorous domestic politics in the US which frequently limit the actions of American leaders in foreign affairs may soon have a formidable counterpart in the European Union.

Trends and developments in domestic politics on both sides of the Atlantic are the third set of changes that will shape a future Atlantic partnership. One very real consequence of extensive market integration is that both American and European economic actors are able produce, finance, and consume goods and services in both markets with increasing ease and efficiency. Ease and efficiency is, in large measure, facilitated by harmonizing laws, rules, and regulatory standards in both markets. Much of the integration project in Europe, particularly the effort to complete the single market, was aimed at harmonizing such arrangements. Doing business in Germany or selling into the German market became more like doing business or selling goods in France. Much of this harmonization process both in Europe and across the Atlantic has been driven by efforts to eliminate barriers to trade. If emissions standards for automobiles are higher in Germany than in France, those standards may constitute a barrier to French auto makers seeking to sell their product in German markets. If emission standards are the same, the trade barrier is eliminated. The difficulty with this harmonization process is that while some national regulations may be enacted to protect domestic producers from foreign competition, many are the product of domestic political processes responding to legitimate social or environmental concerns. Efforts to change or dismantle such standards in order to facilitate international trade may, understandably, meet stiff domestic resistance. Williams labels such issues “trade-related” and argues that multilateral trade negotiations and the institutions of the WTO are not well suited to address the disputes that arise from them.

Sheingate's treatment of agricultural policies and Kurzer's examination of the dispute over GMO foods and feed illustrate these dynamics. Both note broader external pressures that are pushing policies toward convergence. Sheingate argues that Atlantic levels of agricultural subsidies are incrementally moving together and that both sides are using direct government payments rather than price supports as the preferred method of subsidy. While acknowledging considerable divergence in the EU and US positions on GM foods and feed, Kurzer suggests that convergence may occur over time, pushed along by corporate strategies that may define acceptable levels of harmonization and by scientists on both sides of the Atlantic who interpret the evidence in similar ways. At the same time, Sheingate argues that domestic strategies to externalize the blame for the costs of policy failures at home may stall efforts to eliminate subsidies altogether and sustain for yet another decade the rancorous Atlantic debate over agriculture. On the issues of GMOs, divergent domestic perceptions of risk and public trust along with deeply rooted cultural attitudes about the role of farming and food in contemporary European and American societies may too retard the tendencies toward convergence for the foreseeable future. External pressures for convergence and harmonization may be no match for deeply held domestic convictions and mobilized economic interests.

Domestic politics are also shaped by value choices and priorities that surface as the ideological preferences of citizens and their leaders. As Chamorel discusses, much has been made recently of a so-called "values divide," a growing gap between Americans and Europeans about what values are important for the twenty-first century. Contrasting views about the death penalty, the environment, the importance of religion, and the role of the state in the lives of its citizens have been cited as evidence of a growing divergence between American and European political cultures and diminished common ground on which to rebuild a strong partnership. While such differences exist, and are now perhaps more sharply drawn than in the recent past, they are hardly new. The values associated with individual autonomy, equality of opportunity rather than equality of result, and freedom from intervention by an intrusive state have long been central to the American creed. Greater concern for the well being of the community as a whole, emphasis on equality of result, and a fuller embrace of the modern welfare state have long been at the core of prevailing European political ideologies. As Chamorel documents, the current neo-conservative political leadership in the United States has articulated the American creed in more strident tones and drawn more attention to those who differ with their particular ideological preferences than prior Washington leadership and their bold rhetoric has produced strong reactions in Europe and elsewhere. While strong alliances are seldom created by meeting some high standard of value congruence or dissolved when that standard fails to be maintained, trumpeting ideological preferences and calling for alliance partners to do the same can surely detract from a relationship built on shared interests.

Guidelines for a New Atlantic Partnership

The changes outlined above suggest that EU-US relations face a profoundly different environment and set of challenges than the Atlantic partners faced in the aftermath of World War II. Most of the authors of this volume agree that the continuing level of shared interests and concerns warrant the effort although there is less agreement about the expected results. In some respects, the task of renewing and rebuilding the partnership is more challenging than that which faced Atlantic leaders in the late 1940s. Most notably there is no longer the clear and direct security threat that persuaded the United States to engage in its first peacetime alliance and discouraged the principal European powers from entertaining ideas that they could provide security on their own. A commitment to continuing participation and contribution will have to be built on a more diffuse set of expected common benefits. In other respects, the task is easier since many of the needed structures and institutions already exist and enjoy the confidence of the membership. Some might argue that the partnership would likely continue for some time providing considerable benefits to the members whether anyone one did anything to renew it or not. The inertia that continues to yield shared benefits is an instructive starting point for deciding what needs to be done and how to do it.

As Ilgen argues in comparing the Atlantic Alliance and European integration experiences, the most successful and enduring aspect of both is the considerable mileage derived from dismantling the barriers to economic exchange and from erecting common institutions to sustain the flourishing economic activity that followed and to manage the many consequences that accompanied this integration. Never has an economic relationship produced so much wealth and welfare for so many. Efforts to build a comparable security consensus and community both across the Atlantic and within Europe have never enjoyed comparable success. While a secondary aspect of the Cold War relationship, economic partnership should be viewed as a founding principal of a renewed alliance. Two reasons argue for this primacy. First, the liberal rules that have animated this partnership for a half century remain firmly in place as are the multilateral institutions that were designed to protect them. And for the most part, both enjoy wide support. While there are inevitable squabbles both within Europe and across the Atlantic over the consequences of deepening integration, they are disputes about how to make the liberal regime work, not about replacing it altogether. The legacy of effective diplomacy and successful problem-solving in Atlantic economic affairs suggests that such disagreements can continue to be mediated if Atlantic partners are committed to their resolution.

Second, the experience with European and Atlantic economic integration teaches that modern states will be willing to relinquish elements of their national sovereignty and to pool it with alliance partners if the rewards for doing so are tangible and clear both to national leaders and their publics. While the clearest examples of reconfigured sovereignty are to be found in Europe in the creation of the euro, a central bank, and a common external negotiating position in trade, Americans too have sacrificed aspects of sovereignty in harmonizing regulatory

standards and practices with Europe and agreeing to settlements in commercial disputes. Particularly when it is undertaken not as a response to threats but rather as an effort to improve the well-being of all partners, the relinquishing of sovereignty, expresses the trust and confidence that all place in the relationship.

A redefined security relationship is also central to a renewed Atlantic partnership. But while it dominated the Cold War alliance, it is destined to play a more limited role in a new configuration of alliance relations. Without the omnipresent Soviet threat, new security arrangements should focus primarily on more modest and unpredictable threats to the Euro-American region as well as threats in the borders of that region posed by instability in the Middle East and Mediterranean North Africa, in Russia, and in the former European Soviet Republics. While the Soviet threat ensured considerable overlap in American and European security interests, that overlap will shrink considerably and in some instances disappear altogether amid more diffuse and often less compelling security threats in the post-Cold War world. Where security issues and threats are confined to continental Europe, such as regional instability in the Balkans or difficulties in transition states in Eastern Europe and the former Soviet Union, a newly constituted EU security force, with short-term assistance from NATO, is the appropriate vehicle for addressing internal security issues. Terrorism and other threats coming from failed and hostile states in the Middle East and North Africa require coordinated responses from the US and the EU and a reconfigured NATO may be the appropriate vehicle to address these security challenges along with cooperation from national police and intelligence agencies.

In addition to this diminished commonality of security interests, the other principle challenge to a renewed security partnership is the continuing, although now exaggerated and reconfigured, power asymmetry between the EU and the US. From the earliest days of the Cold War, the Americans possessed a preponderance of alliance military power, nuclear and conventional, hard and soft. Much of the early debate within the alliance was directed at achieving a more equitable division of labor with Americans arguing for greater European contributions to conventional capabilities and Europeans arguing for power-sharing on matters of nuclear doctrine. In the end, the Americans balked at any meaningful power-sharing at the nuclear level and the Europeans dragged their feet in making conventional contributions. Nonetheless, "hard" power resources were of limited utility in the European theater so long as Soviet missiles and the Red Army threatened the eastern front. Power asymmetry was primarily a persistent irritant in alliance management rather than a factor that seriously jeopardized Cold War security.

Power asymmetries have become more troublesome since the end of the Cold War. American "hard power" preponderance has only grown while Cold War constraints on using that power have diminished. An American leadership willing, even eager, to exploit this advantage increases the likelihood that Americans will use force in response to a security challenge. By failing to develop their own "hard" power capabilities during the Cold War and a collective mechanism to employ them, the Europeans are increasingly required to deploy

“soft” power resources to meet emerging security challenges and to argue with conviction against the use of force. These divergent approaches to meeting the contemporary security challenges have been noted here and elsewhere and they raise important questions about the ability of Atlantic partners to act together. As Nye concludes, for a security partnership to work, it may be necessary for the US to rediscover the value of “soft power” and for Europeans to develop “hard” power resources of their own.

Finally, for a renewed Atlantic partnership to be viable, both American and European foreign policy leaders must be much more attentive to the democratic constituencies they serve and more effective in explaining both the substantial benefits of securing Atlantic cooperation and the considerable costs of failure. In the formulation of the alliance in the 1940s and 1950s, foreign policy considerations seldom intruded into the domain of domestic politics, diplomats and military leaders pursued a largely uncontested national interest, and that national leadership almost always enjoyed broad popular support. Five decades of Atlantic and European economic integration have redefined those assumptions. Foreign economic policies on trade, investment, and monetary matters regularly reach deeply into domestic affairs affecting the lives and livelihoods of individual citizens in real and tangible ways. Domestic debates about tariffs, subsidies, immigration, and outsourcing have led many to observe that the national interest is defined by the vigorous political struggle that regularly takes place among many particular interests. And as for broad popular support, foreign policy leaders now benefit little from popular deference; they must earn their support by negotiating wisely and by communicating effectively with their constituents at home.

Particularly on matters of Atlantic and global trade and finance, it has been argued that American and European elites have advanced the liberal agenda without paying enough attention to broader public concerns. The resulting “democratic deficit” and pressures from disenfranchised groups have narrowed the range of action open to foreign policy leaders in bargaining with their counterparts in Brussels or in Washington. The foreign policy constraints imposed by domestic interests have long been a feature of American politics where Congress is often required to ratify what the executive negotiates. Such constraints are newer to the European scene more accustomed to strong executives. However, the rapid pace of the integration agenda in the 1990s and the growing realization that Brussels is frequently much less responsive to citizen concerns than national institutions has escalated concerns about unsatisfactory accountability. The recent “no” votes in France and the Netherlands on the European Constitution are clear instances of the failure of political elites to attend to popular concerns.

Achieving public accountability and building public support for the new Atlantic project will not be easy at a time when anti-Americanism is high in many European countries and anti-Europeanism and Euroskepticism is strong among the American political leadership and in some segments of the American population. One has to hope that such attitudes are responding to current events and policies and that new and effective leadership on both sides of the Atlantic will be able to restore mutual trust and respect.

Conclusion

Whether the complex web of relationships that we have come to call the Atlantic partnership will slowly decline over time or whether it will be renewed to meet the challenges of the twenty-first century will likely depend on the imagination, creativity, and determination of the next generation of American and European leaders. Security relations both within the EU and between the Atlantic partners have been the most difficult to manage since the end of World War II and they will continue to be both because the security environment is in considerable flux and the alliance power asymmetries are greater than ever before. Economic relations are the most stable aspect of the partnership in part because powerful private actors on both sides are so fully invested in each others' economic fortunes and greater balance in Atlantic economic power has permitted the resolution of common problems through diplomacy and shared institutions. A more complex global economic environment coupled with highly contested domestic politics both within Europe and in the United States will challenge the stability of Atlantic economic relationships and it will take resourceful leaders to preserve what has been the most enduring and rewarding dimension of the partnership. And the chances for a renewed Atlantic relationship will certainly be enhanced by focusing on our many shared interests rather than highlighting and accentuating perceived differences in cultural values and political ideology.

References

- Ash, Timothy Garton (2004), *Free World: America, Europe, and the Surprising Future of the West*, New York: Random House.
- Asmus, Ronald D. and Kenneth M. Pollack (2002), "The New Transatlantic Project," *Policy Review* (October and November), pp. 3-18.
- Blinken, Antony J. (2001), "The False Crisis Over the Atlantic" *Foreign Affairs*, (May/June), pp. 35-48.
- Boot, Max (2003), "Power: Resentment Comes with the Territory," *Washington Post*, March 3.
- Clark, Wesley (2002), "An Army of One?" *Washington Monthly*, November 21.
- Cohen-Tanugi, Laurant (2003), *An Alliance at Risk: The United States and Europe Since September 11*, Baltimore: Johns Hopkins University Press.
- Cooper, Robert (2003), *The Breaking of Nations: Order and Chaos in the Twenty-First Century*, London: Atlantic Books.
- Daalder, Ivo H. (2002), "The End of Atlanticism," *Survival*, (Summer), pp. 147-166.
- _____ and James L. Lindsay (2003), *America Unbound: The Bush Revolution in Foreign Policy*, Washington, D.C.: Brookings, (November).
- Drozdiak, William (2005) "The North Atlantic Drift", *Foreign Affairs*, Vol. 84, no.1 (January-February) pp. 88-98.
- Friedman, Thomas L. (2003), "Our War with France," *The New York Times*, 18 September.
- Fukuyama, Francis (2002), "The West May be Cracking," *International Herald Tribune*, 9 August.

- Garten, Jeffrey E. (2005), "The Global Economic Challenge," *Foreign Affairs*, Vol. 84, no. 1 (January-February) pp. 37-48.
- Gordon Philip and Jeremy Shapiro (2004), *America, Europe, and the Crisis over Iraq* Washington, D.C.: Brookings.
- Halper, Stefan and Jonathan Clarke (2004), *America Alone: The Neo-Conservatives and the Global Order*, Cambridge: Cambridge University Press.
- Hoffmann, Stanley (2004), *America Goes Backward*, New York: New York Reviews of Books.
- _____ (2004), *Gulliver Unbound: America's Imperial Temptation and the War in Iraq*, Lanham, MD: Rowman and Littlefield.
- Judis, John B. (2004), *The Folly of Empire*, New York: Scribner.
- Judt, Tony(2003), "The Way We Live Now," *New York Review of Books*, March 27.
- Kagan, Robert (1998), "The Benevolent Empire," *Foreign Policy*, Summer.
- _____ (2002), "Power and Weakness," *Policy Review* (June and July).
- _____ (2003), "Napoleonic Fervor," *Washington Post*, February 24.
- Kissinger, Henry A. (2003), "Repairing the Atlantic Alliance," *Washington Post*, April 14.
- Krauthammer, Charles (2002), "Reimagining NATO," *Washington Post*, May 24.
- Kupchan, Charles (2002), *The End of the American Era: U.S. Foreign Policy and the Geopolitics of the Twenty-First Century*, New York: Knopf.
- _____ (2003), "The Alliance Lies in Rubble," *Financial Times*, April 10.
- Lal, Deepak, *In Praise of Empires* (New York: Palgrave/Macmillan, 2004)
- Lundestad, Geir (1999), "Empire by Invitation in the American Century," *Diplomatic History* 23: 2, pp. 189-217.
- _____ (2003), *The United States and Western Europe Since 1945*, New York: Oxford University Press.
- Newhouse, John (2003), *Imperial America: the Bush Assault on the World Order*, New York: Vantage.
- Quinlan, Joseph P. (2003), *Drifting Apart or Growing Together? The Primacy of the Transatlantic Economy*, Washington, D.C.: Center for Transatlantic Relations.
- Reid, T.R. (2004), *The United States of Europe: The New Superpower and the End of American Supremacy*, New York: Penguin Press.
- Rifkin, Jeremy (2004), *The European Dream*, New York: Tarcher/Penguin.
- Rubin, James, P. (2003). "Stumbling Into War," *Foreign Affairs* (September/October).
- Steinberg, James B., "An Elective Partnership: Salvaging Transatlantic Relations," *Survival*, (Summer) pp. 113-146.
- Szabo, Stephen (forthcoming), *Parting Ways: 9-11, Iraq, and the German-American Relationship*, Baltimore, MD: Johns Hopkins University Press.

Index

- Abu Ghraib prison incidents 52
- Adams, John 41
- agriculture
 - EU/US
 - convergence 132-3
 - differences 115-32
 - PSE 118-19
 - subsidies 92, 117-23
 - TSE 117
- Airbus project 104
 - subsidies 94
- aircraft subsidies 94-5
- Amnesty International 67
- anti-Americanism 179-80
 - examples 168
 - meaning 167-8
- anti-Europeanism 163-87
 - examples 168
 - as Francophobia 180-1
 - meaning 166
 - new features 170-5
 - typology 175-9
 - US neo-conservatives 177
- anti-Semitism 173-4, 177
- antidumping laws 93, 97
- antitrust 95-6
- APHIS 130
- Austria, GM foods 152
- Balkans conflict 15
- Beck, Ulrich 65
- Bildt, Carl 49
- biotechnology, public perceptions 124-7
- bird life, and GMOs 154
- Black, Conrad 172, 178
- Bretton Woods conference 11, 19
- Brzezinski, Zbigniew 52
- BSE 126, 127, 141, 142, 153
- Bt-corn 141, 145
- Buchanan, Pat 176
- Bulgaria 45
- Burns, Nicholas 47
- Bush, George W. 10, 25, 171
- Byrd Amendment 97
- CADU organization 67
- CAP 14, 92, 132
 - reform 121-2, 123
- carbon dioxide emissions 67
- Castro, Fidel 54
- Chamorel, Patrick 163-87, 197
- Chechnya 52
- China 18, 48, 92, 101, 107, 157, 174, 186, 195, 196
- Chirac, Jacques 44, 116, 168, 173
- Churchill, Winston 34
- cluster bombs 66, 67
- Cohen, Benjamin J. 73-89, 195, 196
- Coker, Christopher 59-70, 194
- Cold War
 - end 3, 5, 7, 9, 15, 45-7, 54, 164, 185, 194, 199
 - NATO 39, 48-9
- Cooper, Robert 39, 42, 64
- Cuba, patents/trademarks 97-8
- culture
 - political 60-1
 - strategic 60
- currency internationalization 74-6
- Delors, Jacques 78
- diplomacy
 - EU/US trade disputes 100-1
 - vs military force 9
- Djerejian Commission 53-4
- Doha Round 91-3, 109n2, 115
- dollar
 - advantages 78
 - foreign circulation 74
 - vs the euro 19-20, 73-4, 76-8, 85-7
 - vs sterling 77
- DU weapons 66-7
- Duchene, François 60-1
- EAR 64
- EBRD 64

- ECB 19, 77, 79, 80, 195
- ECHO 64
- EMU 42-4, 73
 - anti-growth bias 79-80
 - enlargement 84-5
 - governance 80-1
- ENADU organization 67
- ESDP 69, 186
- ethics, of responsibility, vs conviction 68-9
- EU 10, 39
 - constitution 3, 14, 21, 31, 41, 103, 175, 184, 187, 195, 200
 - Court of First Instance 96, 103
 - economic performance 181
 - enlargement 41-2, 103, 186, 195
 - farm exports 115
 - founding myth 62
 - GM foods 139-58
 - diverse approaches 147-55
 - regulatory framework 145-6
 - US, differences 123-31, 139-44, 155-8
 - green politics 147-8
 - High Representative 42
 - immigration 175
 - nation building 103
 - new constitution 41
 - organic farming 150
 - PDO/PGIs 149
 - policing 63
 - political culture 60-1
 - role, Iraq War (2003) 31, 50-1
 - Security Strategy 61
 - Social Charter 178
 - 'soft power' 30-3, 53
 - transnational use of force 65-6
 - US
 - agricultural
 - convergence 122-3, 132-3
 - differences 115-32
 - subsidies 117-23
 - bilateral trade disputes 93-9
 - cultural divide 181-3
 - farm trade 115
 - global trading regime 107
 - trade relations 91-108
- Eurasia 52
- EURATOM 13
- euro
 - large note issuance 82-3
 - promotion of 81-2, 83-4
 - prospects 77-8
 - transaction costs 78-9
 - and the Transatlantic Alliance 73-87
 - vs the dollar 19-20, 73-4, 76-8, 85-7
 - zone 77
- Europe
 - anti-Europeanism, US 163-87
 - evolution 102-3
 - multilateralism 172
 - 'old', and 'new' 44-5
 - US
 - attitudes to war 68
 - inequality 11-12
 - see also* EU
- European Integration 10, 17-18
 - achievement 14
 - origins 12-13, 62-3
 - as 'soft power' 18
 - US criticism of 174-5
- Euroskepticism
 - meaning 166-7
 - new features 171
 - UK 169-70, 183-4
 - US 169-70, 177-9
- Evans, Donald 168
- FAIR Act, US 120-1
- Farm Scale Evaluation, UK 153-4
- farming, EU/US differences 142-3
- FDA 126-7, 129, 130, 140, 157
- France
 - GM foods 152-3
 - and NATO 11, 27, 40
- Francophobia, anti-Europeanism as 180-1
- Friends of the Earth 148, 154
- FSCs, US income tax 98-9
- FTAs 92, 93, 107
- Gance, Abel, *J'accuse* 62
- GATT 10, 11
 - Subsidies Code 94
 - see also* WTO
- Germany, Iraq War (2003) 40
- Giscard d'Estaing, Valéry 41
- global
 - governance 64
 - terrorism 3

- globalization 61, 100
 GM foods
 Austria 152
 EU
 approach 139-58
 consumer opposition 141-3
 labeling regulations 156
 public acceptance 148
 regulatory framework 145-6
 voting records 149, 150-1
 EU/US differences 123-31, 139-44,
 155-8, 197
 France 152-3
 Italy 153
 Netherlands 152
 properties 140-1
 UK 153-4
 GMOs 95, 103
 and bird life 154
 regulatory approvals 128-9
 green politics, EU 147-8
 Greenpeace 148, 154
 Gutierrez, Antoniou 66

 Habermas, Jürgen 60
 Hanson, Victor Davis 60
 'hard power'
 meaning 26
 vs 'soft power' 4, 26
 Havel, Vaclav 62, 63
 Held, David 64
 Henning, Randall 84

 Ilgen, Thomas L. 3-8, 9-24, 193-201
 IMF 10, 64, 81
 immigration, EU 175
 industrial tariffs 92
 intellectual property 92-3
 International Criminal Court 61, 68-9,
 102, 171, 173
 Iran, nuclear program 33-4
 Iraq War (1991) 19
 Iraq War (2003) 3, 16, 26, 28, 39, 44,
 170, 171
 EU role 31, 50-1
 Germany 40
 reconstruction 52
 Spain 25, 27
 isolationism, US 175
 Italy, GM foods 153

 Japan 52, 93
 Jasanoff, Sheila 127
 Johnson, Lyndon 27

 Kagan, Robert 25, 33, 48, 49, 53, 172,
 173, 178, 182
 Keegan, John 60
 Kerry, John 168
 Kohl, Helmut 62
 Korea, North 51
 Kosovo War (1999) 33, 60, 62, 64, 66
 Krauthammer, Charles 25, 60, 171
 Kristol, William 182
 Kroes, Rob 28
 Krugman, Paul 77
 Kurzer, Paulette 139-61
 Kyoto Treaty 61, 67, 102, 173

 Lamfalussy Report 78
 Le Pen, Jean-Marie 173
 Lebanon 51
 Liddell Hart, Basil 60, 66
 London, terrorist attacks 3, 52, 186
 Lundestad, Gier 28

 Maastricht Treaty (1992) 21, 62, 80, 81,
 171, 183, 195
 Madrid, terrorist attacks 16, 25, 52, 186
 Marshall Plan 28, 29
 Mead, Walter Russell 177
 Microsoft dispute 95-6
 Middle East, euro vs dollar 85-7
 military force, vs diplomacy 9
 military power, restraints on 66-8
 Mollema, Jürgen 173
 multilateralism
 Europe 172
 trade disputes 101
 Mundell, Robert 75, 77-8
 Murdoch, Rupert 171

 NAFTA 178, 184
 nation building, EU 103
 NATO 10
 Charter, Article 5 50
 Cold War 39, 48-9
 and France 11, 27, 40
 response, September 11 (2001) events
 50
 Netherlands, GM foods 152

- Neustadt, Richard 46
 Newton, Michael 68
 NGOs 64, 68, 143
 nuclear program, Iran 33-4
 Nye, Joseph 18, 25-35, 194
- OECD 117
 OPEC 82, 86
 organic farming, EU 150
 Ottawa Convention 67
- Padoan, Pier Carlo 84
 patents, Cuba 97-8
 PDO/PGIs, EU 149
 Poland 61
 political culture, EU 60-1
 Portes, Richard 83
 PSE, agriculture 118-19
 Putin, Vladimir 53
- Rapid Reaction Force 63
 Reagan, Ronald 27, 182
 Rice, Condoleezza 49, 60
 Romania 45
 Roosevelt, Franklin, Four Freedoms 26, 28
 Rothkopf, David 182
 Roundup Ready soybeans 141, 142, 145
 Rumsfeld, Donald 15, 44, 49
 Russia 52, 53
- Saddam Hussein 50, 86
 Safire, William 171
 Schlesinger, James 172
 Schroeder, Gerhard 40, 46, 168
 SDI 12, 48
 September 11 (2001) events 3, 16, 25, 49, 62, 163, 174
 NATO response 50
 SGP 42-3, 80
 Sharon, Ariel 171
 Sheingate, Adam 115-33, 196, 197
 Single European Act (1986) 195
 Snow, C.P., two cultures 59
 Social Charter, EU 178
 'soft power'
 EU 30-3, 53
 European Integration as 18
 examples 26
 US 26-30
 vs 'hard power' 4, 26
 Solana, Javier 42
 Spain, Iraq War (2003) 25, 27
 spin doctors 66
 Stead, W.T. 29
 steel tariffs 94
 sterling, vs the dollar 77
 Steyn, Mark 174
 Suez Canal crisis (1956) 27, 40, 171
 Summers, Lawrence 181
 Syria 51
- terrorist attacks
 London 3, 52, 186
 Madrid 16, 25, 52, 186
 see also September 11 (2001) events
- trade
 disputes
 diplomacy 100-1
 EU/US 93-9
 multilateralism 101
 WTO 93, 94-5, 96-7, 98-9, 100, 102
 relations, EU/US 91-108
- trademarks, Cuba 97-8
 Transatlantic Alliance 3, 15-17
 and the euro 73-87
 future 18-22, 193-201
 origins 10-11
 post-modernist 50-4
 rifts 9-10, 47
- Transatlantic Free Trade Area 178, 184
 Treverton, Gregory F. 39-57, 194
 TSE, agriculture 117
 Turkey 14, 45, 53, 61, 111, 170, 186
 EU membership 175, 186
- Tutwiler, Margaret 54
- UK
 Euroskepticism 169-70, 183-4
 Farm Scale Evaluation 153-4
 GM foods 153-4
 Ukraine 53, 63, 187
 UN, peacekeeping 60
 unilateralism, US 25, 26, 32, 40, 47, 51, 101
 'United States of Europe' 13
 Uruguay Round 105, 115, 123
 US
 anti-Europeanism 163-87

- neo-Conservatives 177
- cultural attractiveness 28-9
- EU
 - agricultural
 - convergence 122-3, 132-3
 - differences 115-32
 - subsidies 117-23
 - bilateral trade disputes 93-9
 - cultural divide 181-3
 - global trading regime 107
 - GM foods, differences 123-31, 139-44, 155-8
 - trade relations 91-108
- Europe
 - attitudes to war 68
 - image in 26-7
 - inequality 11-12
- European Integration, criticism of 174-5
- Euroscepticism 169-70, 177-9
- FAIR Act 120-1
- farm
 - exports 115
 - structures 116
 - trade 115
- foreign policy, European distrust of 26
 - founding myths 62, 63
 - income tax, FSCs 98-9
 - isolationism 175
 - military power 48
 - 'soft power' 26-30
 - unilateralism 25, 26, 32, 40, 47, 51, 101
 - values 28
- USDA 130
- vCJD 141
- Verdun, Battle (1916) 62, 63
- Vietnam War 9, 11, 27
- Wagnleitner, Reinhold 29
- 'war on terrorism' 16, 52
- weapons systems 66
- Weber, Max 68
- Will, George 171, 172
- Williams, S. Linn 91-111, 195, 196
- Wolf, Charles 45
- World Bank 64
- WTO (formerly GATT) 11, 44, 81
 - trade disputes 93, 94-5, 96-7, 98-9, 100, 102, 105-6
- Young, Alasdair 130