



## CRS Report for Congress

# The United States and Europe: Current Issues

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### Summary

The United States and Europe share a long and intertwined history. Both sides of the Atlantic face a common set of international concerns, have few other comparable partners, and share a deep economic relationship. Despite much improvement in overall relations since the divisive debate over Iraq policy, several foreign policy and trade disputes remain. This report examines the current state of the transatlantic relationship and key issues that may have implications for U.S. interests in the second session of the 110<sup>th</sup> Congress. It will be updated as events warrant. Also see CRS Report RL32577, *The United States and Europe: Possible Options for U.S. Policy*, by Kristin Archick.

### The Current State of U.S.-European Relations

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

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

**An Evolving Relationship.** Despite common interests and close economic ties, the transatlantic partnership has been challenged in recent years by a number of trade and foreign policy disputes. The 2003 crisis over Iraq is most notable, but the list of disagreements has been wide and varied. Although Europeans are not monolithic in their views, many European allies have objected to at least some elements of U.S. policy on issues ranging from the Middle East to climate change to aircraft subsidies. A key point of contention running through many recent disputes relates to the role of multilateral institutions and the use of force. While many European allies shy away from the use of force and prefer to manage international crises through multilateral institutions, the United States views this approach as only one option, especially in the post-September 11 world.

Others also attribute recent tensions to the EU's evolution from primarily an economic actor to a player in the foreign policy, security, and defense fields. EU members are increasingly assessing foreign policy decisions with an eye toward establishing a larger role for Europe on the world stage and consult with each other on foreign policy concerns to a greater degree than ever before. As a result, Washington may not hold quite the same influence over the allies as it once did, and EU members are perhaps quicker to challenge U.S. policies with which they do not agree.

Since 2003, however, both the United States and Europe have sought to emphasize areas of cooperation and partnership. Observers point out that U.S.-European differences on issues such as Iran and the Israeli-Palestinian conflict have narrowed. Some Europeans believe that the United States has come to recognize the limitations of a super power and may now increasingly favor multilateral approaches to certain international challenges. Many also believe that recent leadership changes in Europe — especially in Germany and France that have brought to power officials generally perceived as more Atlanticist than their predecessors — have helped to ease transatlantic relations. At the same time, U.S.-European tensions have not entirely disappeared and differences remain.

## **Key Issues in U.S.-European Relations**

**Afghanistan.** NATO's operation in Afghanistan (ISAF) is to provide security for the reconstruction of the country, but ISAF has been increasingly challenged to combat a resurgent Taliban and remnant Al Qaeda forces. A key sticking point between the United States and some European allies has been the use of "national caveats" — restrictions that some governments have placed on their troops to prevent them from being used in combat operations. While some caveats have been reduced, others remain. And while the United States recently decided to increase its force strength in Afghanistan, U.S. and NATO officials say that some allies are not meeting their troop and equipment commitments; some Europeans counter that the United States has not devoted sufficient attention or resources to Afghanistan since the U.S.-led invasion of Iraq in 2003. Others suggest that NATO cannot do both security and reconstruction, and are urging the EU to take a bigger role in rebuilding Afghanistan. The EU has established a small police training mission of 190 officials in Afghanistan, but U.S. officials assert that more trainers are needed. NATO-EU cooperation in Afghanistan has also been stymied by several disputes between Turkey and the EU.<sup>1</sup>

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<sup>1</sup> "Allies Feel Strain of Afghan War," *Washington Post*, January 15, 2008. Also see CRS Report (continued...)

**Iraq.** U.S.-European tensions over Iraq have abated but still linger. Many European leaders claim that failure in Iraq is not an option but have been reluctant to engage robustly in reconstruction efforts. Some European troop contributors have withdrawn or reduced their military forces due to domestic pressure amid ongoing violence in Iraq. The United States, however, has had some success in gaining European support to train Iraqi security forces, and the EU has launched a small mission to train Iraqi police, administrators, and judges, primarily outside of Iraq. The EU and member states have pledged a combined total of more than \$1.25 billion for Iraq's reconstruction.<sup>2</sup>

**Iran.** Over the last few years, the Bush Administration has intensified cooperation with the "EU3" (France, Germany, and the UK) to curtail Iran's suspected nuclear weapons program, while the EU appears more willing to exert pressure on Iran with economic sticks. In 2006-2007, the EU3 and the United States gained U.N. Security Council approval for limited sanctions on Iran related to its nuclear work. Despite the release in December 2007 of a U.S. National Intelligence Estimate (NIE) concluding that Iran halted its nuclear weapons program in 2003, U.S. and European officials contend that Iran remains a threat given that it continues to enrich uranium. In early March 2008, the United States and the EU3 successfully pressed for another U.N. resolution that tightens the monitoring of Iranian financial institutions and extends travel bans and asset freezes against Iranian individuals and companies involved in the suspected nuclear program. Analysts assert, however, that the new resolution is much weaker than original U.S.-EU3 plans in light of the NIE. In June 2008, EU leaders agreed to impose additional EU sanctions on Iran; these include prohibiting Iran's largest bank from operating in Europe and imposing financial and travel restrictions on more Iranian experts and companies believed connected to Iran's nuclear work. Some EU officials continue to worry that certain provisions in proposed U.S. sanctions legislation aimed at Iran (such as H.R. 1400, which passed the House on September 25, 2007) could harm European energy companies, provoke a trade dispute, and undermine transatlantic unity on Iran's nuclear program.<sup>3</sup>

**Israeli-Palestinian Conflict.** The United States and the EU believe that a just and lasting settlement of the Israeli-Palestinian conflict is vital to promoting stability in the region and diminishing the terrorist threat. European officials have long urged the Bush Administration to "do more" to get Israeli-Palestinian negotiations back on track. As such, Europeans welcomed President Bush's decision to hold an international conference in November 2007 aimed at renewing the peace process. The Annapolis conference resulted in a pledge by both sides to work toward a final peace agreement by the end of 2008. Talks began in December 2007, but press reports speculate that progress has been slow. President Bush continues to reiterate his commitment to promote a political solution by the end of the year.

The peace process has been complicated by Hamas' victory in the January 2006 Palestinian legislative elections and its takeover of the Gaza Strip by force in June 2007

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<sup>1</sup> (...continued)

RL33627, *NATO in Afghanistan: A Test of the Transatlantic Alliance*, by Paul Gallis.

<sup>2</sup> European Union Fact Sheet, "EU Support for Iraq."

<sup>3</sup> "Europe Warns U.S. on Iran Sanctions," *Financial Times*, August 3, 2007; "European Union Approves New Sanctions Against Iran," Associated Press, June 23, 2008.

following the collapse of the Hamas-Fatah coalition government. Both the United States and the EU consider Hamas a terrorist organization and have sought to isolate the group in part by strongly backing the Fatah-led Palestinian Authority emergency government in the West Bank headed by moderate President Mahmoud Abbas. However, some experts argue that U.S.-EU efforts to isolate Hamas have not worked, and some in Europe view engagement as a better way to try to moderate the group and generate progress in the peace process. The EU is the largest donor of foreign aid to the Palestinians; both the United States and the EU are providing direct aid to the Abbas-led government in the West Bank and humanitarian aid indirectly to the Palestinian people in Gaza.<sup>4</sup>

**Lebanon/Syria.** In the summer of 2006, the United States and European countries, especially France, worked together to bring about a ceasefire to the 34-day conflict between Israel and the Lebanese-based Hezbollah militia, and Washington and the EU have generally cooperated in providing humanitarian and reconstruction aid to Lebanon. European forces are also playing key roles in an expanded U.N. peacekeeping force for Lebanon. One key U.S.-EU sticking point is the absence of Hezbollah — which is backed by Syria and Iran — from the EU’s common terrorist list; some EU countries argue that some Lebanese consider Hezbollah a legitimate political force (it has members in the Lebanese parliament) and that adding Hezbollah to the EU’s list would only serve to intensify Lebanon’s political turmoil. Like the United States, the EU has called on Syria to end interference in internal Lebanese affairs, and has largely sought to isolate Syria since the 2005 assassination of a former Lebanese prime minister, in which Syrian involvement is suspected. Both the United States and the EU stress that improved relations are contingent on a more constructive Syrian role in the region.<sup>5</sup>

**Countering Terrorism.** European countries and the EU have been active partners with the United States in the fight against terrorism in the years since September 2001. Several new U.S.-EU agreements have been concluded on police information-sharing, extradition, mutual legal assistance, container security, and exchanging airline passenger data. Nevertheless, some challenges remain. For example, European opposition to the U.S. death penalty may still impede extradition of terrorist suspects. European concerns about U.S. data and privacy protections also persist, and at times, have complicated U.S.-EU information-sharing arrangements. Many Europeans also fear that the United States is losing the battle for Muslim “hearts and minds” as a result of the war with Iraq and some U.S. practices in combating terrorism. For example, EU officials believe the detention center at Guantánamo Bay degrades shared values regarding human rights and disregards international accords on the treatment of prisoners. In addition, many Europeans are concerned about U.S. rendition policy and a CIA program to detain and question suspected terrorists outside of the United States. Meanwhile, U.S. officials worry that allegations of U.S. wrongdoing and criminal proceedings against CIA officials in some EU states may put vital counterterrorism cooperation between U.S. and European intelligence agencies at risk.<sup>6</sup>

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<sup>4</sup> “As Bush Term Wanes, Mideast Peace Appears as Elusive as Ever,” *Washington Post*, May 11, 2008.

<sup>5</sup> “EU Urges Positive Mideast Role on Damascus,” *Financial Times*, March 15, 2007.

<sup>6</sup> Also see CRS Report RS22030, *U.S.-EU Cooperation Against Terrorism*, by Kristin Archick.

**Visa Waiver Program (VWP).** The EU would like the U.S. VWP, which permits short-term visa free travel for business or pleasure to the United States from certain countries, to be applied to all EU members. Currently, 12 EU members (mostly newer ones from central and eastern Europe) are excluded from the VWP due to problems meeting the program's statutory requirements. The United States prefers to address this issue on a bilateral basis. Although some Members of Congress have expressed skepticism about the VWP in general because of security concerns (noting that terrorists with European citizenship have entered the United States on the VWP), other Members have been more supportive of extending the VWP to new EU members, given their roles as U.S. allies in NATO and in the fight against terrorism. In July 2007, Congress passed legislation (P.L. 110-53) that includes VWP reforms aimed at strengthening the program's security components and allowing new EU members (and other interested states) to qualify. EU officials remained disappointed, noting that some VWP requirements were still set too high to allow all new EU members to qualify in the near term, and that a new electronic travel authorization system mandated in the legislation could infringe on EU privacy and data protection rights. In early 2008, U.S. officials began concluding bilateral deals with some new EU members, in which they pledged to meet the VWP's enhanced security measures; EU leaders have objected to such bilateral accords, arguing that they undermine EU solidarity and violate EU rules. In March 2008, the United States and the EU agreed to begin negotiations on certain conditions for access to the VWP that would be applied to all member states, while bilateral negotiations go forward in parallel.<sup>7</sup>

**Kosovo.** Since 1999, the majority ethnic Albanian province of Kosovo in southern Serbia has been administered by the United Nations, following a NATO military campaign to halt Serbian aggression. In 2007, talks between Serbia and Kosovo brokered by the international community failed to reach an agreement on Kosovo's future status. In February 2008, Kosovo declared independence, despite opposition from Serbia and its long-standing ally Russia. Although the United States and over half of the EU's 27 members have recognized Kosovo's independence, some EU members (such as Cyprus, Greece, Spain, and Romania) have declined to do so either because of their close ties with Serbia or fears of separatist claims in their own states. Despite the split in the EU on the issue of recognition, the EU will lead an international civilian presence in Kosovo and has launched a rule of law mission consisting of 2,000 police, judicial, and customs officials; a 16,000-strong NATO-led peacekeeping force (KFOR) will also remain.<sup>8</sup>

**Missile Defense.** In early 2007, the Bush Administration began bilateral negotiations to base 10 missile interceptors in Poland and associated radar in the Czech Republic. The system is meant primarily to defend the United States, U.S. forces in Europe, and some NATO allies from a possible future ballistic missile attack by Iran. The proposed U.S. system has been controversial in Europe; although it is backed by some European officials, critics contend that the Iranian threat is unclear, question the reliability of the U.S. system, and worry about Russia's vociferous objections. Some Polish and Czech officials and citizens also oppose the proposed missile defense sites for a variety

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<sup>7</sup> "Brussels and U.S. Pledge Visa-Free Travel," *Financial Times*, March 14, 2008; for more information, see CRS Report RL32221, *Visa Waiver Program*, by Alison Siskin.

<sup>8</sup> "Kosovo Gains Recognition by U.S., Some in Europe," *Washington Post*, February 19, 2008.

of reasons, ranging from political to environmental, and some Members of Congress are concerned about the Administration's plan on financial, technical, and strategic grounds.<sup>9</sup>

**Climate Change.** The Bush Administration continues to resist European calls to set reduction targets for greenhouse gas emissions, arguing that binding caps could hurt the U.S. economy unless they are applied to major emitters in the developing world like China and India. U.S. officials also stress that efforts to curb global warming would be better served by fostering technological innovations. At the December 2007 U.N. climate change conference in Bali, the United States agreed to work toward a new climate change treaty within the U.N. framework by the end of 2009, but refused to bow to EU demands for industrialized countries to cut their greenhouse gas emissions by 25% to 40% below 1990 levels by 2020. Some worry that the Bush Administration may still try to circumvent the U.N. treaty negotiations, noting U.S. efforts to forge a separate agreement on a reduction strategy by the end of 2008 with the world's top greenhouse gas emitters. Others argue that the Bali accord leaves open the possibility that the United States might agree to mandatory emission cuts under the final deal in 2009, when a new U.S. administration will be in power.<sup>10</sup>

**Economic Relations.** The United States and the EU share the largest trade and investment relationship in the world. In 2006, the value of two-way flows of goods, services, and income receipts from investment totaled \$1.3 trillion. U.S. and European companies are also the biggest investors in each other's markets; total stock of two-way direct investment reached \$2.2 trillion in 2006. At the 2007 U.S.-EU summit, the two sides agreed to a new initiative aimed at further deepening transatlantic economic integration by reducing non-tariff and regulatory barriers to trade; to further this goal, they also established a new Transatlantic Economic Council (TEC) headed on both sides by ministerial-level appointees. The TEC's mandate is to accelerate ongoing efforts to reduce regulatory barriers, in part, by broadening the participation of stakeholders, including legislators, in the discussions and cooperative meetings.

While most of the U.S.-EU economic relationship is harmonious, some tensions persist. One key trade dispute relates to subsidies that the United States and EU allegedly provide to their respective civil aircraft manufacturers, Boeing and Airbus. In 2005, U.S.-EU talks to diffuse confrontation over this issue failed, and both sides have revived their complaints in the World Trade Organization. U.S.-EU conflicts over hormone-treated beef and bio-engineered food products also remain. And although U.S.-EU cooperation has been a driving force behind past efforts to liberalize world trade, the most recent Doha round of multilateral trade negotiations has stalled over a number of issues, including a U.S.-EU disagreement over how much to reduce agricultural subsidies.<sup>11</sup>

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<sup>9</sup> For more information, see CRS Report RL34051, *Long-Range Ballistic Missile Defense in Europe*, by Steven Hildreth and Carl Ek.

<sup>10</sup> European leaders have also made curbing global climate change a primary objective of EU energy security policy. For more information, see CRS Report RL33636, *The European Union's Energy Security Challenges*, by Paul Belkin.

<sup>11</sup> Also see CRS Report RL34381, *European Union-U.S. Trade and Investment Relations: Key Issues*, coordinated by Raymond J. Ahearn.