

The United States and Europe: Current Issues

Derek E. Mix
Analyst in European Affairs

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Summary

Due to extensive cooperation on a wide range of issues, the relationship between the United States and Europe is often called the transatlantic partnership. The two sides have many common values and concerns, and have grown increasingly interdependent in terms of security and prosperity. The transatlantic relationship and the main areas of U.S.-European cooperation and shared interest are likely to have continuing implications for U.S. policy during the 113th Congress. Members of Congress may have an interest in considering the dimensions and dynamics of current issues in U.S.-European relations in the course of oversight or legislative activities, or in the context of direct interactions with European legislators and officials.

According to most observers, the overall tone of transatlantic relations during the Obama Administration has been largely positive. At the same time, a constructive tone does not necessarily translate into tangible results with regard to foreign policy objectives or other goals. With respect to certain issues, such as terrorist detainee policy or climate change, U.S. and European policies have often been at odds and have generated frictions in the relationship from time to time.

This report selects a number of issues that both illustrate the nature of U.S.-European cooperation based on shared interests and present challenges in terms of the efficacy of such cooperation:

- The United States and the European Union (EU) have the largest trade and investment relationship in the world. Over the past several years, the Eurozone crisis has posed a danger to economic recovery and financial stability worldwide. Members of Congress and Administration officials have been concerned about the potential effects of the crisis, but avenues for U.S. involvement in resolving it have remained limited. In early 2013, the United States and the EU announced their intention to begin negotiations on a comprehensive Transatlantic Trade and Investment Partnership aimed at boosting jobs and growth on both sides.
- The United States and Europe continue to cooperate closely on a wide range of foreign policy and international security issues. Many of these challenges are in the wider Middle East region: countering Iran's nuclear ambitions, seeking to halt the violence in Syria, adjusting to the regional transitions of the so-called "Arab Spring," and managing the transfer and withdrawal of U.S. and European troops in Afghanistan. Managing difficult relations with Russia also remains a priority and common interest of both the United States and Europe. Additionally, in the context of the pending conclusion of operations in Afghanistan and low defense spending in many European countries, officials and analysts continue to debate a number of on-going questions about the future role and capabilities of NATO.
- Europe remains both a primary target of radical Islamist terrorists and a potential base for those seeking to carry out attacks against the United States. Transatlantic counterterrorism cooperation has been strong since the terrorist attacks of 9/11, although U.S.-EU differences regarding data privacy have posed some key information-sharing challenges.
- Cybersecurity issues have received growing attention and emphasis on both sides of the Atlantic. Although some differences exist regarding regulation of the Internet, the United States and the EU have pursued initiatives to deepen cybersecurity cooperation and counter cybercrime.

- In 2012, the U.S. Congress passed legislation prohibiting U.S. aircraft operators from participating in the EU Emissions Trading System (ETS). Airlines participating in the ETS must purchase carbon allowances in order to offset CO2 emissions. The EU has delayed implementing the international application of the ETS for aviation pending negotiations on a broader multilateral agreement.
- Concerned by Europe's reliance on Russian energy, many U.S. officials and analysts regard European energy security as a U.S. interest. With its energy import needs expected to rise, Europe has had mixed success in seeking ways to diversify its energy supplies and consolidate its internal energy market.

As the United States and Europe face a changing geopolitical environment, some observers assert that the global influence of the Euro-Atlantic partnership is in decline. In addition, the Obama Administration's announced "re-balancing" toward Asia has caused some anxiety among Europeans. Overall, however, most analysts maintain that the United States and Europe are likely to remain one another's closest partner, and that U.S.-European cooperation is likely to remain the foundation of international action on a wide range of critical issues.

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The United States and Europe

Common values, overlapping interests, and shared goals are the foundation of what is often described as the transatlantic partnership between the United States and Europe. Many observers stress that in terms of security and prosperity the United States and Europe have grown increasingly interdependent. Both sides of the Atlantic face a common set of challenges, including economic concerns, terrorism, weapons proliferation, energy security, and the destabilizing effects of failing and rogue states. Both sides are proponents of democracy, open societies, human rights, and free markets. Supporters of close U.S.-European cooperation argue that neither the United States nor Europe can adequately address the wide array of global concerns alone, and that the track record shows the two sides can accomplish much more when they work together. The United States and Europe also share a huge and mutually beneficial trade and investment relationship.

This report summarizes a selection of broad issues in which the transatlantic relationship and U.S.-European cooperation play an important role. A full survey of global issues that are important for U.S. and European interests would also include relations with countries such as China, India, and Turkey; concerns about stability in the Balkans and the countries of the former Soviet Union; the Middle East peace process; development assistance and humanitarian aid to the countries of Africa and elsewhere in the developing world; and many more.

Issues for Congress

The activities of the U.S. Congress frequently involve issues that have a European dimension, including economic, security, and diplomatic issues. Members of Congress often interact directly with European legislators and officials to discuss a wide variety of topics. In the course of legislative activities or in exercising oversight of U.S. foreign policy, Members of Congress may wish to consider the dynamics of U.S.-European cooperation in terms of benefits versus shortcomings, alignment versus divergence, or partnership versus competition.

Many Members of Congress have long supported a close transatlantic relationship and have seen the European Union (EU), NATO, and the idea of a Europe "whole and free" as supporting and advancing U.S. interests. During the Cold War, many viewed a more integrated and united Europe as a way to counter the Soviet Union. More recently, congressional interest in Europe tends to be rooted in a U.S. need for likeminded partners in facing global challenges. At various times over the years, however, Members have also been concerned when U.S. and European policy positions have conflicted, have doubted the degree of cooperation offered by Europe, or have questioned whether Europe might somehow constrain U.S. policy choices.

The EU and NATO

By almost any measure, the institutional pillars of the Euro-Atlantic community, NATO and the EU, have proven successful in promoting prosperity and security in Europe. The U.S. Congress and successive U.S. Administrations have strongly supported both institutions as means to foster democratic states, reliable military allies, and strong trading partners.

While strong bilateral relationships between the United States and individual European countries remain a vital foundation for transatlantic relations, the relationship between the United States

and the EU has been taking on a growing significance. The EU has become an increasingly important interlocutor for the United States because its 27 member countries now take common decisions and formulate common policies in a wide range of areas, including many economic and social issues and a growing number of law enforcement and judicial matters, at the level of the EU institutions.[1] The EU is also continuing efforts to develop a stronger Common Foreign and Security Policy (CFSP) and Common Security and Defense Policy (CSDP).[2]

Meanwhile, NATO remains the preeminent security institution of the Euro-Atlantic community. Given the United States' leading role in the Atlantic Alliance, Members of Congress maintain a consistent and significant interest in NATO. Like the EU, NATO has experienced dramatic change over the past two decades. Since the end of the Cold War, the alliance has added 12 new member states from Central and Eastern Europe. While the last ten years have been defined by operations in Afghanistan, the member states of the alliance have also been mulling over questions about the future role and capabilities of NATO. Debates related to these questions are outlined in "The Future of NATO" section below.

An Evolving Relationship

Polls show that President Obama remains popular in Europe, and European perceptions of U.S. foreign policy have improved significantly compared to the years of the George W. Bush Administration.[3] The overall tone of transatlantic relations has been mostly positive and constructive over the past four years. In attempting to deal jointly with the daunting list of challenges they face, however, both sides have also encountered frustrations and reality checks—in seeking to achieve strong economic recovery, trying to marshal resources for the mission in Afghanistan, or attempting to agree on a new international climate change treaty, to name but three examples. Such examples lead some observers to caution against the dangers of exaggerated expectations, warning that each side should be realistic and reasonable about what it can expect from the other.

In any case, U.S.-European agreement and cooperation may often be a prerequisite for effectively addressing global problems, but it is not necessarily sufficient on its own. Questions about the future relevance of the transatlantic relationship have received increased attention in recent years. Some observers see an emergent trend in which a more multipolar world, signaled by the advent of the G-20 and the rise of the "BRICs," foretells a future of declining Euro-Atlantic influence.[4]

Additionally, some Europeans and analysts on both sides of the Atlantic believe that with much of U.S. attention centered on Asia and the Middle East, the United States is consequently pulling back from a Europe that is no longer a central preoccupation. Since the Obama Administration announced its "re-balancing" of U.S. foreign policy toward a greater focus on Asia, many in Europe have been wondering where the transatlantic relationship stands today and where it will wind up in the years to come. Some observers assert that the relationship is an increasingly utilitarian one, based more on function and less on sentiment. In other words, U.S. interest in

[1] For more information, see CRS Report RS21372, *The European Union: Questions and Answers*, by Kristin Archick.

[2] For more information, see CRS Report R41959, *The European Union: Foreign and Security Policy*, by Derek E. Mix.

[3] See, for example, The German Marshall Fund of the United States, *Transatlantic Trends 2012—Key Findings*, p. 26-29, http://trends.gmfus.org/files/2012/09/TT-2012-Key-Findings-Report.pdf.

[4] The acronym "BRIC" is commonly used to refer to Brazil, Russia, India, and China as a group.

Europe is now mainly driven by whether Europe can be an effective partner in addressing common threats and concerns. Those of this view worry that perceptions of an economically stagnant Europe, preoccupied with its own internal problems and offering declining military capabilities, may lead to weaker U.S.-European ties over the longer term.

On the other hand, in a speech at the 2013 Munich Security Conference, Vice President Biden stated, " ... President Obama and I continue to believe that Europe is the cornerstone of our engagement with the rest of the world and is the catalyst for our global cooperation."[5] Many analysts maintain that Europe is, firstly, an important U.S. ally precisely because the substance of the relationship is deep and meaningful. Examples of close and unique U.S.-European cooperation are not lacking; many analysts cite Europe's contributions to operations in Afghanistan, joint efforts to combat piracy off the coast of Somalia, the 2011 NATO operation against the forces of Muammar al-Gadhafi in Libya, the expansion of EU sanctions on Iran, or the dimensions of the transatlantic trade and investment relationship as proof of the continuing and deep vitality of the transatlantic partnership. Less tangibly, however, many analysts also assert that Europe will continue to matter to the United States because, if nothing else, common values, shared history, and compatible worldviews still matter, too.

Nevertheless, many observers agree that if Europe is to maintain itself as a central global actor and a close U.S. partner over the longer term, it needs to urgently re-discover ways to increase economic dynamism and competitiveness; commit to deeper initiatives for pooling defense resources in order to gain capabilities and efficiency; and emphasize the further development of soft power strategies that project influence through the attractiveness of European political, cultural, and economic values. Some also assert that it is essential for Europe to increasingly speak and act as one on foreign policy and security issues if it is to maintain global influence. On many such issues, however, the EU and its member states continue to find consensus difficult to reach. While many U.S. officials support the development of a more robust and coherent EU foreign and security policy, there also remain some reservations in the United States about a future scenario in which the EU is more unified and assertive in these areas, including with respect to the potential implications for NATO.

Selected Key Issues in U.S.-European Relations

Economic Relations[6]

The United States and the European Union have the largest trade and investment relationship in the world. In 2011, the value of the two-way transatlantic flow of goods, services, and income receipts from investment totaled nearly $1.47 trillion. U.S. and European companies are also the biggest investors in each other's markets—total stock of two-way direct investment came to about $3.1 trillion in 2011. Transatlantic economic activity provides an estimated 15 million jobs in the United States and Europe.[7] With the United States and the EU together comprising

[5] *Remarks by Vice President Joe Biden to the Munich Security Conference*, February 2, 2013, http://www.whitehouse.gov/the-press-office/2013/02/02/remarks-vice-president-joe-biden-munich-security-conference-hotel-bayeri.

[6] For more information see CRS Report RL30608, *EU-U.S. Economic Ties: Framework, Scope, and Magnitude*, by William H. Cooper.

[7] Daniel S. Hamilton and Joseph P. Quinlan, *The Transatlantic Economy 2013*, SAIS Center for Transatlantic (continued...)

approximately 50% of global gross domestic product (GDP), the transatlantic economic relationship is also the world's most influential in terms of shaping standards and regulations. U.S.-EU cooperation has been the key force driving efforts to liberalize world trade.

The Eurozone Crisis[8]

Over the past three years, the Eurozone crisis has posed a threat to economic well-being on both sides of the Atlantic.[9] Members of Congress and other observers have been concerned that the extensive U.S. export, banking, and investment interests in Europe could be adversely affected by the crisis. Analysts have also been concerned that economic difficulties in Europe could act as a brake on U.S. growth and set back the world economy. The U.S. Congress has held numerous hearings on various aspects of the crisis and its implications for the United States, and the U.S. Administration has urged European leaders to take more decisive action to resolve the crisis. The options for direct U.S. involvement in resolving the crisis have remained limited, however.

Since late 2009, when markets began losing confidence in Greece's ability to repay its debts, the Eurozone crisis has demanded the energy and attention of Europe's leaders. Although Greece remains the most acute case, the crisis spread in 2010-2011 to Ireland and Portugal, each of which also received financial assistance from the EU and the International Monetary Fund (IMF) in order to avoid defaulting on their debts. Bond markets and rating agencies have put considerable pressure on other EU countries, especially Spain and Italy, and the debt crisis expanded into a banking crisis.

Overall, the crisis has unfolded as a series of mini-crises interspersed with periods of relative calm. At times, the course of events has raised pessimistic speculation about the future of the euro, reinforcing some long-standing doubts that the Eurozone, a monetary union without fiscal union, has a sustainable structure for a currency area. European policymakers have been forced to confront difficult choices about the nature of the EU and its currency union, but there has been no quick and easy consensus about the best way forward. After prolonged and contentious debates, European leaders and the European Central Bank (ECB) have taken a series of unprecedented steps attempting to stem the crisis. In early 2013, many analysts have observed that conditions appear to have improved, but they also doubt that the crisis is completely over. The political uncertainty following the Italian election of February 2013 and the controversy surrounding debates about a financial assistance package for Cyprus serve as a reminder of the range of potential triggers that could resurrect market unease. As Europe continues to face challenges with regard to economic growth, competitiveness, and unemployment, the outlook is likely to remain unsettled for some time.

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Relations, Johns Hopkins University, http://transatlantic.sais-jhu.edu/transatlantic-topics/transatlantic-economy-series.htm.

[8] For more information on the crisis, see CRS Report R42377, *The Eurozone Crisis: Overview and Issues for Congress*, coordinated by Rebecca M. Nelson.

[9] The term "Eurozone" refers to the group of 17 EU member countries that use the euro as their common currency (Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Italy, Ireland, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, and Slovenia). The other ten members of the EU have not yet adopted the euro, or have chosen not to adopt it (Bulgaria, Czech Republic, Denmark, Hungary, Latvia, Lithuania, Poland, Romania, Sweden, and the United Kingdom).

Many observers have noted that the Eurozone crisis morphed beyond economic issues, turning into a political crisis as well. Disagreements about the best course of action exposed differing interests, preferences, and views about European integration in ways that increased tensions between EU member states. The collective EU response to the crisis has been slowed and complicated by domestic political constraints and concerns about "moral hazard." Policies of austerity have fanned political and social tensions within EU member states, and several national governments in the Eurozone have fallen or been voted out of office as a direct or indirect result of the crisis. Critics accuse the EU of "muddling through" the crisis, with step-by-step measures coming only when forced and only after extensive introspection.

The sum total of the steps thus far appears to be a trend towards tighter integration, with the members of the Eurozone pooling more sovereignty over economic policymaking, including plans such as the formation of a banking union supervised by the ECB. Critics assert that these steps are long overdue, and that the crisis has compelled European leaders to re-start a process that had largely stalled after the launch of the euro in 1999. Other analysts suggest, however, that European integration may be approaching the political limits of what is possible. In any case, the notion of tighter integration around a Eurozone "core" is not without problems. The trend has given rise to renewed speculation about the dynamics of a multi-tier Europe with varying levels and speeds of integration.[10] It has also created anxieties and tensions for non-euro members of the EU, most prominently visible in the strains that have emerged in the UK-EU relationship.[11]

Potential Transatlantic Trade and Investment Partnership

Over the past several years, some observers have argued that a new U.S.-EU initiative pushing for a more fully integrated transatlantic market could be timely and mutually beneficial. In the February 2013 State of the Union address, President Obama announced that the United States "will launch talks on a comprehensive Transatlantic Trade and Investment Partnership with the European Union."[12] A High Level Working Group on Jobs and Growth that was created at the 2011 U.S.-EU summit recommended pursuing such a comprehensive bilateral trade agreement as a way to boost jobs and growth on both sides.[13] Earlier studies have also concluded that reducing regulatory burdens and harmonizing standards could provide a significant boost to U.S. and European GDP. The United States and the EU have made a number of previous attempts to reduce remaining non-tariff and regulatory barriers to trade and investment. The Transatlantic Economic Council (TEC), for example, was created in 2007 and tasked with advancing the process of regulatory cooperation and non-tariff barrier reduction. A potential U.S.-EU trade and investment agreement is widely viewed as a promising opportunity, but there are also "remaining barriers to free and fair trade that are long-standing and difficult to overcome."[14] Given the complexity involved in such negotiations, analysts observe that the process could be slow and difficult.

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[10] See, for example, Katinka Barysch, *A multi-tier Europe? The political consequences of the euro crisis*, Centre for European Reform, December 7, 2012, http://www.cer.org.uk/publications/archive/briefing-note/2012/multi-tier-europe-political-consequences-euro-crisis.

[11] See CRS Report RL33105, *The United Kingdom and U.S.-UK Relations*, by Derek E. Mix.

[12] The White House, Office of the Press Secretary, "Remarks by the President in the State of the Union Address," February 12, 2013, http://www.whitehouse.gov/the-press-office/2013/02/12/remarks-president-state-union-address. See also http://europa.eu/rapid/press-release_MEMO-13-94_en.htm and http://europa.eu/rapid/press-release_MEMO-13-95_en.htm?locale=en.

[13] The group's final report is available at http://trade.ec.europa.eu/doclib/docs/2013/february/tradoc_150519.pdf.

[14] This statement was conveyed to the U.S. Trade Representative in a February 2013 letter from the Chairman and (continued...)

Foreign Policy and Security Issues

Iran[15]

Transatlantic cooperation regarding Iran's nuclear program has been close and extensive. Since the discovery of Iran's covert enrichment activities in 2002, the "EU-3" (France, Germany, and the United Kingdom) have played a leading role in international efforts to curtail them. In 2006, the United States joined the EU-3, along with Russia and China, to form the "Permanent Five Plus One" (P5+1) group that has attempted to conduct negotiations with Iran.[16] Between 2006 and 2010, the EU-3 and the United States successfully pushed for United Nations Security Council approval of four rounds of sanctions on Iran (Resolutions 1737, 1747, 1803, and 1929).

Since 2010, the EU has shown a new willingness to go beyond what has been authorized by the U.N. and to adopt sanctions on Iran independently. Many analysts are surprised at how far the EU measures have gone. In the past, some Americans had pointed to European economic ties with Iran as a sign of European reluctance to press Tehran too hard, urging Europeans to adopt tighter sanctions. Analysts assert that this shift by the EU has sent a strong signal and brought U.S. and European sanctions policy on Iran into a broad alignment.

An EU embargo on Iranian oil took effect on July 1, 2012. Previously, the EU had bought about 600,000 barrels per day of Iranian oil, about a quarter of Iran's total oil exports. EU sanctions now in place against Iran also include restrictions on access to nuclear technology and dual use items; an embargo on natural gas and petrochemical products, and restrictions on business activities with the energy and petrochemical sectors; an arms embargo; and extensive restrictions on financial transactions and other business activities with the Iranian government, Iranian Central Bank, and Iranian financial institutions. Restrictions and enhanced inspection requirements for Iranian cargo vessels and aircraft have also been imposed, as well as a visa ban and asset freeze against more than 130 individuals involved in Iran's nuclear program, and an asset freeze on more than 330 entities identified as supporting Iran's nuclear program.[17]

Although some in the United States and elsewhere advocate a total EU trade embargo on Iran, many Europeans are likely to remain uncomfortable with this idea. The EU has stressed that its sanctions are designed to target sources of finance for Iran's nuclear program, not the Iranian people or legitimate trade activities. Key EU countries including France, Germany, Spain, and Sweden are thought to remain opposed to a total trade embargo on Iran.

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Ranking Member of the Senate Finance Committee that outlines their expectations and priorities for the negotiating process. See United States Senate Committee on Finance, "Baucus, Hatch Outline Priorities for Potential U.S.-EU Trade Agreement," February 12, 2013, http://www.finance.senate.gov/newsroom/chairman/release/?id=17b2fd73-067d-4a4a-a50f-a00265efbf67.

[15] For more information see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman and CRS Report R40094, *Iran's Nuclear Program: Tehran's Compliance with International Obligations*, by Paul K. Kerr. For more extensive information about sanctions on Iran, see CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

[16] EU High Representative Catherine Ashton acts as the group's leading spokesperson.

[17] The most recent consolidated version of the EU Common Position Concerning Restrictive Measures on Iran can be downloaded at http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2010D0413:20120803:EN:PDF.

Syria[18]

Alongside the United States, the EU has been a leading voice in international condemnation of the Syrian government's violence against its people. With stronger U.N. action blocked by Russia and China in the Security Council, the EU has moved ahead to impose extensive sanctions on the Asad regime, expanding its sanctions from an initial focus on targeting specific individuals and entities to broader measures against the regime's economic base, including an oil embargo and extensive restrictions on financial and banking activities. The immediate goal of EU policy has been to convince the Asad regime to halt violence and enter into negotiations with the opposition. Analysts asserted that EU sanctions successfully ratcheted up economic pressure on the regime—approximately 90% of Syria's oil exports were sold to European countries—but sanctions do not appear to have greatly affected Asad's political calculations.

As in the United States, Europeans have debated military intervention or openly arming the Syrian rebels, but have remained reluctant to pursue either option. The United Kingdom and France have reportedly been pushing to lift the EU arms embargo in order to arm opposition forces, but have been unable to bring the matter to a consensus among all EU members. European countries have thus far provided non-lethal equipment, humanitarian assistance, and some training.[19] Also like the United States, in December 2012 the EU recognized the opposition Syrian National Coalition as the sole legitimate representative of the Syrian people. Having ruled out any sort of direct military intervention for the time being, however, the EU appears to have staked its Syria approach on bringing about a political settlement through the combined pressure of sanctions and international opinion. The EU can thus be expected to continue to strongly support U.N. and Arab League efforts to monitor the situation and broker negotiations, while also continuing to use the United Nations as a forum in which to urge counties such as Russia and China to apply pressure on the Asad regime.

Transitions in the Middle East and North Africa[20]

The United States and Europe continue to face challenges stemming from the dramatic political and social upheavals occurring across the Middle East and North Africa (MENA) region over the past two years. The civil war in Syria may be the most acute and urgent case in the region, but the stakes involved with the on-going transitions in Egypt, Libya, and Tunisia are also of considerable importance.

The United States and its European partners share similar interests in ensuring that the changes underway in the region result in more open and democratically accountable governments, greater economic opportunities, and long-term stability and security. Common U.S. and European concerns in the region include countering terrorism, weapons proliferation, and transnational crime, curtailing Islamist extremism, ensuring a reliable flow of energy exports and commercial transit, and advancing regional peace. Europe's geographic proximity to the MENA region also makes controlling migration a key priority for the EU and individual European countries, while

[18] For more information, see CRS Report RL33487, *Armed Conflict in Syria: U.S. and International Response*, by Jeremy M. Sharp and Christopher M. Blanchard.

[19] Harvey Morris, "Britain and France Push for Arming Syrian Opposition," *The New York Times*, March 13, 2013. Julian Borger and Nick Hopkins, "West training Syrian rebels in Jordan," *The Guardian*, March 8, 2013.

[20] For more information, see CRS Report R42393, *Change in the Middle East: Implications for U.S. Policy*, coordinated by Christopher M. Blanchard.

preserving military cooperation with MENA countries remains critical for the United States, especially given its interests in Israel and the Persian Gulf. In light of the sweeping changes in the region, the United States and the EU have been seeking to re-align their policies to put greater emphasis than in the past on supporting democratic and economic reforms in the MENA region.

Both the United States and Europe face inherent difficulties, however, in dealing with a changed political landscape in the MENA region in which new actors and unsettled conditions make for considerable uncertainty. As events unfold in the region, potential U.S.-European policy differences—on issues ranging from how best to encourage Egypt's democratic progress to how to manage the role of Islamist parties or what to do about the on-going violence in Syria—could arise and complicate the prospects for closer U.S.-European cooperation. In addition, experts note that both the United States and its European allies are ultimately limited in what they can or should do to influence events in the region.

Afghanistan[21]

Over the past several years, many analysts have considered Afghanistan the most urgent and important international security issue for the transatlantic alliance. Afghanistan has been a focal point for transatlantic and international cooperation: although troop drawdowns are proceeding, as of early December 2012 the NATO-led International Security Assistance Force (ISAF) still consisted of over 102,000 troops from 49 countries, including all 28 members of NATO.[22] The prolonged commitment of European countries to maintaining their ISAF contributions has been an important tone-setter in transatlantic relations.

The Afghanistan mission is now is the midst of a final transition period in which ISAF seeks to transfer full responsibility for security to Afghan leadership, with Afghan forces leading in all functions and operations by the end of 2014. This transition process also defines the timetable for withdrawing the vast majority of NATO forces from the country. Considerable segments of the public in many European countries have never been convinced of the need for their country's participation in Afghanistan, and many national governments have been eager for the transition timeline to proceed and stay on track.

In any case, however, most analysts agree that Afghanistan will most likely need some level of direct security assistance after 2014. Under the Enduring Partnership agreement signed at the 2010 NATO Summit, NATO will undertake a follow-on mission to support the capacity-building of Afghan forces.[23] European countries including France, Italy, and the United Kingdom have also signed bilateral partnership agreements with Afghanistan that outline military training and economic development commitments beyond 2014. Nevertheless, given Europe's economic difficulties and the sense of "Afghanistan fatigue" felt by many Europeans, the depth of the overall European commitment after the 2014 withdrawal date is uncertain.

[21] For more information see CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*, by Kenneth Katzman.

[22] As of December 3, 2012, "International Security Assistance Force (ISAF): Key Facts and Figures," http://www.nato.int/isaf/docu/epub/pdf/placemat.pdf.

[23] See "NATO and Afghanistan," http://www.nato.int/cps/en/natolive/topics_8189.htm?.

The Future of NATO[24]

The planned transition in Afghanistan is expected to mark a dramatic downshift in operational tempo for NATO as it transitions from a "campaign posture" to a "contingency posture." Although the transition is welcomed and anticipated by many allies, the approaching end of operations in Afghanistan could also force NATO to confront longer-term questions about its future with greater intensity. For the past decade, Afghanistan has been an urgent operational priority that has provided the alliance with a clear and immediate sense of purpose. Some observers wonder whether fundamental questions and debates about the relevance of the alliance are bound to re-surface and multiply after 2014.

Many of the tensions and shortcomings exposed during the course of the Afghanistan mission, as well as in the 2011 NATO air operation in Libya, were expressions of underlying dynamics that have been developing within the alliance for decades. Aspects of these operations highlighted concerns about European shortfalls in military resources and raised questions about the equality of commitments and burden-sharing. On one hand, NATO allies, particularly France and the UK, took an unprecedented leading role in the Libya operation and flew many of the combat sorties. Only 14 of 28 NATO members took part in the mission, however, and the U.S. capabilities were essential in filing crucial allied gaps in areas such as targeting, aerial refueling, munitions, and Intelligence, Surveillance, and Reconnaissance (ISR).

The United States currently accounts for at least two-thirds of total allied defense spending. Although many European allies have undertaken defense transformation initiatives since the end of the Cold War, most are also lagging in meeting defense spending benchmarks, and many are in the process of enacting far-reaching defense cuts. European militaries continue to be severely limited in terms of important capabilities such as strategic air- and sealift, aerial refueling, helicopters, and ISR.

Especially given the budgetary constraints facing many European governments, U.S. officials and others remain concerned that declining European defense budgets and a growing transatlantic "capabilities gap" could undermine alliance unity by increasing NATO's already significant reliance on U.S. military capacity. Some observers argue that current fiscal constraints strengthen the logic for European defense integration initiatives that pool resources to develop shared capabilities, such as NATO's "Smart Defense" initiative. In the aftermath of Afghanistan, however, some analysts also believe that public opposition to combat operations and a lack of political will could make Europe less willing and less likely to engage in another large-scale mission overseas.

Since the end of the Cold War, members of NATO including the United States have argued that the relevance of the alliance increasingly depends on its ability to conduct "out-of-area" operations and address unconventional security threats. Other members, including many of the countries of central and eastern Europe, have made clear a preference for focusing more on NATO's traditional mission of collective territorial defense. The latest NATO Strategic Concept, adopted at the 2010 summit in Lisbon, Portugal, supports both sides of this debate in setting out a broad vision for NATO's role. The document outlines three core tasks: collective defense, crisis management, and cooperative security. It reaffirms NATO's primary role as a military alliance devoted to ensuring the collective defense and security of its members, but also calls on member

[24] See CRS Report R42529, *NATO's Chicago Summit*, by Paul Belkin.

states to continue to develop capabilities for expeditionary operations, including counterinsurgency, stabilization, and reconstruction operations, and for confronting new and unconventional security challenges such as international terrorism, proliferation of weapons of mass destruction, cybersecurity, and energy security.

Russia[25]

In 2011-2012, Russia's parliamentary and presidential elections and their aftermath sharpened U.S. and European concerns about governance and the rule of law in Russia, but expressions of concern and criticism triggered a strong backlash from the Russian government. With Vladimir Putin returned to the presidency, Russia also reacted in a markedly negative fashion to the U.S. Congress adopting the Sergei Magnitsky Rule of Law Accountability Act of 2012 (P.L. 112-208) amid cases of alleged human rights violations against journalists and opposition activists.[26] The Russian government expelled USAID from the country in September 2012 and banned the adoption of Russian children by U.S. citizens in December 2012. Russia has also been increasingly at odds with U.S. and European foreign policy. After criticizing the 2011 NATO operation in Libya, Russia has thwarted U.S. and European efforts to address the violence in Syria through the United Nations Security Council, and returned to a hard line against U.S. plans for a missile defense system in Europe.

In the aftermath of its 2008 conflict with Georgia, relations between Russia and the West reached what some observers consider their lowest point since the end of the Cold War. Relations had already grown increasingly tense in previous years over issues such as Kosovo and NATO enlargement, and observers in Europe and the United States had routinely expressed concern about what they perceived as the increasingly authoritarian character of the Russian government, as well as its assertiveness and quest for influence in the Russian "Near Abroad" and beyond. In the period 2009-2011, the Obama Administration's "reset" initiative appeared to help alleviate some of the tension that had built up. U.S.-Russia cooperation on Afghanistan and Iran improved, the two sides signed the new START treaty, and the revision of U.S. missile defense plans temporarily diminished tensions on that issue. At the same time, U.S. and European objections remained regarding Russian policy on many issues, including Russia's recognition of the breakaway Georgian provinces Abkhazia and South Ossetia, and the unilateral suspension of its obligations under the Conventional Armed Forces in Europe (CFE) Treaty.

Many European countries have complex and interdependent relationships with Russia in terms of energy (see "Energy Security" section below) and economics, and EU member states have had a difficult time formulating a common approach to their eastern neighbor. Some European countries, especially in central and eastern Europe, tend to view Russia as a threat and advocate a firm stance, while others are more inclined toward pragmatism and engagement. While the sharpness of such divisions in Europe has diminished in recent years, a consistent and balanced approach remains a challenging goal for European policymakers. The 2010 EU-Russia Summit

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

[26] The act expresses the sense of the Congress that the United States should continue to support and assist efforts by the Russian people to establish a vibrant democratic political system that respects individual liberties and human rights, and that the Russian government's suppression of dissent and political opposition are of profound concern to the United States. It also directs the President to report to Congress, publish, and update a list of individuals involved in the death of Sergei Magnitsky and other cases of extrajudicial killing, torture, or human rights violations, and to impose on those individuals a U.S. travel ban and asset freeze.

launched a "Partnership for Modernization" in which the EU pledged to help develop and diversify the Russian economy while encouraging reforms related to governance and rule of law.[27] More recently, however, tensions have arisen in the EU-Russia relationship over EU legislation that seeks to increase competition in the energy market, a European Commission investigation into the business practices of Gazprom, and complaints that Russia is not applying WTO rules on market liberalization.

Counterterrorism[28]

In the years since the 9/11 attacks, transatlantic cooperation on counterterrorism has been strong. Spurred on by 9/11, the March 2004 bombings in Madrid, and the July 2005 bombings in London, the EU has sought to strengthen and coordinate its internal counterterrorism capabilities. While the EU has thus been increasing its relevance in this area, bilateral intelligence sharing and law enforcement cooperation between the United States and individual European countries also remains key to disrupting terrorist plots and apprehending those involved. Analysts assert that Europe remains both a primary target of radical Islamist terrorists and a potential base for cells seeking to carry out attacks against the United States.

U.S. and European officials from the cabinet level down maintain regular dialogues on issues related to homeland security and counterterrorism. In recent years, U.S. and EU police and judicial agencies have established cooperative relationships that include several information sharing arrangements. In 2010, new U.S.-EU treaties on extradition and mutual legal assistance entered into force. The United States and the EU have also reached agreements on container security and airline passenger data as part of their efforts to strengthen aviation, transport, and border security. In addition, the United States and the EU actively work together to track and counter the financing of terrorism, in forums such as the Financial Action Task Force and through information sharing deals such as the U.S.-EU "SWIFT agreement," which allows U.S. authorities access to financial data held by a Belgium-based consortium of international banks as part of the U.S. Treasury Department's Terrorist Finance Tracking Program (TFTP).

Although overall counterterrorism cooperation is strong, areas of tension exist. European policymakers have had significant concerns over the adequacy of data privacy safeguards in a number of U.S.-EU information sharing arrangements. The EU considers data privacy a basic right, and the EU has strict regulations protecting personal data. During the past several years, objections raised in the European Parliament complicated and delayed the adoption of the most recent version of the SWIFT deal and the agreement on sharing airline passenger name record (PNR) data. In 2011, the United States and the EU began negotiations on a framework Data Privacy and Protection Agreement (DPPA). Some observers assert that such a framework agreement, building on a set of privacy and data protection principles endorsed by the two sides in 2009, could expand mutual recognition of one another's data protection systems, help ease European concerns, and promote closer cooperation.

Over the past decade, the United States and the EU have largely aligned their lists of entities designated as terrorist organizations. Some differences persist, however, most notably in the case

[27] Council of the European Union, *Joint Statement on the Partnership for Modernization*, June 1, 2010, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/114747.pdf.

[28] For more information see CRS Report RS22030, *U.S.-EU Cooperation Against Terrorism*, by Kristin Archick.

of Hezbollah. The lack of consensus among all 27 EU member states has kept Hezbollah off of the common EU list. While the United Kingdom and the Netherlands include Hezbollah on their national lists of designated terrorist organizations, other member states argue that the group also has political and social dimensions separate from its military wing. Members of Congress and U.S. Administrations have long urged the EU to add Hezbollah to its terrorist list. Immediately after the July 2012 attack on Israeli tourists in Bulgaria, Israeli officials accused Hezbollah of carrying out the attack and numerous Members of Congress renewed this call through letters sent to EU officials and institutions. In February 2013, Bulgarian officials concluded their formal investigation into the attacks and effectively named Hezbollah as responsible. In light of this announcement and an on-going trial of a suspected Hezbollah operative in Cyprus, some analysts believe that the EU may be more inclined to add Hezbollah to its common terrorist list; other experts, however, remain doubtful that the EU will reach the necessary consensus.

Cybersecurity[29]

Cyberattacks, malicious viruses, malware, and hacking incidents pose a considerable and growing threat to the computer networks of government agencies, financial institutions, and other critical infrastructure in both the United States and Europe. Such concerns have prompted the United States and the EU to increase cooperation focused on strengthening cybersecurity and countering cybercrime. The two sides launched a Working Group on Cybersecurity and Cybercrime following the 2010 U.S.-EU Summit with the broad aims of sharing best practices, developing collaborative approaches and stronger response capabilities, and increasing the involvement of the private sector. Led by the European Commissioner for Home Affairs and the U.S. Secretary of Homeland Security, the group has reportedly focused its efforts toward bolstering the security of domain names and internet addresses, securing industrial and utility control systems, and combating online sexual abuse of children. In November 2011, the U.S. Department of Homeland Security and the European Network and Information Security Agency (ENISA), the EU's cybersecurity advisory body, held the first joint U.S.-EU cyberattack simulation exercise (Cyber Atlantic 2011). In January 2013, the EU opened a new Cybercrime Center at Europol (the EU law enforcement and criminal intelligence agency) headquarters in the Hague, Netherlands to coordinate the work of national law enforcement agencies and serve as a clearinghouse for information sharing. Some experts suggest that U.S. authorities might consider developing close cooperation with the new Cybercrime Center. In February 2013, the EU released a new comprehensive cybersecurity strategy that emphasizes freedom and openness in cyberspace, the preservation of EU laws, norms, and values, capacity building, and cooperation with international partners, organizations, the private sector, and civil society.[30]

While both U.S. and EU officials largely support a free and open Internet, there are some differences in U.S. and EU laws and perspectives on Internet regulation and freedom of speech that have cause occasional tensions. The United States tends to emphasize maximum protection of freedom of expression, whereas some EU countries have banned what they view as "inflammatory" or "hate" speech, including over the Internet. These different viewpoints have led to some frictions related to racist and anti-Semitic material on U.S. websites, which would be illegal if hosted on Internet servers located in many European countries, but are largely protected

[29] For more information, see CRS Report R42984, *The 2013 Cybersecurity Executive Order: Overview and Considerations for Congress*, by Eric A. Fischer et al. and CRS Report R42547, *Cybercrime: Conceptual Issues for Congress and U.S. Law Enforcement*, by Kristin M. Finklea and Catherine A. Theohary.

[30] http://www.eeas.europa.eu/policies/eu-cyber-security/index_en.htm

in the United States by the right to free speech. In addition, potential measures intended to strengthen law enforcement cooperation or increase information sharing could face criticism from data privacy or civil liberties advocates.

EU Emissions Trading System[31]

In 2005, the EU launched an Emissions Trading System (ETS) in order to cap industrial CO2 emissions by establishing a market of tradable allowances (i.e., "cap and trade"). On January 1, 2012, EU legislation took effect that included aviation as part of the ETS. The U.S. and international reaction to this measure was strongly negative, leading the EU to postpone its implementation for flights into and out of the EU (but not for intra-EU flights).

The new EU rules are intended to cover all flights, domestic or international, arriving or departing from an EU airport.[32] Operators will receive emission allowances, which they must turn in to EU authorities in relation to flights' actual level of CO2 emissions. Those ending up with excess allowances may sell them on the ETS "carbon market" or keep them for future use. Those who exceed their allowances must buy additional credits on the carbon market. Operators who anticipate exceeding their allowances could also seek ways to reduce their emissions.[33] The allocation scheme for emission allowances has been controversial, however. Most analysts concluded that the allocations made for aviation would not cover actual emissions, obliging airlines to seek a significant number of extra allowances on the carbon market. Some analysts expected the impact on ticket prices to be minor, adding as little as $5 to the cost of a transatlantic flight, but one industry association countered that the scheme would cost U.S. airlines more than $3 billion from 2012 to 2020.[34]

At a November 2011 meeting of the International Civil Aviation Organization (ICAO), an agency of the United Nations, 26 countries, including the United States, China, and Russia, formally objected to the EU's plans to enforce the ETS for aviation, arguing that it violates standing international agreements on aviation and infringes on sovereignty. The U.S. State Department and Transportation Department asserted that the plans also violated the U.S.-EU Open Skies agreement signed in 2007. In December 2011, however, the EU Court of Justice upheld the ETS legislation in a lawsuit brought by a group of U.S. airlines and the Airlines for America industry trade association. The court ruled that including aviation in the EU ETS does not violate the principles of territoriality or sovereignty, does not discriminate between operators on the basis of nationality, and does not violate Open Skies because it is not a tax, fee, or charge on fuel.

In November 2012, the United States adopted the European Union Emissions Trading Scheme Prohibition Act of 2011 (P.L. 112-200) instructing the Secretary of Transportation to prohibit U.S. civil aircraft operators from participating in the EU ETS, and to conduct negotiations in order to ensure that U.S. civil aircraft operators are held harmless under the EU ETS.[35] The European

[31] For more information, see CRS Report R42392, *Aviation and the European Union's Emission Trading Scheme*, by Jane A. Leggett, Bart Elias, and Daniel T. Shedd.

[32] In addition to the 27 EU members, Norway, Iceland, and Liechtenstein also participate in the ETS. Croatia, which is expected to accede to the EU in 2013, will participate in the ETS starting in 2014.

[33] European Commission website on Climate Action, *Reducing Emissions from the Aviation Sector*, http://ec.europa.eu/clima/policies/transport/aviation/index_en.htm.

[34] Elisabeth Rosenthal, "Your Biggest Carbon Sin May Be Air Travel," *The New York Times*, January 27, 2013.

[35] http://www.gpo.gov/fdsys/pkg/PLAW-112publ200/pdf/PLAW-112publ200.pdf.

Commission subsequently announced it would suspend the inclusion of international aviation (flights taking off or landing outside the EU) in the ETS for one year, while advocating for ICAO to reach a broader international agreement on aviation CO2 emissions in 2013.

Energy Security[36]

Europe is a major importer of natural gas, and over the past decade energy security has become a major European concern in the context of rising global energy demand, highlighted by increased competition from countries such as China. The EU as a whole is dependent on Russia for about one-third of is gas imports and one-quarter of its total gas and oil supplies. These percentages are expected to grow substantially over the next 20 years. For some individual countries, dependence on Russian gas is already much greater. Some analysts have described a trend in recent years in which Moscow seems to use energy supplies as an instrument of foreign policy leverage. Russia has actively sought bilateral energy deals with a number of European countries and acquired large-scale ownership of European energy infrastructure. At the same time, analysts assert that Russia has not applied Western standards of transparency and market reciprocity regarding business practices and investment policy. In addition, the possibility of upstream gas cutoffs, as occurred in a dispute between Russia and Ukraine in 2009, has posed a concern for many of the countries dependent on Russian natural gas supplies.

Largely starting during the George W. Bush Administration, many U.S. officials and Members of Congress have regarded European energy security as a U.S. interest. In particular, there is concern in the United States over the influence that Russian energy dominance could have on the ability to present European—and, by consequence, transatlantic—unity when it comes to other issues related to Russia. For this reason, some have expressed the desirability of decreasing European reliance on Russian energy through diversification of supply, and supported European steps to develop alternative sources and increase energy efficiency.

Europe faces numerous challenges in its attempts to diversify its energy supply, however. While North Africa is often viewed as the most likely alternate supplier of natural gas, political and economic instability in the region have thus far hindered the expansion of its role. Increased supply from Central Asia has been largely dependent on the construction of new pipelines, but, among other complications, Russia has been working to prevent the development of alternative pipelines outside its control that would link Europe directly to Central Asian suppliers. Many European countries have also emphasized the development of renewable energy, but there are questions about how much of a contribution these sources will ultimately provide.

European leaders have sought, with mixed success, to develop a stronger common European energy strategy that coordinates member states' energy policies. The EU has pursued initiatives to liberalize and integrate the internal European energy market, including by expanding the interconnection of grids and pipelines. The EU has also adopted legislation seeking to introduce more competition and transparency in the energy sector. Elements of this legislation, combined with a European Commission investigation against the business practices of Gazprom, have been sharply criticized by Russia.

[36] For more information, see CRS Report R42405, *Europe's Energy Security: Options and Challenges to Natural Gas Supply Diversification*, coordinated by Michael Ratner.

Author Contact Information

Derek E. Mix
Analyst in European Affairs
dmix@crs.loc.gov, 7-9116