

Transatlantic Relations: Past, Present, and Future

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Executive Summary

- > The United States and Europe have a rich history of cooperation which played a fundamental role in the establishment of the post-World War II international order with its tissue of multilateral structures that helped to generate an unprecedented period of peace and stability in the world.
- > The new millennium posed a number of difficult challenges to the partners with 9/11 and the wars in Afghanistan and Iraq, financial crisis and a global recession that exploded confidence in financial institutions, economic policy and, ultimately, political institutions, the effects of which are still felt today.
- > However, it was the election of President Trump in 2016 that led to the most sustained divergence across the entire spectrum of relations: from defence and security to climate change and trade. It has also exposed the structural features of a divide which pose a more fundamental threat to the long-term future of the transatlantic alliance.
- > The present drift towards disconnection can only be overcome by ensuring that common ground is found and that all parties are comfortable with the balance of rights and responsibilities. The European Union could play a leading role in reinventing the transatlantic relationship for the next generation by seeking to achieve a reinvigorated transatlantic partnership with the United States covering, in particular, security, trade, and common approaches to the emergence of a new global order.

The historically very close relations between Europe and the United States are going through a period of considerable tension. Such tensions are not new but the range and intensity of the disagreements (from security to foreign policy and from trade to divergences on the value of multilateralism more generally) is rather unprecedented. Some of these differences are doubtless conjunctural and likely to fade. However, there may also be more underlying structural changes at work regarding America's view of itself and

its role in the world. The challenge for Europeans is to understand these shifts in American thinking in order to be able to preserve, but also reinvigorate, the partnership and ensure the continued success of the old alliance in this new century.

Evolution of transatlantic relations

There are probably no two continents on earth more closely intertwined than Europe and America. The United States was created out of an unprecedented European diaspora. This flow of people across the Atlantic had many reasons – adventure, avarice, escape from poverty or oppression – but, most importantly, a sense that it would be possible to build a better future in this new world, freed from the constraints of a largely feudal Europe. This sense of hope and optimism has become a defining American characteristic.

The ideas which inspired early American settlers were those of the European enlightenment thinkers – Locke, Hobbes, Smith, Burke – whose dreams of progress could be put into practice in the new world in ways which were still impossible in the old. The remarkable second sentence of the Declaration of Independence ('We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.') was a true Copernican moment of political thought – even if many of the signatories were slave owners who saw no contradiction between thought and deed.

There was always a strong strand of isolationism in American thinking and this was witnessed last century when the US only engaged – however decisively – in the European wars despite initial great reluctance. Wilson's brief attempt at creating a global order after WWI failed and the entry into WWII was forced by Japanese aggression. However, having won WW II, the US set about trying to win the peace more successfully than previously. A radically different approach was taken, which was constructive and not punitive. This ushered in a remarkable period of world history from 1945 through pretty much to the end of the last century, a 'Pax Americana', which saw the creation of the United Nations, the North Atlantic Treaty Organization (NATO), the Bretton Woods institutions and the World Trade Organization (WTO). This tissue of multilateral structures helped generate an unprecedented period

of peace and stability, under American leadership. The collapse of the Berlin Wall and breakup of the Soviet Union in 1990 were seen by many as the vindication of that period.

Over this period, Europe, with great help and support from the US, slowly reinvented itself. The Marshall Plan helped create the Coal and Steel Community, which became the Common Market and, later, the European Union. This was also a period of unprecedented progress in Europe. The transatlantic alliance was crucial to this process, especially during the years of the Cold War when the military threat from the Soviet Union was deeply felt. There were, of course, disagreements and conflicts, over trade or foreign policy (Cuba, Vietnam), but American leadership was seen positively and the US recognised that a more stable and integrated Europe was infinitely in its own interest.

Following the end of the Cold War, the optimism of the early 1990s took a hit in the new millennium. 9/11 and the wars in Afghanistan and Iraq which followed caused new tensions. The collapse of Lehman Brothers in September 2008 added a financial crisis and a global recession. That crisis undermined confidence in the West's financial institutions, economic policy and, ultimately, political institutions. The period from 2008 until the end of the Obama presidency saw governments on both sides of the Atlantic scrambling to avoid disaster and somehow rebuild confidence. They were only partially successful. The American recovery was patchy and unequally distributed. Europe went through several concomitant crises. The euro came under severe pressure. There was Russian aggression – initially in Georgia in 2008 and then in Ukraine in 2014 – which reawakened old demons. There was a migration crisis and even an unrelated wave of terrorist attacks. Established political parties lost ground to disruptive newcomers. The UK referendum on EU membership in June 2016 resulted in a decision to leave.

During these crisis-ridden years, transatlantic relations shuddered quite a bit. President Obama emphasised a pivot towards Asia but nonetheless generally played a helpful role in European affairs. Negotiations on a frequently advocated but never achieved free trade deal between the EU and the US (TTIP) were launched with much fanfare and some optimism in 2013. However, the talks quickly became bogged down. The US invested most of its efforts in the Trans-Pacific Partnership (TPP) instead. Opposition grew in Europe, particularly amongst civil society and environmental groups. Momentum was lost and negotiations could not conclude under Obama.

Drifting towards permanent disconnection?

The election of President Trump in 2016 then had a seismic impact on transatlantic relations. From very early on, President Trump challenged almost every orthodoxy:

- He began with questioning the value of NATO and burden-sharing;
- He then announced the withdrawal of the United States from the Paris Agreement on Climate Change;

- He changed the US approach to the Middle East Peace Process, notably by moving the American Embassy to Jerusalem and withdrawing US forces from Northern Syria;
- He criticised, and ultimately withdrew from, the Iran nuclear deal;
- He accused America's trading partners of exploiting the US and embarked on a series of trade conflicts with each;
- He became the first US President openly to question whether European integration, previously seen by many to have been a key feature of American policy in Europe, was really in America's interest at all.

Reacting to these stances proved very difficult for Europe. Although disagreements between Europe and America are not new, the EU has never had to cope with such sustained divergence across the entire spectrum of relations.

One debate that was certainly not new was that about burden-sharing of NATO members. It had been raised by previous administrations, most notably by Defence Secretary Gates in a speech in Brussels as far back as in December 2011 where he warned that, if Europeans did not shoulder more responsibility for defence spending, this would have serious political consequences in the US.

President Trump took the debate to another level, however, by openly suggesting, in 2017, that the US commitment to mutual defence under Article 5 might not be guaranteed if Europe did not pay its share. There was a lot of push-back from the foreign policy establishment, especially in Congress, to reassure NATO partners. US troops participate in the European Deterrence Initiative and the notion of an imminent crisis which prevailed in early 2017 has somewhat receded. However, the sense remains that something fundamental has changed. It is this fundamental change that French President Macron captured when he referred to the 'brain death of NATO' in a recent interview in *The Economist* (2019).

The withdrawal from the 2015 Paris Climate Change Agreement was felt very acutely by the Europeans for whom climate change is a major preoccupation. Paris was not perfect but it provided, for the first time ever, a truly global platform for action to which all the countries of the planet were committed. Additionally, it was considered to have been the fruit of cooperation between the EU and the US. The only consolation Europe could take, after President Trump's rollback on climate change, was that at the state and city level it seems that American society and business have remained committed to an agenda of combatting climate change.

In the area of foreign policy, the US President seemed determined to withdraw from the Iran nuclear deal, claiming it was the 'worst deal ever', whereas the Europeans had seen it as a triumph of multilateral diplomacy and a great achievement. Frantic efforts were made to persuade the

President that ways could be found to address Iran's unhelpful behaviour in other areas, while preserving the Joint Comprehensive Plan of Action, but to no avail. The US withdrew from the deal and re-imposed sanctions. Worse still, the extra territorial impact of these sanctions effectively prevented European companies from doing business with Iran, thereby depriving Iran of the main benefit they had expected from the nuclear deal. Europe's efforts to preserve the deal are looking increasingly fragile.

With regard to the Middle East Peace Process, President Trump similarly broke with traditional American policy relocating the Embassy to Jerusalem, endorsing the annexation of the Golan Heights and, more recently, acknowledging the legitimacy of the West Bank settlements. Similarly, the new peace plan being prepared by Jared Kushner, though not yet public, seems likely to set aside the objective of a two-state solution. The decision of the Trump administration to withdraw US forces from Northern Syria, thereby facilitating a Turkish military incursion, targeting in particular the Kurdish forces who had been allies in the fight against ISIS, has underlined differences of approach to the Middle East between the current administration and European allies. The fact that Turkey is a member of NATO has further complicated the situation.

The area of trade became an early flashpoint when the President controversially used the national security provisions of Section 232 to justify the unilateral imposition of tariffs on European exports of steel and aluminium. He has gone on to threaten to use the same provisions on exports of cars. The EU did not accept the allegation that the existence of a substantial trade deficit in goods trade was due to unfair trading practices, arguing that the US deficit was mainly due to macro-economic factors. A truce of sorts was negotiated when President Juncker visited the White House in July 2018. A joint declaration set out an agenda of work but tensions continue. New tariffs were introduced recently when the US won its round in the Airbus/Boeing dispute in the WTO. A similar European win is expected when its case is adjudicated early next year. Altogether, a major confrontation has so far been avoided but important disagreements remain particularly in regard to WTO reform.

Some of these tensions are conjunctural and will pass. The election of President Trump has produced a change of both style and policy but it would be a mistake to imagine that today's tensions are exclusively, or even mainly, about the person of President Trump to the neglect of the underlying problems. The major challenge is therefore to identify the structural elements at work which pose a bigger threat to the long-term future of the transatlantic alliance. It includes the question of demographic change in the United States. By 2045, Americans of European descent will be in a minority. Convincing African Americans, Asian Americans and Hispanic Americans that transatlantic relations should be central to their concerns will be a challenge. Attitudes in Europe are also becoming less positive vis-à-vis the US. The

risk of increased transatlantic divergence over time is, therefore, very real.

Searching for common ground: a reinvigorated transatlantic partnership for the 21st century

It was in 1995 that US President Clinton and the European Council President, Spanish Prime Minister Gonzalez, signed a declaration on a 'New Transatlantic Agenda' building on the 1990 Transatlantic Declaration signed between President Bush, Prime Minister Andreotti of Italy and Commission President Delors. Today, the time has come to consider a new such initiative for the 21st century. The idea should be to capture in a single framework a number of key areas where in need of a reboot of the transatlantic alliance. This should cover notably security, trade, common approaches to multilateral challenges, including the rise of China, and public diplomacy.

In the area of security, the trend towards a diminished US overseas engagement has been developing for some time, including under President Obama. It undoubtedly reflects a growing disillusion in the American body politic with the cost in blood and treasure of US military involvement around the globe. Many in Europe believe that the best way to shoulder greater responsibility for our own security is for the EU to cooperate more in the defence field. Important steps have been taken in this regard such as Permanent Structured Cooperation, the Coordinated Annual Review of Defence and the creation of the European Defence Fund. The political challenge is that many European countries do not want to jeopardise the pre-eminent role of the US in NATO by appearing to follow a path of full European autonomy. The speed with which many European leaders, from Chancellor Merkel to the Polish Prime Minister, rushed to distance themselves from President Macron's remarks on the 'brain death of NATO' is testimony to the very high importance which European countries continue to attach both to NATO and to the lead role of the United States. Nonetheless, more privately, most diplomatic commentators accept that President Macron accurately highlighted the challenges facing NATO. There is real ambivalence on the US side about how Europe should do more in the defence field. President Macron highlighted this when he said that President Trump 'sees it as a project in which the United States acts a sort of geopolitical umbrella, but the trade-off is that there has to be commercial exclusivity' (The Economist 2019). In other words, Europe doing more should translate into more purchases of American equipment rather than more investment in European material and infrastructure.

Can Europe thus really pretend that there is no shift in US attitudes? And what is Europe to make of the current debate in the US? How much of US positioning is specific to this administration at this time, and likely to evolve in the future, and how much is down to a fundamental shift in American thinking about the US role in the world? The transatlantic partners have to find a way to square this circle. Investing more in European systems and equipment is

not mutually exclusive with purchasing from the US. The design and implementation of stronger EU defence cooperation, including greater autonomy to conduct operations where NATO interests are not directly engaged, will also reinforce the European pillar of NATO. Europe must respond to US calls to shoulder more of the burden of its own defence but the US must understand that this will only make sense or succeed if it is based on a European framework designed to rationalise the use of assets and avoid wasting money through duplication of effort.

In the area of trade, the EU and the Trump Administration do not yet share a common understanding of the problems or the solutions. The agenda of action agreed between President Trump and President Juncker was a good start but more is needed. Under the next Commission, both sides need to explore options for outcomes which enable the US and the EU to feel that the real problems of each have been addressed fairly. It will not be easy but the enormous interpenetration of the world's two largest economies, with massive cross-investment, should help drive the process.

In trade as in other areas, the reshaping of the multilateral order is another test ahead of us. The WTO is no longer working the way it needs to. The US is partly to blame for the situation in which the Appellate Body can no longer function through lack of judges. However, there needs to be a real effort to overcome the disagreements and find solutions. The EU has already put forward some comprehensive proposals. The EU, Japan and the US have been working on ideas to address weaknesses in the subsidies code (in particular as regards China's State-Owned Enterprises). A well-functioning WTO remains essential to preserve the benefits of the multilateral trading system.

More generally, greater transatlantic cooperation should be sought on how to manage the rise of China. The digital space is an area where EU/US cooperation could add a lot of value. There will, of course, be issues of divergence to be navigated such as data, privacy and tax. But there is also

scope for increased cooperation on cyber, the development of 5G and the 'internet of things', as well as the protection of critical infrastructure.

Finally, the EU and the US need to work harder on trying to understand each other. Societies are changing on both sides of the Atlantic and there is a real risk that they drift further apart almost by accident. I think we need a major effort of public diplomacy to prevent this from happening. In particular, I would argue for a massively expanded European Visitors Programme, targeted at decision-makers and influencers from all over the US, bringing them to Europe for extended study tours in Brussels and in the member states. This should include people working in state legislatures, Governors' offices, educators, journalists. A similar renewed effort could be made to send Europeans to the US. This people-to-people dimension was hugely influential in shaping positive opinions about the relationship in the past. It has to be reinvented for the new century.

Conclusion

The transatlantic alliance still has a great future but needs a frank discussion about how to ensure that all parties are comfortable with the balance of rights and responsibilities. Europe and the US will need a renewed engagement on both sides – a truly reinvigorated 'transatlantic agenda' for the 21st century – to prepare the ground for a reboot of the transatlantic relationship following the presidential election, covering – importantly – defence and security, but also trade and investment, a joint approach to major international issues – such as the rise of China – and a common commitment to shared values. Other pressing issues such as digital and cybersecurity should also be covered in such an agenda. Ultimately, the two parties have more in common with each other than either of them could possibly have with anybody else. Yet, the relationship needs to be reinvented for each new generation so that the objective benefits of a close and fairly balanced transatlantic partnership will again overcome the present drift towards disconnection.

Further Reading

"Emmanuel Macron warns Europe: NATO is becoming brain-dead", *The Economist*, 7 November 2019, <https://www.economist.com/europe/2019/11/07/emmanuel-macron-warns-europe-nato-is-becoming-brain-dead> (last accessed on 28 November 2019).

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