

# CRS Report for Congress

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## 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 debate over Iraq policy, several foreign policy and trade issues have challenged U.S.-European relations in recent years. This report examines the current state of the transatlantic relationship and key issues that may have implications for U.S. interests during the 109th 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.

**Evolving Relationship.** Despite common interests and close economic ties, the transatlantic partnership continues to be challenged by numerous trade and foreign policy disputes. Although Europeans are not monolithic in their views, most states have objected to at least some elements of U.S. policy on a range of issues, including Iraq, the Israeli-Palestinian conflict, the treatment of prisoners at Guantánamo Bay and Abu Ghraib, aircraft and export tax subsidies, and climate change, among others. New issues, such as alleged covert CIA prisons in and “rendition” flights through Europe, the visa waiver program and passenger name records data transfer program, have emerged as irritants in the relationship.

Some observers argue that U.S.-European frictions may have been driven by personality and style differences among U.S. and European leaders. Many Europeans viewed the first-term Bush Administration as inclined toward unilateralism and largely uninterested in Europe. At the same time, analysts also blame some European leaders suggesting, for example, that French President Jacques Chirac and former German Chancellor Gerhard Schroeder expressed their opposition to the war in Iraq recklessly, without due consideration for the broader transatlantic relationship.

Other experts suggest that tensions in U.S.-European relations are deeper and structural and involve the EU’s evolution. Since the end of the Cold War, EU members have moved beyond economic integration and taken steps toward political integration, including the establishment of new political and defense decision-making bodies. Although these initiatives remain works in progress, EU members are increasingly assessing foreign policy decisions with an eye toward establishing a larger role for Europe on the world stage and have succeeded in forging consensus on common policies on the Balkans, the Middle East peace process, and Iran, to name a few. The EU has also led several crisis management missions in the Balkans, Africa, and elsewhere. Some observers suggest that the EU’s apparent progress to date in the foreign policy and defense fields has given the Union a new self-confidence. EU members 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 European allies as it once did, and EU members are perhaps quicker to challenge U.S. policies with which they do not agree.

Recently, however, European leaders have responded positively to the Bush Administration’s efforts in its second term to improve transatlantic relations. Some observers note that President Bush’s visit to the EU institutions while in Brussels in February 2005 demonstrated a U.S. recognition of the EU’s political evolution. They also suggest that U.S. statements in favor of a “strong Europe” have helped alleviate European anxieties about U.S. support for further European integration. Some Europeans also believe that the United States has learned some lessons about the limitations of a super power and may now understand Europe’s preference for multilateral approaches to resolving some issues.

The 2006 US-EU Summit demonstrated just how far the relationship between the United States and the EU has evolved since the Iraq debate. A 16-page Summit statement issued by both sides highlighted the close cooperation the United States and the EU have enjoyed on a wide range of issues including democracy promotion, energy, and the environment. At the press conference concluding the Summit, President Bush surprised some Europeans by stating “I will do my best to explain our foreign policy.” Austrian Chancellor Schuessel reciprocated by describing as “grotesque” the view that the United

States may be more of a threat to the world than Iran or North Korea.<sup>1</sup> This kind of cooperative spirit has emerged more regularly on a number of issues. Nevertheless, transatlantic tensions have not entirely disappeared and differences do remain.

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

**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. Washington has welcomed EU efforts to boost police and judicial cooperation among its 25 member states, stem terrorist financing, strengthen border controls, and improve transport security. The EU and the United States have concluded several new agreements on police information-sharing, extradition, mutual legal assistance, container security, and exchanging airline passenger data. Nevertheless, some challenges remain. European opposition to the U.S. death penalty may still impede extradition of terrorist suspects. Many Europeans continue to fear that the United States is losing the battle for Muslim “hearts and minds” as a result of the war with Iraq, past prisoner abuse at Abu Ghraib, and the detention center at Guantánamo Bay. The EU has expressed its strong desire to see that facility closed as soon as possible because the Europeans believe it degrades shared values regarding human rights and disregards international accords on the treatment of prisoners. On June 13, 2006, the European Parliament overwhelmingly adopted a resolution calling for the closing of the camp. President Bush, at the 2006 Summit, acknowledged the concerns of the Europeans and suggested that he would like to see an end to the facility as well but that he could not release some of the remaining prisoners because they were considered extremely dangerous. The United States is also trying to work out agreements with governments that would receive some of the prisoners eventually released.

Europeans have also expressed concerns over allegations that the CIA may have carried out “abductions, “extraordinary rendition,” detention at secret sites in Europe or torture of prisoners on the territory of the European Union, or have used that territory to those ends, for example through flights using European airports.”<sup>2</sup> Reacting to media reports in 2005 that the CIA had used facilities in Europe to interrogate suspected terrorist prisoners, the European Parliament created a “Temporary Committee” on the alleged use of European countries by the CIA for the transportation and illegal detention of prisoners. That Committee is still conducting its investigation. The Council of Europe just extended its own initial inquiry, which concluded that some European countries were staging points for illegal flights and that others did allow abducted suspects to be questioned on their soil.<sup>3</sup> The United States admits to the practice of transporting terrorist subjects to other countries but has denied using or sanctioning torture.

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<sup>1</sup> See press conference at the conclusion of the Summit in Vienna, June 21, 2006, White House press.

<sup>2</sup> See Mandate of the European Parliament’s Temporary Committee, EP press release, January 2006.

<sup>3</sup> See “Alleged Secret Detentions and Unlawful Inter-state Transfers Involving Council of Europe Member States”, a report by Senator Dick Marty, Council of Europe, June 2006.

Another issue of particular interest is the issue of passenger name records (PNR) data transfer. In reaction to the September 11 attacks, the U.S. Congress passed the Aviation and Transportation Security Act of 2001 (P.L. 107-71). The act included the requirement that air carriers operating flights to the United States provide certain data regarding passengers. The Passenger Name Record (PNR) information was to be collected prior to any aircraft landing in the United States and forwarded to the Bureau of Customs and Border Control. In December 2003, the Department of Homeland Security and the European Commission reached an agreement that would allow European air carriers to provide PNR data. In May 2006, the European Court of Justice, in response to a suit filed by the European Parliament, ruled that the European Commission had no legal basis for declaring the PNR data issue in compliance with EU privacy laws. The Court ruled that data transfers could continue until September but directed the Commission to find another basis to continue the program beyond then. The Parliament, however, contends that it is still concerned about the privacy of information collected on European citizens. Many Parliamentarians have stated that the Court did not go far enough and have threatened additional law suits to scale back or terminate the data transfer requirement.

**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 will reduce, their military forces in Iraq due to domestic pressure amid ongoing violence in Iraq. The United States, however, has had some success in gaining European support for training Iraqi security forces, and in July 2005, the EU launched a small mission to train Iraqi police, administrators, and judges, primarily outside of Iraq.<sup>4</sup> The EU and member states have pledged a combined total of more than \$1 billion for Iraq's reconstruction, and the EU has agreed to open an office in Baghdad and begin negotiations on a trade agreement with the new Iraqi government.

**Iran.** The United States and Europe share similar goals with respect to Iran including encouraging reforms and curbing Tehran's nuclear ambitions. Until recently, the United States has favored isolation and containment, while the EU preferred conditional engagement. In late 2004, France, Germany, and the UK (the "EU3") opened talks with Iran on a long-term agreement on nuclear, economic, and security cooperation. In March 2005, the United States offered limited economic incentives if Iran agreed to cooperate with the EU3. Following Iran's resumption of uranium conversion in 2005, the EU3 and the United States began working on an International Atomic Energy Agency (IAEA) resolution to refer Iran to the U.N. Security Council, where Iran could face diplomatic and trade sanctions. By February 2006, the EU3 and the United States had gained Russian and Chinese approval for an IAEA resolution reporting Iran to the Security Council. In May, the United States and the Members of the Security Council presented Iran with a broad package of incentives in return for an end to its uranium enrichment. The United States has also, for the first time, agreed to join the EU3 in direct talks with Iran if Tehran accepts the terms of the incentive package. Some Europeans still worry, however, that Washington may ultimately conclude that diplomacy has failed to address the Iranian nuclear threat, opening the door for a military option.

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<sup>4</sup> European Union Fact Sheet, "EU Support for Iraq."

**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. Some Europeans believe that the Bush Administration has been working more robustly to promote peace since the start of its second term and appreciate renewed U.S. consultations with the EU through the Quartet. The Europeans viewed U.S. Secretary of State Condoleezza Rice's role in brokering a November 2005 deal on security controls for Gaza border crossings as extremely positive. As part of this accord, the EU is assisting with monitoring the Rafah border crossing between Gaza and Egypt. Like the United States, the EU has called on Hamas, which won a majority in the January 2006 Palestinian legislative elections, to renounce violence and recognize Israel. The EU is the largest donor of foreign assistance to the Palestinians and has agreed with the United States that aid should be targeted directly to the Palestinian people and not given through the Hamas-led government.

**Economic Relations.**<sup>5</sup> The United States and the EU share the largest trade and investment relationship in the world. Two-way flows of goods, services, and foreign investment exceed \$1 trillion. U.S. and European companies are also the biggest investors in each other's markets; total stock of two-way direct investment is over \$1.6 trillion. Most of this economic relationship is harmonious, but trade tensions persist. Both sides have expressed their intentions to pursue negotiations that would conclude the DOHA Development Agenda by the end of 2006. The DOHA negotiations have bogged down over the issue of industrial tariffs in the emerging economies, which makes market access for EU and US companies more difficult, and EU and US agricultural tariffs and subsidies, which make those markets difficult for developing states to penetrate. The United States and the EU are still in disagreement over how much each side is willing to compromise on agricultural subsidies. The United States wants all agriculture subsidies reduced by 90%. The EU has countered with a 60% cut.

Another key dispute relates to government 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 (WTO). The EU also continues to impose WTO-sanctioned tariffs on some U.S. exports in response to the Byrd Amendment, which disburses anti-dumping duties to affected domestic producers. Congress had repealed the subsidy in 2004, but the EU challenged several transitional features of the new law that provided temporary benefits to a few U.S. companies. A new round of tariff increases on certain U.S. products may be applied soon by the EU. The United States and the EU are also trying to conclude the open skies initiative, which has stalled in the United States. Existing treaties put severe limits on air service across the Atlantic. The Europeans believe that creating an open aviation market requires both getting rid of operational restrictions and providing for investment in each other's airline markets. The United States and EU reached an accord in 2005 giving more access to cities in the United States and Europe for each other's airlines. However, new regulations prepared by the Department of Transportation have generated opposition in the United State over investment, ownership, management and potential outsourcing of American jobs. On June 14, the House included language in the Fiscal Year 2007 Transportation

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<sup>5</sup> For additional information see CRS Issue Brief IB10087, *U.S.-European Trade Relations: Issues and Policy Challenges*, by Raymond Ahern.

Appropriations bill (H.R. 5576) that would delay the rule until 2007. Several Members of Congress are also opposed to U.S. airports spending federal aviation funds to upgrade facilities to accommodate the European A380 jumbo jet. This may further aggravate negotiations over the open skies agreement.

The United States and the EU are also at odds over the issue of the visa waiver program and the desire to have it applied to all EU member states. Currently, 10 EU member states (mostly the newer members from central and eastern Europe) are excluded from the visa waiver program due to problems meeting U.S. immigration laws. The United States prefers to address this issue on a country-by-country basis. Both sides have agreed, however, that tangible progress was needed to establish a reciprocal visa-free travel regime for all EU citizens to the United States.

**NATO and the EU.** Since the creation of NATO in 1949, the United States has used the Alliance as the primary institutional link with Europe on security issues. However, the evolution of the European Union has provided a new dimension in transatlantic relations. Successive U.S. administrations and the U.S. Congress have called for enhanced European defense capabilities to enable the allies to better share the security burden both within and outside of Europe. U.S. officials support EU efforts to develop an EU defense arm, known as the European Security and Defense Policy (ESDP), provided that it is tied to NATO and results in more robust European military capabilities. The EU, for its part, has agreed to enhance its rapid reaction capabilities by 2007 with 13 battle groups able to deploy within 15 days. However, further improvement in European military capabilities remains difficult given flat European defense budgets. Some U.S. analysts worry that a minority of EU countries, led by France, favor an EU defense arm independent of NATO, which they fear would weaken NATO and mean less U.S. influence in Europe.<sup>6</sup>

NATO and the EU have declared a strategic partnership that includes regularized meetings between the NATO Secretary General and the EU High Representative for Foreign Affairs. Despite this development, NATO-EU relations remain somewhat strained. More formal strategic discussions between NATO and the EU have proven elusive due, in part, to the differences in membership in both organizations and by the desire of some Europeans that the EU, rather than NATO, be the United States' primary interlocutor on strategic issues. The Bush Administration has reacted coolly to that proposal, believing that a formal strategic dialogue with the EU could ultimately erode NATO, where the United States has not only a voice but also a vote. Nevertheless, many experts believe that since the US-EU dialogue already covers a range of issues from energy to trade, it is only natural that a strategic dialogue on foreign policy issues take place in that venue as well. Some have suggested regular meetings between the Secretary of State and EU member state Foreign Ministers.

**EU Arms Embargo on China.** Ending the embargo does not appear to be high on the EU's agenda for the near term. Still, the EU is politically committed to overturning the embargo, and the United States continues to oppose the idea. In the interim, the United States and the EU have begun a strategic dialogue on China and other Asia security issues.

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<sup>6</sup> See CRS Report RL32342, *NATO and the European Union*, by Kristin Archick and Paul Gallis.