

Transatlantic Responses to Global Challenges: The Way Forward

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Transatlantic Strategy Group on Security and on Economics, Finance and Trade

Discussion Outline and Follow-up topics

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Providing International Security and Global Economic Stability in an Uncertain World: New Strategies for the Transatlantic Partnership

International Security:

Current transatlantic relations are defined by **conflict in style and approach** of leadership (e.g., Bush and Schroeder). But a healthy network of exchange will outlast these conflicts. Healing works both ways: The US should strive to work multilaterally, while Europe must unify and be willing to respond to new security threats militarily.

Iraq and Iran present challenges and opportunities for transatlantic relations. NATO can be reinvigorated by playing a peacekeeping role in Iraq. And while the Americans must stop telling Europe to boycott Iran, Europeans must make it clear to Iran that their constructive engagement is conditional upon certain reforms.

The debate on **Weapons of Mass Destruction** provides grounds for optimism. The EU has endorsed the use of force, albeit as a last resort. And the US is more enthusiastic about some arms-control treaties. Still, Europe is divided on what to do if America disagrees with them. Only a strong Europe that supports the US but can act autonomously when necessary can overcome the rift between New and Old Europe.

The **Iraq crisis revealed deep differences in US and European approaches** to the use of American power; the use of force; and the role of international institutions. It revealed weaknesses in European integration and American doubts about the transatlantic relationship. Many in the current US Administration see the EU and its integration process as a threat to US interests. But Washington also found a divided Europe convenient, giving them room to play some Europeans off against others. The challenge is to manage differences while pursuing common interests.

Global Economic Stability:

In economic fields, despite disputes over GMOs and the chemical directive on one hand, and steel and export taxes on the other, **the US and EU still have the world's greatest partnership**. A re-invigorated approach to economic cooperation could start pulling the overall alliance back together. A tool could be the G2 informal consultation mechanism, designed as an informal caucus.

Separate Session on Security

After Iraq: The Future of the Transatlantic Security Relationship

Security in Iraq is linked with issues of electricity and oil. To resolve these problems requires more pressure and money, and possibly **a change in US strategy** placing more responsibility on the Iraqis and on international players. Despite its shared threat perception with the US, Europe cannot offer the number of troops required. This has confronted the EU with its inability to react to a global crisis unanimously.

Europe demands **transparency** from the US in terms of its goals. The **right to self-determination of the Iraqi people** must be respected in order to ease the current

tension. But European contributions to stabilization forces in Africa, Afghanistan and Iraq raise the questions of where EU responsibilities begin and end.

The future of transatlantic relations lies in a common agenda leading to joint action. Despite differences over Iraq and Afghanistan, **transatlantic co-operation works** in the fight against terrorism in the fields of justice, home affairs and intelligence.

For **Russia**, the US presence in Iraq is preferable to any other outcome. But North Korea and Iran have a tremendous potential for degrading US-Russian relations. The experience of the Bush Administration is that in Iraq the “coalition of the willing,” a collection of bilateral arrangements, worked well. But the Bush Administration encounters with the UN and NATO during the Iraq crisis were debacles.

Separate Session on Economics, Finance and Trade

Global Economic Leadership and the “G2” Approach to Transatlantic Trade and Finance

US-EU convergence in the area of capital markets must be enhanced. **US actions** (or potential actions) impacting the EU are the possible accommodation of US GAAP to international accounting standards (IAS); extra-territorial reach of the Sarbanes-Oxley Act (“SOX”); and direct access of US investors to European trading screens.

Three **EU regulatory plans** might move the EU toward US norms: the proposed liberalization of rules on investing pension assets; the revision of rules on takeover defenses; and the directive on supervision of financial conglomerates.

Transatlantic leadership toward financial regulatory convergence would illustrate several basic elements of the “G-2” concept. Europe and the US could operate as a very informal steering committee, which would help reduce transatlantic tensions and tensions in traditional areas of G-2 success like trade and competition policy. Cooperation in financial services would indicate a willingness on the part of the “G-2” to exercise global leadership, demonstrating the practicability of the “bottom up” approach to overall G-2 activity, meeting the basic G-2 criteria of improving EU-US relations and contributing to a more effective global economic order.

Separate Session on Security

Bridging the Transatlantic Divide

The US always has strongly supported **European integration**. But US skepticism about the integration progress is growing, particularly concerning the ESDP. We need to enhance incentives for both European and North American NATO members to see the alliance as a crucial pillar of the security policy; and ensure that ESDP and NATO converge harmoniously and without overlapping and rivalry.

NATO is the key organization responsible for protecting the Euro-Atlantic community and for out-of-area operations. But the EU increasingly is willing and able to carry out crisis management. A future ESDP may have to contemplate its contribution to “coalitions of the willing,” given the uncertainty of NATO’s future. Still, NATO has its

advantages: it legalizes the US military presence in Europe and in the new NATO member states, bringing economic benefits to both sides. And for Europeans, NATO offers a unique standing conference for security issues on the European continent.

EU-US dialogue should include lawmakers and the public. Projects should not be unilateral, but multilateral arrangements cannot work without the United States.

From a **Russian perspective**, the transatlantic divide shows that the Cold War is over. Russia will treat the EU and US as independent actors. But two **fundamental changes** must be considered: (A) Since September 11th, the US favors taking action, including pre-emptive. Europeans must accept that there are times when action is needed. (B) European integration has proceeded enormously, and the US must be prepared for the possibility that allies may disagree with them on major issues, and willing to recognize Europe's desire to observe international law.

Separate Session on Economics, Finance and Trade

Developing Transatlantic Policies on Energy, Environment and Migration

Energy

A collaborative scheme between producers and consumers would neutralize the impact of **volatile energy prices**. This would involve expanding government-controlled inventories and using them to stabilize prices; selecting a initial price target for crude oil of between \$18 and \$20 per barrel, the prevailing price absent any anticompetitive actions by OPEC; adjusting oil output during periods of market surplus; and eliminating barriers set up by industrialized countries to trade in energy-intensive manufactured goods, allowing energy-exporting countries to capture a portion of the value added for these products and providing large, natural competitive advantage due to the location of oil and natural gas reserves. An **Oil Price Stabilization Scheme** could pull the global economy out of its deflationary cycle.

Environment:

The Bush Administration's rejection of the Kyoto Protocol and its failure to advance a serious alternative response to the problem of climate change have led to a rift in transatlantic relations. But the dispute could generate a joint initiative on environmental issues, many of which cross geographical lines. This is a chance for the US and EU to demonstrate leadership and energize a global response. An **EU-US Environmental Agenda** should include a) Global climate change emissions trading; b) Subsidies — particularly those that are environmentally damaging and trade-disruptive agricultural — are a major issue on the table in the Doha Round of Multilateral Trade Negotiations; c) Strengthened international environmental governance; and d) Environmental Research & Development initiatives.

Migration:

The fact that Europe and North America are likely to remain destinations for immigrants leads to the following **recommendations**, based on bilateral, regional and global cooperation: a) Migration policies should establish priorities aimed at

admitting those whose presence is desired and at deterring those who would pose a security risk; b) In Europe, deregulating labor markets may help bring employment to unskilled newcomers. In the US, higher minimum wages and mandated benefits may help unskilled newcomers earn enough to climb out of poverty; and c) There should be more cooperation to ensure effective operation of the 3 R's that govern the development impacts of migration: recruitment, remittances.

Common Session

Rebuilding the Transatlantic Partnership: Strategies, Mechanisms and Procedures

1. The **G-2 concept** as an informal consultation caucusing mechanism could be brought into many transatlantic discussions, either on US-EU level or bilaterally.
2. One way to break the OPEC cartel and **stabilize oil prices** might be a commodity agreement, regulating prices and in return opening up to petrochemicals production in the producing countries.
3. The EU and US must cooperate on developing **alternative energy sources** and an ambitious emissions trading scheme, combined with WTO negotiations.
4. The challenges of **migration and an ageing population** offer opportunities for mutual learning and transatlantic co-operation.
5. It is unclear whether **NATO** can change into an informal diplomatic caucusing conference. Given this uncertainty, Europe must decide what to do in a security crisis if the US decides to stay out of it. Co-operation implies a degree of autonomy. Meanwhile, Russia NATO collaboration might further the demilitarization of the Russia-Western relationship and encourage Russian domestic military reform.
6. **Economics and security** can work hand in hand -- the ease of discussions in the economic field should translate into the security sector. But this connection also can backfire if trade relationships are bound to a certain "right" foreign policy. The US-Administration is very receptive to the linkage of security with economics. But an economic solution to threats would rather see the opponent as a potential partner than as a potential terrorist, and increase incentives for co-operation.
7. Europe must plead for a more concerted, unified and cost-effective strategy in the **war against terror** and in Iraq, for reasons of global security and economy.
8. **Smart security** must be based on intensive collaboration on law enforcement and intelligence. That is a very positive step that the US and Europe could take. The visa issue, on the other hand, hinders mutual economic benefit. Many European applications are delayed due to security background checks. Closer political co-operation between the US and the EU could quickly lead to mutual benefit here.
9. The **Middle East** is a case for US European Russian cooperation, but unlike Kosovo, a solution will not work without participation of the parties to the conflict.
10. The short-term transatlantic agenda must be the **reparation of bilateral relations**, especially with Germany and France. They remain a significant impediment to the ability of NATO and any other transatlantic arrangement to operate effectively.