

**Challenges and Opportunities: Ireland and  
the Shape of Trans-Atlantic Relations**

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Relations***

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# 1

## Introduction

### 1.1 Introduction

In his 2002 article, Robert Kagan vocalized the latest version of the transatlantic relations Ice Age. By asserting that, ‘It is time to stop pretending that Europeans and Americans share a common view of the world, or even that they occupy the same world’, Kagan’s ideas highlighted the growing difficulties propelling these two powers into controversy over the future of the nature of their cooperation. However, the process of analysing the current state of transatlantic relations should not merely concentrate on the disagreements over recent issues, such as the Iraq War, for these are merely the rhetorical manifestations of pre-existing problems. The real roots of the growing European Union (EU)-US gap lie in the divergence of values and strategies arising since the end of the Cold War.

This paper considers the current state of differences in US-EU values. Distinct from this analysis, the paper also examines the divergence of each party’s agenda with regard to their foreign, trade and development policies. Subsequently, the paper defines the areas of consistent transatlantic interests’ overlap and concludes with a discussion of the possible role Ireland could play in bridging the ‘gap’ between the US and Europe.<sup>1</sup>

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<sup>1</sup> The author wishes to thank Sinead Riordan (The Policy Institute, Trinity College Dublin) and Windahl Finnigan for their comments and suggestions.

## Divergent values

### 2.1. Introduction

Neither historical events, nor the idiosyncrasies of the foreign policy approaches of the current US Government and the EU (and that of its individual Member States), adequately explain the depth of the current transatlantic gap. Instead, this paper argues that consideration of the following questions will illustrate the real nature of the divergence:

- How did the main actors in the international arena change over time?
- How are the actions and the strategies of the states legitimised in the new environment?

### 2.2 Old states, new actors

Originally, the EU was not envisioned as a counterbalance to the models followed by the US and UK, which focused on creating and supporting a democratic, market oriented society. Its founding fathers, Adenauer and Hallstein, coined the term the 'United States of Europe' in a reference to the US as a model for integration. Likewise, in the 1950s, Monnet created the Action Committee for the United States of Europe.<sup>2</sup> In this context, the European project was envisioned in terms of a voluntary federation, 'l'Europe á la carte', with US-style checks and balances, flexible but vulnerable to the perceived threat of Euro-Communism. Europe's response to Euro-communism was not to embrace the libertarian values of the US model, but consolidation of the ruling elites around the concept of a centralised Union with amplification of the welfare-state functions. The European elites were continuously preoccupied with the need to create a well-defined 'catalogue of competencies to fix a set of...operational principles that assign public tasks and instruments to one particular level of public policy'.<sup>3</sup> Thus, following World War Two (WWII), the external threat posed by Euro-communism and the efforts of the bureaucracies to preserve ideological power held Europe close to the US.

The collapse of the USSR was accompanied by a fracturing of the global arena into a number of smaller subsets of players. These included 4 types of state-actors:

- established democratic states
- transition states
- failing states

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<sup>2</sup> Duchene (1994)

<sup>3</sup> Wessels (2003), p.11.

- Rogue states.

In addition, to the four state-actors, three principal types of non-state players were identifiable:

- Multinational economic actors (including multinational corporations (MNCs), small firms and professional elites).
- Multinational non-governmental organisations (NGOs).
- International illegal organisations (organised crime and terrorist networks).

### **2.3 New views, old values**

It is arguable that the nature of the transatlantic rift between the primary international state-actors (i.e. the EU and US) may, in effect, boil down to differences in the ways Europeans and Americans perceive the role of the state and its institutions.

Americans view the state as a utilitarian construct designed to achieve objective ends without extending them to the normative context. Throughout its history, American society maintained a balance between a minimal collective identity and individual and group values. Hence, from a US perspective, the main actors on the international arena, i.e. states and international organisations, are to be inherently mistrusted. A response to the potential threat of states' self-interest defines the ethical sphere of US interests today just as much as it defined similar interests in the 19<sup>th</sup> century.

In Europe, the opposite approach is followed. In contrast to the 57% of Americans who favour a libertarian orientation by their institutions, only approximately 30% of Europeans favour such an approach. Instead, most Europeans prefer the state to play an interventionist role with regard to the development of social welfare and social security systems, collective security and advancing the collective identity through egalitarian sharing in the social experiences. Whereas Americans demand efficiency and contractual accountability from their state, Europeans delegate to a broad range of authority to their state, coupled with lower accountability. Following the establishment of the North Atlantic Treaty Organisation (NATO) as the guarantor of external security, the evolution of the role of European states became increasingly focused on the provision of quality-of-life guarantees.<sup>4</sup>

### **2.4 Balance of responses and new missions**

Following the end of the Cold War, the nature of European cooperation changed and became focused on issues such as economic development, institution building and enlargement. These issues remain key today but attempts at centralising EU policy have been continuously checked by the agendas of individual nation-states, and further restricted by the intervention of NGOs and MNCs. As a result, the number of actors

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<sup>4</sup> Nelson (2002).

with a stake in European decision-making has multiplied, with each player acquiring a claim to agenda sovereignty.

In its assessment of potential multinational engagement strategies, the US operates within the framework of NATO and bilateral agreements. Some commentators see this as a sign that the US has failed to recognise the depth and scope of the European identity.<sup>5</sup> Others see it as pragmatic response to the fact that this identity is far from solidified.<sup>6</sup> The truth lies somewhere in between. The US (whose actions were justified by what it perceives as hostile European attitudes to it) has done little to encourage the emergence of a real EU identity. On the other hand, the EU remains fragmented and incompetent in its international strategies. With the exception of the World Trade Organisation (WTO), no multilateral organisation has an allocated space for the EU – only adherence to the constantly changing *acquis communautaire* defines the common identity.

The present day disagreements are also informed by diverging values. The US frames its agenda within the dichotomies of *good versus evil*, deploying an ‘*us versus them*’ rhetoric, as exemplified by the September 2001 speech to the Congress by President Bush. Such an approach is incompatible with the European historical preoccupation with institutional sovereignty. To be legitimised by EU voters, a foreign policy must ensure that:

- Interference in other states’ affairs is justifiable only under a collective action.
- Policy requires compliance with interstate contracts.
- Foreign policy is secondary to the principles of governance.

In the words of Romano Prodi:

We are not simply here to defend our interests: we have a unique historic experience to offer... We have forged a model of... a consensual pooling of sovereignty...<sup>7</sup>

According to Wolfgang Wessels, ‘even if the future political elites turn out to be... less geared toward explicitly drawing lessons from the past, the shadow of history will remain in their memory’.<sup>8</sup> Thus, within the EU, historical precedent and institutionalism determine the legality of any strategy.

Increasingly, the differences in values between the EU and the US are illustrated in their diverging perceptions of what (and how) exactly should constitute the global mission(s) of the West. Victory in the Cold War was viewed in the US as a triumph of

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<sup>5</sup> *Ibid*, p. 53.

<sup>6</sup> Hulsman (2002)

<sup>7</sup> Prodi (2000).

<sup>8</sup> Wessels (2003), *op cit*, p. 6

democracy over illegitimacy and oppression. Europe re-interpreted it as a prevalence of Hegelian scepticism over idealism. The Americans saw the West as a power to change the world. The Europeans favoured 'organic' evolutionary processes. Washington condemns 'backwardness' and oppression, regardless of their roots. Europe seeks to draw a Hegelian continuity of regimes through history and culture. Direct engagement of rogue states and dogmas became the *modus operandi* for the US. Appeasement and diplomatic proceduralism prevail in Europe. The Iraq War has brought these differences to the forefront. To Europeans, the American conviction that democracy can be grafted 'onto an alien political culture' was identified, in the words of the *Frankfurter Allgemeine* as 'ahistorical' and 'naïve'.<sup>9</sup>

## 2.5 The Gaullist challenge

Increasingly, nationalist pan-European voices envision Europe as a counterweight to the hegemonic *hyperissance* of the US. In 1999, the French President Jacques Chirac steered the EU into opposition to the US by declaring that the current day 'multi-polar world' required the EU to act as a counterbalance to US ambitions.<sup>10</sup>

The reasons behind the rise of what this paper considers to be 'Gaullism' are primarily structural. By 1990 the European nation-states constituted little more than regional powers, in contrast to the superpower status that the US had attained. Yet Europe itself had changed. What earlier was a legitimate arena of interests was, with European unification, rapidly becoming the internal domain of the nation-states. The erosion of the nation-state sphere of influences, combined with the shortage of centralised EU power to determine and articulate a cohesive foreign policy agenda created the possibility of a Gaullist take-over of the European agenda outside the NATO. This scenario can be viewed as part of a general propensity on the part of France as it seeks to re-establish itself as a global power and representative voice for the majority of EU Member States.<sup>11</sup>

On the other hand, the US itself does not resemble a European-style super power. Unlike the former European superpowers, the US acts to maintain the world order not out of a consideration of military balance, but in response to potential threats. This makes the US a non-aggressive superpower that will take the cause of both its stronger allies and weaker states, in addressing present and potential threats to the world order.<sup>12</sup>

A possible reason for European 'opposition' to the US agenda may be the former's realisation of the latter's social and economic power. Following in Morgenthau's steps, the Gaullists view globalization as a US-led invasion of their sphere of interests. In his 1999 book, Rodman cites *Der Spiegel* in saying that, 'The Americans are acting, in the

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9 Pond, (2003), pp.191-203.

10 Chirac (1999).

11 For a brief analysis of the progression of the French anti-American position from isolation to prominence within Europe see de Wijk (2003), pp. 203-205

12 Ferguson (2003) pp. 154-161

absence of limits... as if they own a blank check in their McWorld'.<sup>13</sup> It is this McWorld that purists most fear.

## 2.6 The role of Germany

It is arguable that Germany too has played a key role in this drift from close post-war relations between the EU and the US, particularly when one considers the provocative statements by Gerard Schroder (the German Chancellor) during August-September 2002.<sup>14</sup> What some considered the 'moralising nature' of the Chancellor's remarks signalled that Germany was preparing its own 'soft' power solution to the question of Iraq's future – one in which a pacifist approach to crisis management was dominant. *Ex post* the American-led action, it is clear that, as of July 2004, such a solution has not yet materialised nor it is clear whether what was intended or planned. Instead, Germany appears to have simply accepted, *prima facie*, the multilateral UN-led approach. As Kissinger noted, Schroder's *sonderweg* was seeking for Germany, 'security in a abstract moralism veering towards pacifism' as a new German Way.<sup>15</sup> It is possible that the key difficulty emanating from Germany is its inability to act outside the constrained policy space of multinational institutions.

Since WWII, victorious on political and economic fronts, the US evolved into a superpower comfortable with its role. Instead of fearing its own ambition, as Germany did, the US confronted new threats by consolidating its society around the common American identity and the Office of the President. The Congressional act of October 2002 (granting the Presidency wartime powers) naturally addressed the new anxiety. The fact that the path followed by the US is one so different to that followed by Germany is perhaps largely attributable to two key factors. Firstly, the German psyche tends to view with suspicion any efforts of the leadership to rally the electorate under the flag. Secondly, the decline in left-wing terrorism throughout the continent lessened the concerns of Europe with such issues. In this context, the German reliance on the possibility of a soft power solution is emblematic of what some may describe as the inability of European society to see beyond their historical experiences. One of the best examples of such *moralpolitik* is the 1999 Schroder-Fischer campaign to enlist support for NATO operations in Kosovo in contrast to the German engagement in Afghanistan, which was secured via a political gamble.<sup>16</sup>

## 2.7 Unilateralism versus multilateralism

The divergence in the US and the European *modus operandi vis-à-vis* multinational institutions is not as clear-cut as their differences in values. Historically, the main rationale for the increasing disengagement of the US from multilateral institutions can be found in the latter's dramatic failures to address the concerns of US foreign policy.

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<sup>13</sup> Rodman (1999), pp.2-10.

<sup>14</sup> Gardiner and Dale (2002)

<sup>15</sup> Kissinger (2002), 'The 'Made in Berlin' Generation', *Washington Post*, December 10 2002, p. A29.

<sup>16</sup> Both Kosovo and Afghanistan illustrate engagements in which the transatlantic Alliance intervened primarily for human rights reasons. Germany was able to make a moral case for their involvement in Kosovo, in contrast however, its involvement in Afghanistan was based primarily on the then German Chancellor's ability to persuade the German public to follow his domestic agenda.

The Europeans, with the exception of France and the UK, tend to see the post-WWII institutions as the source of self-legitimation for the nation states and the European Union at large. Institutions and proceduralism, exemplified by the binding commitments to the EU regulatory codes (some may say, regardless of their necessity or efficiency) are key pillars of the present day EU and core states' strategies (in contrast with the strategies followed by the peripheral member-states). Hence, one may say that the multilateralist values of European perceptions are in direct contrast to the utilitarian views held by the US.

The attitude of the US toward multilateral institutions is closely linked with Washington's choice of strategies. All previous US administrations and legislative decisions oscillated between the use of multilateral or unilateral means. Following a multilateral approach brought with it an implied greater international legitimacy as this ensured the involvement of the relevant international institutions (e.g. UN, NATO, IMF) but this occurred at the expense of lower operational efficiency. Going alone (or following a unilateral course of action), on the other hand, was feasible and efficient, but carried with it a number of implied costs in terms of public relations management. Thus, the present day US preference for limited multilateralism must be placed in the context of the changing threats and demands for efficiencies it faces.

The issue of global collective security was the main force driving the creation of the UN. The January 1992 Summit of the UN Security Council stated that, 'All Member States... reaffirm their commitment to the collective security system of the Charter to deal with threats to peace...'.<sup>17</sup> Similar goals on the part of NATO were agreed in its bylaws and in the invocation of the collective defence clause following the September 11, 2001 attacks in America. The multinational guarantors of collective security include Chapters 6 and 7 of the UN Charter, the invocation of both of which have proved unsuccessful in recent years as evidenced by the failure of the UN in a number of instances in Yugoslavia, Iraq, Africa, North Korea and Indonesia. The former Assistant UN Secretary General, John Ruggie remarked that, 'It is no exaggeration to say the UN today lacks the capacity to act predictably on its core mission'.<sup>18</sup> The impotency frequently experienced by multilateral institutions in enforcing their own bylaws is not restricted to the UN alone. Both the International Monetary Fund (IMF) and the World Bank have presided over numerous defaults and violations by client states.<sup>19</sup> Other multilateral institutions have tolerated and appeased rogue regimes with appalling record of violations. Where punitive actions were undertaken, the multilateral nature of the presiding authority often resulted in compromises that fell short of the reforms needed, as was the case with the Biological Weapons Convention and Kyoto Protocol.

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<sup>17</sup> 'Statement of the UN Security Council Summit Meeting', UN Document S/PV.3046, January 31, 1992

<sup>18</sup> Ruggie (1992), pp. 561-598.

<sup>19</sup> See Gurdgiev (2004a).

In the light of such failures (particularly on the part of the United Nations), one may argue that it is hard to blame the Bush Administration for its growing scepticism over broad based international institutions. The present sentiment is not unique: during the Clinton presidencies, US Congress passed two pieces of legislation condemning the UN inability to enforce its own laws. First, in 1995 in the context of the Bosnian conflict, a bipartisan majority vote condemned the Security Council for actions ‘inconsistent with international law’.<sup>20</sup> The bipartisan 1998 Iraq Liberation Act explicitly recognised the UN’s inability to address the problem of weapons of mass destruction (WMD) proliferation and laid out the legal basis for a unilateral US action.<sup>21</sup>

On the surface, Europeans appear to present a unified front in their embrace of procedural coalitions and their criticisms of US-led coalitions. Yet, leaving aside the British model of multilateralism which in itself closely resembles the US approach, it is interesting to note that not only Member States share a common position on what constitutes multilateralism (for example France’s view is considerably different to that followed by the UK). Hence, it is wrong to speak of European multilateralism as a singular strategy. The French have a purely utilitarian attitude to both multilateralism and international diplomacy. The tools of conflict resolution are assessed on an equal footing with the option of unilateral use of force. Both France uses both tools – for example, French absenteeism from the multilateral chemical weapons ban exemplifies France’s use of unilateral actions, as does their 22-years long refusal to join the Nuclear Non-Proliferation Treaty. In Africa, no other country can be linked to as many applications of unilateral use of force as France. Germany holds a distinctive attitude to international institutions. Since *Ostpolitik*, German foreign policy has almost exclusively focused on multilateral engagement, often at the expense of either threat analysis or policy objectives. As such, the process supersedes the objective. Such an approach is reflective of Germany’s lack of capability to deliver ‘hard’ power. Thus, the threats of WMD proliferation, rogue states and terrorism, which are seen as fundamental and so, top the US agenda, are superseded by the threats of global warming, human rights and immigration in Germany.

Hence, there is no coherent European stance on the issue of multilateral versus unilateral strategies. At present, a multilateral approach dominates the agenda in France and Germany, while the EU itself is willing to engage in unilateral actions. For example, consider the proliferation of bilateral trade negotiations involving the EU. If the European alternative to the US is to embrace multilateralism, how can one explain the fact that the EU commonly deviates from this strategy in the WTO? Why does an ideologically driven Union fail to engage the rest of the world in a debate about the multilateral strategies that it advocates?

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<sup>20</sup> ‘The 1995 Bosnia Herzegovina Self Defense Act’, US Congress, July 26, 1995

<sup>21</sup> US Statutes at Large, volume 112, 1998.



## 3

### EU weaknesses

#### 3.1 Introduction

As previously mentioned, the current difficulty in US-European relations may be partially attributable to the decline in the nation-states' spheres of influence. This decline can be traced to the failure of the European states to enhance their capacity to project social, economic and military power. As a result, Europe today 'still has difficulty reconciling goals and means'.<sup>22</sup>

#### 3.2 Military impotence

It is arguable that the EU as an institution and its Member States (as individual national states) are currently in a state of military impotence (or inadequacy) as evidenced in the lack of defence spending, with current EU defence expenditure at approximately two-thirds of that by the US. The allocation of what funding does happen is another key factor; Europeans (with the exception of the UK) spend 60-80% of their military budgets on bureaucratic apparatus, salaries and payroll expenditures, relative to the US's 36%. This implies that the US and the UK spend a greater share of their military budgets on research and development (R&D) and deployment capabilities.<sup>23</sup> In addition, the inability to end the stalemate over the European Security and Defence Policy (ESDP) and other initiatives exacerbates the problems of financing. The ESDP was originally envisioned as providing an acceptable European led response to the US-led NATO operations in Macedonia. However, it quickly fell victim to internal disputes between Members States (in this case, the Greco-Turkish squabble over EU access to NATO assets) leading Everts and Grant to conclude:

The gap between the proud rhetoric with which the Europeans launched the ESDP, and its unimpressive performance... only reinforces the argument of those Americans who claim that the EU will never be a serious global player.<sup>24</sup>

At present, EU military capability is currently at about a quarter of US capacity.<sup>25</sup> In some areas, notably in mobile and complex terrain units, sea and airlift and logistical support, European forces have only 10-15% of the US capability.<sup>26</sup> With the exception of France and the UK, no European country can deploy a functional expeditionary force without the need for US logistical and lift support. This is why, according to the *Economist*, Richard Perle was correct in qualifying the European defence capability as

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22 Moisi (2001)

23 Daley (2001), p. B5.

24 Everts and Grant (2002).

25 Hausman (2000), p. 73.

26 De Wijk (2003) *op cit.*, pp. 197-210.

‘atrophied to the point of virtual irrelevance’.<sup>27</sup> For the US, with the exception of over-flight and staging area rights, the Allies involvement in the past operations was an operational inconvenience but politically expedient. It is unlikely that there will be any significant developments in this position. Indeed, some may argue that the favoured approach of the EU and its Member States to resolving international disputes that is, through diplomacy, is arguably nothing more than an attempt to save face.

### 3.3 Economic weakness

The general inability of the EU to project economic power comparable to that of the US is a well researched and discussed topic. However, it is useful to reiterate a number of points important to this discussion. In terms of economic growth, the 1990s productivity expansion in the US and the EU periphery bypassed much of the EU. Most of the EU economies spent the last decade in blissful ignorance of structural problems such as labour markets rigidity, pension funds inadequacy, perverse incentives in the welfare provisions and lack of entrepreneurship. As a result, the core economies stagnated throughout the decade. According to OECD figures, the number of private sector jobs in the Euro zone has remained at the 1970s average. A familiar case study is the plight of Germany with over 10 million unemployed, a 1.5% average growth rate over the last 12 years and the highest labour costs among the OECD economies. Today, at least six states within the EU are defaulting on their obligations under the Growth and Stability Pact, prompting *EU Observer* to comment that ‘there is little doubt that the credibility of the euro is at stake’.<sup>28</sup> French and German budget deficits are comparable in magnitude to those in the US, yet both countries can only expect a fraction of the anticipated future US rate of growth (and unlike the US, both experienced severe deficits during the 1990s).

Equally dangerous is the implication of the ideological link between globalisation and the American hyperpower as a driving force behind economic liberalisation. Both prior and after the events of September 11, 2001, French-led European efforts aimed at countering the US hyperpower were at least partially based on European intellectual opposition to the US leadership’s role in advancing global economic liberalisation and democratization. Reinforcing this, the terrorist threat rests on the notion that the US is the driving force behind the global economy, and must be controlled by multipolar alternatives. However, from the European perspective, the problem of such a doctrine-based opposition to the forces of economic liberalisation is that sooner or later, the process of vilification will also reach the EU. The fact that Europe, together with the US, is the largest player in the global economic arena will not elude the opponents of social modernisation. Simply withdrawing European cooperation from US efforts to attain democratisation and globalisation is not a magic bullet against the perceived dogma-based terror threat that some may suggest.

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<sup>27</sup> ‘Transformation Postponed’, *The Economist*, 16 February 2002.

<sup>28</sup> ‘Brussels Hits Member States for Six’, *EUObserver.com*, April 13 2004.

### **3.4 Welfare-state graveyard?**

The general weakening of the welfare state has exacerbated the economic problems experienced by many European states over the last 30 years. In part, the trend is demographically driven: by 2010, tens of millions of Europeans will reach the age of retirement. This will place an unbearable burden on the Social Democratic economic system (followed in particular by France and Germany), which is designed to provide generous buy-outs of the excluded classes.<sup>29</sup> Furthermore, the social security costs of the European welfare states account for over 40% of all payroll expenditure, relative to 15% in the US.

By 2005, Germany, Spain, Italy and Sweden will experience a 9-10% contraction in their working populations. Over the last 30 years, population growth and changes in labour force participation rates accounted for over two-thirds of the GDP growth in the OECD. The decline in the EU labour force, coupled with the anaemic growth in total factor productivity will cost the continent nearly half of a percentage point in annual growth rates in the first quarter of the 21<sup>st</sup> century, doubling to 1 percentage point following 2025. The commonly proposed 'open immigration' solution is perhaps an illusion. In order to offset the economic costs of ageing, Germany would have to admit four immigrants for every five German-born citizens in 2025. It is arguable that the child subsidies offered in France will represent an intervention that is 'too little, too late' and may leave France experiencing a double demographic problem namely, twin-peaks of old age and child dependants. In addition, the European demographic time bomb may also spell disaster for capital wealth on the Continent, as it will reduce the number of young homebuyers and investors. The spectre of a Japanese-style economic crisis (triggered in part by the collapse of the real estate market and which contributed to the beginning of a long economic recession) haunts Europe's core in more than one dimension. European states, facing an increasing welfare-state burden, could easily fall prey to the same dynamics. Dangerously, both France and Germany are currently failing to reduce their fiscal spending and the burden of taxation.

### **3.5 Lack of political power**

In the political arena, the European Union appears to be strong on rhetoric but weak on substance. Structurally, the main differences within the EU persist along the line of state ideology. Along the periphery, most states advocate a more libertarian approach to EU policy making. Within the core, France pushes for more centralisation, while Germany pushes for both greater enlargement and centralisation. In the words of Moisi,

Europe is still caught between the dual challenges of globalisation and enlargement, and it cannot define its identity. Those who have power in

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29 Currently, unemployed Germans are eligible for pension benefits at the age of 60, while any employee is eligible to draw unemployment benefits for up to 3 years. This has led to an increasingly common scenario whereby workers retire at the age of 56 in order to collect their unemployment insurance. See for example, Gendell (1998) for further discussion of this issue.

Brussels have not yet acquired legitimacy, and those who have legitimacy in the national capitals now have less power.<sup>30</sup>

The EU has repeatedly failed to develop a set of founding documents. The current debates surrounding the proposed European Constitution is indicative of the deep-rooted difficulties faced by the bureaucratic super-state in attempting to impose its will on Member States.<sup>31</sup> In short, regardless of how much ‘positive’ talk emanates from Brussels, Europe is not likely to produce much of a real power challenge to the US in the near future. This is why European realists continue to recognise that, ‘the global age has not changed the fact that nothing in the world can be done without the United States... The world has to accept the United States as it is...’<sup>32</sup>

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30 Moisi (2001).

31 In addition, the EU has thus far been unable to articulate a common foreign and security policy.

32 Moisi (2001), op cit.

## 4

### US weaknesses

#### 4.1 Introduction

Unlike the EU, US domestic policies compliment the American international agenda, while US economic strength drives US strategic dominance across the world. However, the US position on trade and development is only marginally better than that of the EU.

#### 4.2 Aid and trade

As of 2004, the extent of US commitment to the rules-based system of international trade remains uncertain. Following the repeal of the steel tariffs, the US continued to test the limits of the WTO. The Continued Dumping and Subsidy Offset Act (known as the Byrd amendment) was signed into law by the Clinton Administration in October 2000. In September 2002, the WTO Dispute Settlement Panel and, later in January 2003, the Appellate Body, ruled that the Byrd amendment is a violation of WTO agreements. In the ensuing dispute with the WTO, it is the US Congress who appears to be adopting a defensive stance. In February 2003, 69 US Senators wrote to the White House stating that ‘the WTO has acted beyond the scope of its mandate by finding violations where none exist....’<sup>33</sup> Last year, the CATO Institute analysed the voting records of the Congress: only 15 members can be classified as proponents of free trade, with 106 members voting either in favour of subsidies or trade barriers, or both.<sup>34</sup> A related set of difficulties arises in relation to the issue of agricultural subsidies. In the EU, 35% of farm income is derived from subsidies, while in the US the comparable figure is 21%.<sup>35</sup> Over the last decade, the level of US farm subsidies has slowly subsided, while EU subsidies increased from around €25 billion in 1990 to €44 billion in 2002.<sup>36</sup> These subsidies, together with the developing countries unwillingness to negotiate in good faith on the so-called ‘Singapore’ issues resulted in the collapse of the current WTO round in September 2003.<sup>37</sup> Since then, the talks have not resumed. Instead, both the US and the EU have re-focused their attention on obtaining bilateral trade deals across the world. As the recent US-Australia trade deal and the ongoing EU negotiations with Brazil and Argentina illustrate, such agreements lack any bite in terms of the barriers to trade in labour-intensive industries.

Turning one’s consideration to the development agenda, one sees that the present US administration inherited the development policy of the Clinton presidency, which adopted an appeasing position on aid and debt forgiveness. The present Administration

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<sup>33</sup> Ikenson (2004)

<sup>34</sup> *ibid.*

<sup>35</sup> Griswold (2003)

<sup>36</sup> ‘Sour Subsidies’, *The Economist*, April 15, 2004

<sup>37</sup> See for example, the analysis of the collapse of the Cancun Ministerial meeting (source: [www.twnsid.org.sg](http://www.twnsid.org.sg))

moved quickly to redefine its policy in this area and developed instead the Millennium Challenge Account which based the receipt of aid on the recipient's willingness to accept certain conditions such as the adoption of conditionality of best practices in governance and other reforms felt necessary to increase increasing the efficiency of aid distribution and implementation. Despite a widespread consensus on the efficiency gains arising from conditionality, a number of difficulties arise when aid is granted on the basis of recipients accepting certain conditions. These include the possibility of funds mismanagement and the potential conflict between the traditional (sovereign) foreign aid programmes that may 'crowd out' the conditional funding administered by the US. Given that most European aid projects still follow traditional foreign aid programmes, 'crowding out' is a significant added source of potential US-EU frictions. This threat is already evident in the different approaches taken by the US and some European states, most notably France, in their financing and regulation of the NGO sector.<sup>38</sup>

### **4.3 Unilateralism *redux*?**

The limited multilateral approach to policy followed by the US suffers from a significant degree of inconsistency. Following September 11, the US refocused its outlook on what it considered to be failed states as well as international illegal organisations. As part of this re-focusing, the US stated that the new Republican paradigm in foreign policy would emphasize building and reinforcing coalitions. The disagreements with Europe over Iraq signalled a brief departure from this position. Overall, the US administration record in coalition building is extremely uneven. The US appears to be uncertain about the nature and scope of the coalitions needed to achieve its objectives. As a result, key players are commonly discarded: both Russia and China were treated as unimportant or hostile to US objectives in the context of Afghanistan and Iraq. At the same time, both countries were actively drawn into the post September 11 coalition against the threat of terror (at the cost of significant concessions to these countries).

The realisation that the US is capable of conducting its military operations alone has led to a degree of over-confidence on its part. After the initial offers of multilateral assistance from the EU and its Members States in the wake of September 11, the US has acted to outline its position on multilateralism, namely as a course of action which is desired, but not necessary. Following the famous Presidential address to the joint session of Congress, Newt Gingrich commented that, 'There are only two teams on the planet for this war. There's the team that represents civilisation and there's the team that represents terrorism... There are no neutrals'.<sup>39</sup> This statement signals both the strength and weakness of the present US position. Its strength lies within the moral rhetoric that has proved highly efficient (at least in the short-term) in consolidating American society (e.g. rallying around the flag) and the projection of will (by stating

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<sup>38</sup> See for example Cohen (2004).

<sup>39</sup> Lemman (2001), p. 75.

what its intended plans are vis-à-vis its enemy). Its weakness lies in the fact that it seemingly allows for no variation within the transatlantic alliance power sharing arrangements. However, recent efforts at developing a cooperative dialogue between the US and Jordan, as well as the accommodation of Pakistan and Russia in the past must indicate to European allies that the US position can be flexible. Ironically, none of the states suited for an efficient anti-terror coalition are European<sup>40</sup> - Europe lacks any direct links to the region where the 'war on terror' is currently being conducted, nor does it possess any vital capability that US lacks. American resolve coupled with the demand for unconditional allegiance should not be viewed as hegemonic posturing by the Europeans. Instead, it signals that no compromise is possible in the outward expression of an effective alliance. Whether or not some tactical compromises and division of efforts within the alliance are possible remains to be seen.

In addition, the US has failed to develop sufficient backing for its doctrine of democratisation by force. Here, European suspicion of US attempts to project democratic social and political values and institutions into Iraq (as well as to other failed states) is partially justifiable largely due to the failure of the US to coherently articulate the process of democratisation. Present day European scepticism, however, fails to provide any coherent alternative to the US view. Clearly, more future debate is needed in order to develop a necessary toolbox of strategies for dealing with failed states. Here, the potential contribution of the European allies could arise from a combination of the US capacity to project force with the EU's willingness to supply logistics and share in the funding of the process of democratisation.<sup>41</sup>

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<sup>40</sup>From the point of view of both strategic analysis of potential solutions, and the required military and post-reconstruction capabilities.

<sup>41</sup>For more on the issue of Europe's role in Iraq and the potential for re-engagement with the US see Gurdgiev (2004b), 'Rebuilding Iraq must be a priority' *The Irish Independent*, 21 July 2004, p. 19

## 5

### Common interests

#### 5.1 Introduction

This section identifies a number of areas of common interest to both the EU and US and explores the favoured approach followed by both to-date and suggests possible approaches to reconcile these different approaches as appropriate. The areas examined are:

- Trade
- (De)regulation gap
- Promotion of global democratic development
- Economic liberalisation

#### 5.2 Trade

Throughout the second half of the 20<sup>th</sup> century, the US and its European allies were the driving forces behind trade liberalization. However, the US was the leading economic power that combined trade liberalization with a push for democratization. As mentioned above, current differences on trade and subsidies derailed the latest round of WTO trade negotiations. Despite this, both the US and the EU remain committed to the broad agenda of economic liberalization. These commitments were reaffirmed in statements issued by the EU and US representatives following the Cancun meeting.

However, differences are notable and in general, the differences in how they view trade are directly linked to the differing social values held by each State. Americans perceive competition as a positive force that leads to greater prosperity and growth for all involved, while European states continue to view trade and economic competition as a zero-sum game of attrition.<sup>42</sup>

#### 5.3 (De)regulation gap

Currently, the bilateral investment stocks between the EU and the US exceed US\$3 trillion in each direction. However, as Dan Hamilton, the director of the Center for Transatlantic Relations states, regulatory policies exercised by both the US and the EU member states often act as impediments to trade and investment flows.<sup>43</sup> The regulatory differences between the member states and the US are important in two contexts. Firstly, the regulatory requirements imposed by the developed countries serve

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<sup>42</sup> See for example, the statement by the Chief Economist at the World Bank, F. Bourguignon following the break down of the Cancun Ministerial Talks (source: IPS/Global Information Network, 20 February 2004).

<sup>43</sup> Hamilton, (2003).

as the common denominator for future global policies. In this context, any present day disagreement between the US and the EU will be amplified worldwide. Secondly, there are real compliance costs imposed by both the US and EU, often without proper economic and social justification. Since the US Congress passed the Sarbanes-Oxley financial reform act, European firms engaged in the US have experienced compliance difficulties. On the other side, EU regulations imposed on chemical manufacturers are threatening US companies' access to European markets.

As a small, open economy, with an extensive MNCs presence, Ireland can offer a unique bridging structure for non-EU companies interested in gaining access to the European markets. Firstly, in the short run, Ireland can facilitate the consultation, cooperation and coordination necessary for compliance with EU directives. Secondly, Ireland can act as a springboard for US companies lobbying regulatory authorities within the EU. Thirdly, in the long run, Ireland should aim at increasing the capacity of the EU regulatory environment by advocating minimal compliance rules, whereby foreign companies that comply with one set of national regulations are allowed to gain access to the rest of the EU.

Specifically, with respect to the minimum compliance rules, the current push toward harmonization of the regulatory environment implies that the EU intends to install either mean criteria for compliance based on existing regulatory conditions in the Member States, or to create an overarching new set of compliance criteria on the basis of specifically introduced EU legislation. The first policy can and does lead to the adoption of rules reflective of the already high regulatory burden found within the EU. Examples here include the European ban on genetically modified foods, EU equality legislation as pertaining to the issues of financial services and EU-wide convergence of the state-administered export supports in agriculture. The second approach can result in the adoption of rules that are not reflective of the divergent economic agendas of individual member states. In this context, tax harmonization efforts, as well as budgetary rules harmonization can serve as examples of policies that have often pushed regulatory uniformity too far and too fast. In either case, a one-size-fits-all approach to decision-making is often irreconcilable with the different agendas pursued by Member States.

#### **5.4 Promoting democracy**

Both the EU and US share a common goal with reference to the promotion of global democratic development. At a political level, both partners must cooperatively engage in institution building within those states where democratic processes are nascent or under the threat of nationalism and dogmatism. In this context, greater efforts must be made to ensure that the US doctrine of state building coincides with the European view as to the importance of the direct engagement of NGOs and inter-governmental organisations in institutional participation. This potential pillar of shared objectives can be further augmented by the Allies cooperation in shifting the development focus away from direct aid into the arena of institutional reforms. By reducing the reliance of

development policy on financial transfers, the strategy may be more appealing to US constituencies inherently distrustful of state aid. It can also appeal to European states, which see direct engagement with NGOs as a more desirable method of delivering aid. It is possible that the US Frost task force, which saw the US Congress offer direct assistance with infrastructure to the Eastern European parliaments during the transition period of the 1990s, could serve as a template for future EU-US cooperation.

### **5.5 Economic liberalisation**

As an emerging economic power, Europe should be interested in protecting the common Western interest of continued economic liberalisation around the world. Thus, the present discourse concerning the nature, means and direction of globalisation must be of equal importance both in Brussels and Washington. If the West can win support for globalisation in key parts of the world, including Europe's own backyard, it will be able to simultaneously confront terrorist networks, failing states and rogue anti-Western movements.

From a US perspective, these efforts will have to involve downshifting current policies in the direction of gradual and precise definition of goals and targets (and thus, away from the over-generalising position adopted so far). The US should, in its relations with the allies, including Europe, move by inclusion and compromise, combined with an outward projection of unity and strength. At the same time, the US must re-justify its power and strategies. The new coalition building should include, on the US side, an increase in transparent and cooperation-contingent foreign aid, and the redefinition of a cooperative strategy of nation building.

Ironically, similar objectives are valid for the European allies. Europe needs to identify its own role complimentary to the US, a role that should recognise two main realities of the present day. First, the EU cannot currently compete with US power in setting the global agenda simply because it lacks the capabilities to deliver and the necessary cohesiveness to develop such capabilities. The second reality is that the Alliance may sometimes act to defend principles and values that many state players find unpalatable in the short term. This is precisely what defines principled leadership. The nature of such leadership often implies that the strategies aimed at achieving these values must be straight jacketed into an uncompromising rhetoric, inconsistent with competing forms of multilateral engagements. It requires, instead, the development of complementary tasks, strategies and policies that serve to reinforce the external projection of the alliances.

### **5.6 Security policy**

In June 2003, the EU high representative for the Common Foreign and Security Policy prepared a draft EU security strategy addressing the key threats of international

terrorism, WMD proliferation and failed states.<sup>44</sup> This document acquired central significance in the wake of the Madrid bombings in early 2004, bringing the EU strategy in this dimension closer to US views. Prior to this, the EU policy initiatives were primarily a rhetorical device. With the exception of co-ordination of a number of policy actions, symbolic participation in Afghanistan and some immigration reform proposals, the EU remained relatively uninvolved in the so-called ‘war on terror’.

An instructive example of the convergence of US and European views on the issue of WMD proliferation can be drawn from recent diplomatic efforts by the EU to ensure Iran’s compliance with the Nuclear Non-Proliferation Treaty. Historically, the Allies disagreed on the best way of engaging with the threat posed by the emergence of a nuclear Iran. Throughout the 1980s and 1990s, the US adopted a classical containment stance, imposing strict economic sanctions and applying the threat of force. The core European players in the area, France and Germany adopted an approach aimed at engaging the country in compliance. As of 2003, these differences between the Allies positions appeared to be bridged. In the face of growing evidence as to the nuclear ambitions of Tehran, the EU foreign ministers issued a statement demanding Iran’s compliance with the beefed-up inspections by the IAEA. The statement was particularly significant in that it called for tangible sanctions in trade and economic assistance in the case of non-compliance.

## **5.7 Russia**

One of the most important areas of common interests between the EU and the US is the need to ensure the stability and development of the allies’ relationship with Russia. Both the EU and the US have a shared interest in assuring the strengthening of democracy and economic progress in Russia, the largest European country. Both sides are thus compelled to continue to develop a comprehensive and coherent strategy to engage with Russia.

The US has so far led this process - In 2002, the US ambassador to Moscow, Vershbow called for a strengthening of the relations through the establishment of a fully functional joint venture ‘between two powerful, independent entities’, a so-called ‘alliance within the Alliance’.<sup>45</sup> An example of the type of initiatives sponsored by the US (and supported by the European allies) is that which sought to bring Russia into closer cooperation with NATO. During a 2001 visit to the US by President Putin, the present White House administration announced a unilateral reduction in US strategic nuclear warheads from around 6,000 to 2,200. Likewise, over the years, Russia facilitated US access to military bases in some of the former Soviet Republics and joined as an active participant in the US-led coalition against international terrorism. Russia’s response to the US unilateral abandonment of the ABM Treaty in 2001 has

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<sup>44</sup> Solana, (2003).

<sup>45</sup> Vershbow (2002), pp.10-12.

softened substantially in recent years.<sup>46</sup> Likewise, Russia has adjusted its outlook on other points of contention, such as the enlargement of NATO, WMD proliferation, the Caspian Sea Oil pipeline and Georgia. The latter case is the most promising for the future of the unstable region of the Caucasus Mountains. Recent developments in Adjara, Northern Osetia and Pankisi Gorge, and Russia's acceptance of the US military presence in Georgia suggests that US-Russian engagement in the region can yield tangible results.<sup>47</sup>

The EU common strategy on Russia is less coherent. On the one hand, there are growing efforts to bring Russia closer to Europe to address shared areas of concern such as organised crime, immigration and the environment. On the other hand, the recent enlargement of the EU created significant bottlenecks in those areas of EU policy of particular importance in its relationship with Russia. Difficulties are also evident in developing political trends within the EU such as the growth in anti-globalisation and regulatory protectionism as well as by the rise in voices favouring domestic industry protection across the continent's Core – each of these impose economic and political costs on Russia.

The EU's inability to coherently tackle these issues was highlighted during the recent accession of the Baltic States to the EU. While EU-Russian dialogue (prior to the accession) did yield positive results particularly with regard to the liberalisation of trade in major commodities, it did not resolve the equally vital issues of agricultural trade, capital and personal mobility and the protection of Russian-speaking minorities within the new Member States. Furthermore, the EU has not to-date demonstrated any intention to remove the barriers to free competition in its manufacturing sectors. Quotas on Russian steel products remain in place, as do antidumping measures on a large number of materials in which Russia has comparative advantage. A related issue that remains unresolved is that of the interconnecting customs regimes and transit rules. The EU was forced by enlargement to accept a liberalised regime for goods transit between the Russian mainland and the Kaliningrad enclave, yet failed to use this as a platform from which to explore the liberalisation of the prohibitive customs barriers in relation to EU-Russian trade flows. Similarly, no progress has been achieved in facilitating visa regime relaxation for Russian citizens, including those who now reside within the EU.

More progress has been achieved in efforts to secure the stockpiles of WMD in the former Soviet Union. The US spends about \$US 1 billion annually on such programs, including the Comprehensive Threat Reduction program. In July 2002, a number of EU Member States (under the auspices of the G-8) pledged to contribute a similar amount

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46 One immediate effect of US policies in this area is the breakdown in the diplomatic rapprochement between Russia and China that had developed in recent years. As early as March 2000, the Putin administration identified the necessity of strengthening Russia's ties with the US within the Sino-Russian-US triangle. Erumer stated that 'The first impression is that China has come out the big loser in the aftermath of 9/11. To the extent one could talk prior to that date about a nascent Russian-Chinese anti-US partnership, the latter appears to be in even bigger trouble than before. Vladimir Putin's decisive stance in support of US actions has triggered a new dynamic in US-Russian relations. The Bush-Putin 'agreement to agree' in Shanghai, regardless of the fine print was an important signal of the high priority the two presidents placed on developing good US-Russian relations' (source: [www.ndu.edu/inss/China\\_Centre/PLA\\_Conf\\_Oct01/Erumer.htm](http://www.ndu.edu/inss/China_Centre/PLA_Conf_Oct01/Erumer.htm))

47 See comments by the US Secretary of State, General Colin Powell in January 2004 report on <http://www.state.gov/p/eur/ci/gg>.

over the next 10 years. This '10+10x10' program on the one hand demonstrates the advantages of a working global partnership involving the EU and the US. On the other hand, by not including the non-G-7 European states, it demonstrates the inherent weakness of the EU in formulating unified policy.

## 6

### Opportunities: Irish context

#### 6.1 Introduction

The set of advantages and problems faced by both the EU and the US in their relations offer a unique set of opportunities for mediation. Ireland, due to its intermediate stance in terms of the economic and political spectrum (as well as its close economic and cultural links with the US) between the US and the EU, is well positioned to act as a neutral mediator. There are many potential benefits that may arise from Ireland's active engagement in bridging the transatlantic gap and these are well recognised by all aspects of the Irish political spectrum.<sup>48</sup>

#### 6.2 EU military reform

With regard to EU military capability and strategy reform, Ireland could play a role in steering the EU in the direction of strengthening its joint limited strike force capabilities. The balance in this area is currently precarious. The EU needs to increase the degree of military strategy harmonisation, both internally and with the US, through existing NATO programs. At the same time, the EU needs to accept the reality that in future conflicts, the US will most likely act as the main combat force, with the EU specialising in post-conflict operations. Ireland could help to foster a relationship on this basis by establishing a dialogue along with NATO, on the potential 'division of labour' between the US and EU.

Significantly, the EU has recently moved in the direction of developing a coherent military strategy. The European Capabilities Action Program in NATO's 2001 Prague Capabilities Commitment and the Laeken summit of 2002 saw the publication of a defence book outlining EU strategy on the use of military power.<sup>49</sup> In 2003, the EU high representative, Javier Solana, published a conceptual strategy (designed along similar lines to the US national security strategy), which argued that in some instances, use of hard power, inclusive of the pre-emptive strike 'can avoid more serious problems in the future'.<sup>50</sup> Ireland can act to facilitate this movement by fostering a transatlantic dialogue on the issue of 'soft' and 'hard' power use. This dialogue could follow similar lines to those expressed in NATO's 2003 Prague Summit proposal for the creation of a NATO Response Force.

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<sup>48</sup> See for example the Fine Gael Platform Proposal for the creation of a transatlantic US-EU research facility in Shannon, Ireland.

<sup>49</sup> De Wijk (2003), op cit.

<sup>50</sup> Solana (2003).

### **6.3 Bridging the policy gap**

Ireland could potentially act as facilitator for a series of discussions/summits on a wide range of policy issues. What policy areas are key?

Well, one pressing topic suitable for the opening round of discussions could be the joint response to the threat of terrorism. Following the US decision to invade Iraq, many European leaders realised that divisions within the EU, as well as those across the Atlantic, could potentially marginalise Europe in the international arena. In addition, the 2004 bombings in Madrid have clearly shown that European cities and institutions are also perceived as targets by a number of international terror organisations. In fact, with the recent expiration of the self-imposed cease-fire vis-à-vis European targets by al Qaeda, it remains to be seen if Europe will continue to remain on the periphery of terrorist threats in the near future. Considering the recent attempts at reconciliation between the French, German and British leaders, the momentum is emerging for a more formal and inclusive effort at reconciliation across the Atlantic.

Transatlantic dialogues on the issue of joint strategy coordination of anti-terror campaigns could also act as an opportunity to re-engage Russia in discussion on a number of issues. Ireland has two comparative advantages as the mediator for such discussions:

1. As a small open economy with a pro-market economic policy orientation and long-established foreign policy interests that lean to the US, Ireland is one of the closest potential EU partners for the Eastern European states, who also have a significant interest in continued EU-Russia dialogue. This proximity is further reinforced by Ireland's peripheral position within the EU; and
2. Ireland occupies a unique position as the only fully participant member of the EU that remains outside the NATO structure, giving it a strong position to act as a liaison between the EU and Russia on issues involving potential overlaps with NATO policy interests, such as military and security training within the former Soviet states.

It is clear that in a post-modern world of multiple and varied conflicts, Ireland needs to develop a flexible, transparent foreign policy that would allow for simultaneous accommodation of our Allies and would not violate key governing and constitutional principles such as the principle of neutrality. By clearly defining Ireland's space within the EU and the transatlantic alliance, we can achieve both objectives. One dimension for such positioning of Irish policy within the space of EU-NATO overlapping interests is discussed above. Another set of opportunities can be explored under the umbrella of broadening the scope of European participation within NATO to strengthen the post-conflict role of the Alliance outside the military objectives of the transatlantic cooperation. We can further consolidate our neutral position by advocating the creation of a political/diplomatic wing within NATO, to which Ireland could be affiliated with without affecting our principle of neutrality.

#### **6.4 Aid and neutrality as complimentary strategies**

Ireland could expand its role in peacekeeping and post-conflict reconstruction operations which may form part of the EU sphere of specialisation should it enter into tailored coalitions with the US. In this context, Ireland should lead the EU-wide debate on the role and the structure of aid, development and reconstruction efforts, as well as the issue of dealing with failing states. For example, many international organisations have previously expressed concern at the lack of coordination between European and American aid efforts. As mentioned earlier, the prevalence of traditional sovereign aid programs in the West may potentially reduce the effectiveness of defined aid and development programs, such as direct micro lending and selective aid programs. Ireland can fill the consistency gap in policies by undertaking the task of developing a joint US-EU institution for aid and development coordination.

#### **6.5 Increasing the efficiency of the extant structures**

Under the current arrangements, the EU foreign policy agenda is largely shaped by policies set by the current holder of the EU Presidency, whichever country that may be. This paper argues that the EU foreign agenda should be consolidated under the Office of the EU High Representative. To compliment this, the EU should devolve some of its internal strategies to the ‘coalitions of the willing’ instead of to the centralized foreign policy setting institutions. Aid and development agendas offer a natural set of policies that are suitable for the devolution of the decision-making away from Brussels and in favour of coalition-style cooperation amongst the interested states. Such informal leadership coalitions may potentially erode some of the EU treaties guaranteed powers. However, the alternative to such coalitions will be a likely emergence of the *Directoire* structure centered on the large states’ powers.

The EU structure of the rotating presidency should also be considered for reform. Here again, Ireland can push for reforms to establish a better-defined term of office for the European President. The benefits of the central source of decision making within the EU executive are well known. So are the potential limitations of such an office, should the mechanism of Presidential elections fall short of the direct democratic participation by the voters of the EU. In order to address the fears of the Franco-German dominance, the EU presidency could be envisioned as a Co-Chairmanship of the Council with two Chairs operating on the basis of unanimity: one Chair would can be directly elected by the group of large states, while the second Chair would be elected by the remaining states. In order to increase the legitimacy of the office, both positions should be filled on the basis of direct voting.

#### **6.6 Defining the nature of future alliances**

A key opportunity for Ireland to expand its role in developing transatlantic relations may lie within the changing nature of old alliances. The lack of a coherent European strategy and the disunity emerging in NATO presents Ireland with an opportunity to become a focal point for future US efforts to develop custom-tailored alliances geared

toward specific strategies and conflicts. American policy is likely to shift away from the one-size fits all alliances such as NATO, in favour of smaller, specifically tailored coalitions. The scope of such smaller task-specific alliances can apply to any number of the problems discussed in this paper.

In many areas, the current transatlantic rift is not about EU v. US confrontation. As a national security advisor in the White House recently observed, ‘this is not a problem about Europe, but about France and Germany – who no longer speak for Europe... The tools at our disposal are not just the coalition of the willing... but NATO is also a tool, after its enlargement and invigoration at the Prague summit’ of November 2002’.<sup>51</sup>

### **6.7 Promoting a new European economy**

As one of the biggest beneficiaries of globalisation and economic liberalisation within the EU, Ireland can adopt a clear-cut position between Boston and Berlin as a mediator for future transatlantic dialogue on the issue of economic growth. Ireland can facilitate greater cooperation between the US and those European states willing to be involved in liberalising their markets. In addition, the transatlantic gap in ICT investments and development presents a natural area for Ireland to act as an economic broker between the US and the European periphery.

Within the EU itself, Ireland should adopt a more transparent and aggressive pro-market stance. This would entail several significant policy shifts both on the part of Ireland and the EU.

1. First, Ireland should actively resist any efforts by Brussels to impose a welfare-state style constitution on the EU. The predominant impact of the Gaullist alliance within the Constitution debate so far has been to ensure that the welfare-state properties followed by the French and German states are enshrined in EU documents. Ireland should act to galvanise the new members’ wide ranging disagreements with Brussels over the issue of a EU constitution by identifying and challenging on issues of common concerns for the European periphery states. The EU constitution, if passed, will be a legally binding document that will impose on Ireland and other states, a level of welfare state entitlements and obligations that could potentially ruin the domestic economies of the EU.<sup>52</sup>
2. Similarly, Ireland should defend the tax veto within the EU. In 2003, the EU Commission disparagingly concluded that the absence of EU-wide regulations on ‘most aspects of direct taxation means that... members will be able to compete’ with each other in their economic policies.<sup>53</sup> Ireland should continue to advocate for the preservation of each Member State’s right to design its own

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<sup>51</sup> See Walker, M. ‘Foreign Views: US fix for transatlantic crisis could make things worse’, Daily Times, 28 April 2003, pp. 4-7.

<sup>52</sup> See: Tupy, M. and Basham, P. (2003); De Menil, G. (2004); Murray, I. (2003).

<sup>53</sup> The EU Commission ‘Employment’, Brussels, The EU Commission, 2003.

taxation policies. Once again, such a strategy can be made compatible with the broad transatlantic objectives of promoting greater economic liberalisation through the creation of a coalition of interested states.

## **6.8 Trade agenda**

In response to the collapse of the Doha Round of WTO negotiations, both the US and EU are currently engaged in a set of bilateral trade negotiations. While the policy opportunity space for Ireland in this area is immense, most of the potential sources of gains would come from Ireland acting as a facilitator of the voluntary free-trade alliances.

One of the most commonly cited sources of EU-US disagreements, outside the area of agricultural subsidies, is the WTO Anti-Dumping Agreement (ADA). It is widely agreed that the current ADA regulations should be reconsidered<sup>54</sup> with several key reforms proposed with the aim of bringing the EU and US positions and regulatory environments closer together. First, the ADA needs to more directly address the evidence requirements for evaluation of the degree of market distortions. Second, the cost tests must be either abolished completely, or substantially revised along the lines of European criticism. Third, the Constructed Value criteria used in evaluating the degree of dumping should be revised along lines similar to those used in the US. Fourth, the issue of increasing transparency and uniformity of standards on assessing the extent of injury caused by dumping actions must be brought into the ADA reforms.

The point here is that the scope for potential dialogue between the US and the European Union is quite considerable. However, placing such dialogue outside the umbrella of Brussels will compliment the EU Trade Commission efforts, without creating the constraints associated with the bureaucratic management of the EU economic policy apparatus and the entrenched interest groups of currently protected industries on both sides.

## **6.9 Aid Agenda: a policy space of its own**

It is clear that in order to consolidate and define its geopolitical standing, the EU needs to learn to better leverage its financial aid, trade privileges and development funding by linking these to clearly defined and enforceable commitments from the recipient countries to greater political, social and economic liberalisation. There appears to be evidence to support the US position that modern terrorism movements are being bred in the accommodative environments of authoritative and corrupt political regimes, and failing states. In the light of this, the EU policy of promoting democratic participation projects such as a means of creating and supporting new channels of opposition, independent media and academic research, human rights groups and entrepreneurship should receive funding priority. In addition, the EU should adopt a tougher

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54 Lindsey and Ikenson (2002).

enforcement stance where recipients' default on their liberalisation commitments. To-date, even in cases where enforcement clauses are present, EU members have been slow and weak in responding with actual sanctions. Examples abound. Throughout the 1980s and 1990s, France resisted the calls for further enforcement of the EU funding contracts in Tunisia and Algeria in order to induce these countries to address their human rights records.<sup>55</sup>

### **6.10 A diplomatic wing of NATO?**

NATO is uniquely positioned as the only multilateral organization with credible power to act on the majority of the Western strategic objectives. As a result, NATO-EU joint structures must be enlarged, not reduced, in order to expand NATO's scope to effectively address the strategic concerns of the EU. This can only be achieved if the US and Europe actively engage in capability building and coordination of strategies, which should include, among others, the following:

- Debate and reform of the collective security strategy;
- Development of a system of international security arrangements complimentary to, but independent of, the UN system;
- Expansion of NATO-led multilateral institutions to include Russia and China;
- Co-ordination of EU initiatives under the European Security and Defense Policy with NATO;
- Expansion of the scope of the Alliance to include the strategic objectives of post-conflict reconstruction, development and institutions building;
- Addressing the need for NATO to act within the domain of human rights protection; and
- Incorporation of the EU-member states agenda on migration, international law compliance and the US agenda on anti-terrorism into NATO structures.

In short, what is needed is the further evolution of the existing and successful Alliance to compliment the actions of the United Nations. The possibility and even desirability of such complimentary arrangements can be viewed as accepted wisdom under both the US and the Franco-German doctrines.<sup>56</sup> To achieve this objective, Ireland could advocate the creation of an independent high-level panel to study how NATO structures can be reformed to address the existing capabilities and threat assessment gaps in transatlantic policies.

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<sup>55</sup> See Szamuely (2004); Shurkin (2004), engagement with the axis of evil a.k.a., the European Common Foreign Policy; Amnesty International (2001)

<sup>56</sup> See for example the statement by the French Minister of Defense, Michele Alliot-Marie (in Washington DC on January 16, 2004), and the statements to the North Atlantic Council in May 18, 2000 by Ambassador Alexander Vershbow.

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