



PROJECT ON EUROPE AND THE TRANSATLANTIC RELATIONSHIP

Stronger Together

A Strategy to Revitalize
Transatlantic Power



HARVARD Kennedy School
BELFER CENTER
for Science and International Affairs

DGAP

Advancing foreign policy. Since 1955.

PAPER
DECEMBER 2020

Project on Europe and the Transatlantic Relationship

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DISCLAIMER:

All participants contributed to this project in their personal capacities. Not all participants agree with every recommendation in this report.

For the purposes of this report, “Europe” refers to all continental NATO and EU members, including the United Kingdom.

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I. Report Overview

Harvard Kennedy School (HKS) and the German Council on Foreign Relations (DGAP) convened a strategy group of experts and former government officials from the United States and Europe over the past year to discuss the crisis in the transatlantic relationship and to propose a strategy to revive and strengthen it. We Europeans and Americans launched this project due to our shared commitment to the transatlantic relationship. We met throughout 2020—first in Munich and Berlin and then virtually during the pandemic—to develop a truly transatlantic fusion of ideas and strategy.

This comprehensive report and eight individual action plans lay out an ambitious agenda for tackling challenges to the transatlantic community. The action plan issue areas are as follows:

1. **Economics and Trade**
2. **Security and Defense**
3. **China**
4. **Russia**
5. **Energy Policy and Climate Change**
6. **Democracy**
7. **Technology**
8. **Middle East and North Africa**

Each action plan includes an in-depth assessment of key challenges and proposes recommendations to U.S., Canadian and European policymakers. Where significant disagreements exist between the U.S. and Europe, we outline the debate and propose solutions for how they can be resolved.

II. Executive Summary

The United States, Europe and Canada must work together toward one ambition in 2021—to renew, revitalize and retool for the decade ahead the most powerful democratic community in modern history.

With the election of Joe Biden, Europe and Canada will once again have a committed Atlanticist as its American partner. After years of mistrust, recrimination and division, the bridge across the Atlantic should be “built back better” and we must do that together.

But it would be a dangerous mistake to think that the result of the American election alone will repair the breach. The U.S. and Europe cannot simply rebuild the ties of a previous era if we are to succeed in meeting today’s challenges.

The world has not stood still: a more confident China, an aggressive Russia, resurgent authoritarianism and the existential threat of climate change present the U.S. and Europe with new and grave challenges. The transatlantic relationship must be rebuilt and reimaged. Our institutions must be strengthened. As the U.S. embraces its allies again, Europe too must rethink its approach to some fundamental issues.

The task is urgent. The world needs a more powerful and purposeful transatlantic alliance to drive a new global agenda.

By traditional measurements, the U.S. and European Union are the world’s two largest economies. But China will likely overtake them in this decade. The North Atlantic Treaty Organization (NATO) remains the world’s strongest military alliance but is falling behind technologically. Our joint capacity in science, research and digital technologies is unrivaled—for now. A renewed transatlantic commitment to human freedom and democracy is needed to safeguard the future we seek for our children and grandchildren.

With vision and hard work, a “New Deal” for the transatlantic community is possible, joining in common action a more globally committed America

with a more self-reliant and capable Europe to meet the challenges to our health, security, prosperity and way of life.

This new compact must begin with an immediate ceasefire across our own lines, ending, on all sides, aggressive rhetoric, punitive economic sanctions and exclusionary regulatory measures.

We must also harness our joint power to deter a more confident and aggressive China and a cynical and disruptive Russia. They have exploited transatlantic tensions for too long. Together, we must oppose their illiberal agendas in Europe, Africa, the Indo-Pacific and around the world. This is Europe's challenge as much as America's.

We Europeans and Americans have come together under the auspices of Harvard Kennedy School and the German Council on Foreign Relations to produce this strategic plan for a renewal of the transatlantic community to which we all remain deeply committed. We believe Europe and the U.S. will be "stronger together" in meeting common threats and advancing democratic values in the world than operating at cross purposes from each other.

To do so, we must rededicate ourselves to three strategic goals for the year ahead:

- 1: **Rebuild the bonds of trust at the heart of our alliance and revitalize our democracies;**
- 2: **Commit to a joint strategy to meet global challenges and defend liberalism;** and
- 3: **Transform our political, military, technological and economic capacity to be the most effective force for freedom and rules-based order in a challenging world.**

We recommend to our governments and to the 800 million Europeans, Canadians and Americans who comprise our alliance the following priority objectives:

1: **Rebuild the bonds of trust at the heart of our alliance and revitalize our democracies**

The commitment to liberal democracy is the heart of the transatlantic community. But we must do better to repair and strengthen democracy at home against internal and external threats even as we defend it abroad.

- The transatlantic nations should reaffirm at NATO and U.S.–European Union Summits in early 2021 the key commitments that have bound us together for decades—Article 5 of NATO’s Washington Treaty; our shared support for a strong, globally oriented European Union; and a United Kingdom with the will and capacity to act around the world.
- We must strengthen the legitimacy of our democracies in an age of systemic competition by ensuring our governments are more responsive to our citizens and address the problems of income inequality, inclusion, and racism.
- We must also roll back authoritarian tendencies within our region, including in Hungary, Poland and Turkey, by conditioning NATO security investment funds and EU financial support. We must be as rigorous with ourselves in defending democracy as we are with Moscow and Beijing.
- We must defend democracy and human rights more assertively around the world, countering the spread of Russian and Chinese-style authoritarianism.

2: **Commit to a joint strategy to meet global challenges and defend liberalism**

We will be more effective by adopting common policies on key global challenges. Priority issues are:

The Pandemic:

- Europe, Canada and the U.S. should join forces to ensure equitable access to vaccines, to support and strengthen COVAX and the World Health Organization (WHO), and to create health security stockpiles and expertise banks for the benefit of all our citizens.

Economic Recovery and Innovation:

- Our governments should align fiscal and monetary stimulus and infrastructure investments to renew middle class growth for the fastest possible recovery; lead the G-7 and G-20 in protecting free and fair trade and open markets and regulating financial instruments and innovation to favor transparency and global equity.
- All transatlantic states should remove unnecessary tariffs and punitive regulatory measures directed at each other and commit to working jointly to strengthen the World Trade Organization (WTO).

Security and Defense:

- NATO should strengthen its capacity to contain and deter Russia in all domains. The alliance should also make its troop deployments and rotations permanent in Poland, Estonia, Latvia and Lithuania, as well as in Romania and Bulgaria.
- The U.S. should overturn the mistaken decision to draw down U.S. forces from Germany, and only reallocate forces within Europe in close consultation with allies.

- All NATO allies should meet their pledge to spend 2% of GDP on defense by 2024; this should be linked to a major capabilities drive in both NATO and the EU, including greater investment in cyber defense and offense, Artificial Intelligence (AI), quantum, and nano- and biotechnologies.
- In Afghanistan, NATO should maintain its “in together, out together” policy, tying troop reductions to concrete progress in the intra-Afghan peace negotiations, while keeping our commitments to the Afghan citizens, government and military.

China:

- The transatlantic nations should join forces with Japan and other democracies to present a united front in trade negotiations with China and at the WTO.
- We should harden our security against a predatory China by strengthening and harmonizing investment screening mechanisms, instituting targeted export controls to protect critical infrastructure and technologies, including barring Huawei from our 5G networks, and increasing intelligence sharing.
- We should oppose China’s illegal grab for power and territory in the South and East China Sea region at the United Nations and urge stronger legal measures in international courts.
- We should condemn and sanction China’s massive violations of human rights and freedom in Hong Kong, against the Uighur population and elsewhere.

Russia:

- The transatlantic nations should expand joint efforts to stop Russia’s malign election interference, disinformation campaigns and cyber espionage and sabotage, and oppose Moscow’s destabilizing behavior in Ukraine, Belarus, in other European countries and in the Middle East.

- All U.S., Canadian, UK and EU sanctions on Russia must be maintained unless and until Moscow changes course.
- The U.S. should extend the New START Treaty for a limited period, linked to Moscow's commitment to engage seriously in comprehensive nuclear and conventional arms control negotiations.

Climate Change and Clean Energy:

- The transatlantic community should accelerate and integrate U.S., UK, Canadian and EU initiatives to “build back greener” and reduce carbon emissions; support joint research and development of green technologies; and drive more ambitious global targets at the COP26 in Glasgow.
- Most of our group members believe that the Nord Stream 2 project and the sanctions on it should be suspended by mutual agreement early in 2021. We all believe the U.S. and EU must work out our differences on this controversial project amicably and without public threats. We must also revitalize consultations to strengthen diversity, redundancy and resilience in Europe's energy supply.

Digital Technology and Regulation:

- The transatlantic community should join forces to ensure a free and fair digital future that protects our citizens and government systems from malign influences, state surveillance and monopolistic practices.
- Together, we should craft a common approach to digital tax policy. A 12-month truce on member state tax plans and resumed negotiations at the Organization for Co-operation and Development (OECD) are necessary. Regulatory, competition, content and privacy challenges should be addressed in close coordination; and we should jointly set standards to shape global norms and block authoritarian and malign practices.
- We should also strengthen network security by building stronger internal controls on investments in strategic industries and technologies and by blocking Chinese and other unsecure investments in critical technologies.

Iran:

- The U.S. and Europe should lead with diplomacy in seeking to end Iran's nuclear weapons ambitions and ballistic missile program. The U.S. should rejoin the Joint Comprehensive Plan of Action (JCPOA) P5+1 negotiation framework with Iran if it agrees to return to all the restrictions on its nuclear program in the 2015 agreement.
- In addition, any new set of agreements must be stronger, deeper, more verifiable and of longer duration. Most members of the group think they should address Iran's ballistic and cruise missile programs.
- Together, we should stand united against Iran's regional aggression and support for terrorism in Yemen, Iraq, Syria, Lebanon and elsewhere in the Middle East.

3: **Transform our political, military, technological and economic capacity to be the most effective force for freedom and rules-based order in a challenging world**

To meet our shared vision, the transatlantic community will need new institutions, new investment and new tools in the decade ahead. These should include:

- **A major initiative to increase defense and civilian spending in both NATO and the EU** to meet the Russia and China challenge and to win the race for leadership in AI, cyber, space, quantum computing and other high-tech military spheres.
- **A NATO–EU Task Force**, with dedicated staff, to maximize coordination, pool capabilities, and drive implementation of our shared policy agenda across the 36 member states.
- **A Transatlantic Dialogue on China** that will include all NATO and EU states to craft a common strategy on trade, technology, human rights and in multilateral institutions.
- **A Transatlantic Technology Forum** to drive unity of effort on all the security, economic and regulatory challenges above and set global standards that protect privacy, competition, transparency and fairness.
- **A Transatlantic Trade and Economic Dialogue**, including the U.S., Canada, the UK, the EU and European Free Trade Association (EFTA) countries to reduce tariff and non-tariff barriers, drive innovation, align policy regarding new technologies like AI, biotechnology and quantum, and to coordinate positions in international economic organizations including the Organization for Economic Co-operation and Development (OECD) and WTO.
- **A revitalized U.S.–EU Energy Council** to coordinate investments in clean energy, diversification away from hydrocarbons and to lessen dependence on Russia.

To protect democracy standards and institutions at home and abroad:

- A **major transatlantic initiative to support democracies at risk**, advance liberalism and freedom worldwide.
- A joint **EU–U.S.–UK–Canada initiative to provide an alternative to China’s Belt and Road Initiative (BRI)** to promote transparent finance and infrastructure funding for developing countries.

III. Introduction to Action Plans

We believe the U.S., Canada and Europe must rebuild and reenergize the transatlantic alliance in 2021. That task is urgent.

When we began this project one year ago, the United States was facing its greatest crisis in decades of strategy, trust and values with its NATO allies and European Union partners. This schism across the Atlantic coincided with the pandemic, economic collapse and resurgent populism.

As we conclude this report in December 2020, the election of Joe Biden as U.S. President provides the opportunity not just for repair of our tattered democratic community, but for fundamental renewal. There is strong bipartisan support for NATO and the transatlantic relationship in the U.S. Congress and among the American public. In Europe, there is a deep wish for unity of purpose in its long alliance with America.

It would be a mistake to believe, however, that the relationship should simply revert to where it was a few years ago. China is stronger and more self-confident. Russia is trying to weaken and divide us. The pandemic is still killing too many and crushing our economies. The world is falling behind in the fight to avoid a climate catastrophe.

With all this in mind, the transatlantic bridge must be rebuilt and even reimagined.

The action plans that follow chart a course for the U.S., Canada and Europe to rebuild our confidence and strength and to advance our democratic values.

The transatlantic nations are the primary driver of democratic progress and of the free world's political and military power. *Together and strengthened*, we must remain that preeminent global force for freedom, security and prosperity for years to come.



Airbus A350 planes on the assembly line in Toulouse, western France, Tuesday, March 6, 2018.

AP Photo/Fred Scheiber



IV. Transatlantic Action Plans

Economics & Trade

Anthony Gardner

Relations between the U.S. and Europe are at an all-time low, largely because the Trump administration departed from six decades of bi-partisan U.S. foreign policy of supporting European integration. The president and many members of his administration categorized the EU as an enemy and as “worse than China, but smaller.” He has cast the EU as a “consortium” set up by Germany to beat the United States in trade.

Whereas the Trump administration worked effectively with Europe in some areas, including energy security and law enforcement, the U.S.-EU relationship disintegrated in many other areas, above all in trade following U.S. tariffs on imports of aluminum and steel and threats to restrict car imports. While some members of the United Kingdom’s Conservative Party have appreciated President Trump’s endorsement of Brexit, the core interests of the United Kingdom (including free trade, the fight against climate change and defense of multilateral institutions) diverge from those of the Trump administration.

The next U.S. administration will face the challenge of re-engaging with Europe on matters of joint concern, not only on climate and Iran but also on concluding a trade agreement, resolving outstanding economic disputes and leading efforts to reform the World Trade Organization (WTO).

Challenges

Both the United States and Europe struggle to cope with China’s model of state-sponsored capitalism, massive subsidies and abusive trade and market access practices that thirty-year old WTO rules have failed to address. Both (but especially Europe) face the challenge of maintaining global leadership

in industries of the future as China implements a focused state-run program to dominate many of them, including artificial intelligence and big data analytics, super-computing, genomics, 3-D printing, industrial batteries, electric vehicles, the industrial internet, nanotechnology and robotics.

Both face the challenge of a China increasingly intent on controlling key international standard setting bodies and enshrining standards that will give an advantage to Chinese exporters and values. Moreover, both face the challenge of reducing a high degree of dependence on certain raw materials from China, including rare earth minerals that are key inputs for many products, such as automobiles, aircraft, cell phones and computers. Both will continue to struggle to control coronavirus infections in their territories and eventually to cure the pandemic through massive vaccinations.

Where U.S./European Interests Converge and Diverge

Europe will not want to choose between the United States and China as the latter will remain a key partner in some areas (including climate change) and is a critical export market for some member states. The United States should not, therefore, push Europe to join Washington in an overt anti-Chinese campaign. However, rarely have U.S. and European perceptions of China been so aligned as most member states and the EU institutions have adopted an increasingly critical stance.

China remains very astute in its policy of dividing Europe by strategically placed investments, especially in essential infrastructure, that buy influence and dilute common EU foreign policy positions critical of China. On the other hand, China's efforts to capitalize on the coronavirus epidemic by posing as Europe's humanitarian savior appear to have backfired, in part because early shipments of protective equipment proved defective.

The U.S. and Europe are converging around more restrictive rules regarding foreign direct investment in strategic sectors; in the past few years, new EU rules ensure greater coordination and new national rules impose strict screening requirements. Both are increasingly insisting that China

respect reciprocity in trade and market access conditions. The EU's recent International Public Procurement Initiative threatens third countries (especially China) with closure of the EU's lucrative public procurement market if they do not provide equivalent access. The U.S. and Europe, in cooperation with key partners, should consider strengthening their export control rules and their cooperation to combat cyber-theft.

Moreover, the U.S. and Europe share the desire to establish global trading rules that provide high standards of protection for intellectual property, the environment, labor standards and data privacy. They also seek to preserve a free and open internet, as opposed to the model of restrictive state control espoused by some countries, including China and Russia. Both the U.S. and Europe want to ensure that together they can prevent global standards-setting bodies from being captured by countries promoting agendas inimical to the principals of an open society. The battle for standards relating to such sensitive areas as facial recognition, video monitoring, 5G, and city and vehicle surveillance are cases in point. Finally, the U.S. and Europe have a common interest in ensuring that after Brexit the United Kingdom remains a close partner with the bloc in order to minimize trade frictions and maximize cooperation in areas such as military security and law enforcement.

There are important areas of divergence between the U.S. and Europe in trade and economic policy, however. One long-standing source of friction is agricultural trade: although they should have complementary interests in light of the fact that the EU exports mostly alcoholic beverages and high value-added processed foods to the U.S. whereas the U.S. is especially competitive in bulk commodities such as soybeans and grains, the two place significant obstacles to agri-food imports from the other. EU rules on plant and animal health are particularly burdensome for U.S. exporters and explain why the U.S. agricultural trade balance with the EU is negative and getting worse (unlike its balance with the rest of the world).

There are other important areas of divergence, including several that will need to be addressed urgently after the presidential election. Europe and the United States are increasingly drifting apart with regard to how international taxation rules should better reflect the new realities of the digital

economy, such as the fact that sales and value can be generated in countries where companies have no permanent physical establishment. The Trump administration's withdrawal from the OECD negotiations aimed at setting global rules, existing and threatened legislation at EU and member state level that appears tailor-made to target large U.S. online platforms and the U.S. Trade Representative's threat of retaliatory sanctions have increased the risk of a transatlantic trade war. Moreover, there is a risk of further transatlantic tensions over the 16-year-old dispute between Boeing and Airbus about the degree to which each has received illegal state support. The only real winners are the lawyers and Chinese ambitions to launch a third competitor.

Opportunities and Obstacles for Enhancing Cooperation

There are numerous opportunities for greater U.S.-European cooperation. Depending on the outcome of the presidential election, the U.S. and the EU should be able to lift U.S. unilateral tariffs and EU retaliatory tariffs, settle the Boeing-Airbus dispute, work more closely together on reforming WTO rules and leveraging their joint economic power to force China to change its abusive trade and market access practices. Rather than disdaining the EU as a dysfunctional entity that is irrelevant to U.S. bilateral trade negotiations with China, a new administration might grasp that the EU is a trade and regulatory superpower with whom Washington can partner to achieve its objectives.

The U.S. and the EU could learn the lessons of their failed efforts to sign the Transatlantic Trade and Investment Partnership agreement by focusing on a series of more modest, quick and economically significant measures to boost transatlantic commerce. These include eliminating tariffs on industrial goods trade, engaging in some focused regulatory cooperation and reducing some frictions around plant and animal health rules. The U.S. and EU also have an opportunity expand the scope of their mutual recognition agreement for inspections of manufacturing sites for certain human medicines in their respective territories.

Both sides need to be pragmatic about which obstacles are unlikely to be removed: these include (on the U.S. side), federal and state-level restrictions on public procurement and maritime commerce and (on the EU side) restrictive rules regarding geographical indications and widely shared public opposition to allowing imports of certain foods, such as hormone-treated beef, poultry carcasses disinfected with chlorine washes, pork from pigs fattened with growth promoters and genetically modified foods. The United States also has an opportunity to conclude a free trade agreement with the United Kingdom if Brexit does not result in an inter-Irish border and imperil the Good Friday peace accords. The ability of the U.S. to sign free trade agreements will, however, be constrained by the expiry of Trade Promotion Authority on July 1, 2021.

The U.S. and Europe should seek to align, or at least minimize divergences between, their approaches to implementing a WTO-compliant carbon border adjustment mechanism that penalizes imports (especially from countries that shirk their commitments under the Paris Climate Accords) of goods, such as steel and cement, that are associated with significant carbon emissions. And they should continue to drive global measures to eliminate fossil fuel subsidies and to terminate lending to highly polluting energy projects such as coal-fired power plants.

There are many other opportunities. A Biden administration could re-engage in the OECD negotiations on digital taxation in good faith, in return for the EU and member states freezing their digital sales taxes. Consensus on rules regarding global minimum corporate tax appears possible; greater effort is required to reach consensus on rules regarding how countries can tax profits from sales made to customers located in their jurisdictions. The U.S. and Europe can once again demonstrate global leadership in the fight against pandemics, just as they did in combating the outbreak of Ebola in West Africa in 2014-2015. A transatlantic partnership could include joint research, stockpiling of equipment and medicines, rules to avoid a competitive scramble for vaccines, elimination of tariffs on goods necessary to fight pandemics and the implementation of a global early warning system.

As the EU is poised to revise its 20-year-old E-Commerce Directive and to draft a wide-ranging Digital Services Act (DSA), the time is also ripe

for enhanced U.S.–EU cooperation on the digital economy. The focus of the DSA is twofold: (1) to define the responsibilities of digital services to address the risks faced by their users and to define their rights; and (2) to propose *ex ante* rules covering large online platforms acting as gatekeepers that now set the rules of the game for their users and their competitors. For the past four years the EU has acted as the only *de facto* regulator of Silicon Valley as U.S. antitrust enforcement has been largely absent. The conclusions of the recently published report by the House Judiciary Committee on whether Amazon, Google, Facebook and Apple are violating antitrust law indicate that the political winds in the U.S. are shifting. The U.S. and the EU have the opportunity to define together tougher rules regarding the use of social media to interfere in elections and spread illegal content and/or propaganda, the proper balance between the interests of content creators and online platforms, and the ethical use of artificial intelligence.

Important obstacles will persist, however. Among the most serious and intractable stems from the EU Court’s recent invalidation of the Privacy Shield agreement that has enabled thousands of companies in Europe to transfer personal data to the United States. Although there are other legal methods of transfer, they are either restrictive and/or legally questionable as a result of the court’s judgment. While encryption and data localization would address the problem, this approach would be economically destructive, would complicate law enforcement and might not improve data security. The next U.S. administration will face the challenge of how to address the court’s core objection that U.S. law does not afford EU citizens sufficient rights of legal redress before U.S. courts, especially with regard to improper government surveillance.

Recommendations

The following steps are among the most significant steps that could be implemented in the short term:

- Eliminate tariffs on industrial goods trade
- Reduce sanitary and phytosanitary restrictions, building on recent implementation of the U.S.–EU agreement to relax trade in molluscan shellfish
- Settle the Airbus-Boeing dispute; while a settlement is being negotiated, neither side should take steps to implement WTO-authorized retaliation
- Expand the scope of the U.S.–EU pharmaceutical mutual recognition agreement
- Enter into agreements recognizing each side’s non-safety auto regulations as being “functionally equivalent”
- Drive reform of WTO rules, especially with regard to Chinese abusive trade and market access practices.
- Build on the U.S.–EU–Japan Trilateral Agreement on industrial subsidies
- Relaunch some plurilateral trade negotiations, especially the Environmental Goods Agreement that aims to eliminate tariffs on green goods
- Coordinate approaches to WTO-compliant carbon border adjustment mechanisms
- Promote global measures to eliminate fossil fuel subsidies and to terminate lending to highly polluting energy projects such as coal-fired power plants
- Establish a U.S-EU Trade and Technology Council to discuss standards for emerging technologies
- Re-engage at the OECD to drive a global deal on digital taxation

- Align policies whenever possible on digital economy issues, including antitrust aspects, ethical AI and restrictions on abuse of social media to disseminate illegal content and propaganda
- Align policies on supply chain resilience and diversification
- Cooperate to strengthen export controls and address cyber-theft, especially with regard to China
- Establish high-level working group to align transatlantic strategies to contain the coronavirus pandemic and improve preparedness for future pandemics
- Seek to address the EU Court's objections to Privacy Shield, especially relating to EU citizens' rights of redress; the passage of federal privacy legislation in the United States may help in this regard

Anthony Gardner, Senior Advisor at the Brunswick Group; Former U.S. Ambassador to the European Union



NATO's new headquarters in Brussels, Belgium, January 14, 2018.

NATO Photo



Security and Defense

Sophia Becker, Christian Mölling and Victoria Nuland

The transatlantic security and defense relationship is facing its **most serious trust deficit** since the founding of NATO in 1949. Over the past four years, President Trump has called Europeans “foes,” begun withdrawing U.S. forces from Germany, and created uncertainty about the U.S. commitment to collective defense, undermining deterrence; German Chancellor Angela Merkel warned Europeans that they can no longer fully rely on the United States; and French President Emmanuel Macron called NATO “brain dead” and urged European strategic autonomy.

While advances have been made in NATO mobility and readiness in recent years, arms control with Russia is collapsing, and the transatlantic community has largely failed to address new threats collectively, including cyber and digital security, health security and the challenges of a more assertive China. The **COVID-induced** global economic recession will stress NATO nations’ defense spending and the ambitious defense capabilities goals of NATO and the EU. While some on both sides of the Atlantic are hoping for a return to “normal” with the Biden administration, the old approaches to security and defense will not be enough to meet today’s challenges.

Within NATO, and in U.S.–EU and NATO–EU relations, considerable effort will have to go into: rebuilding trust; strengthening democratic governance and shared values; aligning threat perceptions; breaking down barriers to collaboration; maximizing defense value for money; and tackling new and emerging challenges collectively. No problem can be solved successfully by the U.S. alone, by NATO alone, or just in the U.S.–EU context. The most effective approaches will combine the institutional strengths of both NATO and the EU and all 36 of their respective member states.

Challenges

External Challenges—Threats to a Secure and Prosperous Transatlantic

NATO, the EU and their member states lack a coherent strategy to address challenges posed by **Russia** ranging from Ukraine to Syria to Libya, arms control, Moscow's new weapons and hybrid warfare, to its disinformation, political influence and election interference campaigns. Inconsistent U.S. leadership on Russia and mixed signals to the Kremlin have weakened NATO cohesion and deterrence. Moscow has capitalized on the confusion to drive wedges among allies, cut separate deals with leaders and further erode democratic unity.

The security challenges posed by **China** are relatively new terrain for Europe and also stretch NATO's traditional understanding of its mission set. While the U.S. has seen China as its main competitor for several years, NATO only recently acknowledged the growing threat. NATO Secretary General Jens Stoltenberg has now warned allies that they must focus on China's rising military capability, including its development of long-range nuclear weapons capable of reaching Europe. Stoltenberg noted that while NATO would not start operating in the South China Sea, some allies do and cautioned that, "China is coming ever closer to Europe's doorstep. NATO allies must face this challenge together."

The China challenge makes clear that both NATO and the EU need to rethink what deterrence and defense require today. Stoltenberg also warned about Chinese non-military threats, such as heavy investment in European strategic infrastructure including ports, telecommunications and the energy sector that open Europe to serious vulnerabilities, especially in case of a conflict. The EU has strengthened investment screening mechanisms, but these remain voluntary and not as rigorous as the U.S. screening process through its Committee on Foreign Investment (CFIUS). The U.S. has only been marginally successful in convincing European governments not to use Huawei in their 5G telecom upgrades and has not seriously tried to use NATO or the U.S.-EU relationship to establish and enforce multilateral

security protections or export controls. The U.S. has also spurned EU efforts to collaborate more closely on trade problems with the People's Republic of China (PRC), as noted in the project's other action plans.

In **Afghanistan**, 12,000 troops from 38 NATO allied and partner countries support NATO's Operation Resolute Support to train, advise and assist Afghan security forces. Allies have also agreed to continue to provide financial support to Afghan security forces through 2024. Throughout this mission and the previous NATO combat operation, Allies have always operated on the "in together, out together" principle, and in fact, most NATO and partner nations cannot operate in Afghanistan, even in a training capacity, without U.S. support. President Trump's announcement therefore that all U.S. troops would depart Afghanistan by Christmas surprised Afghans, Allies and his own generals, who have all insisted that a full departure must be conditions-based and tied to progress in the intra-Afghan peace talks. A coordinated, conditions-based withdrawal must take precedence over a fast withdrawal. Otherwise, the Taliban has no incentive to live up to its commitments, and Afghanistan risks falling back into nationwide conflict. In addition, the U.S. and its Allies must be ready to respond to future requests from the Afghan government for security support and training to protect the investment they have made over the last 19 years.

NATO and the EU would also benefit from tighter coordination and burden-sharing to address challenges on their **southern flank** from the Balkans to the Sahel. While these regions present very different challenges—political and economic weakness and instability, corruption, drugs, human traffickers, terrorism and weapons smugglers—their troubles flow North when left unchecked. NATO's role lies in coordination and support for regional and national actors to build their own security capacities, while the EU brings political, economic and humanitarian support, which can and should be better coordinated with U.S., UK, Canadian and other Allied efforts. Counter-terrorism cooperation—bilaterally, within NATO and in U.S.–EU channels—would also benefit from better information-sharing, capacity building and cross-training among the involved nations and institutions.

Internal Challenges—Threats to Cohesion

The tense atmosphere between Washington and European capitals has exacerbated internal rifts in the Alliance—some of which are as old as NATO itself. Because collective deterrence and defense are entirely built on the credibility of each member's commitment to Article 5 of the North Atlantic Treaty, these divisions risk rendering the Alliance ineffective and vulnerable to external threats. The EU continues to be plagued by North-South and East-West tensions. Post-Brexit, the UK is also recalibrating its relationships with the EU, NATO and the U.S.

Tensions on issues beyond the military realm from trade to China to technology further undercut the transatlantic commitment to raise and maintain defense spending to the NATO standard of 2% of GDP, with Germany the leading backslider on its 2024 pledge. This problem will be exacerbated by the deep recession on both sides of the Atlantic precipitated by COVID-19 and the high cost of recovery.

Recent European calls for **strategic autonomy** have raised hackles in Washington and also revived the specter of NATO–EU rivalry without yet increasing military capability. While the creation of the European Defense Fund is promising, Europeans will be hard-pressed to increase defense spending until their economies fully recover. The EU lost 20% of its military throw-weight when the UK exited and remains far from autonomous in all but modest-sized operations. However, the U.S. will not get more security help from Europe by browbeating Allies in public or fear-mongering about European autonomy.

Washington will be more successful in maintaining spending levels and addressing capability gaps through targeted mentoring of individual Allies and partners and offers of co-development of key systems. In particular, Washington should help Allies keep pace in addressing the security challenges posed by adversaries' cyber weapons and advancements in AI, quantum computing and autonomous and space weapons. At the same time, the U.S. should welcome any level of autonomy that Europe can achieve in keeping itself safe. The more Europeans can do on their own, the less the U.S. burden for their defense.

The internal cohesion of the transatlantic community is further challenged by members who have **departed from the liberal democratic consensus enshrined in the NATO and Lisbon Treaties**. Institutionally, NATO has to ask itself how much the growing ‘values gap’ could undermine its core mission and members’ commitment to mutual defense. Similarly, how much should other allies trust NATO members who cut arms deals with Russia or China, or stoke conflict on NATO’s periphery? While the EU does have tools for evaluating and censuring members who weaken their own democratic checks and balances, these have largely been toothless in changing leader behavior because member states continue to receive EU budget allocations, loans and grants regardless of their democratic backsliding.

If shared values and democratic institutions are truly the bedrock of the transatlantic community, both NATO and the EU need stronger mechanisms for sanctioning members who undercut them. NATO and EU members must also better harness their intelligence, law enforcement and financial tools to expose and root out state-protected corruption, whether its source is internal, or it is wielded as a weapon of external influence. Corruption is a democracy killer.

The Value of the Alliance and Strong U.S.–EU relations

At its core, it is a resource question: Can the U.S. advance its global interests without Europe, or, more precisely, would a world without NATO and strong U.S.–EU relations be cheaper for the U.S. or for Europe? The answer is: no. One of the America’s greatest strategic advantages are its alliances and partnerships. From a European perspective, the most fundamental truth about NATO has not changed since 1949: Europe cannot yet guarantee its own security without the U.S., given the capability gaps in European armed forces. Nor can it address the myriad other security challenges it faces from China, to terrorism, to technological dependence to climate change without effective U.S.–EU cooperation. Finally, if the democratic world is going to mount a successful defense against authoritarian states’ efforts to rewrite global norms in their own favor, the family of NATO and EU nations must make up the core of that defense.

Recommendations

Transatlantic allies and partners will be strongest if they work together on all pressing defense and security challenges, drawing on the institutional advantages and capabilities of both NATO and the EU. They must start with a visible and strong political recommitment to common security and values by all NATO and EU leaders. They must also reject historically narrow definitions of defense and security and include issues like health and economic security, good governance and innovation in the technology sphere, and climate change in their calculus. Old institutional, regional and national rivalries must give way to joint work to protect and expand a world that favors freedom, peace and shared prosperity, with the transatlantic community at its core.

Other Action Plans in this project go into further detail on some of the recommendations below, but a comprehensive definition of common security must include them all.

Restoring Trust, Unity, Effectiveness:

- Hold a “Trifecta” of summits in Brussels within the U.S. president’s first 100 days, including:
 - 1) a NATO leaders meeting;
 - 2) a U.S.–EU leaders meeting;
 - 3) a NATO–EU leaders meeting to demonstrate unity, recommit to collective defense and shared values, launch an agenda of joint work on Russia, China, defense capabilities, digital challenges, climate, economic renewal. Repeat in one year to check progress;
- Create a NATO–EU Task Force with a committed staff to craft common approaches to major challenges, drawing on the tools and strengths of each organization. Revitalize the North Atlantic Council (NAC) and the EU Political and Security Committee (PSC) (NAC-PSC) to support and advance this agenda, breaking down institutional barriers to cooperation;

- Strengthen outreach to and partnership with other global democracies to shore up international standards, norms and institutions that favor freedom and blunt autocratic takeover or democratic rollback.

Defense Spending, Burden-sharing, EU Autonomy and Stockpiles:

- Refresh NATO Allies' "2% by 2024" pledge tied to concrete capability upgrades, while simultaneously signaling U.S. support for PESCO and EU self-reliance wherever possible;
- Focus on capabilities by launching a new transatlantic military capabilities push in both NATO and the EU, applying some amount of national economic recovery funds to investments in defense and the co-development of advanced systems, infrastructure upgrades, technology, cyber security and military exercises;
- Build out existing fuel, munitions, and humanitarian stockpiles in NATO and EU, respectively, to include critical medical supplies and vaccines, and first responder data bases;
- Consider making NATO's Eastern bases and troop rotations permanent, within the constraints of the NATO–Russia Founding Act (smaller than brigade-size).

Russia:

- Launch comprehensive U.S.–Russia arms control and strategic stability talks, in close coordination with NATO Allies; simultaneously strengthen allied missile defenses, cyber defenses, nuclear and conventional deterrence against Russian short and medium range missiles and anti-access/air-denial (A2/AD);
- In U.S.–EU channels, strengthen defenses and public information against Russian disinformation and political influence campaigns, corruption, money laundering; create a menu of incentives for better Russian behavior, sanctions and deterrence mechanisms if aggression continues. Add the UK, Canada and other global democracies to these efforts;

- On Ukraine, launch a new diplomatic push to implement the Minsk agreements with U.S. participation, firm timelines, and calibration of sanctions and sanctions relief to progress.

Strategic Technology and Investment Security:

- On leaders' instructions, craft a comprehensive NATO + EU approach to safeguarding sensitive technology, infrastructure and innovation from adversaries, including:
 - Common export control regime restricting sensitive, dual-use items;
 - Common and binding investment screening guidelines;
 - Common approach to next generation technologies like 5G, AI, quantum computing, nano- and biotechnology; joint investments in transatlantic solutions, and lead in shaping global norms and standards;
 - Joint review of supply chain vulnerabilities with the goal of insuring transatlantic redundancy.

China:

- On leaders' instructions, craft coordinated NATO and EU approaches toward China:
 - Launch NATO review of military vulnerabilities to China and craft a comprehensive deterrence strategy;
 - Align U.S., Canada, UK and EU positions on trade, investment for negotiations with China; share sanctions burden as necessary;
 - Strengthen intelligence sharing on China, sensitive technologies and surveillance systems.

Afghanistan/Counter-Terrorism:

- Publicly recommit to the “in together, out together” principle at the next NATO summit and maintain financial support for Afghan security forces through 2024;
- Reaffirm conditions-based phase down of *Operation Resolute Support*, tied to progress in the intra-Afghan peace talks; and continued support to the Afghan citizens, government and military;
- Deepen counter-terrorism cooperation by strengthening information-sharing, capabilities, training and law enforcement cooperation among NATO, the EU and their respective member states, breaking down firewalls and information stovepipes wherever possible.

Shoring up Democracy:

- Condition full benefits of NATO and EU membership on member states’ maintaining independent judiciaries, free media, political pluralism, and free and fair elections;
- In NATO, institute a biannual review of each ally’s democratic health, with poor performance sanctions to include the withholding of security infrastructure investments, exercise opportunities, and leadership jobs;
- In the EU, tie poor performance as measured by EU processes and institutions to a decrease in allocation of cohesion funds, loans and grants for backsliders;
- Strengthen U.S.–EU dialogue and coordination of tools to incentivize democratic protections in NATO and EU states, and create costs for governments that weaken key institutions;
- Intensify collaboration and mechanisms to combat corruption, trace illicit money flows, and expose and prosecute corrupt actors.

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Containers are pictured on board of the 'Star' vessel of the China Shipping Container Lines shipping company at the harbor in Hamburg, Germany, Wednesday, Oct. 29, 2014.

AP Photo/Michael Sohn



China

Torrey Taussig

Both sides of the Atlantic are converging in their assessment of the challenges China poses to transatlantic prosperity and democracy. The U.S. and Europe must now build on this convergence to advance a common strategy toward China. Only together can the U.S. and Europe, alongside other democratic nations, maintain the necessary leverage in trade, technology and multilateral engagement to hold China accountable to a set of standards that protects democratic societies and contributes to global stability.

To develop a stronger transatlantic approach toward China, the Biden administration must work to rebuild trust in the transatlantic relationship and recommit to multilateral alliances and institutions abandoned by President Trump. Europe for its part must unite and take action where it sees China exploiting its critical industries and infringing on its values. A common position on China at the EU-level and across several influential EU member states is critical to making transatlantic cooperation on China feasible.

Five priority recommendations for a transatlantic agenda on China are to:

1. Work together at the WTO to address China's uncompetitive trade practices.
2. Strengthen and harmonize investment screening mechanisms.
3. Boost intelligence sharing on Chinese political influence, IP theft and technology-related threats.
4. Develop credible alternatives to China's Belt and Road Initiative (BRI) that provide for positive governance, environmental and labor outcomes in recipient countries.
5. Institute targeted export controls and sanctions that safeguard human rights.

Challenges

Under President Xi Jinping, China has become more assertive abroad and increasingly authoritarian at home. China has taken aggressive actions against its neighbors in the South China Sea, carried out significant military modernization programs and technology initiatives to nationalize China's technology resources and capabilities, detained millions of Uighur Muslims in Xinjiang, and extended its authoritarian reach over Hong Kong. Beijing has also become a more confident and aggressive global actor through its massive Belt and Road Initiative and in shaping the agendas of multilateral institutions.

In the months since the COVID-19 pandemic spread across the globe, China provided European countries with medical supplies and PPE to help fight the virus. However, these efforts were accompanied with aggressive attempts first to cover up the outbreak and then to spread conspiracy theories about the origins of the virus. Chinese ambassadors in European capitals also vocally criticized European responses to the virus. Closer to home, the Chinese Communist Party (CCP) took advantage of international distraction to impose a new national security law in Hong Kong, carry out a fatal border dispute with India, and increase tensions with neighbors in the Indo-Pacific including Australia.

The transatlantic community is not immune to Beijing's assertiveness. The U.S. and Europe share concerns over Chinese forced technology transfers; trade subsidies; issues over reciprocity and market access for U.S. and European companies; surveillance technologies; and political influence associated with its economic investments. There is also increasing support in the U.S. and across Europe for pushing back against Chinese human rights abuses and developing global standards in emerging technologies as China advances its own digital authoritarian model.

Despite this convergence, there are still strong differences in how the U.S. and Europe aim to push back against Beijing. Many European countries view relations with China through their economic and commercial ties, whereas Washington sees Beijing as a geopolitical competitor across all aspects of the relationship—political, economic, technological and military.

Such divisions must be overcome if the U.S. and Europe are to unite around a common strategy toward China.

Europe Gets Tougher, But Divisions Remain

The most comprehensive and updated assessment of European views on China is a March 2019 European Commission White Paper that simultaneously defined China as a “negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance.”¹ Since the release of the White Paper in 2019, the EU has taken steps to strengthen its position vis-à-vis Beijing. The European Commission has created a Chief Trade Enforcement Officer position and has launched a strategy for strengthening EU competition laws for accessing the common market, developed a framework for an EU-wide investment screening mechanism and endorsed a toolbox of measures to address 5G-related security risks.

While the EU is strengthening its hand, European member states hold diverging views on issues such as foreign direct investment screening, limiting Huawei’s role in 5G networks and guarding against Beijing’s political influence. China’s economic leverage over smaller European countries and ability to work bilaterally and through forums such as the 17+1 are also dividing Europe. Beijing’s ‘divide and rule’ strategy has inhibited the EU from taking unified stances on Chinese human rights abuses and aggression in the South China Sea.

Moreover, the Trump administration’s combative approach toward the EU and European countries such as Germany and its withdrawal from multilateral institutions have made China appear a more reliable partner for addressing some global environmental and security issues.² Similar to other areas in the transatlantic relationship, a loss of trust between the U.S. and Europe has inhibited a more coordinated transatlantic strategy on China.

1 European Commission, “EU–China -- a Strategic Outlook,” March 12, 2019: <https://ec.europa.eu/commission/sites/beta-political/files/communication-EU-china-a-strategic-outlook.pdf>

2 Smith, Julianne and Torrey Taussig, “The Old World and the Middle Kingdom,” Foreign Affairs, September/October 2019: <https://www.foreignaffairs.com/articles/china/2019-08-12/old-world-and-middle-kingdom>

An Emerging Consensus in Washington

Across the U.S. political spectrum, there is a basic level of bipartisan support for tougher policies toward Beijing. Both the 2017 National Security Strategy and 2018 National Defense Strategy define the U.S.–China relationship in terms of geopolitical competition across the economic, technological, political and security dimensions of the relationship. While the Indo-Pacific is not Europe’s primary strategic theater, it is central to U.S.–China competition. The U.S. views China as a military competitor in the Indo-Pacific due to its military modernization efforts, illegal island building campaign in the South China Sea, and aggressive actions against its neighbors and U.S. allies.

On the economic front, the U.S. and China have been locked in a trade war that has seen a ratcheting up of tariffs on one another’s imported goods. In January 2020, both countries reached a deal to ease restrictions, but tensions have shifted to technology. In August 2020, the Trump administration issued executive orders banning Chinese applications TikTok and WeChat, and the U.S. Commerce Department has continued to restrict Huawei’s ability to access U.S. technology and software.³ In November 2020, the Trump administration issued another executive order prohibiting transactions in publicly traded securities in military-linked Chinese companies.

In 2021, the Biden administration will have a Congress that widely supports rebalancing the U.S.–China trade relationship, strengthening deterrence against Chinese military posturing in the Indo-Pacific, and working with allies in Europe to defend our democracies from Chinese surveillance technologies, IP theft and political influence.⁴

3 The United States Senate Committee on Foreign Relations, “A Transatlantic Agenda on China,” Majority Report, November 2020: [https://www.foreign.senate.gov/imo/media/doc/SFRC%20Majority%20China-Europe%20Report%20FINAL%20\(P&G\).pdf](https://www.foreign.senate.gov/imo/media/doc/SFRC%20Majority%20China-Europe%20Report%20FINAL%20(P&G).pdf)

4 *ibid.*

Recommendations

The U.S. and Europe will be stronger if they work together on a strategy toward China. They should capitalize on their converging assessment of the challenges posed by China to strengthen dialogue and pursue a common path forward. A shared agenda will require the Biden administration to restore trust in the transatlantic relationship. It will also require Europe to unite around tougher policies where it sees China infringing on European values and interests.

Only together can the U.S. and Europe build the leverage necessary in trade, technology and multilateral engagement to hold China to a set of standards that protects democratic societies and contributes to global stability. United they can rally other nations around these objectives.

Below are five priority recommendations for a transatlantic agenda on China:

Work together at the WTO to address China's uncompetitive trade practices

- The U.S. will not be successful in pushing European partners to pursue decoupling with China or to eject China from the WTO. Joint WTO cases between the U.S., the EU and Japan will be more effective. Such cases should prioritize Chinese intellectual property theft, uncompetitive trade practices and cybertheft.
- As noted in this project's other action plans, a U.S.–EU working group on WTO reform could serve as an initial step in assessing how best to address Chinese uncompetitive trade practices.

Strengthen and harmonize investment screening mechanisms

- Currently, only 14 out of the 27 EU member states (plus the United Kingdom) have investment screening mechanisms in place to ensure that foreign direct investments do not pose national security

risks. Other European countries in greater need of investment (including many in Southern and Central Europe) are more open to allowing Chinese state-owned companies to acquire strategic assets such as ports.

- The EU and the U.S. should cooperate to strengthen and harmonize investment screening mechanisms that will protect critical infrastructure and technologies. The Committee on Foreign Investment in the United States (CFIUS) can be used as a model.⁵ CFIUS reviews foreign acquisitions in the U.S. and blocks investments that are deemed a national security threat. While it could do a better job in catching certain investments that try to circumvent CFIUS review, these drawbacks could be corrected by EU efforts.⁶

Boost intelligence sharing on Chinese political influence, IP theft, and technology-related threats

- The U.S. and Europe must enhance awareness among national security officials, political leaders, civil society actors and technology companies of the various forms of Chinese political influence and interference.
- The EU should serve as a clearing house of information for political influence operations that European national and local governments have witnessed from Beijing. U.S. and European counterparts at the EU and member state level should also enhance intelligence sharing on cyber espionage, forced technology transfers and IP theft.
- Technology transfers to China through collaboration in research institutions and universities must be more closely scrutinized. Chinese firms have stepped up R&D collaboration and talent recruitment programs with EU companies, universities and governments. Intelligence sharing between the U.S. and the EU should therefore

5 Kirschenbaum, Joshua and Etienne Soula, "EU Foreign Investment Screening—At Last, a Start—*German Marshall Fund's Alliance for Securing Democracy*, September 24, 2019: <https://securingdemocracy.gmfus.org/EU-foreign-investment-screening-at-last-a-start/>.

6 Smith, Julianne and Torrey Taussig, "Europe Needs a China Strategy; Brussels Needs to Shape it," *Lawfare Blog*, February 9, 2020: <https://www.lawfareblog.com/europe-needs-china-strategy-brussels-needs-shape-it>.

focus on Chinese partnerships with European academic institutions to examine risks and explore options for addressing them.

- The U.S. and Europe should draw expertise from India, Australia, New Zealand and Taiwan, as all four countries have been on the front lines of Chinese political influence and interference campaigns.

Develop alternatives to China's Belt and Road Initiative (BRI) that provide for positive governance, environmental and labor outcomes in recipient countries

- The U.S. and Europe should provide transparent finance and infrastructure to developing countries that are growing increasingly indebted to Chinese loans and infrastructure projects.
- The Blue Dot Network (BDN) created in 2019 by the U.S., Japan and Australia and the EU–Asia Connectivity Strategy initiated in 2018 are important initiatives for delivering transparent, economically viable and environmentally sustainable investment and development to emerging market economies. Both require clearer priorities, more funding and greater political support in order to serve as alternatives to Beijing's BRI.⁷ Efforts to ensure European participation in the BDN should be prioritized.

Institute targeted export controls and sanctions that safeguard human rights

- U.S. counterintelligence, law enforcement and relevant government officials and counterparts at the EU and in EU member states should better collaborate to prevent sensitive technology transfers to Chinese companies and military actors involved in surveillance

⁷ The BDN follows the creation of the U.S. International Development Finance Corporation (DFC) in 2019 that replaced the U.S. Overseas Private Investment Corporation (OPIC). The DFC has double the financial capabilities of OPIC and is able to invest up to \$60 billion in infrastructure projects.

and human rights abuses. Collaboration should also focus on developing joint standards to evaluate relevant transactions.⁸

- The U.S. has maintained a decades-long embargo on exports that could support the Chinese military. Under the Trump administration, the U.S. Commerce Department has taken additional steps to enhance regulatory review over the export of sensitive technologies to military end-users in China, with broad Congressional support.
- Europe has been skeptical of the Trump administration's use of export controls and sanctions, given that European companies have been on the receiving end of U.S. sanctions. However, in July 2020, the EU agreed to enact its own export controls of certain equipment and technologies to Hong Kong that could be used for internal repression or surveillance. Moving forward, the U.S. and the EU should ensure broad coordination on export controls to China in order to avoid unilateral actions that could harm transatlantic trade.

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8 Imbrie, Andrew et al., "Agile Alliances: How the U.S. and Its Allies Can Deliver a Democratic Way of AI," Center for Security and Emerging Technology at Georgetown University, February 2020: <https://cset.georgetown.edu/wp-content/uploads/CSET-Agile-Alliances.pdf>



A Russian Sukhoi Su-24 attack aircraft makes a low altitude pass by the USS Donald Cook in the Baltic Sea, April 12, 2016.

U.S. Navy Photo

Russia

Kristi Raik

In the foreseeable future, Russia continues to pose serious challenges to the European and international security order, democratic systems of Western countries, and cohesion of major Western organizations such as the EU and NATO. The U.S. and Europe need to tackle these challenges together and pursue a hard line vis-à-vis Russia in order to put limits to its malicious actions. Europe has to take more responsibility for defending and protecting itself and promoting stability in its neighborhood, but the U.S. contribution to European security, especially when it comes to countering and deterring Russia, remains indispensable. The U.S. and European allies need to continue to develop credible defense and deterrence against Russia in the framework of NATO.

Challenges

Over the past 20 years—since President Vladimir Putin’s rise to power—Russia has become increasingly estranged from the West. There are three fundamental reasons for this, none of which is likely to disappear any time soon. For these reasons, all of which can be regarded as systemic sources of tension, the Western-Russian relationship is bound to remain difficult in foreseeable future:

The first is Russia’s deep discontent with the European security order, but also more broadly the international security order. A key goal of Putin’s policy has been to restore Russia’s great power status and rebuild its influence in the post-Soviet space and beyond. While this might be seen as a legitimate goal, Russia’s methods of influence and its understanding of what being a great power is about are not. Putin’s use of the Yalta conference as a model and the glorification of Stalin’s leadership illustrate the problems. Russia seeks the establishment of a security order in which great powers define the rules, determine the balance of power and agree on spheres of influence which smaller ones are bound to accept. In

particular, Russia expects other powers to acknowledge its privileged role in the post-Soviet space. In this vision, the right of each state to decide on its security relations, as inscribed in the Organization for Security and Co-operation in Europe (OSCE) principles, is subordinate to the security interests of great powers. Russia's methods for gaining influence include disinformation, election interference, use of corruption and energy trade as tools of pressure, cyberattacks, military force and paramilitary activities. As inscribed in the constitutional amendments that entered into force on July 4, 2020, its actions are not bound by international law when the Russian constitution contradicts it.

Russia presents its aspirations for a new security order as a path to stability. Yet in reality, its efforts to impose its vision of order on smaller neighbors, if necessary by use of force, have produced a great deal of tension and conflict. Subordination of countries to a sphere of influence against their will is quite simply not a recipe for sustainable stability. Nowhere is this more visible than in the case of Ukraine, where Russia has gone to great lengths to maintain control over the country's orientation, resulting in a dramatic worsening of relations and Ukraine's strengthened determination to pursue its own path. Putin's Russia is not prepared to accept a solution to the Ukraine conflict that would respect the latter's sovereignty, territorial integrity and right to self-determination. It sustains the war in Donbas as a way to put pressure on Kyiv and maintain its influence over the country. Russia pursues a zero-sum approach that is also visible, for instance, in its increased role in Europe's Southern neighborhood, notably the conflicts in Syria and Libya. Russia is of more direct concern to European security, but it is also undermining the U.S. engagement and interests in various parts of the world, e.g. Afghanistan and Venezuela.

Second, Russia is an authoritarian power relying on KGB-style methods of coercion and control—as evidenced most recently by the poisoning of opposition leader Aleksei Navalny with Novichok nerve agent. Strengthening authoritarian rule has been one of the key trends of Putin's presidency. Expressions of domestic protest, such as the so-called Bolotnaya demonstrations in 2011, have been suppressed. In the 2000s, Putin's popularity was based on rapid economic development thanks to high oil prices. As economic growth slowed down, the annexation of

Crimea gave a new boost to Putin's support. Now that this factor has faded and public dissatisfaction is growing, it is unclear how the regime will manage the situation. Concern about regime stability might encourage further repressive measures. Public protests—be they in Ukraine, Belarus or Russia itself—are routinely portrayed by the Kremlin as a product of foreign interference, which denies the possibility of true and lasting bottom-up mobilization. The lack of mechanism to ensure a stable transfer of power is a major source of systemic fragility. When change finally comes, it is likely to be abrupt and destabilizing.

Third, Russia is determined to sow division among and within Western societies and undermine organizations such as the EU and NATO. This follows logically from the first two points, since the Kremlin views Western powers and institutions as the main obstacle to Russia's great power ambitions abroad and the main threat to its authoritarian regime at home. A combination of domestic weaknesses in the West and increased fragility of the transatlantic partnership has created space for Russia to pursue its disinformation and influence operations in Europe and the U.S. through a variety of informational, technological and economic means. Examples include interference in the U.S. and French presidential elections, hacking the IT system of the German and Norwegian parliaments and supporting various populist parties of the left and right across Europe.

Transatlantic Cooperation: Divergence and Convergence

Since 2014, the coordinated response by the U.S. and Europe to the annexation of Crimea and the war in eastern Ukraine has been based on a shared understanding of the importance of defending the norms-based security order and imposing costs for its violations. The sanctions imposed on Russia have helped to constrain aggression. Likewise, it has been essential to strengthen the defense and deterrence posture of NATO. This remains of existential importance for the Baltic states and Poland as the most vulnerable part of NATO, and thus for the alliance as a whole. Russia's imperial ambitions are best constrained by credible defense and deterrence. These shared priorities should remain at the core of transatlantic cooperation vis-à-vis Russia.

In recent years, however, there has been confusion and uncertainty about the U.S. approach to Russia, Ukraine and European security. Actual policies towards Russia have hardened, support to Ukraine has continued and NATO's military presence in the Eastern flank has been strengthened, but this has been accompanied by contradictory positions on the part of the U.S. president. The feeling that Europe can no longer rely on its biggest ally has strengthened among the leaders as well as publics of many European countries. This trend can be reversed by a Biden administration.

Specific issues where the positions of the U.S. and Europe—or some major European countries—have diverged include arms control and energy. The collapse of the INF Treaty in 2019 and U.S. exit from the Open Skies Treaty in May 2020, both due to violations by Russia, and uncertainty over the continuation of the 2010 New START treaty, which will expire in 2021 (and which arguably Russia has complied with), have raised concerns over a new arms race in many European capitals. The challenge is not to allow existing norms to simply collapse and work instead on developing mechanisms of control and imposing costs on non-compliance. The U.S. has an indispensable role to play.

Regarding energy, Europe is internally divided over the Nord Stream 2 pipeline, which Germany has pursued although the project has faced criticism for non-compliance with EU energy policy (unbundling rules) and for increasing the geopolitical vulnerability of Ukraine and the EU's Eastern member states. The U.S. has responded with sanctions against Nord Stream 2, which have further deepened transatlantic tensions. The lack of a shared strategic vision undermines both the EU and the transatlantic alliance.

Need for a Concerted Response

Increasing cases of Russia's malign activities, which violate international norms and undermine our democratic systems, highlight the need for a concerted response and should help to identify opportunities for transatlantic cooperation. The three systemic sources of tension described above are at the core of Russia's strategic interests, as perceived by Putin's regime.

The U.S. and Europe are not able to change these self-defined interests. They need to build their policies based on the premise that Russia is serious about pursuing them. Efforts to enhance cooperation with Russia on specific issues where shared interests can be found (e.g. blocking nuclear proliferation in Iran and North Korea) are needed, but do not change these fundamentals. Whether a new Russian leadership (whenever it emerges) would be willing to modify Russia's present definition of national interest remains to be seen.

The rise of China and increased Sino-Russian cooperation may contribute to enhanced transatlantic responses vis-à-vis both major powers. The changing global balance of power in favor of China does not remove the systemic sources of tension between Russia and the West. Russia may be worried about its growing dependence on China, but economic integration with Europe is not a viable alternative as long as Russia's strategic goals and the nature of the Russian system (lack of the rule of law, pervasive corruption, state-controlled oligarchic business model in strategic sectors, etc.) remain incompatible with those of the EU. New possibilities for Western-Russian economic cooperation could be opened up by the modernization of the Russian economy, but this has not been a priority of the current regime. The rise of China and relative decline of Russia might reduce the relative importance of the challenges Russia poses to the U.S. and Europe, but it does not essentially change them.

Strategic goals for the U.S. and Europe

In the foreseeable future, Russia continues to seriously challenge European and international security order, democratic systems of Western countries, and cohesion of major Western organizations such as the EU and NATO. Hence, the U.S. and Europe together have to pursue a hard line vis-à-vis Russia to tackle these challenges. At the same time, dialogue is necessary and we should remain open to cooperation with Russia on matters of international security where shared interests can be identified.

Joint transatlantic efforts are essential to set limits on Russia's malicious actions. The U.S. and Europe need to work on their own social cohesion

and the sustainability of their democracies so as to reduce domestic vulnerabilities that external powers can exploit. They also need to strengthen their joint approach to defending the norms-based security order in Europe and beyond. As long as Russia keeps trying to impose its vision of order on its neighbors (most notably Ukraine), there is no foundation on which to negotiate a new security order.

Europe has to take more responsibility for defending and protecting itself and promoting stability in its neighborhood, but the U.S. contribution to European security—especially when it comes to countering and deterring Russia—remains indispensable. A failure to maintain credible defense and deterrence against Russia would be fatal for the transatlantic alliance.

Recommendations

1. Defend the democratic systems of the U.S. and Europe against Russia's malign interference. Work together to develop capabilities to identify and prevent actions such as the spread of disinformation, hacking of public IT systems and cyber espionage by external actors.
2. Continue to develop credible defense and deterrence against Russia in the framework of NATO.
3. Defend the norms-based security order in Europe. Increase costs for violations and pressure on Russia to step back from its destabilizing activities in Ukraine. Provide consistent support to Ukraine in its efforts to push back Russian aggression and develop closer ties to the West.
4. Work together to strengthen mechanisms of arms control and impose costs on non-compliance. Extend the 2010 New START Treaty, which will expire in 2021.
5. Revive and strengthen cooperation on climate and energy issues, where it is a shared strategic goal to reduce Europe's dependence on Russian energy, to be pursued hand in hand with the major global task to cut down reliance on fossil fuels.

6. Strengthen measures to constrain Russia's malign economic influence and kleptocracy, including anti-corruption policies and efforts to stop money laundering.
7. Cooperate more closely on defending human rights, e.g. through the adoption of a European Magnitsky Act.
8. Engage Russia on international issues where shared interests can be identified, such as stopping the proliferation of nuclear weapons in Iran and North Korea.
9. Work towards a joint engagement in Syria and Libya, to address Russia's strengthened influence and promote sustainable solutions to the conflicts.
10. Reach out to the Russian society, maintain and develop contacts between students, academics, cultural sectors etc. At the same time, beware of state-sponsored propaganda activities of Russian organizations and individuals.

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Turbines at the wind farm at Biedesheim, Germany, June 2016.

Karsten Würth



Energy Policy and Climate Change

Josef Braml

The Trump administration's short-sighted geo-economic crackdown on the main international oil and gas producers—be it Saudi Arabia, Russia, or Iran—not only came at the expense of economic interests of allied countries in Europe, but also did long-term harm to the United States itself, helping its global rival China. Sooner rather than later—and a new administration offers this opportunity—U.S. policymakers will have to address businesses' growing interests in (green) investment strategies and the rapidly intensifying geopolitical rivalry with China. Transatlantic cooperation in the development of sustainable energy sources and technologies will be instrumental. A “Transatlantic New Green Deal” would allow allies to generate much-needed new economic growth after the COVID-19-related economic contraction and improve the energy security of consumer countries, curb the effect of greenhouse gases and realign the balance of power in world energy markets.

Challenges

Ever since the United States became a net exporter to international energy markets due to the “fracking” boom, exporting more oil and gas than it imports, policymakers and experts alike have been celebrating “energy independence,” sought since the 1970s. In President Trump's utilitarian thinking, energy became an effective means for the United States to exercise power. Energy gained a (geo)strategic purpose.

“We have real independence. But what we want now is not independence; we want American energy dominance,” Trump explained his thinking, speaking to workers at the Shell Pennsylvania Petrochemicals Complex in

Monaca, Pennsylvania.⁹ “Energy dominance” became the buzzword in the last administration’s National Security Strategy.¹⁰

Over the course of the past four years the U.S. has managed or manipulated energy and corresponding financial flows politically, particularly through (secondary) sanctions. Guided by its interests, the Trump administration sought to achieve the political goal of geostrategic dominance by engaging competitive forces in so-called free markets. The modern, liberal idea of free market economies and win-win-thinking lost out in this logic: It gave way to a pre-industrial, mercantilist zero-sum thinking—one wins, all others lose.

Saudi Arabia became a prominent target of this policy. The White House and Congress reminded the government that the security of its ‘oil monarchy’ depended on U.S. military protection, with the goal of encouraging it to curtail production, to ensure that an oversupply of oil would not ruin American energy production.

European allies also felt the squeeze of U.S. energy policy: They were encouraged to buy more American “freedom gas”¹¹ instead of cheaper Russian gas and were asked to finance the building of necessary transportation infrastructure, such as liquefied natural gas (LNG) terminals—ultimately with mixed results. Despite the German offer to build LNG terminals to assuage the threats of additional U.S. sanctions over Nord Stream 2, these have not come to pass, casting a shadow over a presumed ‘energy détente’ following the election of Joe Biden.

Europeans presume that the new President and Congress will continue to push this geostrategic argument and use even more secondary sanctions to force allies to buy “freedom gas.” A year ago—in December 2019—the U.S. Congress passed the Protecting Europe’s Energy Security Act (PEESA)

9 The White House, Remarks by President Trump on American Energy and Manufacturing, August 13, 2019, <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-american-energy-manufacturing-monaco-pa/>.

10 The White House, National Security Strategy of the United States, Washington, D.C., December 2017, p. 22, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905-2.pdf>.

11 U.S. Under Secretary of Energy Mark W. Menezes referred to American LNG as “freedom gas.” U.S. Department of Energy, Department of Energy Authorizes Additional LNG Exports from Freeport LNG, Press Release from May 28, 2019, <https://www.energy.gov/articles/departement-energy-authorizes-additional-lng-exports-freeport-lng>.

with bipartisan support. PEESA initially halted construction, because the sanctions targeted the operators of the special ships that laid the pipes for the Nord Stream 2 pipeline. According to Bloomberg,¹² the U.S. Congress has recently agreed to impose new sanctions on active supporters of the project. These are part of a National Defense Authorization Act (NDAA) slated to be passed by the end of 2020. It provides for punitive measures both against insurers of companies and ships involved in the further construction of Nord Stream 2 and against technical certification companies.

The United States could help Germany and other European allies to become less dependent on Russian gas if it lifted secondary sanctions against Iran, which seems unlikely. While President-elect Biden chose Tony Blinken and Jake Sullivan—two of the key architects of the original Joint Comprehensive Plan of Action (JCPOA), known as the Iran Deal—as core members of his foreign policy and national security team, the prospects of achieving a second, wider deal, to include additional provisions to curb Iran’s regional interference, are gloomy. For now, America’s unilateral abandonment of the JCPOA, and the leveraging of secondary sanctions will continue to have a measurable effect on European companies hoping to build business ties in Iran. America’s sanctions design will continue to have a positive side effect for its own fracking industry, since it has deterred Iran from extracting its abundant resources.

In the long run, these geo-economic measures harm the United States and its allies. In fact, resource-hungry China is likely to be the main beneficiary of this geo-economic approach. With a dip in overall demand, the struggle of producers will be all the more real and the power of buyers—in particular China, the largest energy consumer—will continue to increase.

12 Flatley, Daniel and Dina Khrennikova, U.S. Targets Insurers in Latest Round of Nord Stream 2 Sanctions, *Bloomberg*, November 11, 2020. <https://www.bloomberg.com/news/articles/2020-11-11/nord-stream-2-sanctions-to-be-included-in-u-s-defense-bill>

Recommendations

Strategic foreign and security policy in a 21st century world, similar to forward-looking investment strategies, should not try to preserve outdated industries, but should **focus on growth markets and place both issues—energy and climate—at the center of their analyses** and recommendations for action.

International investors have already recognized that **climate risk is an investment risk**, due in part to the high-profile preparatory work of environmental researchers. In his investor letter for 2020, Chairman and CEO of BlackRock, Larry Fink, warned that environmental awareness is “rapidly changing.” Fink, head of the world’s largest hedge fund, expects a “fundamental transformation of finance.” The “evidence of climate risk” will force investors to “reassess core assumptions about modern finance.”¹³

To this end, U.S. policymakers must also rethink their unilateral, national solutions in the context of a **new international regulatory framework**. Companies should be required to disclose climate change risks so that markets can price that risk. In order to enable public and private actors around the world to make sound financial decisions, the Task Force on Climate-related Financial Disclosures (TCFD) projects could be used. It was established in 2015 by the Financial Stability Board (FSB), an organ of the G-20.¹⁴ World-wide, national financial regulators, such as the U.S. Securities and Exchange Commission, should ensure that the TCFD recommendations are legally binding.¹⁵

The EU Commission has been working on a set of rules for sustainable financial investments for some time. With the Taxonomy Regulation of 18 June 2020, the EU has now created the world’s first “green list” for sustainable economic activities. Investors can use this classification system if they

13 Fink, Larry “A Fundamental Reshaping of Finance, 2020,” <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>.

14 More detailed information: <https://www.fsb-tcfd.org/>.

15 see Podesta, John and Todd Stern, “A Foreign Policy for the Climate. How American Leadership Can Avert Catastrophe,” *Foreign Affairs*, May/June 2020, <https://www.foreignaffairs.com/articles/united-states/2020-04-13/foreign-policy-climate>.

want to invest in projects and economic activities with significant positive climate and environmental impacts.¹⁶

Driven by business interests, U.S. policymakers will need to play catch-up to EU peers that already committed to reviving their post-COVID economies with a Green Deal. Given pandemic-induced economic contractions and the fierce geo-technological competition with China, U.S. policymakers will also want to promote technological advances, not least on smart grids, artificial intelligence (AI) and autonomous driving particularly in U.S. cities—by providing management, infrastructure and research funding. A Biden administration will now be able to put campaign promises of “historic investment” into action: the plan outlines a total of \$400 billion in government spending for clean energy and innovation over ten years.

The Biden administration’s “Plan for a Clean Energy Revolution and Environmental Justice”¹⁷ is ambitious—and may face legislative hurdles if Democrats do not succeed in taking back the Senate majority by winning both Georgia runoff votes on January 5, 2021.

Over a year ago—on December 11, 2019—the European Commission, led by President Ursula von der Leyen, presented its European Green Deal. Under this ambitious plan, Europe will be the first continent to become climate neutral and reduce net greenhouse gas emissions in the EU to zero by 2050. The European Green Deal includes a number of measures in the areas of financial market regulation (keyword: sustainable finance), energy supply, transport, trade, industry, agriculture and forestry. Europe wants to use the COVID-19 crisis to transition to a modern, resource efficient and competitive digital and green economy.

To foster the development and dissemination of sustainable technologies, the **Major Economies Forum (MEF), initiated by the United States in 2009, should be revitalized.** At ministerial level, the 17 economies responsible for

16 see the so-called EU Taxonomy: <https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group_en.

17 see Joe Biden’s Campaign Website, Fact Sheet: 9 Key Elements of Joe Biden’s Plan for a Clean Energy Revolution, <https://joebiden.com/9-key-elements-of-joe-bidens-plan-for-a-clean-energy-revolution/>.

around 80% of global emissions could help multinationals set clean energy standards and explore new forms of cooperation in sustainable economies.¹⁸

In order to reduce existing global inequalities between tech-savvy economies and developing countries, and to put developing countries particularly hard-hit by the COVID-19 pandemic on a more sustainable path, the **United States and Europe should use their political weight in the Bretton Woods (World Bank and IMF) organizations to tie lending to sustainability criteria**, to encourage investment in sustainable infrastructure and development in particular.

UN voices are also calling for a broader role for the World Bank and the IMF to shape a “Green New Deal” as a driver of more equitable, inclusive global economic development. The United Nations Conference on Trade and Development (UNCTAD), a permanent body of the United Nations General Assembly based in Geneva, could also support the predominantly classically-trained neo-liberal economists of the World Bank and the IMF with broader economic thinking. This could remedy the failure of the so-called free markets and their proponents.

Future **investments could also be financed by “protection taxes:”** to protect against OPEC’s unpredictability, innovation-oriented governments could impose **countercyclical taxes on fossil fuels**, coupled with the market price for oil. This would protect investment in renewable energy from sudden additional price falls, possibly initiated by OPEC. In order to promote domestic political acceptance, tax revenues could be used not only for research and development of renewable energies, but also for **tax relief for the population**.

By introducing “taxes,” the control effect of energy prices could also be used consistently. In order to prevent some states from gaming tax advantages and overriding their competitors, **a coordinated “carbon border tax” is necessary**. For example, the European Commission intends to impose a CO₂ tax on imports, and to ensure that the competitiveness of European companies is not affected, especially in energy-intensive industries. The carbon border tax is a central theme in the European Commissions’ Green

¹⁸ More detailed information: <https://2009-2017.state.gov/e/oes/climate/mem/index.htm>.

Deal; coordinated with the United States and other innovation-oriented countries it could be a powerful measure to curtail overreach by other countries.

If the level of energy prices, particularly in industrialized countries, were to be raised systematically, gradually, and continuously over a longer period of time, there would be greater certainty of planning for adaptation measures on the energy demand and supply side.

These adjustments should be managed in dialogue, for example by **bringing suppliers and buyers into discussion at the multilateral level of the G-20 and the International Energy Agency (IEA)**.¹⁹ IEA Executive Director, Fatih Birol, insisted that one should never waste a good crisis. In fact, COVID-19 impaired countries should use their **multibillion-dollar national stimulus programs to promote energy efficiency and renewable energies**.

It is possible to do both: Create needed timely and targeted momentum in light of the current recession in an effort to stimulate a short-term uptick in private consumption and entrepreneurial investment. Accompanied by political framework conditions (e.g. taxes), stimulus packages can also prove transformative, changing the structure of the economy in the long run.²⁰

Leveraged effectively, economic growth stimulus, improved energy security, and climate protection should be deployed argumentatively in tandem—both to win over domestic audiences and build international momentum. They could give transatlantic allies, which have been badly affected by the COVID-19 crisis, a much-needed, optimistic and sustainable future.

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19 Kempe, Frederick "How the US Can Use the Covid-19 Crisis to Reimagine the Energy World, Save Jobs and Stabilize Markets," *CNBC*, April 25, 2020, <https://www.cnbc.com/2020/04/25/op-ed-how-the-us-could-use-the-covid-19-crisis-to-reimagine-energy.html>.

20 Kröger, Mats, Karsten Neuhoﬀ, and Jörn Richstein, "Green New Deal nach Corona: Was wir aus der Finanzkrise lernen können" (Green New Deal After Corona: What We Can Learn From the Financial Crisis), *DIW aktuell*, April 30, 2020.



Thousands of protesters walk down Budapest's famed Chain Bridge during an anti-government march in central Budapest, Hungary, Friday, Dec. 21, 2018.

AP Photo/Marko Drobnjakovic



Democracy

Constanze Stelzenmüller

The nations of the transatlantic alliance have taken democracy for granted: as the foundation of their domestic constitutional orders, as the foundation of the alliance, and as the source of the West's global soft power. Yet they currently find themselves on the defensive against populists and authoritarian powers, at a time when democracy worldwide is in retreat. This undermines the credibility of NATO as an alliance of democracies and as a model for the rest of the world.

The aftermath of the November 2020 U.S. elections will be a watershed moment for democracy in America. And although many of Europe's populist movements have struggled for traction during the pandemic, the grievances that feed them are not resolved. Germany's national elections in 2021, in particular, will be a bellwether for the health of democracy in Europe.

At this critical moment for the alliance, the Biden administration and its transatlantic partners should recommit to the defense of liberal democracy as a foundational value of the transatlantic alliance: within our domestic orders, in NATO, and abroad.

Challenges

For the West, democracy has been a competitive advantage, as well as a source of legitimacy and soft power. Yet in recent years the members of the transatlantic alliance have either taken democracy for granted or faltered in its defense. This is a key reason why they now find themselves on the defensive against populists and rising authoritarian powers.

The term “democracy” is used here as shorthand for “liberal democracy,” a set of principles that includes popular sovereignty, representation, separation and balance of powers, the rule of law, the protection of individual rights and freedoms, as well as political pluralism. Together, they are the

foundation of Western constitutionalism, but they also reflect a universal human quest for an order that protects people from abuse by limiting and dispersing power. Democracy is not immune against flaws; it needs to be tended, protected, and renewed. But when it works, it is superior to all other forms of governance because it provides a peaceful and inclusive way to change a country's leadership, to resolve internal conflicts, and to self-correct mistakes. Democracy maximizes liberty, equality, and fairness; it fosters human development and dignity.

The transatlantic alliance, born out of the crucible of World War II and the Holocaust, always had democracy at its heart: the defense of free Western nations against the Communist Soviet Union and the Warsaw Pact. Membership in NATO, together with the U.S. security umbrella, allowed postwar western European nations to shift resources to growth and welfare, helping to strengthen their democratic institutions. Essential preconditions for stable democracy were thus present or re-created on both sides of the Atlantic: functioning states, open market economies, and inclusive social contracts. Yet Portugal (a founding member in 1949) was under authoritarian rule until the mid-1970s; and when Greece and Turkey took authoritarian turns during the Cold War, other member states turned a blind eye.

Nonetheless, after the fall of the Berlin Wall and the dissolution of the Warsaw Pact, alliance membership—together with entry into the European Union—once more helped democracy take root in Central and Eastern Europe. The alliance and the EU together leveraged entry against domestic reforms.

The alliance's original members, meanwhile, interpreted the events of 1989 not just as a validation of their own democratic model, but also as a harbinger of an inevitable global convergence towards it; they found affirmation in a series of genuinely democratic revolutions in Latin America, Asia, and Africa. Thirty years on, it has become clear that both these assumptions were flawed.

For the first time since the end of World War II, the commitment to liberal democracy is being challenged by populists and ethno-nationalists within most member states of the alliance. The causes for this shift are almost entirely homemade: an erosion of postwar architectures of governance, of

economic policies geared towards opportunity and fairness, and inclusive social contracts, catalyzed by technological disruptions and globalization.

In some cases, the attacks come from opposition parties or movements, e.g. Germany's *Alternative für Deutschland* or France's Yellow Vests. In others, the authoritarians are in government. The latter include (to varying degrees) the governments of Recep Tayyip Erdoğan in Turkey, of Viktor Orbán in Hungary, and of Andrzej Duda in Poland. For the past four years, they have also included the government of the postwar liberal international order's anchor democracy, the United States.

The attacks on democracy perpetrated by authoritarians in power vary, but there are repeating patterns: constitutional changes that enshrine one-party rule and disenfranchise minorities; attempts to undo the balance and separation of powers; efforts to undermine government institutions and agencies; weakening the rule of law; relinquishing the state's monopoly on the use of force in the public space to extremist private actors; attacks on freedom of speech and the media; creating permissive environments for corruption and the capture of public goods by special interests and collusion with external adversaries.

Elsewhere, the enemies of democracy have been kept at bay, on the fringes of organized politics. But still some continue to mount offensives against the institutions of government or the organizations that mediate between the institutions of representative democracy and civil society (political parties, unions, and publicly funded media). More often than not, they have contributed to an enduring fragmentation of the political landscape and permanently changed the scope of acceptable public discourse.

This democratic backsliding in member states threatens the security of the alliance in multiple ways. It undermines internal trust and cohesion. It limits intelligence sharing. It reduces the effectiveness of diplomacy, deterrence, and operations. It allows adversaries like Russia and China to subvert our internal orders, to create dependencies, to capture political, economic, physical and digital assets, and to exploit our vulnerabilities with disinformation and propaganda. Finally, it gives authoritarian leaders a welcome pretext to dismiss critiques of their own failings.

Democratic backsliding in member states also undermines the already shaky credibility of Western democracy promotion efforts abroad. The alliance's post-1989 record on post-intervention stabilization, nation-building, and democratic transformation is mixed at best. In the 1990s, it intervened (belatedly) in the former Yugoslavia to stop genocide and war crimes. It ousted the Taliban from Afghanistan in 2001 after the attacks of 9/11, and for a while brought peace to the war-ravaged country. In 2011, a coalition of alliance members intervened in Libya in the name of the principle of “responsibility to protect,” to prevent imminent crimes against humanity. Several post-Yugoslav nations have joined NATO and/or the EU. But whatever stability and order was achieved in Northern Africa, the Middle East, and Afghanistan has mostly eroded.

Still, there are grounds for optimism. Many institutions, government servants, and civil societies across the alliance space have proven remarkably courageous and resilient. The attacks on democracy have led to healthy self-examination and a renewed understanding of the value of democracy and the need to defend it. And civil societies worldwide continue to fight heroically for democracy—from Ukraine and Belarus to Hong Kong and Taiwan.

Recommendations

Democracy in the member states: Member states should help each other think about whether their democracies are fit for purpose in an age of competition and interdependence. Issues to discuss include:

- **The state:** How can the effectiveness and independence of the state be assured? How can it be made more resilient against disruption and corruption? How can it be responsive to citizens while preserving its neutrality? How can it maintain its monopoly on the use of force? What is the proper threshold and scope for emergency powers, and how is their use to be reviewed?
- **The economy:** What must be done to make economies fairer and more inclusive, so they are less likely to fuel the grievances that

undermine the legitimacy of democracies? What will the pandemic's impact be on the nature of work? How can our economies be made more resilient against future shocks?

- **Civil society:** What basic protections and services should citizens be able to expect from government? How can liberties be protected against technological encroachment? How should the public arena be protected against hate speech? How can integrity of elections be assured? What can be done to improve civic literacy? What must be done to overcome slavery, colonialism, and racism?

Democracy in NATO: The North Atlantic Treaty does not provide a mechanism for sanctioning members for democratic backsliding. But member states could coordinate political censure, the use of leverage, targeted sanctions, visa restrictions, and support for civil society organizations. Legislatures have other options: hearings, oversight, sanctions legislation, and restrictions on arms sales. Civil societies have a role to play in protests or in organizing support networks.

NATO should adopt a new strategic concept that reasserts democracy as a core value. It could establish a new governance committee, create a special ombudsman or supermajority voting rules on internal governance issues, or empower the Secretary General to place the topic on the council agenda. New members should have to comply with democratic standards not only before, but also after entry. NATO should exchange best practices and coordinate leverage with the EU. Member states should use fora like the G-7 or the G-20 to assert support for democracy.

Democracy in relations with the rest of the world: The transatlantic alliance should re-commit to democracy as a foundational principle for its relations with the world. In relations with authoritarian-ruled nations, it should acknowledge that it is engaged in systemic competition. It will have to collaborate with some of its competitors on global issues. But it should do so on a basis of transactional pragmatism; and it should not be silent on questions of alliance values.

Peace, economic development, and democratic transformation are in the alliance's strategic interest. It should refuse to accept spheres of influence,

and practice solidarity with nations and civil societies that seek self-determination, freedom, and democracy—on their own terms. It should underscore that its goal is not a hegemony of Western-style democracies, but an expanding collaboration of countries that derive their legitimacy from good governance and the free consent of their citizens.

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Final installation of Marea transatlantic undersea cable on shore
in Bilbao, Spain.

RUN Studios



Technology Action Plan

Cathryn Clüver Ashbrook and David Sanger

When the Internet began to flourish in the 1990's, there was an assumption that it would foster the values that the United States and its European allies held dearest: Freedom of expression, the spread of democracy, the empowerment of the individual. Presidents, prime ministers and German chancellors embraced the idea that the world's democracies would be bound together, and that over time greater connectivity would enhance not only trade and understanding, but the alliance.

Now, a new reality is dawning.

There is broad recognition that the same technologies that two decades ago were celebrated as liberating have been turned into tools of repression by the West's adversaries. China has learned to make facial recognition a key tool in identifying—and arresting—dissenters. Meanwhile, it is using its power, and the digital elements of the Belt and Road Initiative to roll out 5G networks, using its market power (and its government subsidies) to wire up small countries and large, even some NATO members.

Meanwhile, Russia has discovered that the undersea cables that link together the world's democracies are also vulnerable to being cut, potentially plunging its rivals into darkness. It has deployed submarines capable of threatening to cut the networks on which the West depends.

And it is not just the Great Powers who have learned how to turn these technologies to advantage, or how to use them to cling to power. Autocrats from Kim Jong-un to Iran's ayatollahs have grown increasingly sophisticated on how to turn networks into weapons, launching cyber attacks on adversaries their missiles cannot reach.

As Jared Cohen and Richard Fontaine have argued, we have barely noticed that

“[A]utocratic states have caught up. China is at the forefront, no longer a mere rising power in technology and now an American peer. In multiple areas—including facial and voice recognition, 5G technology, digital payments, quantum communications, and the commercial drone market—it has surpassed the United States. Leaders in Cuba, Iran, North Korea, Russia, Venezuela, and elsewhere are increasingly using technology for illiberal ends, following China’s example. And despite the United States’ remaining advantage in some technologies, such as artificial intelligence (AI) and semiconductor production, it has fallen behind China in formulating an overall strategy for their use.”

This must change. Gone are the days when leaders could gather at summit meetings, adopting largely content-free commitments to develop common strategies, only to return home and pursue their own agendas. Yet it hasn’t happened. While at summit meetings, leaders make promises to turn the power of social networks and artificial intelligence into tools to strengthen old alliances. When they return home, European leaders focus on limiting the powers of Facebook, Google and other social media and about new rules to preserve the privacy of Europeans. Skilled in rule-making, the EU defaults to that muscle memory, instead of engaging in a transatlantic norm-, rule- and standard-setting enterprise.

Challenges

There are fundamental disconnects in the way Europeans and Americans have approached strategic questions in the stewardship of technology.

Europeans have addressed platforms and software. The Americans have gone after hardware: The Trump administration declared that if Europe built its 5G networks with equipment from companies like Huawei, the Chinese telecommunication giant, it would cut off the continent's access to American intelligence. Not surprisingly, Europe reacted negatively to the threats, and have been internally divided about whether to follow America's lead or take advantage of lower-cost options from Huawei and other Chinese providers.

More importantly, the Europeans have largely been unable to bridge policy divides at home—among member states and between NATO and the EU. Rather than cooperate internally, and with the U.S. on how to use an array of new technologies to defend NATO nations, Europeans have been doggedly focused on protecting the privacy of Europeans—highlighting a difference in cultural values across the Atlantic. While a critical concern, it has often replaced a laser-like focus on the competitiveness of Europe's own civilian technology sector. Meanwhile, Americans have focused intently on limiting China's technological reach, but have done so unilaterally, without taking the time to bring Europeans along as full partners in the development of a strategy. It has been a bad combination. Late to the realization of the scope and ambition of China's strategic deployment of technology, surveillance and disinformation, Europe is only now beginning to consider a common strategy to address these interlinked issues.

The results are obvious. Rather than focus on the connections between technology and the risks to liberal democracy, common goals in artificial intelligence, data protection or the proper use and limits on offensive cyber weapons, allies have spent their time arguing about taxes, regulatory differences, antitrust and standard-setting. No structured, strategically organized transatlantic dialogue currently exists to map joint goals in emerging technologies, from artificial intelligence to autonomous vehicles and factories, aerospace, biotechnology or Fifth Generation networks.

NATO is attacked daily with Russian and other cyber weapons, yet there is little joint strategic thinking about whether NATO needs a “defend forward” offensive cyber program, similar to Washington’s, to match its losing efforts at defensive cyber. In the United States, there is a recognition that there is no good cyber defensive strategy without an offensive element; most European partners (with the notable exception of Britain) have been reluctant to create full-scope offensive cyber units similar to United States Cyber Command.

Similarly, there is little transatlantic discussion on what happens to the alliance when its major adversaries have next-generation autonomous weaponry, or what back doors to place, if any, in encryption products. It is a sign of the absence of effective communication that Europe and America have reacted so differently on the question of whether they can wall themselves off from Chinese-controlled networks, or how to deal with apps like TikTok and AliPay that their citizens are downloading on their iPhones. Incredibly, there is not even a common approach on what kind of data stays localized, or what kind China can use as it builds its databases and refines its use of artificial intelligence technologies.

There has also been little discussion, at a government-to-government or industry level, about the relationship between technological security and the survival, and spread, of liberal democracies. Countering disinformation is an obvious place to start. Yet on this issue, too, there is no common approach.

We can no longer afford to tread water on these issues, or pursue independent strategies. Too momentous are the challenges. China isn’t hesitating: since its “Made in China 2025” initiative was announced five years ago, it has sped ahead with a coordinated commercial or technological security strategy. The West has not matched it with one of its own. It is possible, as many in Silicon Valley insist, that relying on market forces alone will enable the West’s technological talents to prevail. But that is a hope, not a strategy.

Recommendations

Start with a Transatlantic Technology Forum

To emerge from the toxic spiral allies have created around hardware issues like 5G, and the regulation of U.S. tech giants like Google, Facebook and Apples platforms. Those issues are now complicated by the newer problem by the spread Chinese and other apps into our phones and our lives. To deal with these networked challenges we need a network. We would urge a single Forum: A broader, coordinated structure designed to marshal the plethora of issues in transatlantic technology policy, instead of the usual piecemeal conversations.

There are many ways to design such a Forum—but it must be an action group, not a set of bureaucratic study groups. We favor the recommendation of the Bipartisan Cyber Solarium group that the White House needs a senior cyber coordinator, who may also be a **Deputy National Security Advisor** (with appropriate staff and structure); if the White House is not at the center of this discussion, the U.S. will not have authority to speak within the Forum. Europeans, for their part, would need to stand up their own coordination mechanism between the EU Commission and member state governments, perhaps with an **EU Tech Envoy** who holds real authority and a **NATO Cyber and Tech Envoy** to consider the security implications of each move. Taken together, these executive roles should serve to oversee the whole range of inter-linked issues.

Specialized sub-working groups, such as the proposed EU–U.S. Tech and Trade Council should address digital taxation and platform regulation in particular. Other key issues include digital supply chain security; joint industrial policy; digital currency and blockchain strategies; anticipatory joint standard-setting to avoid being pre-empted by Russian and Chinese measures; and innovative ways to combat the weakening of the fabric of our democracies by tech-driven interference. To address these issues, the Forum would need to deliberately cut across NATO, the EU, and many different departments of the U.S. government. But it must also include the private sector, R&D institutions, infrastructure operators and civil society.

A NATO–EU Statecraft Initiative on Cyber should support this Forum, expanding on the NATO2030 plans announced in late November 2020. In coordination, a standing-group convened by the Forum would drive the transatlantic norm-setting process where Russia and China have recently dominated, such as in the UN Group of Governmental Experts (UN–GGE) with like-minded democracies as part of a “Tech10” with the U.S. and European countries at the core.

To launch this new type of strategic cooperation in good faith, however, we will first need a truce on a number of issues currently causing acrimony in the transatlantic technology relationship, including on planned digital taxes by individual member states. The time it will take for the Commission’s Digital Services Act and the Digital Compass to be addressed by the European Parliament and EU Member States should also be used to broaden and elevate transatlantic cooperation through the Transatlantic Technology Forum. We suggest:

Enhance joint industrial policy to develop viable Western technology competitors. It’s not enough to try to insulate the West by cutting off Chinese access to U.S. and European markets. U.S. and European governments, in cooperation with major technology companies, must develop joint industrial policies and ethical standards to create viable Western competitors in 5G and other emerging technologies. These may include embracing open architectures that would essentially allow the West to develop a variety of different kinds of systems that would run on common, inexpensive hardware. We must recognize that we cannot beat Chinese products without similarly capable, and similarly priced, products of our own.

Retaining the “U.S. market reserve” for European providers Ericsson and Nokia, perhaps even joining forces with a U.S.-based chip-maker could set a real counterpoint to Chinese advances. This will require recognition that 5G is not just another iteration of existing services; it is a rewiring of the Internet. Recognizing this fact, Congress should extend R&D funding into 5G software standards to transatlantic partners, recognizing that this is as essential to weaving together common defenses as the Joint Strike Fighter is to weaving together NATO allies. The West—transatlantic allies plus, eventually other technologically advanced

democracies—must develop a shared funding pipeline for 5G/6G and an emerging tech joint research platform (funded in part by joint government initiatives, but not government administered). The EU 5G toolbox and risk assessment mechanisms along the value/supply chain could be enhanced with U.S. and European intelligence assessments. Applying jointly agreed regulatory pressure to domestic technology distributors on each side could force the adoption of security standards throughout supply chains. Building “Clean networks,” a Trump era initiative worth building on, free of Chinese technology, could even be considered part of the 2% GDP goal in NATO.

As detailed elsewhere in this report, joint priorities to curtail Chinese overreach should be immediate priorities. These could include the pursuit of a transatlantic export control regime and expanded investment screening standards. Clearly, there must be improved commercial intelligence exchange to push back against Chinese cyber-espionage and IP theft at scale.

Coordinate Data Management, Privacy and Digital Taxation

With a Biden-Harris administration generally in favor of greater data protection, and with its interest in examining tech platform regulation (though with a different focus than the EU side) at home, there is an opening for coordinated consultation. Expanding the EU ‘code of conduct’ to a transatlantic effort is an initial idea. Aligning antitrust efforts more effectively and reframing “digital sovereignty” as ‘open to America’ will be necessary to advance transatlantic consensus. GAIA-X, the “by Europeans-for Europeans” cloud-based data storage and management initiative, and the Digital Services Act must allow for transatlantic coordination. Microsoft recently joining GAIA-X sends the right signal that the panoply of data issues is a joint transatlantic concern—but more importantly, it underlines that these solutions have to be built on the basis of leading-edge, effective technology.

The EU–U.S. Privacy Shield agreement will need urgent renegotiation. The U.S., UK and EU should be core partners in building a data space that allows for intelligence collection and managed, open data flows

while balancing privacy and fundamental rights concerns adequately. The Privacy Shield attempted—however insufficiently—to remedy the shortcomings of the earlier Safe Harbor Agreement, which was invalidated by the European Court of Justice (ECJ) because of perceived National Security Agency (NSA) overreach in collection and usage of foreign data. Still, even with the fixes introduced into the Privacy Shield, weaknesses remained around questions of independent and authoritative redress for Europeans and legal issues around standard contractual clauses designed to regulate data transfers to the U.S. The ECJ voided the Privacy Shield in July 2020, leaving thousands of U.S. and EU companies uncertain how to proceed.

For as much as Americans may have overreached on data intelligence in the early years of these agreements, intelligence cooperation based on signals and digital financial transaction tracing (all based on data) are predominantly requested by Europeans—and have measurably reduced terrorism in Europe. Transatlantic intelligence and security agencies will have to balance the demands of security and privacy in a more equal partnership, creatively rethinking a surveillance security regime that both America and its allies need to confront the new threats in a multipolar world.

On AI, the U.S. and EU must sweep away the concept of competition within the alliance and develop common goals—and ethics standards—for the use of autonomous technology. The EU's current plans on AI could tip into protectionism, and at worst significantly hamper the kind of R&D necessary to keep pace with progress in the US and China. Expanding the Trump era U.S.-UK AI agreement quickly to include EU member states would clear the way toward a Transatlantic AI Agreement, as suggested by the EU Commission in December 2020.

Stop ceding the cyber realm to Russia and China

Russia has successfully reframed the Council of Europe's Budapest Convention on Cybercrime to its advantage. China has asserted its leadership in UN specialized groups, to set standards in cyber or adjacent areas. They are already using these seemingly bureaucratic victories to establish

rules that make it easier to exploit the internet. Increased transatlantic leadership in multilateral and international bodies is essential to the preservation of liberal values in the institutional system. This applies equally to standard-setting in the ICT area, where China has made fast inroads. China has already appointed the heads of the International Telecommunications Union, the International Standards Organization and the International Electrotechnical Commissions. The transatlantic alliance needs to be putting forward strong, common positions at these bodies where possible, and push back against blatant efforts by the Chinese to control these bodies. Members of the transatlantic alliance should ensure they have implemented the UN Group of Governmental Expert (UN GGE) norms at home and continue to expand investments in a robust international cyber-security architecture, through real-world capacity-building exercises with like-minded democracies, to help allies identify gaps in their cyber armor. Better tracing and attribution capacities should make joint sanctions regimes against cyber attacks increasingly possible: Expanding the summer 2020 EU cyber sanctions transatlantically could be a way forward.

Formalize transatlantic operational coordination to counter disinformation and election interference

Countering the spread of mass disinformation (including deep fakes, cheapfakes and other next-generation disinformation technology), particularly from China and Russia, must be at the core of the joint transatlantic project to defend the integrity of democracies. Europe and the United States were equally the target of strategically launched disinformation campaigns by Russia and China at the height of the spring COVID outbreak.

As part of the Tech Forum's work, the U.S. State Department's Global Engagement Center and the EEAS detection and early-warning systems must be closely aligned. The 2018 G-7 summit Charlevoix agreed to build transatlantic data competence to identify dual-use tech and tech-powered human rights violations so that powerful nations can coordinate sanctions design. Transatlantic nations need to expedite the implementation of this decision.

Both sides have a vested interest in protecting election infrastructure from technological interference by malign actors. This includes a tighter control on election advertising, bots, deep fakes, inauthentic behavior, and hate speech. But there must also be a recognition that these efforts cannot be used to give governments greater power to restrict real political speech—including unpopular opinions.

The December 2020 European Democracy Action Plan (EDAP) signals the EU could be willing to make a joint effort with U.S. agencies and lawmakers to focus on the twin challenges of increasing transparency and accountability of platforms. A joint EU–U.S. ‘code of conduct’ on removal of hate speech, illegal and illiberal and blatantly harmful content could create a ‘race to the top’ when coupled with a credible threat of regulatory action—all while safeguarding provisions of transparency and free speech. A transatlantic audit mechanism of ‘black box’ algorithms could also force changes in business models. Joint EU–U.S. standards around identifying and marking disinformation could give platforms greater credibility and accountability.

The Tech Forum could also work to correct the information asymmetry on technology that exists among EU, member state and American lawmakers devising platform regulation. And it could coordinate joint research funding by American and European foundations and academic institutions into the impact of disinformation on society and democratic integrity to better anticipate, educate and counter its spread.

Allow Western technology companies to get it right

Ensure close coordination between private sector and cyber-authorities on the detection and pre-emptive strike capacities against hacker/bot operations that endanger democratic election and voting systems. We saw promising efforts at this when Microsoft and other firms worked alongside Cyber Command to dismantle the Trickbot tools network in the runup to the U.S. election. But even that effort was hampered by some absence of coordination.

This list is not comprehensive. There must be joint work on encryption, and joint strategy on cyber deterrence. But it is a start.

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A fighter for the Libyan forces affiliated to the Tripoli government runs for cover while fighting against Islamic State positions in Sirte, Libya, September 22, 2016.

AP Photo/Manu Brabo



Middle East and North Africa

Nathalie Tocci

North Africa and the Middle East have never been, conceptually or politically, a homogenous and organic space. For decades, Europeans looked at their southern neighborhood through the rose-tinted lenses of a cooperative Euro-Mediterranean region, seeking to extend their norms, rules and values through the deployment of soft power, from trade and aid, to security cooperation and political dialogue.

The United States instead neatly divided the region between North Africa and the Middle East, heavily prioritizing the latter over the former in its diplomatic and military outreach and viewing it through the prism of the Arab-Israeli conflict, its strategic relationship with NATO ally Turkey, and its own conflict with Iran. European and U.S. approaches were different but complementary.

Some of the key pillars of that world have gone. The Arab state system is in tatters, with many (if not most) states featuring existential fragilities or having collapsed altogether. State fragility has created areas of limited statehood, in which alternative forms of governance—from militias to municipalities, international donors to civil society—have stepped in and in which foreign powers have meddled. Through such interference, global and regional rivalries have exacerbated and have found fertile ground. All major global and regional cleavages are now tragically on display in the region: from the Russia–West and Israel–Iran confrontation in Syria, to the Turkish–EU tensions in the Eastern Mediterranean, from the Turkey–UAE/Egypt struggle over political Islam in Libya, to the Iran–Saudi conflict in Yemen, or the Gulf and Israeli skepticism of the Iran nuclear deal.

Energy has become a proxy for confrontation—as evident in the configuration of the East Med Gas Forum from which Turkey is excluded—and migration has become both a dramatic consequence of fragility and conflict, as well as a tool through which origin and transit countries have arm-twisted Europe. The only cleavage that appears to have temporarily

abated is the Arab-Israeli one, with the Abraham accords crystallizing normalization between Israel and some Gulf states. However, here too one only needs to scratch the surface to see how the normalization between countries that were never at war—like Israel and UAE—may have pushed further down the line the peace—between Israelis and Palestinians—the U.S. and Europe sought for decades.

Consequently, the region has become far more permeable than it once was. It has become impossible to read conflicts in North Africa and the Middle East in isolation, as regional powers like Saudi Arabia, UAE, Iran, Israel and Turkey weigh in across the region. Likewise, migration, energy, security and climate dynamics have generated indissoluble ties between North and Sub-Saharan Africa, the Gulf and the Horn of Africa as well as between the Eastern Mediterranean and the broader Middle East. North Africa and the Middle East have become a much wider and more heterogeneous geographical space, in which different thematic issues interlock.

Challenges and Opportunities

The region is rife with challenges. While they all feature local, regional, international and transnational dimensions, each one has its specificity warranting a precise mix of transatlantic cooperation, risk and responsibility sharing.

Three crises are worth reflecting on, pointing to different models of transatlantic cooperation.

Libya

In Libya, the U.S. has signaled its preference for disengagement. From President Obama's leading from behind to President Trump's aloofness notwithstanding the resumption of civil war, Washington, across Democrat and Republican administrations, has steered clear of a deep dive into the Libyan quagmire. That preference has panned out in diametrically opposite ways: in Obama's case, the U.S. intervened militarily through NATO on

the basis of a UN Security Council resolution calling for a no-fly zone but expected European heavy lifting in that endeavor (that only partially materialized). In Trump's case, the U.S. adopted a largely hands-off approach to Libya, peppered with a dose of confusion as to whether Washington would support General Khalifa Haftar's military offensive or would stand by the UN-backed Government of National Accord.

Europeans have fared no better. They have been bitterly divided over Libya, with France never openly but practically backing Haftar's military onslaught alongside UAE and Egypt, while Italy stood by Serraj's government in Tripoli, and Germany pursued a diplomatic track through the Berlin process. Sadly, uniting Europeans has been the shared reluctance to meaningfully step collectively into Libya to halt the violence, secure a ceasefire and support state-building in the war-torn country.

Regional powers exploited the transatlantic void. Without Emirati and Egyptian support, Haftar could not have initiated his military attack. When Russia backed Haftar through its Wagner mercenaries, Tripoli risked falling. Then Turkey intervened militarily to support the Government of National Accord, and a balance of forces was reestablished. Today, neither side harbors the illusion of an all-out military victory over the other, explaining the uneasy ceasefire on the ground. Yet as other conflicts amply demonstrate—one only needs to think of Nagorno Karabakh—a ceasefire is no guarantee of peace. Quite the contrary, a ceasefire in Libya could open the way to two different outcomes: the crystallization of a simmering conflict partitioning de facto the country on the one hand and reconciliation and state-building on the other. Left to local and regional parties, notably an entente between Russia and Turkey, the first scenario is far more likely. To veer towards the second, a more granular transatlantic involvement is necessary.

In Libya, it is the Europeans that should assume primarily responsibility and risk. The U.S. should play second fiddle, providing political support, both directly to Europeans and indirectly through their role in the UN Security Council as well as their bilateral relationships with Turkey, UAE and Egypt. Through a UNSC-mandated European presence on the ground to consolidate a ceasefire—with a civilian monitoring mission with force

protection—working alongside other multilateral players such as the African Union, the League of Arab States and Turkey, Libya could have a far better chance of achieving genuine stabilization.

Eastern Mediterranean

In the **Eastern Mediterranean**, the European Union has to face the consequences of its own non-neutral predicament, making U.S. facilitation key. With Greece and the Republic of Cyprus in the EU and Turkey outside and with increasingly acrimonious relations between Turkey and France, the EU, institutionally, is simply disqualified as a credible first fiddle in the Eastern Mediterranean. Be it in reviving the push for a bi-zonal and bi-communal federation in Cyprus or in restarting negotiations between Greece and Turkey on the delimitation of territorial waters, national airspaces, exclusive economic zones and the status of a few uninhabited islets in the Aegean, the EU cannot be a credible mediator. The U.S. has a far more legitimate role to play. At times this is indirect through the UN's role in Cyprus or NATO Secretary General's facilitation between Greece and Turkey, at the very least to ensure that de-confliction mechanisms are in place.

On other issues, it can be more direct: key in this respect will be a U.S. push to ensure that the East Med Gas Forum, which currently features an impressive number of players in the region including Greece, Cyprus, Israel, Egypt, the Palestinian Authority, Jordan and Italy, is extended without preconditions to Turkey. Regional cooperation, including on energy matters, is positive so long as it works to bridge across rather than cement regional divides.

Iran

A third model of transatlantic cooperation is on Iran. Here, the U.S. had excluded itself from the show under the Trump administration, and European facilitation will be essential to easing Washington's way back into the Joint Comprehensive Plan of Action (JCPOA), using this as a basis to extend and build upon it. Throughout his campaign, President-elect Joe

Biden clearly indicated his intention to reenter the Iran nuclear deal on the grounds of clean “compliance for compliance.” The intention is crucial, but alone it is insufficient. With a likely Republican-majority Senate and the JCPOA itself on life-support, achieving this transatlantic goal will require a carefully crafted strategy.

The aim should be sequentially freezing, reversing and building on the JCPOA. This could begin with obtaining guarantees that Iran will freeze the reduction of its JCPOA implementation commitments and that the U.S. will move back to full adherence to the accord, notably by easing restrictions on Iranian oil revenue frozen in European and Asian banks as well as alleviating concerns regarding U.S. sanctions posture and enforcement. Once the U.S. and Iran reverse violations and return to full JCPOA compliance, the Joint Commission should identify elements that could lend themselves to follow-up talks. Key in this respect are the sunset clauses that begin to lapse from 2023 and further sanctions relief from the U.S. in return, including easing restrictions on Iran’s access to the U.S. dollar as well as enhancing global cooperation with Iran on nuclear safety and civilian uses of nuclear energy. However, the same mistake should not be made again: regional questions should be added to the menu of negotiations sooner rather than later. These should build on the first tentative signals sent by Gulf countries—notably Qatar, Kuwait and Oman, but to an extent also UAE—of openness towards Iran and the Iranian HOPE initiative, beginning with maritime questions as well as confidence-building measures on heavy artillery and missiles.

In this process, the re-establishment of trust will be essential. Unfortunately, the events of the last four years cannot be erased. Whereas all conflict negotiations are premised on a lack of trust, pre-Trump it was the West that doubted Iran’s reliability, not the reverse. Hence, the stringent IAEA inspection regime accepted by Iran as well as the carefully crafted process allowing sanctions snapback notwithstanding (predictable) Russian and Chinese opposition. Post-Trump, Iran will inevitably expect safeguards against U.S. non-compliance and European weakness in doing anything about it. Providing those guarantees with a Republican-majority Senate will not be easy.

In this context, the EU (more than the E-3) has value-added to bring to the table, given that Iranian trust in the Union—notably in the High Representative and the European External Action Service—is higher than in the E-3 collectively, which were seen as too weak in light of threatened U.S. secondary sanctions. The EU is recognized by all parties as having the institutional memory, negotiation experience and consistency that enables it to play a useful facilitation role. This reservoir of trust, particularly at a time in which trust will be the scarcest commodity and in which communication channels between Biden's transition team and Iran are almost absent, should be capitalized on for the purpose of assisting a U.S.–Iran compliance for compliance pathway.

This is even more important given that time will be of the essence. There is essentially a six month-time window between the inauguration of a Biden presidency and the Iranian presidential election. In this space, an EU role aimed at scoping respective U.S. and Iranian red lines on what a graduated sequenced reentry into the JCPOA might look like, alongside the mapping on its eventual follow-up, may be the first step to make and should begin in the coming days, maximizing the time available before inauguration.

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