

POLICY PAPER

Challenges in the Transatlantic Partnership: Are we Drifting Apart?

Martin Michelot

- **2019 will certainly go down as a year when the political unity of the Alliance was tested - and when NATO held together strong. The year ended with a NATO Leaders Summit that centered around the comments made by French President Emmanuel Macron a month prior, where he declared NATO to be in a state of "brain death" and cast a shadow on whether the collective security guarantee would still hold strong in the near future. That was not the only moment of transatlantic tension: tensions flared over European 5G markets, which may be built by Chinese companies, and trade has become an inflamed issue between Europe, the U.S. and China.**
- **It is at this critical juncture that EUROPEUM Institute for European Policy (Prague, Czech Republic) and the Center for European Policy Analysis (CEPA, Washington D.C.) organized the second Transatlantic Policy Forum, held under the patronage of the Ministry of Foreign Affairs of the Czech Republic.**



This private roundtable, held over the course of a full day of discussions, intended to create a space for candid and open discussion about the issues that are at the heart of transatlantic cooperation and to better understand positions on both sides of the Atlantic, in order to defuse any misunderstanding or tensions, and chart a path for a continued and improved transatlantic partnership.

The following paper reads as a debrief and analysis of the discussions that were held, respecting the Chatham House Rule and therefore preserving the anonymity of participants. It is not an exhaustive verbatim of the discussion, but rather highlights the main agreements and disagreements between participants, in an effort to better gauge the challenges towards improved transatlantic cooperation in the next years.

Under Pressure: NATO's readiness and response to threats

Discussions about NATO's future revolve around the necessity to continuously reinforce the deterrence leg of the Alliance and to make it fit for future challenges. Coming just a few days after the decision by the United States to remove its troops from Northern Syria, thereby casting a shadow on the role of the international coalition against ISIS, of which NATO is formally a part, the question of continued trust between Europe and the U.S., and whether we continue to share the same perspectives on security challenges, is a key driver of transatlantic security discussions. The seemingly intractable issue of burden sharing also remains high on the agenda, as well as the ways in which Allies can and should discuss China in the political-military framework that NATO provides. The question of trust also permeated thinking on how to deal with Turkey seemingly seeming to drift away from core NATO values, causing an extra challenge to the unity of the Alliance, and its ability to make decisions. It is clear that NATO is no longer a friction-less topic in the transatlantic realm, 5 years after key reassurance and deterrence measures were decided in response to Russia's aggressive behaviour in the European neighbourhood, and

that tensions exist not only between transatlantic partners but also among European allies.

Participants agreed, to begin, that the progress made since the Wales Summit in 2014 was something to be celebrated, especially in terms of the tempo of the reinforcement of deterrence in the North-eastern flank of the Alliance. The enhanced mobility and follow-on forces, improved sea lines of communication and the restructuring of the common structure of the Alliance to make it fit for collective defense were all lauded as key tenets of NATO's transformation and credibility. There are still improvements to be made, building on the above-mentioned progress, notably in terms of reinforcing the US force posture in the Baltic States with extra manpower and upgrading the Baltic Air Policing mission to Baltic Air Defense with additional ISR capabilities. Also put forward was the necessity of a standing maritime NATO group in the Baltic and Black seas in order to thwart Russian attempts at dominance in those areas. These concrete measures will be smartly enhanced by continuing to work on the mobility of troops across the European continent, and by the further operationalization of Article 3 of the Washington Treaty, which plans for the devolution of certain authority to SACEUR and standard procedures being exercised under his authority. All these tools are essential for the credibility of the Alliance, and will - to a certain extent - be on the agenda of the Alliance for the next year. The smooth continuation of NATO's adaptation is one of the least controversial issues on the table; some participants pointed out to the continuous necessity for NATO to play a role in ensuring the stability of the arms control regime despite the shocks that took place in 2019.

The credibility of NATO was also alluded to in a more negative sense, especially regarding the growing gap in values that a lot of participants mentioned regarding Turkey, and to a lesser extent Hungary, countries who are perceived to shift towards an alignment of some of their key policies with Russia. The possibility that any of these countries could delay or diminish the scope of any Article 5 mission, or to start Article 5 talks in the case of Turkey's ongoing military operation against Kurdish forces, creates a very difficult situation for Allies to handle and diminishes

the political credibility of NATO. A participant noted the difficulty inherent to the fact that Turkey was a blocking force in NATO, but that the strictly intergovernmental process means that close to no leverage can come from the inside, and that pressure has to be external. Turkey has no incentive whatsoever to leave the Alliance given the power it has from being at the table, and is continuously viewed as the first line of defense in case ISIS were to regain influence in Iraq and Syria. Other participants argued that NATO was not the proper instrument to deal with this values gap, one notably calling NATO a “hedging operation”, which should focus on the real issue at hand - Russia - rather than waddling out to a political realm for which it is not equipped, without thinking of the long-term necessity of maintaining Turkey as a strong and reliable Ally. Ultimately, it can be said that the tensions around the case of Turkey are representative of the transatlantic rift that has appeared more clearly on strategic issues, especially after the break that represented the withdrawal of U.S. troops from Northern Syria and the cascading effects this created. This also obfuscates the fact that NATO still does not have a structured strategy for the South, nor does it seem at this point willing to invest in a discussion about it - a topic that was barely discussed by participants.

The issue of transatlantic trust permeated all the discussion, and especially regarding the implications this relative lack of trust may have on NATO. Some participants noted the fact that Americans and Europeans had seemingly lost the ability to talk to one another, pointing out for example the fact that trust had never been truly rebuilt between the U.S. and Central Europe after the decision to withdraw from the fourth phase of missile defense in the region, and the lack of structured consultations between the U.S. and major European powers. While we perhaps got too comfortable with one another, it should also be noted that this period started under the previous administration, where the decision to not intervene militarily in Syria also created the impression that Americans and Europeans did not share strategic objectives. Healthy EU-NATO cooperation is an important part of this trust-building process, and it is important that the U.S. understands that the EU is not trying to decouple

from NATO, neither is it trying to duplicate structures or trying to price out U.S. defense industries from the European market. Tensions that exist at NATO about the European Defense Fund, for example, are concerning and symbolic of how communication has degraded (one well-informed participant said that there was “no strategic cooperation”), despite the fact that the two organizations share common goals (as evidenced by the 74 points of cooperation agreed upon at the Warsaw Summit), especially building up military mobility. Instead of that, “we kill ourselves over small issues” which prevent us from building common threat assessments. Real progress on this front could also be made by coordinating exercises rather than running them in parallel in order to foster common understanding of each other’s red lines and limitations.

In order to limit these tensions going forward, it will not only be important for Europeans to continue to show their commitment to burden-sharing, which was regularly referred to by all participants, but also to build common projects that will foster transatlantic cooperation, especially as regards military modernization. A few participants noted that NATO may be too focused on fighting “the last war” or a “20th century war in the 21st century”. It is therefore essential that transatlantic partners collaborate on how disruptive technology will help the Alliance achieve its future objectives. This means firstly that the U.S. has a role in ensuring the transfer of technology to European clients in order to keep the U.S. involved and to foster industrial cooperation, and, secondly, to focus on forward-looking issues such as hypersonics that will benefit the entire Alliance. Working in this framework is necessary in order to avoid the further bilateralization or commodification of security that we have already witnessed, and can defuse tensions that have appeared regarding industrial competition in the context of CSDP initiatives. Focusing on mobility and the improvement of the EU-NATO cooperation is also a must, without forgetting climate change as a factor and China as an actor of future challenges for the adaptation of the Alliance.

The Next Big Challenger: China's Presence in Europe, Central Europe, and the West

The issue of the relationship with China is undoubtedly the new point of tension in transatlantic relations. Economic and security competition are the main drivers of this relationship, which is taking on turns reminiscent of the Cold War duopoly. In line with this analogy, the role of Europe in between these two blocks is a crucial question that will also determine whether transatlantic relations may be beset by conflicting perceptions over the perception and understanding of China's influence. At this point, China still seems to be the blind spot of the EU-US dialogue, with the EU member states especially being unable to agree on how to approach Chinese influence, especially regarding the intersection technological and security issues, particularly in the case of 5G. Conflicts over trade between the U.S. and China have reverberated to also create tensions in the transatlantic relationship. A group of participants discussed the fact that China posed a fundamental ideological challenge to the liberal International order, and that Chinese exceptionalism driven by the Party viewed "our" models of developments as having failed, also putting forward their thinking that "development trumps democracy", thereby highlighting the magnitude of the challenge.

Europeans and Americans agree that China revisionist activities pose a challenge to the rules-based liberal international order, and that the attempts at capture of the European policy elites challenges transatlantic unity and burdens our decision-making. Central and Eastern Europe is a first area of concern on this front, but it is not limited to this region: the Western Balkans are under increasing Chinese influence, and so are increasingly Greece and Italy, as well as certain political elites in France and Germany.

The case of 5G technology is one issue on which there is a clear-eyed, shared transatlantic perspective. Most participants agreed that leaving the control of future

5G markets to Huawei or other Chinese actors was a damaging idea; American participants especially urged to not privilege short-term financial gains over long-term loss of data security, or, in other words, "opening the Walls of the West to the Trojan horse of data entrism". The example of the Czech Republic, whose intelligence services spoke out strongly against granting markets to Huawei, was particularly lauded and used as an example to follow, contrary to the UK (and now Germany), who have opened up discussions with Huawei for their domestic markets. The onus is therefore on European companies to provide the necessary technological solutions for these key markets in order to reduce the interest in Chinese solutions, leading to the question of whether the European players are ready and able in due time, which yet remains to be seen. Potential transatlantic technological cooperation on this front remains a point of discussion that should be acted upon quickly at the risk of Europe falling behind; there is also the expectation that Europeans choosing European solutions should not lead to recriminations on the U.S. as is the case on the defense side. In parallel, Chinese investments in infrastructure, in Greece, Italy, or the CEE region were also discussed, but also minimized in order to reflect the order of their magnitude; a participant noted that the Chinese are still in the process of acquiring assets rather than adding a real value to their strategic footprint in Europe, but that these purchases are done with the intention of increasing their influence and making our decision-making and unity harder.

The 5G case is symbolic of the transatlantic need to share assessments of Chinese influence in Europe and elsewhere. There are few discussions at NATO level about how Chinese military and economic activity may erode NATO and Allied capability to defend themselves. There is a need to move forward on sharing information regarding investment screening in Europe and its neighborhood or on the collective identification of cybersecurity concerns, for example; that may however hide the fact that while we share an analysis, we may not necessarily share the response. Participants had different opinions on the vitality and usefulness of the US-EU dialogue, highlighting all too well the fact that this issue remains relatively fresh at the

transatlantic level, and beset by many policy differences which we do not yet seem ready to bridge. This dispersion of unity is also a problem at the European level, especially between France and Germany for example; interestingly, there is not yet an EU strategy towards China, and not all EU member states have made public, or are willing to share, their national strategies towards China. At the end of the day, there seems to be, given the current scope of the discussion, very little space for the EU in this discussion, in thinking proactively and positively of what it could do rather than being in a protective posture. Investment screening, the support of partners who are contending with China, a tripartite dialogue on the reform of the WTO are some options to explore in this framework.

Many participants, mostly European, put forward the fact that constraining China goes hand-in-hand with a necessary engagement on global issues. It is clear that China, which wishes for a bigger share of responsibilities, cannot be ignored. A participant noted - tongue in cheek - that Europe cannot discuss climate change with the U.S., but does so with China, which remains a party to the Paris agreement. China's ambitions, described by one European participant as "wanting more than a sphere of influence" and "the end of the global order", as well as "internationalizing of their interests", meaning that engagement is necessary in order to control the influence they will try to exert in changing this system. However, another participant noted that we should not fall in the trap of "the West" versus China and Russia, at the risk of abandoning the universalism that has defined transatlantic relations, nor shall we exaggerate the risk that Europe will "decouple" from the U.S. on issues related to China. Preventing too close a rapprochement between China and Russia, and the dangers associated, could, for instance, be a prime example of why we should not get stuck in a logic of blocs, given the importance of the two countries in dealing with pressing security challenges, and highlighting our need to keep the balance between constraining and engaging China. The fact that China is also using the UN to exert influence should also be a reason for further engagement, in order to ensure that the UN structures are not hostage to power plays by Beijing, especially in the context of a budding Russian-Chinese relationship.

Constraining China militarily by understanding the true nature of its force, and economically in the battleground that is increasingly becoming the Western Balkan region, represent the two main elements on the constraining agenda.

As with the 5G case, we see that these elements are not necessarily transatlantic in nature. This reflects the fragmented perspective on how to deal with China, and the piecemeal approach to the issue, especially in Europe. It is clear that the threat is not perceived the same way in Europe than it is in the U.S. and that the U.S. does not necessarily conceive an actual role for the EU in this; it is rather member states that are expected to show solidarity by not choosing Chinese technological solutions for their 5G networks and, for those capable, to eventually provide maritime forces in order to participate in military messaging and ensuring the freedom of circulation in Pacific waters.

The issue of how to deal with China is therefore relatively new at the transatlantic level, and it is clear that strategies are yet to be developed (if they can be), facing the reality that it is the U.S. side that is here requesting Europeans to toe a certain political and economic line. This issue could therefore become a real bone of contention in transatlantic relations in the years to come, especially if Chinese influence continues to grow in Europe.

In Business Together: The Future of U.S.-EU Trading Relations

The case of the relationship with China has become inseparable from discussions about trade, which have also caused deep tensions between the U.S. and Europe in the last year, as evidenced by the WTO decisions over state subsidies for Airbus and Boeing and the subsequent tariff wars that ensued. Of course, the overall amount of tariffs that have been levied against the EU represent nothing compared to the tariffs against China. The conflict with China is also about technological dominance, such as regarding 5G, as discussed above, and Europe is caught in the middle, as with other issues related to trade.

The fact that the WTO Appellate Body has, as of early December 2019, become unable to function due to the U.S. blocking the appointment of new judges is an especially concerning symbol of a clear lack of transatlantic unity, and of the desire of the U.S. to rewrite the rules (or create what it considers “fair conditions”) of international economy without regard for the concerns of its oldest partners. Tensions over “national security”, especially the import of European steel, have not died down, and have been augmented by disagreements over access to the Iranian market for European companies. The strong complications over these issues show that, in trade, Europe is still at the mercy of U.S. decisions, and is not able to shape thinking in DC or to defend its own interests - yet.

In order to rebuild trust in transatlantic economic and trade relations, the first issue that was brought up was the opportunity to reopen discussions about a transatlantic trade deal, acknowledging that TTIP was a missed opportunity that has now proven costly. A limited deal could be put on the table that leaves out regulatory issues, which would be dealt with in the talks around the reform of the WTO. Another option would be to reopen talks on all issues, and attempting to have conversations in good faith about even the most difficult areas. A participant noted that it would be important to insert social protection measures that would ensure that trade deals would work towards improving the economic conditions of citizens in order to make these deals more tangible. In general, however, Europeans were sceptical that reopening transatlantic trade deal discussions would be a possibility given the general political atmosphere regarding the U.S. and new trade deal in their countries and the soft veto opposed by President Emmanuel Macron to discuss trade deals with countries who are not parties to the Paris agreement.

As such, the issue of a trade deal seems to be a non-starter from the European side, given the atmospherics created by the U.S. regarding the “national security” concerns related to steel imports; a prerequisite would be for the U.S. to defuse the situation, which it seems entirely unwilling to do, taking into account the last round of

sanctions imposed on European goods following the French decision to tax American digital giants and the “tariff carousel” whereby rates of sanctions change every six months, making planning impossible and maximizing economic pain. The transatlantic atmosphere therefore seems, at this point, entirely uncondusive to opening any trade deal negotiations, as Europe needs to brace for more disruptions to come. It is, however, important to maintain discussion channels open for further trade liberalization, for example on an e-commerce initiative or freer data flows, and in general to eliminate barriers in the digital sector. A European participant wondered whether we have not reached “peak trade liberalization” at this point in time, pointing to the difficulties around the ratification of CETA and looming difficulties to ratify the agreement with Mercosur countries. This agenda will have to be picked up by the newly nominated European Commission, which has so far not shown an appetite to put this priority too high on its early agenda. Another participant also expressed scepticism at whether the US would want to engage in such discussions, given the fact that the Democratic Party is not leaning towards free trade at the moment, with the likes of Bernie Sanders and Alexandra Ocasio-Cortez speaking in the name of the party on these issues, and the relatively “America first” nature of the Republican Party.

A role was identified for the Europeans in being able to shape WTO reform, in a tripartite format with the U.S. and Japan, but also in being able to bring China to the table in a more appeased way than the U.S. could. Even these ideas were still met with scepticism by European participants, who noted that the U.S. would in no way share the credit of any agreed upon reform, and that it would not look to defend European interests if necessary. Similar scepticism was expressed regarding a potential U.S.-China deal, from which Europe could stand to lose - to the extent that it also benefits today from the knock-on effects of it, and where some American participants remained unsure whether the U.S. administration would be able to best defend its own interests, especially regarding transfers of technology, for example. In any case, the EU will have a responsibility to ensure that any future deals contain a strong climate change mitigation aspect, as well as enforcing labor standards, two issues on

which it is credible and cannot leave behind at the risk of further disconnecting citizens from global economic issues.

This fast-moving issue therefore remains a clear bone of transatlantic contention, on which developments are expected in 2020, but on which Europeans may not be able to defend their interests to the extent that they have traditionally been able to. The difficulty in coordinating an EU position towards accessing the Iranian market shows all too well the limits of the EU's power, and puts pressure on the new European leadership to find the EU's competitive edge in this aggressive duopoly between the U.S. and China, in which the EU is less and less able to write the rules.

To-Do List in Transatlantic Relations¹

Europeans The Transatlantic To-Do List identifies the strategic priorities that experts from both sides of the Atlantic fully support in proposing for policy decision makers on the national as well as on NATO's level for implementation in 2020.

NATO members must:

1. Emphasize the need for increasing defense budgets, which is of strategic importance for the Alliance, in addition to continuing to invest in defense spending to reach the 2 percent commitment that contributes to collective security. The 2 percent commitment must remain high on the priority list for the transatlantic relationship. However, as most countries are in the process of the achieving this benchmark, countries must be aware that their budgets need to reflect the details of what is needed for collective defense in line with the NATO Defense Planning Process priorities such as A2AD capabilities, defense aircraft, land warfare vehicles, strategic infrastructure. In parallel, additional burden-sharing metrics need to be developed that allow Allies to structure future, long-term commitments to the Alliance.

2. Intensify positive strategic dialogue between NATO member countries, focusing on the values of the transatlantic relationship and the narratives that bind it together. In order to overcome the issues that divide us, the Alliance must undertake a strategic threat analysis. Information that defines Washington's thinking sometimes does not reach European capitals. Steps toward completing such an analysis goal should range from high-level, official visits to organized think tank discussions on the future of the transatlantic relationship. Allies must make it a high priority to ensure that public tensions and negative labelling of Alliance members does not seep into long-term public consciousness and hamper the development of joint policies.

3. Raise awareness in civic society, business circles, and the security sector of the need for secure communication networks. The protection of networks is vital for both the domestic population's data privacy and ease of communication and transatlantic cooperation on collective defense, intelligence sharing, and cybersecurity. The United States and Europe should start discussing increasing private sector cooperation to provide viable alternative technological and communication solutions.

4. Focus dialogue and investment on the regions within the transatlantic sphere that pose immediate security threats for the Alliance: the Western Balkans; the Black Sea region; and the Baltic States. These debates must take place at a governmental level behind closed doors, and in public, engaging the experts and business leaders within the communities to mobilize support in the regions at risk. At the same time, the Alliance should still be able to carve a role for itself in its Southern neighborhood, where long-term stability issues will challenge Allied security.

5. Broaden discourse between Washington and European capitals to share national assessments of Chinese military, economic, and disinformation capabilities and activities that may harm NATO members' individual security and the collective defense of the Alliance. Analysis must be conducted to identify the weak points within the transatlantic community, which could be exploited by Chinese political, economic, or technological interference.

¹ The "To-Do List" was written jointly with the Center for European Policy Analysis

NATO as a platform can play a role in fostering a common understanding of Chinese actions across the board. Promoting a high level dialogue about the challenges China represents to international stability is critical.

6. Develop and advance strategies designed to increase domestic resilience to foreign interference. Awareness of the threat is recognized and acknowledged among NATO member states. The Alliance must now take a more active stance on combatting foreign interference whether this is through information campaigns, energy reliance, cyber-attacks (including offensive capabilities), or more hybrid techniques.

7. Recognize the strategic threat posed by Russian energy investments in the European market and diversify sources of oil, LNG, and nuclear energy. The European Union and the United States have a unique opportunity to both improve the trade relationship which has caused tensions within the transatlantic relationship and improve security parameters for the Alliance, addressing two issues with one solution.

8. Explore the Three Seas Initiative as a framework for combatting foreign interference and investments in Europe. Central and Eastern Europe are on the frontlines of foreign interference and can provide valuable intelligence and lessons for Western Europe and the United States in order to keep the entire Alliance protected in its vulnerable sectors. The TSI framework may be useful in fostering North/South connectivity for military mobility and energy infrastructure. The importance of improved North/South connectivity also can be reinforced by existing EU and NATO political structures. This can have particularly positive effects on the military mobility agenda by ensuring the best use of EU funding. Diversifying energy corridors on the North/South axis is an equally important tool in ensuring that Russian energy supplies can no longer be used as a leverage. This is an integral part of European and transatlantic solidarity.

9. Make sure that the concept of European strategic autonomy does not weaken the cohesion of the Alliance. Alliance unity must be the priority to both the internal parties in the transatlantic relationship and their external partners. Renewed efforts should be undertaken on the European side to explain the key points of the strategic autonomy proposal and dispel any notion of decoupling and duplication. Support from the US for these goals would change the nature of dynamics in Europe while industrial concerns eventually are ironed out. Speak up so that no concept can weaken the Alliance, neither through the development of the strategic autonomy project nor through political statements.

10. Openly take advantage of the strength of the transatlantic economy and the leverage it creates to salvage a WTO framework that is ripe for reform in order to ensure a level-playing field that sets the basis for future transatlantic competitiveness. Members also consider conducting about a limited transatlantic trade deal in order to rebuild trust. This should allow us to discuss, at a transatlantic level, the reform of multilateralism.

It is the firm conviction of the TAPF participants that now is the time for Atlanticists to take action. Following up on the above to-do list will strengthen the values of Atlanticism, better define the strategic discourse on the two sides of the Atlantic, and provide strong and enduring foundation to the stability, peace and prosperity of all its member and partner countries in the 21st century as well.

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