INTRODUCTION

At the end of the Obama administration’s first year, the transition from euphoria to reluctant disappointment was apparent in European capitals. In Washington, there was matching frustration with European reticence to back wholeheartedly some of the US administration’s new policy initiatives. Was this a temporary disillusionment, as the hopes for a more intimate US–European relationship clashed with political realities on both sides of the Atlantic (as had been forewarned in the lead-up to the 2008 presidential election)? Or was it an inevitable return to the transatlantic doldrums of 2001–05, reflecting a continuing, structural drifting apart of the policy orbits on either side of the Atlantic?

Although there is truth both in the idea of structural limits to future transatlantic cooperation and in the notion of unrealistically high hopes now being deflated, neither of these two dynamics captures fully the essence of the change that is under way in the relationship between the United States and its European allies. There are two additional important facets to the transatlantic relationship. The first reflects important differences in geopolitical interests and priorities and points to the limits of future transatlantic cooperation in the security realm. The second, however, offers some likely avenues for retaining a meaningful transatlantic relationship and reflects common interests and approaches to dealing with the growing roster of global challenges, from proliferation to international financial stability. Before dealing with these two facets, it is worth reviewing the state of the transatlantic relationship that President Barack Obama inherited in January 2009.

SURVIVING THE COLD WAR

The Atlantic Alliance has been one of the most enduring in recent times. Forged in the wake of the Second World War as a bulwark against the spread of communism into Western Europe, it survived the break-up of the Soviet Union and the fall of communism throughout Central and Eastern Europe in 1989–90. It did so initially by launching a programme of NATO enlargement towards many
of its former Warsaw Pact enemies and by engaging in stabilization efforts in those countries in the Balkans where the collapse of communism led to ethnic and sectarian strife. NATO governments also began a series of studies into the feasibility of the organization taking on a larger international role as a defender of transatlantic security interests beyond the geographical boundaries of the North Atlantic area.

At the same time, the end of the Cold War and the reunification of Germany led to the evolution of the European Community into a more integrated European Union, a process that was formalized in the Maastricht Treaty of 1991. Under Maastricht, EU members agreed to coordinate their foreign and security policies more closely through the Common Foreign and Security Policy (CFSP). This resulted in a series of negotiations between the United States, NATO and EU member states on the potential for the EU to share NATO military capabilities for operations of mutual interest in which EU nations might take the lead.

In 1995, the Clinton administration and the EU operating under its Spanish presidency came to an agreement on a New Transatlantic Agenda (NTA), which sought to capture the breadth of the common interests shared by the allies on either side of the Atlantic. The NTA also underscored the significance of the transatlantic economic relationship and set in train a continuous process of consultation between the US Commerce Department, the European Commission and business leaders on both sides of the Atlantic, with the aim of overcoming some of the persistent non-tariff barriers to greater trade and investment between their respective markets.

Overall, the 1990s witnessed the deepening of the EU in a number of important areas of economic and social policy, not least the negotiations leading to the establishment of a single currency at the end of the decade among 11 of its members. At the same time, EU leaders spent much of their time concerned about the impact of the expected eastern enlargement of the Union upon the cohesion and effectiveness of the institution as a whole. As a result, the Maastricht Treaty was followed by the Amsterdam Treaty (signed on 2 October 1997 and entering into force on 1 May 1999) and the Nice Treaty (signed on 26 February 2001 and entering into force on 1 February 2003). These took place in parallel with intense discussions on the governance mechanisms of the single currency area and the European Central Bank. Throughout this period, many continental European economies struggled to maintain strong growth rates and lived with persistently high levels of unemployment. The perception grew of a Europe focused more on its internal problems than on the important changes taking place in its neighbourhood and further afield.

For their part, US policy-makers appeared divided about what they wanted from Europe. On the one hand, there was a clear desire to limit the extent to which EU members would integrate their foreign and security policies lest this diminish the relevance and influence of NATO, in which the United States possessed a structurally secure leadership role. For example, considerable concern was expressed in Washington at British Prime Minister Tony Blair’s partnership with French President Jacques Chirac following the Kosovo war in 1999, to start
to give shape to a new European Security and Defence Policy (ESDP). Yet US policy-makers also bemoaned the lack of a strong European partner with which to work on the growing list of challenges facing international stability and security from the Balkans to Iran.

The inauguration of President George W. Bush in January 2001 was greeted with some trepidation in European capitals. America's economic productivity and power had increased in the previous decade on the back of the technology boom, while most European economies appeared to be lagging behind. President Bush and his senior advisers were also explicit in their determination to exercise America's unchallenged international power to promote a clear set of national interests on the world stage. Its withdrawal from the Anti-Ballistic Missile Treaty and refusal to sign up to the Kyoto Treaty and the newly conceived International Criminal Court struck many in Europe as an outright rejection of their long-term vision of an international order that would gradually adopt EU-style multilateral negotiation and compromise to arrive at broadly common solutions.

The terrorist attacks of 11 September 2001 promised for a brief moment to reconfirm the enduring value of the Atlantic Alliance, as NATO's European members invoked Article 5 of the treaty to come to America's assistance. The practical experience of the conflict in Afghanistan and the lead-up to the war in Iraq, however, rapidly dispelled those notions. Instead, the debate over the Iraq war led to one of the deepest ruptures in the history of the transatlantic relationship as well as to highly disruptive fissures within the EU itself. It also confirmed a belief among many on either side of the Atlantic that, in the post-Cold War era, Americans and Europeans not only saw the world through different lenses, but would tend towards policy choices that reflected the reality of their differing military capabilities and decision-making processes. The American accusation was that Europeans favoured process over policy decision and implementation.

Transatlantic relations set off on a far more constructive track in 2005 at the start of President Bush's second term. Changes in senior administration personnel were important, but it was also during this period that policy-makers on each side of the Atlantic settled on the idea that the enduring value of the transatlantic partnership rested upon the shared common interests of the United States and its European allies across the entire international agenda – whether in combating international terrorism and proliferation of weapons of mass destruction; dealing with Russia's growing regional assertiveness and China's encroachment in parts of the developing world; challenging Iran over its nuclear programme; rebuilding Afghanistan; or developing coordinated policies on climate change. Building a partnership to deal with these common international challenges would become the essence of the transatlantic relationship, rather than the past focus on a specifically bilateral Atlantic security agenda. Tacit American support from 2005 for the efforts of the 'EU3' (comprising France, Germany and the United Kingdom, plus the EU High Representative for the CFSP) to draw Iran into negotiations over its nuclear enrichment programme was a good example of this new collaboration.
But it soon became apparent that policy-makers on either side of the Atlantic disagreed in most cases on the tactics that should be pursued towards their common international interests. Differences between American and European officials emerged in their respective approaches towards combating international terrorism and on pushing forward with the reconstruction and stabilization mission in Iraq. Europeans became frustrated with the Bush administration’s refusal to play a constructive (as opposed to permissive) role in the EU3’s negotiations with Iran; with the episodic nature of its engagement in the Arab–Israeli peace process; and its near total disengagement from the UN-sponsored climate negotiations until the waning days of the Bush presidency. Reflecting this frustration, by 2008, five years after the Iraq war, European support for US international leadership had fallen from an average range of 50–70 per cent to a dismal 19 per cent.9

ROLE REVERSAL: US PROCESS AND EUROPEAN POLICY
Not surprisingly, the election of President Obama in November 2008 was greeted with great excitement across Europe. The turnaround in the polling numbers was striking, with a jump from 19 per cent supporting President Bush’s handling of international affairs to 77 per cent in support of President Obama’s approach.10 Why this remarkable change? At an emotional level, Barack Obama appealed to many Europeans because he appeared to contrast so clearly, both in terms of character and policy, with the individualistic, country-first American stereotype embodied by his predecessor. President Obama’s international upbringing and outlook resonated with many Europeans’ romantic belief in their own multicultural tolerance. His promise to reconnect America’s foreign and security policy with its values on human rights appealed to Europeans’ image of their own commitment to universal liberal values. His pragmatic political style and approach contrasted with the absolutist, good-versus-evil tone that was common to the Bush administration but that is relatively rare in European political debate. His political programme to heal social divisions within the United States, most notably on health care, echoed the generally bipartisan support across Europe for effective welfare programmes to support the most disadvantaged. And, perhaps most importantly, President Obama’s commitment to engage the United States in a multilateral approach to its foreign policy appeared to align him with the European view of how international order can best be achieved in the world today. The decision of the Nobel Committee to award President Obama the 2009 Peace Prize was emblematic of the hope that his arrival in office had engendered across Europe.

To be sure, there were voices of caution in cabinet rooms, parliaments and the opinion pages of European newspapers, warning that President Obama would not be able to live up to the image that was being constructed and that, at the very least, his political and diplomatic inexperience would hamper his ability to achieve the goals that he had set himself and that others expected of him.11 But these voices tended to be in the minority and did not dampen the
One year after his inauguration, how have Europeans perceived President Obama's track record from a practical perspective? Most noticeably, from the start of 2009, European leaders now had a US president who largely agreed with his European counterparts on the tactics for dealing with each of the major international challenges that they faced in common. President Obama banned the use of the term ‘global war on terrorism’ that had so alienated Europeans and that had appeared to justify the excesses epitomized by the Guantánamo Bay detention facility and Abu Ghraib prison. He rescinded many of the most egregious US methods of dealing with captured and suspected terrorists, which had caused deep rifts not only with European publics and legislators, but even with America’s closest government allies from London to Berlin. He reached out to the Muslim world through his Cairo speech, going some way to defusing the radical anti-Americanism that had spilled over into Muslim communities in Europe. He involved American negotiators proactively alongside their EU counterparts in negotiating with the Iranian government on the nuclear issue. In appointing a new commanding officer in Afghanistan who placed the emphasis on protecting Afghan civilians rather than on killing the enemy, he offered the prospect for those European countries with forces deployed in the country that a more nuanced and successful strategy would be implemented. He promised to take what many Europeans saw as a more ‘even-handed’ approach to the Israeli–Palestinian conflict, one of the most potent sources of public and political anxiety in Europe, by making a clear demand that the Israeli government halt the construction of all new settlements. He engaged the United States directly in multilateral negotiations on how to reform the international financial system within a new G20 framework that was not built around implicit US leadership, as had been the case with the G7 and even more so with the Bretton Woods institutions. And his administration made an early effort to push the US Congress towards accepting a cap-and-trade system on carbon emissions that would then engage the United States constructively alongside the EU in negotiating a successor agreement to the Kyoto Protocol.

But something strange has happened to undercut the value of this convergence of approaches across the Atlantic. Just when Americans and Europeans were coming together on the matter of tactics, some fundamental divergences became apparent over what had been assumed to be their shared interests. This dawning realization accounts for much of the mutual disappointment at the start of Barack Obama’s second year in office. Four topics illustrate the dilemma.

**Afghanistan**

Despite the shift in US military tactics, Afghanistan stands out as the most contentious area for the transatlantic relationship. The disproportionate share of the fighting and military death toll that has been shouldered by the United States, along with Canada and only a small number of European states, as the
conflict intensified in 2008–09 has generated a sense of deep transatlantic frustration. This frustration pits the United States and its closest allies in Afghanistan on the one side and those European countries that have resisted becoming embroiled in proactive military operations against the Taliban on the other. The problem is not just one of disagreement over appropriate military tactics and priorities for stabilization, or over whether each country is providing the right mix of forces to achieve success. However much American leaders and some of their European counterparts stress the persistent risk that a Taliban victory might mean for the direct security of both American and European citizens, the majority of European politicians and their publics cannot make the connection between stabilization in Afghanistan and a decreased al-Qaeda/terrorist threat to their daily lives. Extremists based in Pakistan’s ungoverned territories, in North Africa, Yemen and Somalia, and their connections with extremists who live in Europe are often perceived as a greater and more immediate source of concern.12

Russia
Much has been made of the Obama administration’s strategy of ‘resetting’ its relationship with Russia away from the implicitly confrontational posture of the Bush administration and towards the position of a number of West European governments, such as those in France, Germany and Italy. Their approach has been to try to integrate Russia into the broader European economy and to avoid political steps that would antagonize its leadership, such as further NATO enlargement. The US ‘reset’ has been interpreted as a rejection of the hardline approach towards Russia taken by many Central and East European countries, especially Poland and the Baltic states. This impression was deepened by President Obama’s announcement on 17 September 2009 that he would halt the Bush administration’s plan to station missiles in Poland and an associated radar station in the Czech Republic to counter Iran’s future intercontinental missile threat to the United States, in favour of a more graduated US missile defence system focused on Iran’s growing short- and mid-range missile capabilities.13

However, the Obama administration’s attempt to ‘reset’ its relations with Russia masks continuity in the US approach to Russia that actually diverges from that of West and Central/East Europeans alike. Whether for the Bush or the Obama administration, Russia is a powerful international actor that affects multiple dimensions of US grand strategy beyond Europe, such as prospects for global nuclear disarmament, the stabilization of Afghanistan, energy relations with China and the future of nuclear proliferation in Iran and North Korea.14 The question for decision-makers in Washington has been whether these strategic US interests can be better pursued through a more confrontational or accommodating diplomatic approach towards Russia. After taking power in 2009, the Obama administration decided to place a greater emphasis on engagement with Russia than on confrontation.
European governments often disagree fiercely over the best policy towards Russia, but West and Central/East European policy interests are driven by the fact that Russia is a powerful and unpredictable neighbour with which almost all European governments are economically interdependent as a result of their energy needs. This has dictated, to date, a consistent if differentiated approach in the various European capitals, depending on their perception of the level of strategic vulnerability or sense of economic opportunity arising from their interaction with Russia. Following the Obama administration’s tactical decision on missile defence, Central and East European governments, in particular, drew the conclusion that their particular interests vis-à-vis Russia would come second to the United States’ own overriding need to adapt tactical policies in the pursuit of larger strategic interests with Russia. West European officials, for their part, must wonder whether American strategic interests might drive another shift in the US approach towards Russia in President Obama’s potential second term. These considerations have injected an element of caution into their welcome for his Russia policy.

The Arab–Israeli conflict

American and European tactical thinking on the Arab–Israeli conflict may have converged since President Obama’s election, but they conceal some important differences in strategic interests. American interests in resolving the conflict are clear and well stated. Although not in itself sufficient to promote a more stable and prosperous Middle East, resolution of the conflict is a necessary component of such an outcome. And the stability of the Middle East is of paramount importance for every US administration because it carries enormous repercussions for international security as a whole and for the health of the global economy.

European governments share this long-term goal. However, early resolution of this conflict would address an additional, more immediately pressing strategic interest. Its persistence is an important contributor to the radicalization of minorities among European Muslim populations, not only of those who migrated from the Middle East, but of those from far further afield as well. The Obama administration’s engagement from the outset with Israel and the Palestinian Authority on the peace process has been seen, therefore, very positively across all European capitals. But the underlying European fear is that the momentum will slip, as US officials bump up against the entrenched obstacles in the region and the ambivalence in the US Congress about trying to pressure the Israeli government and public to make concessions with which they do not agree. The fears of European governments appeared to have been borne out at the end of 2009, as the initial flurry of US diplomatic activity failed to bridge the Israeli–Palestinian divide. The risk for 2010 is that Europeans may conclude that the Obama approach to the peace process is more focused on the process than on near-term policy outcomes.
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China

The fourth area where a transatlantic convergence of tactics obscures a divergence of interests concerns the rise of China. In their visits to China in 2009, President Obama and Secretary of State Hillary Clinton sought to avoid any rhetorical clashes with their hosts, focusing on the extent of their economic and strategic interdependence and downplaying fundamental differences over human rights and political systems. This echoes the tactical approach of most European governments, which have also blended a mix of occasional tough comments about human rights with a policy of engagement at the political and economic levels. Although the enormous risks and opportunities created by China’s economic rise appear to be having a similar effect on the tactical approach being taken in both Washington and European capitals, the fact is that China’s rise carries different strategic implications for the interests of US and European governments.

For the Obama administration, as for its Republican predecessor, the rise of China risks upsetting the security order that the United States has underwritten across the entire Asia-Pacific region since the end of the Second World War. American bilateral relations, military alliances and basing agreements will all be affected by the shifting political and military weight that China is bringing to bear in the Asia-Pacific region, including upon long-standing US allies such as Japan and South Korea. US–India relations are similarly tainted by their respective manoeuvrings towards China.

In contrast, China’s rise carries few if any near-term security implications for European governments. EU–China relations operate, therefore, principally at a functional and non-strategic level, heavily laced with bilateral competition for economic advantage between EU member states. For most Europeans, the centre of gravity for future insecurity is instead linked principally to developments in North and sub-Saharan Africa as well as in Eastern Europe, the Balkans and the Eastern Mediterranean. Insecurity around most of Europe’s neighbourhood is coming to dominate the attention of European governments and publics because of the increasingly disruptive social and economic effects of rising levels of organized crime, infiltration by Islamist extremists and an ever-growing flood of illegal migrants.

Avoiding a Spiral of Disappointed Expectations

The four areas discussed above are important examples of where a more engaged US diplomatic approach that appears to converge with European diplomatic approaches is obscuring fundamental underlying differences in interests across the Atlantic. And the divergence in strategic perspective between an increasingly Pacific-focused United States and a neighbourhood-focused European Union could carry important consequences for the future of the transatlantic relationship under President Obama.15

Hints of this underlying divergence were apparent in the second half of 2009. During a visit to Brussels in October, Assistant Secretary of State for European
Affairs Philip Gordon said that the Obama administration would weigh up at the start of 2010 what returns it had gained from its European allies as a result of its new policies of international engagement. He warned that, following the unwillingness of many European countries to increase their support for the stabilization process in Afghanistan and to take on prisoners from the Guantánamo base, for example, the status of the transatlantic relationship had slipped from a green to an amber light. In the meantime, President Obama’s support at the Pittsburgh G20 summit in September 2009 for an early reapportioning of voting weights in the IMF towards emerging powers such as China, at the expense of the voting power of established European IMF members such as Britain, France and Germany, reminded European leaders that the United States might be open sometimes to trading European national interests in the context of its own shifting relationship with the other half of the so-called G2 (the United States and China).

For their part, instead of worrying about a missed window of opportunity to reset the transatlantic relationship at the outset of the Obama administration, European governments have taken a hard-nosed view. Although apparently pleased to have President Obama in the White House, they have not demonstrated an overwhelming urge to oblige him. Instead, observing a shift of US policy attention eastwards, Europeans are starting to coalesce around their own agenda of interests and priorities; they are willing to work with the United States on this agenda wherever possible, but without it if necessary. As one senior EU leader recently remarked, ‘Europeans cannot always be the junior partner to the United States … the time to be nephew to Uncle Sam has passed’. The added risk of being seen to be the United States’ junior partner is that it undermines the EU’s credibility in its own dealings with the world’s new rising powers. Rather than being satisfied to advise and follow the United States, therefore, European leaders are increasingly convinced that they must themselves be ready to lead on the world stage.

In this vein, European governments and their publics have spent much of his first year in office waiting to see what policy successes President Obama can deliver that match European interests, whether this be actually closing the prison at Guantánamo Bay; making meaningful concessions and contributions to the climate change negotiations at the December 2009 Copenhagen summit; accepting far-reaching reforms to the regulation of the US financial sector; sustaining pressure on the Israeli government and Palestinian Authority to enter into negotiations; or securing Congressional ratification of the Comprehensive Test Ban Treaty as part of his pledge to move towards a world free of nuclear weapons. In each of these cases, Europeans have acknowledged the positive change in tone and real boost to the diplomatic process under President Obama, but they have been disappointed to see few results, most tellingly at the Copenhagen climate change summit. There is also a palpable worry in European capitals that the Obama administration is proving unwilling to follow a European lead in those cases, such as the climate negotiations, where it was offered and might have served as the basis for a transatlantic position.
Rather than allowing the disappointments of 2009 to deepen in 2010, the Obama administration and European governments may now be forced to pose some fundamental questions about the future of the transatlantic relationship. Accepting the differences in each side’s concerns and priorities might be healthy in principle, but it risks undermining the notion that European nations and the United States still constitute a standing alliance. For the two sides of the Atlantic only to support each other on an à la carte basis — in other words only when their interests clearly overlap — would undermine the idea that they do indeed form an alliance that can be brought to confront a risk to one as if it were a risk to all. At the same time, balancing the idea of the Atlantic Alliance in the defence sphere with a more formalized ‘US-EU relationship’ that reflects the EU’s growing institutional responsibilities might lead to a process-driven and sterile form of coordination of often differing priorities (much as the US–EU summits have appeared to be, as noted below) rather than generating a new sense of transatlantic shared purpose.

**A GENUINE TRANSATLANTIC PARTNERSHIP?**

What might the strongest drivers be for the United States and its European allies to retain the same sense of common purpose in 2010 that animated the establishment of the Atlantic Alliance some 60 years ago? How might the two sides craft, at the very least, a new transatlantic partnership that is fit to address some of the principal challenges of the twenty-first century?

One lesson of the last decade, as much as of the first year of the Obama administration, is that efforts to expand the concept of common transatlantic security beyond the borders of the Euro-Atlantic area may be a recipe for weakening rather than strengthening the transatlantic relationship. To be sure, the United States and its European allies have shared interests in the maintenance of global order, given their common values, extensive existing international economic interests, dependence on the smooth functioning of the global economy and desire to see its extension to new regions. Neither side benefits, therefore, from rising insecurity or challenges to the existing order. Nor can governments on either side of the Atlantic sit idly by at the sight of failing states that might spawn instability beyond their borders.

But this shared preoccupation with international stability is not the same as fundamentally shared concerns about the changing balance of the international security order. As noted earlier, each side perceives the rise of China and the challenge of Russia through a different geopolitical lens. The same might be said for the difference in focus applied by the United States and most European governments towards India and the changing military balance in Asia. It is also the case that most European governments and publics have an increasingly sceptical view about the morality and utility of military force as a means to project security beyond their borders, especially since the experience of the Iraq and Afghanistan wars.

These divergent security perspectives need not mean the end of the Atlantic
Europe

Alliance. At one end of the spectrum, NATO is likely to remain a centrally important institution for coordinating US and European military resources and political-military decision-making on direct threats to their collective security. At the other, NATO enables the efficient deployment of shared assets for low-conflict environments and may offer a forum for planning coordinated responses to new risks and threats, whether to cybersecurity or to energy security. These questions are the focus of the review of the NATO Strategic Concept that started its work in the latter half of 2009 and should conclude in 2010. But it is still not clear that NATO will serve as the vehicle for a standing transatlantic commitment to protecting its members’ security beyond the Euro-Atlantic area.

In contrast, what is most likely to animate a shared sense of transatlantic purpose in the future is the acceptance that the United States and Europe can manage better collectively than they can apart the unintentional as well as the intentional impacts of the rise of major new world powers that do not currently share US or European commitments to improved global governance. Simply put, over the past 100 years the United States and European countries have learned the costs of an anarchic world dominated by zero-sum power politics, free-riding and rule avoidance. This does not yet appear to be a lesson that drives the diplomacy of the world’s rising powers – such as China, India, Russia, Brazil, South Africa or Indonesia – which are still focused on their economic development and believe (with justification in some cases) that existing rules and norms were designed by Western countries in order to retain their own privileges. The rise of these powers over the coming decade will have direct impacts on everything from international financial stability and patterns of development in the world’s poorest countries to climate change and nuclear proliferation. The logical response to this trend would be for the US administration and its European counterparts to ensure that transatlantic analysis, coordination, cooperation and action on these vital global issues becomes a central political priority for officials from both sides.20

A more open transatlantic market

For example, the Obama administration, the European Commission and EU member states should intensify the halting efforts of the last 15 or so years to create a more open transatlantic market.21 The rise of dynamic emerging economies offers many growth opportunities for US and European multinational companies. But it will also pose new competitive challenges to smaller companies as well as to employment and wealth creation domestically within the United States and Europe. A more integrated transatlantic market of some 800 million people, currently accounting for some 50 per cent of world GDP, would offer new economies of scale and new opportunities for companies working and investing within the market. It would increase the leverage for US and European regulators and agencies to design product standards and regulations that might then become or contribute to effective and transparent world standards. And it would increase the leverage of Western countries in negotiations about the
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terms under which they gain access to the emerging markets and under which companies from these markets gain access to the transatlantic market.

Building a more integrated transatlantic market does not require a bilateral negotiation to lower tariffs across the Atlantic, which are already very low for most products, or even the creation of a Transatlantic Free Trade Agreement. It would not compromise multilateral negotiations in the Doha Round of the World Trade Organization. The focus of an integrated transatlantic market will be a greater approximation or mutual recognition of industrial, agricultural and service standards (potentially including new standards for energy efficiency and renewable energy production), product certification, accounting rules and financial regulatory oversight. Each of these issues currently contains non-tariff barriers to closer transatlantic economic integration and puts both the United States and European states at a potential disadvantage in their ability to cope with the reality of a more multipolar world economic order. Overcoming the different political and cultural approaches to regulatory development and oversight will be a complex and difficult task, but no less vital over the coming years.

Coordination on climate change

Second, the Obama administration and its European counterparts need to use the post-Copenhagen period to improve coordination of their approaches to lowering greenhouse gas (GHG) emissions and to supporting the transitions worldwide to low carbon methods of achieving economic growth. President Obama’s first year demonstrated an important shift in the American domestic approach to climate change but a continuing resistance towards instituting binding cuts to emissions in the United States. While EU members have taken the lead in setting binding targets for cuts in emissions, this masks the commonalities in the challenges facing both sides of the Atlantic. The United States and European economies are, by far, the principal contributors to the increased levels of carbon dioxide in the atmosphere caused by human activity. It will inevitably fall on them, therefore, to take the most aggressive near-term steps to reverse this trend. The American and European governments will need to coordinate their positions on funds transfers to countries that urgently need support to adapt to warmer climates and on the terms under which carbon-cutting technologies are shared or transferred to developing economies. Otherwise, emerging economies will take advantage of transatlantic divergences in this area to limit their own commitments to cut GHG emissions or to drive harder bargains on the terms under which ‘green’ technologies must be transferred in order to secure developing country support for carbon emissions. The Copenhagen summit exposed the limits of US influence on the world’s emerging powers in this area as much as the inability of the EU to exert leadership through the force of its own example. A more coordinated transatlantic position might carry greater weight.
Europe

Iran and nuclear proliferation

As their leaders agreed at the summit on 3 November 2009, the United States and the EU must retain a strong and united stand on the increasingly dangerous challenge of nuclear proliferation. Confronting Iran’s nuclear programme proved to be one of the most active areas of transatlantic diplomacy on this topic in 2009. The rest of the world, including Russia and China, is now watching to see how serious and coordinated the transatlantic approach will continue to be. Fortunately, the Obama administration’s willingness in its first year to engage in direct negotiations with the Iranian regime on its nuclear programme has coincided with a hardening of attitudes among each of the EU3 governments about the need to ratchet up sanctions should the Iranians continue to prevaricate on making real concessions to the UN demands. As a result, the tactics of transatlantic diplomacy towards Iran are in far better harmony than ever before.

At the start of 2010, the toughening of the EU3’s stance on Iran (especially following the heavily disputed Iranian elections of June 2009 and post-election crackdown on dissent) could coalesce with growing American frustration at Iran’s intransigence in the face of America’s diplomatic openings. Whatever the decisions ultimately taken by Iranian leaders, the fact is that the combination of European economic incentives and US security policy towards the government in Tehran is the only real source of international leverage upon them, given Russian and Chinese ambivalence on the issue. And, even if applied only bilaterally, smart US and European sanctions could have serious implications for the the Iranian leadership.

Development policy

American and European policy-makers are acutely aware that the descent of some of the world’s poorest countries into poverty and instability risks dangerous spill-over effects, ranging from a rise in illegal migration to the embedding of radicalized extremists who might take their grievances abroad. One of the lessons of the last couple of decades (which was taken forward by the Bush administration) is that raising standards of living in the poorest countries of the world depends less on the quantities of foreign aid distributed there and more on improvements in the quality of local governance. These improvements are dependent, in turn, on a host of factors where outside powers can play a positive role that will then enable local governments to gain legitimacy. In 2009, the Obama administration announced its interest in better coordinating its diplomacy and official development assistance (ODA). Given that the US and EU combined account for over half the world’s ODA, enhanced coordination of their foreign assistance programmes in the fields of food security, health promotion and rule of law could improve levels of local governance in ways that have a better prospect of creating sustainable growth. It was noticeable that the United States and the EU agreed at their November 2009 summit to relaunch their High-Level Consultation Group on Development and to hold annual meetings
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at ministerial level in order to achieve greater coherence between their respective programmes and policies.\textsuperscript{26}

\textit{International financial governance}

Although many of the excesses that led to the financial crash of 2008 originated in the United States and certain European countries, the fact is that the expertise to design better methods of financial oversight and regulation lies largely within the ranks of US and European officials and bankers. The creation of a new Financial Stability Board to encompass all members of the G20 from 2009 was important in terms of strengthening the legitimacy of international financial reform, but it glossed over this reality. Working to adopt a common approach to building a resilient international financial system should be a priority for both sides.

But there is one issue that might undermine this potential consensus: the call for reform of the Bretton Woods institutions in order to give greater representation and voting weight to the emerging economies. The Obama administration actively championed the reweighting of votes in the IMF towards China and other emerging economies at the Pittsburgh G20 summit in September 2009, at the expense of EU members which currently hold a disproportionate voting share. EU governments will need to get ahead of the curve and come forward with their own proposals for reducing their relative voting weight. In this case, the question of whether the United States should be the only country with the potential to exercise its veto on IMF decisions (by virtue of possessing over 16.7 per cent of the total voting weight) may also have to become part of the transatlantic negotiating process.

\textbf{Conclusion: Implementing an Ambitious Transatlantic Agenda}

President Obama took office at a time when many European leaders had started to question with increasing confidence the right of the United States to assert a leadership role on issues of mutual concern. However, one of the principal obstacles to creating more balanced forms of transatlantic coordination on what is an increasingly pressing global agenda has been the lack of a modern infrastructure for effective consultation and decision-making. NATO has remained the default organization for transatlantic security coordination, even after the end of the Cold War, given that it is the only institution in which the United States sits alongside its European counterparts as an equal member. But NATO remains focused on a security agenda within which the United States also remains the preponderant power. Moreover, as noted above, this agenda presents as many points of transatlantic divergence as convergence. The annual US–EU summits that were designed to address the comprehensive range of global topics described above have atrophied over the past decade; it was noticeable that, of all the summit meetings that President Obama held during his first visit to
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Europe in April 2009, the most disappointing and unproductive was his first US–EU summit.27 That President Obama should have declined to attend the US–EU summit scheduled in Madrid in late May 2010 confirmed this impression, raising further disquiet in European capitals.28

Why has this been the case, given the significant benefits that US–European cooperation could achieve for each side’s respective interests? Part of the problem is procedural and not just substantive. Whatever the divisions in US policy decision-making (and these are many, particularly given the divisions of responsibility between the executive and legislative branches of the US government, affecting everything from trade to aid and sanctions policy), they have paled into insignificance in comparison with the Byzantine decision-making arrangements of the EU since the emergence of its foreign policy-making procedures in the 1970s. US administrations have been faced with a highly complex partner, given the rotating six-month presidencies between EU member states and the split responsibilities for aspects of the EU’s international relations between the European Commission, the Council of Ministers, the EU as a collective body and its sovereign member states. As each side has sought to expand the remit of the transatlantic relationship to a truly global scale, the EU style of decision-making has been an added drag on what would be an immensely complicated process under even the most benign circumstances.

It is in this context that the entry into force of the Lisbon Treaty on 1 December 2009 may be of consequence in the coming years. The treaty has reduced the central role of the rotating EU presidencies by putting in place a sitting EU president. It has also opened the possibility, through the creation of a more powerful High Representative for Foreign Affairs and Security Policy that the EU can start to coordinate and better integrate its collective ‘civilian power’ tools (trade measures offering and denying market access, and significant financial assistance programmes) with its common foreign and security policy tools (from diplomatic demarches to the deployment of gendarme forces, police training missions, peace-keeping troops and even military force). One manifestation of this more coordinated EU approach will be the changed remit of EU delegations in capitals around the world. They will now be staffed by a mix of European Commission and European Council staff, all reporting to the High Representative, Catherine Ashton, in her dual capacity in the Council and as Vice President of the European Commission. These steps, if successfully implemented over the coming years, could offer to the United States a European partner better able to enter into negotiation on a comprehensive transatlantic response to international challenges and crises. They could also serve as the basis for US and EU officials to create more effective standing working groups on the sorts of global challenges described above. And these, in turn, could report upwards to US–EU summits in the future.

This would not necessarily represent a return to the levels of transatlantic cooperation that existed for much of the Cold War. We are in a different world, where US and European interests are no longer as aligned as before. However, the gradual transition to better internal EU coordination on external affairs
could be the forerunner of a more balanced and effective transatlantic partnership. The United States is likely to continue to lead in some specific areas — particularly on issues of importance to international security, such as dealing with the situation in Afghanistan, mediating on the Israeli–Palestinian conflict or halting the process of nuclear proliferation. But the EU and its member states may also lead on certain issues, such as crafting new international proposals to deal with climate change, international financial reform, and the integration of East European states into Western institutions.

Entering the second decade of the twenty-first century and the second year of the Obama administration, it is noticeable that the United States and EU member states are increasingly aligned on the best approaches to take in confronting the major threats to the world’s stability and security. However, they have quite a different hierarchy of security interests, meaning that there are significant divergences in thinking about which are the most important issues to tackle first. It is on the broad global challenges that the Obama administration may find that European governments are its best allies and friends. Not allowing disappointments in the security and geo-political realm to cloud the opportunities to create joint transatlantic positions on major global challenges will be a major test for both sides during the rest of President Obama’s administration.

NOTES

1 See, for example, Kori Schake, *The US Elections and Europe: The Coming Crisis of High Expectations* (London: Centre for European Reform, 2007).


4 Ibid.


11 James Blitz, ‘Europe will find it hard to say “No” to Obama’, *Financial Times*, 5
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13 President Obama’s missile defence plan will actually lead to an earlier deployment of anti-ballistic missiles in Europe than the plan of the George W. Bush administration. However, the first missiles are likely to be deployed on ships or in Turkey and Romania, rather than in Poland. Moreover, the timing of the announcement of the change in plan was badly handled, catching Czech and Polish leaders by surprise, and falling on the day marking the 60th anniversary of the Soviet invasion of Poland. Department of Defense, ‘DoD News Briefing with Secretary Gates and Gen. Cartwright from the Pentagon’, 17 September 2009, http://www.defense.gov/ transcripts/Transcript.aspx?transcriptid=4479; Philippe Naughton and Tony Halpin, ‘Dismay in Europe as Obama ditches missile defence’, Times Online, 17 September 2009. http://www.timesonline.co.uk/tol/news/world/europe/article6838058.ece

14 See James Sherr’s chapter on Russia (Chapter 9) in this volume.


17 Comments at a private meeting in the autumn of 2009 attended by the author.


21 At the EU–US summit in Washington on 3 November 2009, US and EU leaders declared that they would ‘intensify our work under the Framework for Advancing Transatlantic Economic Integration and the Transatlantic Economic Council’. See Council of European Union, EN 15352/09 (Presse 316), Brussels, 3 November 2009.

22 For a description of the high existing levels of transatlantic economic engagement, see Daniel S. Hamilton and Joseph P. Quinlan (eds), Deep Integration: How Transatlantic Markets are Leading Globalization (Washington, DC and Brussels: Center for Transatlantic Relations and Centre for European Policy Studies, 2005); for a description of the benefits of deeper US–European economic integration, see ‘Building a Transatlantic Innovation Economy: TABD Recommendations’, TransAtlantic Business
America and a Changed World


Council of the European Union, EN 15352/09, Annex 3, Declaration on Non-Proliferation and Disarmament, Brussels, 3 November 2009.


