



THE BOLOGNA CENTER JOURNAL OF INTERNATIONAL AFFAIRS

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TRANSATLANTIC RELATIONS: SIXTY YEARS LATER

Coalition or Collision?

Claudia Decker and Stormy Mildner

Policing Across the Atlantic

John Occhipinti

How a Gap Became an Ocean in Transatlantic Relations

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WITH A FORWARD BY DAVID P. CALLEO

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EDITOR'S NOTE

A pessimist, they say, is never disappointed. And, when it comes to transatlantic relations, there is plenty about which one can be pessimistic. The charged post-9/11 international environment has given rise to a number of disputes among some of the most steadfast members of the transatlantic alliance. The disagreements over Iraq soon swept aside any feelings of sympathy and solidarity that the terrorist attacks on the Twin Towers and the Pentagon might have engendered towards the United States. This has given rise to fears that the damage to the alliance has become irreparable, causing many to lament the bygone days of the Cold War when we were all friends and the world was much easier to manage.

Attempting to provide an explanation for how such a break did take place, some are quick to point to the United States and the so-called "cowboy" diplomacy conducted by President George W. Bush. His unilateral policies that exploited the military and economic hegemony of the US seem to have struck the wrong note with his peers across the Atlantic, leaving them no choice but to oppose him. Others point to European stubbornness and quixotic visions of grandeur. In an attempt to cast themselves as leaders of an assertive Europe, French President Jacques Chirac and German Chancellor Gerhard Schröder formed an improbable alliance to check and counter US power.

Such explanations, besides being overly simplistic and completely ignoring the often-contentious relationship of the US with its European allies over the last sixty years, are also premature. How can one deal with the question of whether the gap is bridgeable or not, when one does not know for sure that such a gap exists in the first place? Moreover, even if it did exist, how different is the current transatlantic crisis from ones it has successfully overcome over the past decades?

To answer these questions and to better understand the dynamics within the transatlantic alliance, we dedicate the first half of this journal to the exploration of the current trends in the US-EU relationship within both the economic as well as the political framework. In the forward, David Calleo, the founder of the European Studies program at Paul H. Nitze's School of Advanced International Studies and one of the foremost authorities on the issue of transatlantic relations, analyzes the current state of affairs between Europe and the US. He argues that regardless of the tense political atmosphere and the natural incentive for competition between the US and its European allies, the alliance needs to be and can be strengthened. Both need each other to ensure that each remains a bastion of democratic stability, especially in the face of new and old threats.

In the context of such threats, there must also be a discussion of the consequences of "the war on terror," which President Bush undertook subsequent to 9/11. This is an area where there has been much talk of the need for cooperation on transnational crime fighting. No longer faced with an easily identifiable state

actor, the US and European countries are faced with the challenge of dealing with terrorist organizations that are spread across borders. The conventional thinking has been that considering the Europeans' aversion to what some of them consider a "misdirected" and aggressive US policy on terrorism, there is very little coordination taking place. According to John D. Occhipinti this is not the case. In his article, *Policing across the Atlantic: EU-US relations and transnational crime-fighting*, he looks at EU's various initiatives such as the creation of the Europol, improvement of container and airline security, and more importantly judicial cooperation. It is somewhat telling that Washington's most vociferous critic—France—has also been the most helpful in the war on terror in this respect. Occhipinti concludes that even though the alliance has been under great stress as of late, this has not prevented the US and the Europeans from cooperating. In fact, since 9/11 that cooperation has been on the rise, rather than declining.

Similar trends are noted in the US and the European foreign policy orientations as discussed by Iraklis Oikonomou and Oya Dursun. In *The transatlantic dimensions of the European Security Strategy (ESS)*, Oikonomou concludes that the ESS "reflects an ideological, institutional, and material convergence between dominant sections of the European foreign policy establishment and the United States, under the banner of Atlanticism and new liberal imperialism." This trend is also noted in *Is the transatlantic alliance sinking into the abyss of the Atlantic?*, where Dursun determines in a rather original manner that the gap between the two sides of the Atlantic has been overstated, especially in the context of peacekeeping operations, where the US and the Europeans agree on most aspects related to the type and timing of peacekeeping interventions.

Perhaps, the most publicized cases of the so-called widening gap have been in the area of trade between the US and the EU. Disagreements over subsidies to Airbus and Boeing, or restrictions on Genetically Modified Organisms, and the debate on Foreign Sales Corporations come to mind immediately. But do such disputes point to long-term, permanent breaks in the transatlantic alliance? In *Conflict resolution in transatlantic economic relations*, Andreas Dür looks at patterns of past trade-related disputes and observes that both sides of the Atlantic have found ways to reconcile their differences, thus heading off any possible crisis. According to Dür, the high interdependence of the various interested parties, rather than the limitations of the Cold War, must be credited with the successful resolution of outstanding trade disputes. In the future, we can expect to see more, not less, of this kind of cooperation.

Naturally, this kind of optimism cannot hide the fact that both the US and the EU have had major disagreements, which have left an indelible mark in the minds of both political elites and the constituencies whom they serve. Claudia Decker and Stormy Mildner conclude in *Coalition or Collision* that "while the economic partnership is still strong, it...also faces serious challenges which should not be underestimated." Their recommendation is for the US and the EU to prevent potential conflicts of interests and to quickly resolve them within the transatlantic framework when they do occur. Not taking such warnings seriously risks alienating

one or more members of the alliance. Germany's clear break with past precedents in the wake of the Iraq war signaled a potential shift in strategy and on how the allies viewed their role within the alliance. Schröder's unwillingness to "click his heels" on US command and his questioning of NATO as the venue of choice for addressing transatlantic matters makes one wonder whether Germany and others on the other side of the Atlantic are developing an identity in opposition to the US. It is this aspect that is explored by Mary Martin in her discussion of the concept of "othering" in *Europe's Other*. From her analysis it appears that some European countries are in fact making deliberate attempts to pursue a path that often is at odds with American interests and strategy. According to Martin, this is done "in order to sustain [Europe's] own foreign policy identity as a collective global actor," a strategy which is bound to conflict with American visions of Europe's role in the international arena.

So then, which is it? Are the US and Europe heading for a divorce or is it business as usual? I am of the view that Europe and the US have too much in common in terms of history, culture, as well as economic and political interests to be headed toward a permanent break-up. The research contained in the pages of this journal points to definite changes in the relationship. But as many of the authors are quick to point out, the transatlantic bargain can be revisited without risking becoming irrelevant. Indeed, as the second half of the journal demonstrates, political and economic changes within Europe require that revisions be made in the alliance with an eye toward giving the Europeans a larger role in decision-making and providing them with more flexibility especially over their ever-increasing sphere of influence. Yet, the transatlantic alliance will and must remain strong well into the future for the sake of both the economic and the political stability of the world. As such, at the risk of being disappointed, I remain an unabashed Atlanticist and optimist.

Medlir Mema

Editor-in-Chief

April 26th, 2005

Bologna, Italy

Forward

by David P. Calleo

For fifty years, the Bologna Center has given powerful witness to the kinship between Europe and America. The Center has always been as much European as American. Without its European students and faculty, it would not have survived, let alone become the superb educational institution that it is. Its parent, SAIS is certainly an American graduate school, but also something much more. What began as an American academy to train proconsuls has evolved into a genuine world institution. Not only does its student body have a large proportion of non-Americans, but also its own internal culture is profoundly multi-national. It reflects a genuine cosmopolitanism, not an ersatz globalism. We like to say that SAIS is the finest school of international studies in the world. Probably its most distinguishing feature is a deeply rooted sensitivity and appreciation of national differences. Europeans, Latin Americans, Asians and Africans are all integral components of a SAIS way of looking at the world. Not surprisingly, at SAIS the old traditions of area studies are alive and robust. Many elements have come together to create this cosmopolitan character. Above all, we can thank the Bologna Center.

Is this cosmopolitan character already obsolescent? Certainly, the old transatlantic ties are under stress and announcing their erosion has long been fashionable wisdom. America's own ethnic makeup has grown progressively less European. And Europe now has immigration of its own – from the south and the east. Meanwhile, the U.S. is no longer preoccupied with Europe's military defense. Both sides are less patient with the inevitable frictions of an outmoded military alliance. The global interests of each are more and more complicated to reconcile. Transatlantic economic ties remain huge, but both Europe and the U.S. are drawn to the exploding markets of Asia and Latin America. Both sides of the Atlantic compete fiercely to dominate the advanced industries and services that can sustain high Western standards of living. The old easy assumptions about a fundamental harmony of Western interests are thus eroded. To preserve the old kinship, we shall have to work at it.

Why should we? There are two overwhelming reasons. Close transatlantic ties preserve democratic stability in the U.S. as well as in Europe. And a strong balanced West is a vital prerequisite for a cooperative system of order in the world as a whole.

It goes without saying that the U.S. played a critical role in stabilizing postwar Europe. Not only was Western Europe protected from the Soviets, it was also protected from itself. The last century gave abundant testimony to traditional Europe's self-destructive character. The twentieth century finally evolved two solutions: hegemony imported from outside and a confederacy built from within. The Soviets and Americans provided a bipolar hegemony. And the French and

Germans led Western Europe into building a union.

When the Soviets collapsed, both sides of the triumphant West faced a fateful historic challenge. The way was open to German reunification, to regaining “Eastern” Europe and to a new and productive relationship with Russia. But wiser statesmen were not unaware that this brave new Europe looked uncomfortably like the disaster prone Europe of 1910. To prevent retrogressing into old fissiparous nationalisms, Europe needed to advance its confederal union. The triumphal result was the “European Europe” envisioned at Maastricht and Copenhagen: an expanded Union with a constitution enabling common money, foreign policy and defense. This new Europe, master in its own house, was to be a “civilian” superpower, reaching out not only to America, but also to Russia, China and the new powers that were expected to rise in the unfolding global order. Implicitly, Europe’s vision suggested a plural or “multipolar” world system.

Americans were attracted to a very different vision – a global Pax Americana, led by a U.S. that would dominate a new “unipolar” world order. “Interoperable” Europeans, linked in NATO, would join in peacekeeping missions around the globe. Both post-Soviet transatlantic visions were radical. Americans dreamed of a world order with no balance of power – for the first time in modern history. Europe’s dream – a “European Europe” – implied reversing the two world wars of the last century. Not surprisingly, the two visions have been ill at ease with each other. Iraq brought the malaise to a head. “Old Europe” found itself in an implicit “Eurasian bloc,” uniting with Russia and China against America. The Anglo-American counterattack threatened to break up the European Union itself. Europe and America stared together into an abyss. Neither side liked what it saw.

We can hope that significant lessons have been learned. Both visions need trimming. Americans cannot run the world by unilateral fiat. Having strong allies is not a jovial self-indulgence but a vital need. But strong allies have minds and aims of their own. To hold onto such allies, let alone lead them, the U.S. must learn to conciliate the reasonable ambitions of rising powers in their own regions. This is a lesson that urgently needs to be applied to America’s relations with Europe, and is still more critical for America’s relations with China.

American power, like all power, needs to be balanced and contained. This, after all, is the fundamental principle of America’s own constitution. It is better that balancing be done by friends than by enemies. The “West” has never been a cultural or political monolith. Its strength and attraction lies in its fertile diversity. A strong European partner, friendly but with a mind of its own, complements and balances America’s own global power, and thereby reassures other rising powers around the world. For America, the advantages of a friendly balance are not only global but also domestic. The U.S. has an alarming concentration of military and economic power at its federal center. Power on this global scale threatens to overwhelm a purely national system of checks and balances. The separation and limiting of power at home thus depends upon its being balanced abroad.

Europeans, meanwhile, have their own lessons to learn. Today, European

cohesion is unusually fragile. Widening greatly complicates deepening. Since World War II, the U.S. has been Europe's benevolent stabilizer – assuring small states of their safety, and giving them the confidence to go forward with their confederal project. A friendly and supportive U.S. remains a vital element in Europe's confederal constitution. In effect, both sides of the Atlantic have rediscovered their constitutional interdependence.

America may be the world's leading power, but Europe also has a leading role in building a new world order. Europe's Union, in itself, suggests a model for governing a multipolar world. Europe's interstate constitution is a hybrid – neither federal nor purely intergovernmental – and very much a work in progress. Europe's states cleave to their union not so much to renounce national sovereignty as to enable it. By collaborating to find common interests, while respecting national differences, they achieve far more real sovereignty inside their Union than they ever could expect to enjoy outside it. Over the past half century, Europe has carried interstate co-operation to a degree never before achieved in the world. We can hope Europe provides a model for export to other regions, one that can help to inspire a global system built around a cooperative concert of great powers.

Building such a balanced yet cooperative system requires a rather special mindset – one that embraces complexity and shrinks from simple-minded alternatives, one that respects and enjoys national differences while searching for commonalities. For fifty years, Bologna's students and faculty have enjoyed creating together this sort of multinational consciousness. Thanks to the Bologna Center, SAIS's world vision is not just America writ large, but a cornucopia of cosmopolitan diversity, where the elements, searching for accommodation, enjoy themselves and each other. That is the Bologna spirit at SAIS. Those who have imbibed it all these years should put it to work on both sides of the Atlantic, and all around the world.

David P. Calleo

Dean Acheson Professor & Director of European Studies
The Paul H. Nitze School of Advanced International Studies
April 17th, 2005
Washington D.C.

Transatlantic Relations: Sixty Years Later

In Memoriam

Paul H. Nitze

1907-2004

Coalition or Collision?

The Past and Future of Transatlantic Trade Relations

Claudia Decker and Stormy Mildner

This article deals with transatlantic trade relations and analyses the question of whether or not the US-EU economic partnership has become substantially damaged in recent years. First, the authors differentiate between traditional trade disputes (Airbus/Boeing and the Byrd Amendment) and systemic trade disputes (GMOs and FSCs), before identifying the main political and economic causes for conflicts. Based on the analysis of four major trade disputes, the authors then come to the conclusion that the transatlantic economic partnership is still strong, while it currently also faces serious challenges which should not be underestimated. Therefore, they demand that the EU and the US intensify their efforts for conflict prevention and resolution and strengthening of the transatlantic institutional framework.

INTRODUCTION

Steel, Genetically Modified Organisms (GMOs), Foreign Sales Corporations (FSCs), Airbus/Boeing – the list of recent and historic transatlantic trade conflicts is long. In 2004, the European Union (EU) listed twenty-seven transatlantic trade disputes which were registered at the World Trade Organization (WTO): nineteen cases were launched by the EU against the United States (US), while in eight cases the US filed complaint against the EU.¹ Does this mean, however, that US-EU trade relations have become substantially damaged and that we are heading towards a dark age of transatlantic trade friction? This is hardly the case, since only two percent of bilateral trade flows are affected by conflicts. Despite many doomsayers, the transatlantic partnership still rests on a solid

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Stormy Mildner, former resident fellow at the German Council on Foreign Relations, is currently lecturer at the Free University (Berlin), finishing her PhD in international economics. She has earned a Master in international political economy at the London School of Economics (2000) and was an international Fox Fellow at Yale University 2002/2003.

foundation, including common interests and ideologies in the economic and political spheres as well as a general overarching consensus about the structure of the international economic architecture such as the WTO.

As the past fifty years of transatlantic trade relations have shown, trade conflicts are nothing new and, therefore, not a sure sign of deeply-disrupted economic relations. Thus, there have always been ups and downs in transatlantic trade relations – some periods being more conflictual than others. For example, trade frictions grew noticeably in the 1960s with increasing trading ties as well as the rise of the EU as economic power and competitor. Another sharp increase in the number of trade conflicts and the volume of General Agreement on Tariffs and Trade (GATT) litigation took place in the early 1980s, caused mainly by the economic downturn in Europe and the US recession together with a strong appreciation of the dollar and an increasing current account deficit.² Contrary to today, however, most of these disputes were handled without excessive political rancor. Thus, being aware that trade conflicts could easily spill into other policy areas and jeopardize the stable political partnership which was so essential during the Cold War era, both sides restrained from “tit-for-tat” retaliation.

But this has changed substantially with the end of the old bipolar order and the emergence of an increasingly multipolar economic world and growing global competition. Thus, the last decade has witnessed some worrisome developments which make the transatlantic partnership less clear and predictable than in the past: the number of trade disputes has risen, several conflicts are insoluble or at least difficult to overcome, and the political impact of big ticket trade conflicts such as the Airbus-Boeing case has increased. In addition, retaliatory “tit-for-tat” tactics are given more room within trade negotiations. In recent years, bilateral economic relations are further stressed by growing mutual disrespect and disagreement in foreign and security policy. Particularly before the Iraq War, the EU and US seemed to have fallen into hostile camps, reinforced by a growing resentment of Europe in the US and an upsurge of anti-Americanism (or rather anti-Bushism) in Europe.³

Consequently, while the transatlantic partnership is still strong, it currently faces some serious challenges which should not be underestimated. What’s more, an escalation of economically explosive trade conflicts does not only disrupt bilateral economic but also political relations. Therefore, each individual trade conflict has to be taken very seriously.

CAUSES FOR CONFLICT

Trade conflicts can be divided into three categories: market access, industrial policy, and ideology-based disputes. The first category includes US complaints about EU labeling requirements for wine as well as EU complaints about US safeguard duties for steel or the Byrd Amendment. Industrial policy cases evolve around government support of national industries; prominent examples include agricultural support, aircraft subsidies, and US FSCs. Lastly, the ideology-

based category is comprised of US complaints about EU hormone or GMOs regimes and EU complaints regarding US sanctions on Cuba or Iran.⁴ Another way to categorize trade disputes is by differentiating between so-called traditional and systemic conflicts: traditional conflicts evolve around the protection or unfair support of national industries through “at-the-border” protection, such as tariffs, quotas, or subsidies in sectors like steel or agriculture; systemic disputes result from different national regulatory systems and preferences, such as those regarding GMOs or FSCs. While traditional conflicts are relatively easy to solve, ideologically-based systemic disputes are more difficult to address.

What are the causes for these transatlantic trade conflicts? The high degree of economic interdependence is the most important factor in all trade disputes. Thus, conflict comes with closeness: the EU and the US are each other’s most important economic partners. In 2003, around twenty-six percent of total EU exports went to the US while seventeen percent of total EU imports came from the US. The bilateral investment relationship is even more significant: both are by far each other’s most significant source and destination for foreign direct investment (FDI). From 1998 to 2001, about fifty-two percent of EU FDI outflows went to the US, while more than sixty-one percent of all EU FDI inflows originated in the US. In 2003, almost sixty-five percent of total US FDI went to the EU. Given this close economic integration, frequent trade tensions are not very surprising. Additionally, dispute resolution has become increasingly difficult in recent years since the US and EU are of roughly the same economic strength, so neither side can force the other to make concessions.⁵

The second cause of conflict results from increased trade liberalization, which leads to growing competition, especially in labor-intensive sectors (e.g., steel and textiles), so that countries continuously resort to the use of escape clauses and antidumping duties. Thus, the US is one of the world’s leading users of “old-style” safeguard or escape clause measures, the steel safeguard duties in 2001 being one example. The antidumping instrument has been used frequently as a means of hidden protectionism by both trading partners.

Third, trade liberalization – especially the reduction of non-tariff barriers (NTBs) – has increasingly touched upon national regulatory issues, such as tax systems, health considerations, and animal/plant welfare, which are all politically sensitive issues because they affect consumer attitudes. Since different national preferences, values, and judicial systems collide with each other, the potential for conflict is particularly high. Above all, differing approaches to new technologies and industries are at the heart of a growing number of disputes: while the US trusts the self-regulatory power of the market, introducing new rules only when conflicts arise, the EU proactively tries to prevent potential problems before they arise. The lack of trust in each other’s intentions and preferences further increases the potential for conflicts between the US and the EU: while the EU justifies the import restrictions on GMOs or hormone-treated beef with health considerations, the US suspects hidden protectionism of the EU agricultural sector.

Fourth, the politicization of trade since the early 1990s – particularly the

conclusion of the North American Free Trade Agreement (NAFTA) – has increased the potential for conflict considerably. Thus, the public has become more aware of trade issues, and an ever-increasing number of interest groups such as environmental non-governmental organizations (NGOs) or trade unions try to influence national policy making. Since domestic policy calculus is gaining importance and trade negotiators can hardly depart from their original positions under the close scrutiny of civil society, there is little room for trade-offs and compromises, and trade conflicts can escalate more easily.

Fifth, the WTO dispute settlement body (DSB) has also contributed to the mounting number of unresolved trade conflicts. The DSB constitutes a substantial improvement in comparison to the former GATT mechanism by treating cases on a more legalistic basis. However, it has its flaws: WTO investigations and dispute settlement procedures are requested more quickly than ever before, leading to a sharp rise in the total number of proceedings. Additionally, the rigid dispute settlement process often does not lead to a faster or more efficient resolution of problems – in particular when there are no WTO rules or precedents in some areas.

The danger of these insoluble and long-lasting trade disputes lies in a spiraling “tit-for-tat” dynamic: in order to increase its leverage in an existing trade conflict, a country initiates a new trade complaint in an unrelated area as a bargaining chip. This can turn a rather-marginal trade dispute into a serious “trade war”: after the US brought a WTO case against the European banana regime and the import ban on hormone treated beef, the EU filed suit against US FSCs and the use of the escape clause on steel imports; the US retaliated by taking legal action against the restrictive European approval system of GMOs. Thus, while there has been an increasing judicial activism of both trading partners, their willingness to comply with the panel rulings has decreased.

TRADITIONAL TRADE CONFLICTS

AIRBUS/BOEING

One of the most prominent US-EU disputes in the category of traditional, industrial policy conflicts is the Airbus/Boeing case. As with many other conflicts, this dispute is not a new one but originated in the 1970s when both trading partners were involved in several rounds of negotiations to reduce subsidies for large civil aircrafts. In the late 1980s, with Airbus becoming a serious competitor for Boeing, the US and EU started to view a bilateral agreement as indispensable. As a consequence, they decided to reduce and eventually eliminate aircraft subsidies within the “US-EU Agreement on Large Civil Aircraft” (1992). This agreement banned future production support; as a trade-off, the EU received an exception for already-disbursed subsidies, as well as for previously granted support for future programs (dubbed a “grandfathering right”). Furthermore, the share of government support for the development of new aircraft programs was limited to thirty-three percent of the program’s total development costs. These credits, which were granted below the market rate, had to be paid back within seventeen years. Additionally,

the ceiling for indirect subsidies was set at a maximum of three percent of the annual total revenue of the industry. Thus, both sides were allowed to subsidize their aviation industry within certain limits. At the same time, they abstained from filing disputes concerning aircrafts at the GATT/WTO.

In late 2000, Airbus announced that it had formally launched a program to construct the new Airbus A380, the world's largest commercial passenger aircraft, reinvigorating the aviation conflict. In the following years – in particular as Airbus reached competitive parity with Boeing in the global market place – the bilateral agreement was regarded with growing concern. Talks for revising the agreement started to intensify in early 2004 at the same time as speculations surfaced on subsidies for a new Airbus plane, the A350, which would compete with the planned Boeing 7E7. In May, United States Trade Representative (USTR) Robert Zoellick met with the European Commissioner for Trade Pascal Lamy, proposing a new bilateral accord to eliminate and eventually phase out total subsidies for aircraft producers. The EU, however, stayed uncommitted. In August 2004, the conflict gained momentum when President Bush openly declared Airbus subsidies as unfair, asking Zoellick to take all measures to put an end to them – even if this included a WTO complaint.

While both sides attempted to find a compromise, the talks failed, leading the US to terminate the 1992 Agreement in September 2004. Since the dispute quickly hit the front pages of newspapers worldwide – also becoming a campaign-issue that was named often in the same context as the labor market question – the US filed a WTO complaint against the EU in October 2004. According to Boeing, Airbus had received subsidies in the form of grants, debt forgiveness, and infrastructure support, seriously distorting the large civil aircraft market. In particular, the US criticized the fifteen billion dollar launch aid that the EU provided, since it shifted the commercial risk of airplane development from Airbus to EU governments. Zoellick further argued that Airbus subsidies were not justified as support to an “infant industry” anymore: Airbus had gained a market share of over fifty percent of large commercial aircraft sales and a sixty percent share of the global order book.

Contrary to this, the EU does not view Airbus support as subsidies but rather as loans, claiming that Boeing had received significantly more support than Airbus through indirect subsidies, amounting to twenty-three billion dollars since 1992; financial support for research and development had also been channeled to Boeing through NASA as well as the Departments of Defense and Commerce. Lamy especially criticized subsidies for the Boeing-project 7E7: for example, the state of Washington had offered a tax cut of approximately 3.2 billion dollars to Boeing to ensure that the final assembly of the company's airplanes would take place there. These state tax reductions could be viewed as equivalent to Airbus' launch aid. Therefore, the EU filed its own complaint with the WTO.⁶

With the reciprocal complaint at the WTO, the US-EU aviation trade dispute threatened to escalate. Particularly due to the economic importance of the aviation industry, its political and strategic nature, as well as conceptual differences

on how to compare aircraft subsidies, the Airbus/Boeing conflict posed the danger of seriously burdening the WTO and straining transatlantic relations. Recognizing this, the EU and the US reached an agreement on the terms for negotiations to solve the dispute in January 2005. The goal of these negotiations is to phase out all types of aircraft subsidies. In return, the parties have agreed not to request a WTO panel.

BYRD AMENDMENT

The “Continued Dumping and Subsidy Offset Act of 2000,” informally known as the Byrd Amendment, constitutes a relatively new trade conflict in the area of industrial policy. It provides that antidumping duties collected by the US government must be passed on to the companies that successfully petition for relief from dumped foreign imports. These offset-payments are to cover certain expenses incurred after the imposition of antidumping and countervailing duties. In the years 2001 and 2002, duties, amounting to 230 million dollars and over 300 million dollars respectively, were channeled to US companies. In most cases, the recipients were steel and other metal producers.⁷

Consequently, the EU filed complaint, together with eight WTO-Members – including Brazil, India, and Japan – against the Byrd Amendment in December 2000; six other states joined the complaint as third country-complainants, including Argentina and China. After unsuccessful consultations, a dispute settlement panel was established in mid-2001. In September 2002, the WTO panel ruled that the Byrd Amendment is incompatible with WTO rules, since it constitutes an illegal response to dumping and subsidization, providing an additional remedy to US companies and giving them an unfair competitive advantage. The WTO also criticized the fact that the payments created an incentive for companies to file and support petitions for off-set payments.

After the WTO Appellate Body had declared the Byrd Amendment once again as WTO-inconsistent in January 2003, a deadline was set for December 2003 by which the US was to bring the Amendment into WTO conformity. When this deadline expired without serious attempts in Congress to adjust the Amendment, the WTO gave a green light to the EU and other arbitrators to impose punitive duties on US products in August 2004. The level of these additional duties varies each year in accordance with the amount of disbursement made to US producers under the Byrd Amendment during the previous year.

Despite calls by the US administration to repeal the law as well as several proposals in the Senate, the US Congress has not yet implemented the WTO ruling. Thus, a majority in Congress – Representatives and Senators from both parties – expressed its continuous support for the Byrd Amendment. Consequently, the EU filed a list of seventy-eight potential product groups with the WTO, asking for authorization to implement punitive duties on them. Since chances that Congress will abolish the Byrd Amendment or pass significant changes soon are relatively low, a solution to this dispute is not yet in sight.

SYSTEMIC TRADE CONFLICTS

GMOs

Worldwide, trade conflicts over food security are increasing due to differing national preferences for and regulations concerning consumer and health protection. Ideological differences also lie at the heart of the GMO dispute. Simultaneously, substantial economic interests are at stake: the US is, by far, the main global producer of genetically modified crops; today around seventy-five percent of soybeans and cotton as well as thirty-five percent of corn contain GMOs. Through the European import ban, the US loses access to a large and important export market. In addition, the US fears that other countries will follow the European example, establishing restrictive rules and import bans for GMOs. Zambia, for example, refused 26,000 tons of US food aid in October 2002 because it contained genetically modified corn.

Since April 1990, the EU approval process for biologically modified agricultural products has been regulated by Directive 90/220/EC. On this basis, the EU authorized the import of nine products/plants in the following years. However, Austria prohibited an already-approved corn variety in February 1997 due to health and environmental concerns, leading to a series of import bans by other EU members on approved products. In the same year (1997), the EU adopted the "Novel Food Regulation" (EC) 258/97, which set out rules for the authorization and labeling of genetically engineered foods. The conflict intensified when the European Commission stopped approving any kind of bio-engineered agricultural crops in 1998, constituting a *de facto* moratorium.

In October 2002, Directive 2001/18/EC came into force, establishing a new legal framework for labeling genetically modified products. Nevertheless, the EU decided not to approve any new GMO varieties until detailed regulations for labeling and traceability were in place. In July 2003, the European Parliament tightened the threshold for labeling food or animal feed, containing more than 0.9 percent GMOs, even further. Additionally, the new rules required that GMOs had to be traced "from the farm to the fork." The US severely criticized these new rules as an unfair NTB since they discouraged consumers by implying non-existing health risks.

Finally, the US filed complaint with the WTO against the EU's *de facto* moratorium and requested consultations in May 2003. In response, the European Commission started negotiations on the import of a variety of genetically modified sweet corn in November 2003. When the vote in the European Council led to a stalemate, the decision was passed on to the European Commission, which approved the sweet corn in May 2004. This corn variety has to be commercialized in accordance with the new rules on labeling and traceability. However, the final WTO ruling on the European approval and labeling system is still pending. A possible solution to the conflict lies in the non-discriminatory labeling of genetically modified products. As such, the import ban could be lifted and European consumers

would be free to decide for or against genetically modified foods.⁸

FSCs

Another systemic conflict which has put a severe strain on the transatlantic relationship for years, is the industrial policy dispute about export-related tax benefits for US companies. These tax reductions were initially designed to countervail the basic differences between US and European tax systems: most European states follow a territorial system, where only the income earned at home is taxed. Additionally, exports are exempted from value-added tax, which is imposed on domestic sales. In contrast, the US uses a worldwide system of taxation, under which income is taxed regardless of where it was earned.

Following this system, American subsidiaries are first taxed according to the laws of the country where the income is earned. When dividends from a foreign subsidiary are repatriated to the US, they are additionally taxed according to US laws. Thus, income earned from foreign sources is taxed twice. Although companies receive a foreign tax credit for taxes paid on foreign-source income and various international tax agreements have been signed to prevent this kind of double taxation, certain types of foreign-source income are still taxed under Subpart F rules (1962) of the US Internal Revenue Code – even if the US parent company does not repatriate those profits.

Subpart F rules, which initially were meant to eliminate the deferral for foreign-based company income earned in tax havens, put US exporters at a clear competitive disadvantage. Therefore, the US established so-called Domestic International Sales Corporations (DISCs) in the early 1970s, a tax break for US export earnings. After various countries had filed complaints with the GATT – among them the EU – a GATT panel declared the DISCs illegal export subsidies in 1981. As a consequence, the US changed its tax law, creating the Foreign Sales Corporations (FSCs) in 1984, which also constitute an exemption from Subpart F rules. FSCs are US corporate entities in foreign jurisdictions, handling the foreign sales of their parent companies. On average, a company could exempt fifteen to thirty percent of its export earnings from taxation under this rule. Boeing alone received more than 1.6 billion dollars over the period 1992 to 2003.⁹

After the EU had again filed complaint with the WTO and consultations had failed, a WTO panel was established in July 1998; in 1999, the WTO ruled that FSCs also constituted an illegal export subsidy. When the WTO's Appellate Body upheld this initial finding, the US Congress passed the "FSC Repeal and Extraterritorial Income Exclusion Act" (ETI Act) in November 2000. While the legislation formally abolished FSCs, new regulations were implemented, which included similar tax privileges.

Once again, the EU asked for a WTO investigation, questioning the WTO compatibility of the ETI. In January 2002, the WTO declared the legislation WTO-inconsistent. When the US made no serious attempts to change ETI until May 2003, the EU set an implementation deadline of fall 2003, which was later extended to March 2004.¹⁰ Simultaneously, the WTO endorsed the EU request for punitive

duties worth four billion dollars.

At this time, both Houses of Congress passed bills to repeal the FSC/ETI provisions. However, when Congress seemed unable to resolve existing differences, the EU imposed retaliatory tariffs on a range of US goods starting at a rate of five percent in March 2004, which was to rise by one percent every month, up to a seventeen percent level to be reached in March 2005. The situation improved when both bills were passed by the Senate and House of Representatives in May and June 2004 respectively. Finally, a joint bill was passed by both houses of Congress in mid-October, which President Bush signed shortly after; the changes became effective on January 1, 2005. The new bill repealed the export tax breaks of the FSC/ETI system and partially reformed the US corporate tax law by closing existing tax loopholes as well as granting tax reductions across the board to all US manufacturers.

In October 2004, the EU Commission correspondingly announced the suspension of its sanctions, effective January 1, 2005. However, the EU remained doubtful that all provisions fully complied with the WTO panel decision of 2002 and decided to file a new complaint with the WTO. In particular, the EU criticized the two-year transition period during which US exporters still receive FSC/ETI advantages. Lifting European sanctions clearly led to the mitigation of one of the most severe transatlantic trade conflicts. However, the final conclusion of this conflict depends on the WTO-compatibility of the new law and developments in other conflicts such as the Airbus/Boeing case.¹¹

CONCLUSION

COALITION OR COLLISION IN FUTURE TRANSATLANTIC RELATIONS?

Will the Atlantic widen? There is little evidence that current disputes will dramatically disrupt the transatlantic relationship or fundamentally hinder further economic and political cooperation. Both trading partners still support multilateral, as well as transatlantic, norms and institutions and have worked hard to overcome recent disagreements: examples for this are the removal of the steel duties by Bush in late 2003 as well as progress within the FSC and Airbus/Boeing disputes. Furthermore, Bush will continue to foster multilateral and transatlantic trade liberalization. Here, his success clearly depends on the "Trade Promotion Authority," which will expire on June 30, 2005. However, his chances for an extension are considerably better than in 2002 since the Republicans gained seats in both houses of Congress. Furthermore, the present depreciation of the dollar against the euro, clearly favoring US exporters, might also dampen protectionist sentiments in the US Congress.

Nevertheless, these positive developments are no reason for complacency. While some trade conflicts have been solved, there are many unresolved trade-related issues, many of which have broader political implications. Furthermore, both trading partners continuously resort to protectionist measures, also forming more and more bilateral and regional trade agreements. Moreover, regarding the

ever-growing US trade deficit, Bush will increasingly push for additional market access abroad for goods and services, which is likely to increase conflict potential even further.

Thus, several dangers reside in current trade disputes, touching all levels of cooperation:

NATIONAL CHALLENGES

On the national level, the growing number of unresolved trade conflicts can weaken the position of the pro-free trade forces among the population, industry, and policy makers. Thus, trade conflicts, like the FSC case, fostered the already-growing general rejection of further trade liberalization in the US Congress. Furthermore, domestic economic policy challenges will continue to be serious in the coming years: the EU will need to manage the social and economic implications of EU enlargement, intensify structural reforms, tackle its demographic problems, and deal with growing fiscal pressure. All of these are politically difficult tasks, complemented by great pressures from civil society. If these challenges are accompanied by serious recessions, political backlash and protectionism will be likely to occur.

Bush's trade policy will also depend decisively on domestic economic conditions, i.e., economic growth and labor market developments. Thus, the economy will be strained by the burdens of past tax cuts as well as the increasing budget and current account deficits. The danger of protectionist measures, particularly in labor intensive sectors such as steel and textiles, will increase exponentially with a downturn of the US economy. The Farm Bill and safeguard measures against steel imports show that Bush does not hesitate to resort to protectionist measures.

BILATERAL CHALLENGES

Trade conflicts can spill over into political areas of cooperation, which are already under strain because of issues such as the Iraq War, the Kyoto protocol and the International Criminal Court.¹² A second potential danger resides in the WTO code of practice to allow complainants to raise retaliatory tariffs when a panel decision is not implemented in a set time frame. This can lead to a growing level of protectionism in transatlantic trade, which would have negative economic implications for both sides.

MULTILATERAL CHALLENGES

On the multilateral level, unresolved trade conflicts, the increasing use of retaliatory methods, and the insufficient willingness of countries to comply with WTO's rulings seriously undermine the credibility of the WTO, weakening the multilateral legal order and its legitimacy. Lastly, conflictual transatlantic relations can also give negative impulses to global growth and prosperity due to the sheer size and economic importance of the two trading partners.

IMPLICATIONS

Because of these potentially negative consequences of trade conflicts, the EU and the US have to intensify their efforts for conflict prevention and solution. First, they have to solve long-standing, traditional disputes involving the protection and unfair support of national industries: here, chances look relatively good, considering progress in the FSCs and Airbus/Boeing case. In this context, it is indispensable that both trading partners cool their rhetoric: trade conflicts should not be used as domestic policy or even campaigning instruments, and threats of boycotts should be avoided. Second, the US and EU have to deal with different public preferences concerning new technologies (e.g., GMOs), improve the climate for mutual recognition of standards and come to an agreement on foreign policy sanctions. Solutions in these systemic conflicts look less likely in the close future.

Overall, the institutional framework has to be strengthened: while conflicts can never be fully avoided, there are several instruments to improve the transatlantic climate – through an enhanced early warning system as well as a more efficient solution mechanism. Central to this is a so called “top-down-approach,” e.g., by expanding the “New Transatlantic Agenda” (NTA), the “Transatlantic Economic Partnership” (TEP) or the “Positive Economic Agenda” (PEA), as well as a “bottom-up-approach,” e.g., strengthening the existing transatlantic dialogues (Business, Consumer, Environment, Labor, and Legislators). Overall, mobilizing a stronger pro-free trade force in both the US and the EU to prevent future trade disputes is indispensable.

NOTES

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³ Alan W. Cafruny, “Transatlantic Trade and Monetary Relations: The Nature and Limits of Conflicts,” *The International Spectator*, 3 (2002): p. 1 <<http://www.iai.it/pdf/articles/cafruny.pdf>>.

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The Transatlantic Dimension of the European Security Strategy

Towards a policy of “discursive conciliation”?

Iraklis Oikonomou

The following essay attempts to identify and interpret the striking discursive similarities between the 2003 *European Security Strategy* and the 2002 *National Security Strategy of the United States of America*. According to the main argument of the essay, the Atlantic dimension of the European Security Strategy is not simply a result of American political-military supremacy. Rather, it reflects an ideological, institutional and material convergence between dominant sections of the European foreign policy establishment and the United States, under the banners of Atlanticism and new liberal imperialism.

INTRODUCTION

Henry Kissinger once complained that he did not know Europe’s telephone number. Although this number still remains unknown, the publication of a European Security Strategy (ESS)² may symbolize an attempt to create Europe’s first “phonebook”, containing the objectives of a European foreign and security policy. Interestingly, this “phonebook” appears to be characterized by a distinctively Atlantic flair.

This article will attempt to provide an interpretation of the striking similarities between the ESS and the 2002 National Security Strategy (NSS) of the United States (US).³ After identifying the constitutive discursive elements of the two documents and comparatively presenting the similar logic in which the two are embedded, the paper will suggest that these similarities are theoretically significant in highlighting the prevalent mode of thinking within the European security order today. To proceed with these aims, the paper will firstly provide an overview of the NSS. It might seem unorthodox to begin the analysis of a European foreign and security document with reference to the basic document of contemporary US foreign policy; this choice suggests that it is impossible to understand the creation and orientation of the ESS in isolation from the policy preferences of the US foreign policy establishment. Secondly, a comparative

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analysis of the two documents will highlight the evident, as well as the less visible, similarities between the two documents and will attempt to trace these similarities back to the ideological origins of the ESS, inspired by Atlanticism and new liberal imperialism. This latter explanatory thread will be coupled with a materialist line of argumentation, focusing on the inter-capitalist consensus that has been formed between the US and the currently dominant section of the European Union (EU) politico-economic elites. The historical materialist framework utilized in the present analysis understands political reality as a terrain where different social-class forces struggle for the fulfillment of their material and power interests. In such a context, security discourse is seen as ontologically inferior to the socio-economic interests of the ruling political and economic elites across the two sides of the Atlantic.

Overall, the existence of a security strategy provides a “strategic concept that details and defines a set of interests on which the new political military bodies can base their decisions and effectively coordinate the military aspects of CFSP [Common Foreign and Security Policy] and ESDP [European Security and Defense Policy].”⁴ The absence of such a concept undermined the effectiveness of ESDP by obscuring its rationale and objectives. Furthermore, the absence symbolically highlighted the inability or unwillingness of the European states to agree on some basic, common policy aims as well as on the means to achieve them. Thus, the mere existence of the ESS has a symbolic value, parallel to its actual one: it demonstrates the capacity of the EU to discursively (at least) agree on a set of principles and objectives that should govern its foreign, security, and defense policy. However, it is the content of the ESS that forms the basis upon which it should be judged; praising the member states for agreeing on a policy without taking into account the actual content of the document would be a rather biased way to assess this development theoretically in the security and defense affairs of Europe.

THE NATIONAL SECURITY STRATEGY OF THE USA

Released in 2002, the NSS constitutes the single most important official account of the goals and security perceptions of the US. From an international relations theory perspective, it is an enlightening piece because it shows that the dichotomy between realism and liberalism is relatively irrelevant with respect to US foreign policy. In the NSS document, the discourse of “freedom” and “democracy” fits comfortably with concepts such as “pre-emptive strike” and “balance of power,” pointing to the blurring of the sharp distinction between realism and liberalism (in this context). The words “liberty,” “freedom,” and “free” appear forty-nine times in the preface and the first two chapters alone. Parallel to this liberal discourse, the text introduces a multiplicity of realist ideas that flow from the naming of terrorism as the single most important threat to US interests. The blending of discourses is indeed impressive; peace and free markets follow the building of ballistic missile defense, and the discursive commitment to international organizations is accompanied by the concept of pre-emptive strike. The other famous dichotomy within US foreign policy between isolationists and internatio-

nalists is equally undermined by historical facts and the discourse of the NSS. The point is that, however one might wish to call it (internationalism, interventionism, or imperialism), there has been no single post-World War II US administration that refrained from projecting American power abroad. Far from questioning such an assumption, the NSS actually adds to it by referring to a “distinctly American internationalism.”⁵

The document reflects fully the “anti-terrorist” turn in US foreign policy after the end of the Cold War, and especially after the 9/11 attacks. It states:

The United States of America is fighting a war against terrorists of global reach.... The struggle against global terrorism is different from any other war in our history. It will be fought on many fronts against a particularly elusive enemy over an extended period of time.⁶

The enemy is now borderless, its dimensions are apocalyptic, and the duration of US response to it is uncertain. Moreover, the NSS acknowledges openly the possibility of using pre-emptive strikes as a legitimate strategic tool:

The United States has long maintained the option of preemptive actions to counter a sufficient threat to our national security... To forestall or prevent such hostile acts by our adversaries, the United States will, if necessary, act preemptively.⁷

There is no mention of the states that could be the potential targets of such a policy – its reach is global. According to the US security doctrine, terrorists are active in North and South America, Asia, Africa, Europe, and the Middle East;⁸ in other words, the whole world constitutes a potential theater of anti-terrorist operations.

In the NSS, the pre-emptive strike doctrine is related to the concept of “rogue states”. This concept was introduced in 1994 together with its synonym – “backlash states” – by Anthony Lake,⁹ then Clinton’s National Security Adviser, and has since dominated much of US foreign policy discourse. Its meaning is rather simple but simultaneously vague; it refers to those states that are ruled by authoritarian regimes, suppress human rights, are isolated from the rest of the world, possess weapons of mass destruction (WMD), and follow aggressive foreign policies.¹⁰ The countries that have been regularly grouped together as “rogue states” by the US foreign policy establishment include Cuba, North Korea, Iran, Iraq and Libya. In the NSS, the term has expanded to include disregard for international law and sponsorship of international terrorism.¹¹

Europe and the EU occupy a minor position in the NSS. Generally, reference to the EU is very rare compared to the tribute paid by the ESS to its transatlantic ally and partner. Broadly, the EU is characterized as America’s “partner in opening world trade,” while the role of the guardian of transatlantic

security is ascribed to NATO.¹² However, the document welcomes European attempts to build a foreign policy and defense identity within the EU, as long as such developments are compatible with NATO.¹³

A "SECURE EUROPE IN A BETTER WORLD"

The adoption of an ESS is a crucial step towards the formation of a common strategic culture within the EU. As shown in this section, this strategic culture demonstrates some clear and striking similarities with the American one, in terms of both the assessment of threats and the policies to counter them. According to Carl Bildt, "The two documents tend to agree on the nature and the importance of the threat, while their different approaches on how it should be handled are not necessarily as dissimilar as they are often portrayed."¹⁴

Some differences are also evident. They are differences in emphasis, tone and scope, rather than large-scale deviations. They include the following: the importance attached to the transatlantic partnership; the geographical scope of action; and the economic aspects of world order. Let us start by briefly looking at them, before focusing on the core security thinking outlined in the document.

The first striking element of the document is its repeated reference to the importance of transatlantic relations. This stands in sharp contrast to the almost complete lack of attention to this issue by the NSS. Contrary to its treatment in the NSS, the transatlantic partnership appears early in the EU document; the role of the US in the process of European integration is acknowledged on the very first page.¹⁵ Later on, the ESS asserts:

One of the core elements of the international system is the transatlantic relationship. This is not only in our bilateral interest but strengthens the international community as a whole. NATO is an important expression of this relationship.¹⁶

The same point is repeated again and again. For example, a few pages later the European citizen is told: "the transatlantic relationship is irreplaceable. Acting together, the European Union and the United States can be a formidable force for good in the world."¹⁷

Another difference is the geographical focus of the text. It engages mainly with issues at a regional level and does not provide a coherent treatment of European interests around the world, apart from a small and vague paragraph at the end of the text.¹⁸ In contrast, the US document embodies a global scope, offering a detailed analysis of US *global* strategy towards both its enemies and its allies. Finally, while the American security strategy gives a clear account of its global economic objectives, the European one does not refer to any at all. Both of these points seem to reflect the realities of the US hegemonic/dominant position, which has shaped the post World War II world order. The American reference point is the globe, involving both its political-military and its economic structures. This is

not a matter of discourse; it is rather a matter of concrete material interests and capabilities, as well as of the reality of American leadership *vis-à-vis* Europe.

The main body of the ESS defines the key threats to European security: a) terrorism, b) the proliferation of WMD, c) regional conflicts, d) failed states, and e) organized crime.¹⁹ It is interesting to note that Chapters III, IV, and V of the NSS refer to terrorism, WMD proliferation, and regional conflicts respectively, a similarity difficult to ignore.²⁰ The European security document places terrorism first on the list of threats, mentioning that Europe is both a target and a base for it.²¹ It reiterates EU resolve to contribute to the global fight against terrorism, already mentioned in a number of previous declarations.²² Moreover, the document suggests that terrorism is an element of a wider synthesis, including the combined threat of terrorism, the availability of WMD, and the existence of failed states and organized crime, with which Europe could be confronted.²³

Parallel to the anti-terrorism/WMD proliferation discourse, there is a careful articulation of the “rogue state” doctrine as initiated by the US. According to the ESS:

A number of countries have placed themselves outside the bounds of international society. Some have sought isolation; others persistently violate international norms. It is desirable that such countries should rejoin the international community, and the EU should be ready to provide assistance. Those who are unwilling to do so should understand that there is a price to be paid, including in their relationship with the European Union.²⁴

The vagueness of the wording is striking. There is no clarification of the international norms to which the text refers. These are presumably defined by the political interests and preferences of the European elites on a case-by-case basis. For example, it is a common-place to suggest that multiple military attacks against a sovereign country, without prior authorization of the UN Security Council, constitute a violation of an established international norm. However, this does not translate into any kind of criticism by the EU for cases like the bombing of Yugoslavia in 1999 or the invasion of Iraq in 2003. The transatlantic consensus is set to prevail over such cases of potential normative conflict. Thus, one might safely assume that the countries to which the ESS refers are the regular “rogue states”, as defined by the US. Indeed, Solana has used the term “rogue states” publicly and has related it to international terrorism in exactly the same fashion as the NSS.²⁵

After defining the security threats and aims of the EU in a manner strikingly similar to that of the current US foreign policy establishment, the text seeks to delineate ways to achieve these aims. It comes as no surprise that, to a large extent, this part resembles the approach of the NSS as well. Thus, one reads that “with the new threats, the first line of defence will often be abroad... This implies that we should be ready to act before a crisis occurs.”²⁶ The doctrine of preemptive strike is there, although it is articulated in a slightly milder wording, as “preventive

engagement.”²⁷ In the draft version of the ESS, submitted by Solana at the Thessaloniki Council, there was reference to a need for “preemptive engagement” in order to avoid serious security problems in the future.²⁸ The conceptual difference is rather insignificant; the substitution probably had more to do with conciliating the public opinion in Europe than with any real distancing from the American view. Some theorists have suggested that this change took place specifically to distance the discourse of the ESS from that of the NSS.²⁹ Nevertheless, such a change in terminology is by no means enough to conceal the ideological affinities of the two texts.

The ESS calls for a stronger international society, a rule-based international order, and the development by the EU of a strategic culture that is heavily pro-interventionist.³⁰ Such a strategic culture logically demands sufficient means in order to be reliable, and the ESS recognizes this fact by calling for the accumulation of more resources for defense.³¹ Interestingly, there is no reference to the military means and resources of the unidentified enemy for a comparison with the resources available to the EU and its member states. The ESS merely seeks to address US calls for a more equitable “burden-sharing” among the transatlantic partners, rather than any objectively defined need to divert resources to European defense.

Critics of the idea of a convergence of transatlantic foreign policy point to the difference between a supposedly “European” way of dealing with global issues multilaterally and an “American” way based on unilateralism.³² The ESS talks of “effective multilateralism” as the basis of European foreign policy and of the international order that the EU seeks to build. For the European strategists, multilateral institutions are necessary to support a rule-based international order; however, these institutions should be effective, i.e. ready to act when confronted with threats to international peace and security.³³ There is nothing to suggest that the US foreign policy establishment might disagree with such a concept.³⁴ US foreign policy officials have even used at times this very same term, “effective multilateralism,” to characterize the American standpoint.³⁵ In an article in the *Guardian*, Solana provided an often-overlooked description of the two supposedly divergent approaches:

There is no inherent opposition between power, supposedly the “US method,” and law, the “European method.” Law and power are two sides of the same coin. Power is needed to establish law and law is the legitimate face of power.³⁶

Juxtaposing US unilateralism with EU multilateralism misses the fact that the two might complement rather than strictly contradict one another. In a rough metaphor, the two approaches can be conceived as being two versions of a broadly common logic. Petras and Morley stress this point:

The issue is not unilateralism versus multilateralism, whether the United States should be the world’s sole policeman or share duties with Europe and Japan. Both are variants of the new

imperial policies that have emerged in the post-Cold War era.³⁷

In other words, what is at stake is not whether the international system will be unilaterally or multilaterally based; rather, it is whether unilateralism will be purely American or transatlantic.

INTERPRETING DISCURSIVE CONVERGENCE

Existing literature on the analysis of the ESS and European security policy in general in relation to the US can be broadly categorized into two groups. On the one hand, a number of authors have, in one way or another, suggested the existence of a growing divergence between the two Atlantic partners in terms of security preferences and objectives,³⁸ of which the ESS is but one example. On the other hand, several analysts have welcomed the synchronization of the EU and US security perceptions, and have regarded the ESS as a first, positive step towards the healing of the wounds created by disagreements over Iraq. Despite their differences, both categories agree on the normative ideal of preserving and strengthening the transatlantic security links,³⁹ and they adopt a “problem solving” standpoint. The problem is identified as the lack of Atlantic understanding and coordination in security affairs. Accordingly, the ESS is presented as either part of that problem, i.e. as diverging from the US-built discursive consensus,⁴⁰ or as part of its solution, i.e. as sufficiently accommodating of the concerns of the American foreign policy establishment and paving the way for a collective response to common security threats.⁴¹

While interpreting the discursive commonalities between European and American security objectives and perceptions, one is tempted to suggest that most European political elites might have attempted to provide the US with credentials of understanding and trust. This view may be supported by high-profile statements, such as the following: “The strategy sets out our perception of threats, and by doing so, it sends a strong signal to our American friends: we take your concerns seriously, and we are ready to act to do something about them.”⁴² As mentioned, the Iraq crisis, in which Europe appeared divided over the issue of whether to support the US invasion, was unquestionably an element that affected the timing, language, and content of the ESS. The constant reference to the positive nature and consequences of the EU-US relationship may indeed, to a certain extent, stem from the efforts of Europe to heal the wounds of the war on Iraq.⁴³ Given America’s importance for European security and defense affairs, the document was directed to both the European people and the US foreign policy establishment.

In fact, one could term the EU’s discursive pattern of providing continuous assurances of loyalty over security and defense issues to the US, NATO, and the transatlantic partnership as a policy of “discursive conciliation”. The ESS is a very indicative case of such a pattern. While the US, by ignoring the opposition of numerous European governments to the war on Iraq, inflicted a heavy blow to transatlantic relations, Europe is choosing to undertake the duty to repair the damage. The ESS serves this purpose, as already demonstrated in this paper, by

producing policy objectives that “are generally compatible with American interests and policies.”⁴⁴

However, it should not be assumed that the ESS is solely a political tool that seeks to narrow a supposedly fundamental ideological cleavage between European and US ruling elites. Rather, it could be argued that the merging of values and perceptions between certain EU and US elites is real *per se*, stemming from common sources of ideology and common material interests. In other words, the ESS can be conceived as a representation of the sincere viewpoint of the dominant European politico-economic elites. This observation is valid not for EU elites as a whole but rather for specific, nationally-based, class fractions mainly located in the Anglo-Saxon world and the Central Eastern European countries. However, before turning to the material socio-economic roots of transatlantic foreign and security policy convergence, this analysis will shed some light on the ideological background of the Atlantic dimension of the ESS.

A) IDEOLOGICAL SOURCES: NEW LIBERAL IMPERIALISM AND ATLANTICISM

When one seeks to define the concrete ideological references that underpin the ESS, one is confronted with a wide menu of choices. The present analysis suggests that a central source of inspiration for the authors of the ESS is found in the work of Robert Cooper. This is probably a far too modest assumption; given his position, Cooper was a key figure in the drafting the ESS, if not its main author.⁴⁵ This is a safe speculation. Despite the fact that the Commission was also involved in the drafting, the Strategy can be regarded as a paper of the Council at large.⁴⁶ A senior British diplomat, Cooper was an advisor to Tony Blair before being appointed to the European Council as the Director-General responsible for External and Politico-Military Affairs. His article, “The New Liberal Imperialism,”⁴⁷ is one of the most recent and direct calls for a new era of imperial domination on behalf of the world’s biggest powers.

The argument of the article stems from a specific understanding of the current state-system comprised of three kinds of states: failed, post-imperial (or post-modern), and traditional. The first category includes mostly former colonies where the state has collapsed and has been replaced by war and conflict. Examples of failed states are Somalia and Afghanistan (before the US intervention in 2002). Cooper defines post-modern states as the states that conceive their security in terms of interdependence and mutual vulnerability and not in terms of force and conquest. In this group he includes the EU states, Canada, Japan, and – with some reservations – the US. Finally, the traditional states are the ones that still base their behavior on the classical realist notions of Machiavellianism, such as India and China. What Cooper calls for is the use of double standards on behalf of the post-modern states. Among themselves, relations should be governed by cooperation and the rule of law, but when confronted with the old world, post-modern states have to use the familiar, old methods of force, deception, and preemption.⁴⁸ According to Cooper, the pre-modern world constitutes a “zone of chaos”, which ideally should be countered through colonization; yet colonization

is unacceptable for postmodern states and, therefore, is not a feasible alternative. Thus, he ends up proposing a new kind of two-fold, voluntary imperialism, whose one arm is based on the global economy and multilateral financial institutions (IMF, World Bank) and the other is based on intervention and the creation of protectorates. This point is very crucial; as already shown, this duality of political-military coercion and economic domination appears in both the ESS and the NSS documents and represents the key to the interpretation of the current wave of expansionism in both the discourse and the policies of the transatlantic CFSP.⁴⁹

It is beyond the scope of the present essay to provide an in-depth critique of Cooper's theoretical scheme. As an analytical tool, the concept of the failed state may be useful in highlighting the power vacuum that exists in some third world states and the violent conflicts this causes. However, it is doubtful whether this concept can be a legitimate weapon in the hands of the proponents of new imperialism. After all, state-building is a process that, in the case of Europe primarily and the US as well, lasted for centuries, was accompanied by large-scale warfare, and developed mainly as a byproduct of domestic forces, not through the imposition of some imperialist powers. Moreover, postcolonial states are obliged to proceed with the completion of the state-building process in an international environment that has imposed severe political and economic obligations on them, as well as certain standards of human rights and democratic rule. Such standards were met by European states only after their own state-building process was complete, after centuries of authoritarian rule and oppression.⁵⁰ Last but not least, one should bear in mind the fact that Third World "failed" states have to accomplish statehood within irrelevant and artificial borders that reflect the power-politics realities of the colonial era, rather than the prevailing linguistic, cultural, and historical logics of their domestic societies.⁵¹ All these factors lead us to conclude that the so-called "failed states" are merely reflecting the past of Europe and the US. More importantly, this process unfolded without the politico-economic restraints imposed on the Third World after centuries of colonial looting and rule. Failed states are far more the result of the development of underdevelopment⁵² in the periphery of the capitalist world economy and the reproduction of corrupt local elites that form part of the political economy of capital accumulation on a global scale than a threat emerging in isolation from the developed world.

The second major ideological source of the ESS is Atlanticism, an idea according to which "the cohesion of the entire group of Atlantic nations should be the principal objective of the nations' policies. Atlantic cohesion should take precedence over the cohesion of any lesser grouping."⁵³ Although it would be difficult for any Atlanticist to openly admit it, an essential pillar of the Atlantic ideal is the perpetuation and prioritization of US dominance within the transatlantic relationship. This does not necessarily involve a specific normative preference for such an American preponderance; rather, it is a byproduct of legitimizing US engagement with European security and defense affairs, which partly results from the existing distribution of power among the inter-capitalist, transatlantic partners. In other words, Atlanticism may be presented not only as a policy preference but also as a policy necessity, in terms of the recognition of US supremacy in the political

and military areas.

One way or another, the Atlanticist ideology is currently the most powerful ideological tool in the hands of both academics and policymakers; numerous voices call for the generation of new, more solid links between the US and the EU. At its most extreme, one finds theorists such as Kupchan who have advocated the creation of an Atlantic Union between the US and the EU.⁵⁴ Milder versions of Atlanticism are no less ambitious, such as Sloan's call for the formation of a "New Atlantic Community."⁵⁵ It can be argued that Atlanticism, having permeated most of the security thinking in Europe, has reached the status of a dominant ideology in Europe.

Such an ideology is primarily discernible in the personnel involved in the drafting of the ESS. Both the Director-General for External and Politico-Military Affairs of the Council (Robert Cooper) and the European Commissioner for External Affairs (Chris Patten) were British, coming from a political establishment that has traditionally fuelled Atlanticism in Europe. Solana, who officially authored the draft of the ESS, is also a prominent member of the Atlanticist community in Europe, having been chosen by the transatlantic elites to serve as the Secretary General of NATO. According to Sloan's subtle wording, "Solana had performed well as NATO secretary-general and had won admiration in Washington. Solana's selection [as High Representative] clearly was intended to reassure the United States."⁵⁶ The continuity in Atlanticist civil servants taking key positions in the EU foreign and security policy hierarchy is indeed impressive. The latest addition is José Manuel Barroso, President of the European Commission. Barroso was the host of the March 2003 Azores Summit between Bush, Blair, Aznar, and himself, which gave the green light for the second war on Iraq and widened the split among EU states with regard to the invasion.

Atlanticism is evident both in the issues that are present in the ESS and in its lacunae. Thus, a security theme as important as the development of a US National Missile Defense system with installations in Europe is not mentioned at all. Neither the continuous creation of new nuclear weapons by the US, affecting global as well as European security, nor the issue of Iraq and the 2003 US-led invasion is discussed. Especially with regard to the UN and the concept of effective multilateralism, pro-UN rhetoric appears extremely weak when seen in the light of the Kosovo and the Iraq military campaigns, in which European states participated without any authorization from the UN Security Council.

The core issue around which Atlanticism is currently unfolding is the prospect of forming a European army. Solana, the EU High Representative for the CFSP, has sought to provide safeguards to the US at an early stage of this process. In an article in 2000, he asserted:

There is no intention that the EU should take on responsibility for collective defence: this will remain the business of NATO... There will be no European Army: the forces concerned already exist and are by and large already committed to NATO... These

changes are in the interests of the US.⁵⁷

The current state of the ESDP suggests that the EU has relatively adapted its course of defense policy integration to US expectations; Europe is supposed (and allowed) to act only "when the alliance as a whole is not engaged."⁵⁸

B) MATERIAL SOURCES: INTERESTS OF EUROPEAN ELITES

It is essential to conceive of European politico-economic elites not as a totality but rather as a coalition of at least two main sections divided along broadly national lines. On the one hand, one finds the bulwark of the UK-US "special relationship," coupled by other, traditionally Atlanticist ruling elites – such as the Dutch⁵⁹ – and the newcomers from Central and Eastern Europe. On the other hand, it is possible to identify an alternative block of social forces in the form of the famous Franco-German axis, regularly supported by Belgium. This distinction is not just a result of popular fiction; rather, it corresponds to an actual configuration of power within the EU which has been reflected in, among other efforts, moves towards a more autonomous security and defense dimension within the EU.

However, such a distinction between Atlanticist and Europeanist states has certain explanatory limitations and should not be overemphasized. For example, Howorth suggests that, at certain stages of ESDP formation,

the Europeanists were not opposed to the principle of NATO involvement and the Atlanticists were not opposed to the principle of European autonomy... Clashes were about sequencing, about tone and priorities, but very rarely about substantial policy issues.⁶⁰

In fact, every European state enjoys a "special relationship" with the US. Since the end of World War II, every Western European state developed massive political, economic and ideological links with the US, whose economic assistance was crucial for the post-war recovery of Europe. And, since the end of the Cold War, most Eastern European states have shown their appreciation of the US support against the Soviet Union by pushing ahead with their incorporation into the Atlantic institutional and political realm. Thus, the paradigms of Atlanticism and Europeanism should be considered ideal types (in the Weberian sense) when applied to specific state units, rather than taken as absolute and definite categorizations. Beyond that, institutions such as the Commission largely shape their foreign and security policy agenda through regular interaction with US officials.⁶¹ With variations, the US position in a number of issues, from counter-terrorism to WMD proliferation and from NATO to the management of regional conflicts, is an exceptionally important factor in the decision-making of the CFSP. In other words, the "special relationship" exists not only at the intergovernmental but also at the supranational level within the EU.

Turning to the ESS, the discursive prevalence of Atlantic themes and the

more-than-evident influence of US foreign policy thinking reveal that the Franco-German nucleus is on the defensive. Its capacity to define the orientation of the European foreign, security, and defense policy integration has been largely undermined by several factors, such as the inclusion of Eastern European elites into the EU foreign and security policy decision-making process through the Union's enlargement. However, apart from political developments, there are also some structural, socio-economic factors at work, which can be grouped together under the category of "transatlantic economy."

The importance of the massive economic and productive flows between the EU and the US has been acknowledged by, among others, the masterminds of European foreign and security policy planning. Referring to the current debate on the existence of a transatlantic drift, Javier Solana suggested:

When the dust settles, the facts will once again emerge, and those facts are simple: Europe and the US are natural partners, linked by common values and interests... Total EU/US trade exceeds 500 billion dollars in both ways... Each partner has investments totalling around 500 billion dollars in the other.⁶²

In the 1970s, the Greek philosopher Poulantzas pointed to a major tendency of European capital to merge with American capital to a level that exceeded intra-European merge levels.⁶³ His object of analysis was the penetration of European states by American capital and the implications this had for European labor and the nation-state. This phenomenon has now expanded to include its reverse dimension, i.e. European intrusion into the US economy. The numbers are indeed striking. The number of transatlantic mergers and acquisitions deals worth one billion dollars or more in the years 1998, 1999, and 2000 were 36, 36, and 60 respectively, with the majority of cases involving a European acquisition of a US target.⁶⁴ The total value of European investment in the US reached a record 835 billion dollars in 2000, over a quarter more than the respective US stake in Europe.⁶⁵ It is safe to conclude that the US and the EU have developed unique bilateral economic linkages that have a parallel global dimension. These linkages are formally and informally institutionalized, generate shared ideological assumptions, and embody common material interests. However, they are unequally dispersed among EU partners. For example, the UK represented over one fourth of total US affiliate income earned in Europe between 1999 and 2001, and it received over a fifth of total US FDI.⁶⁶ Clearly, the UK's "special" political relationship with the US has an expanded economic basis.

CONCLUSION

The present analysis suggests that it is possible, and indeed preferable, to understand the creation of an ESS and interpret its actual content within a transatlantic, rather than a purely European, context. A selectively comparative analysis of the transatlantic partners' two most important security policy documents

makes evident that they share some striking similarities with regard to their actual content, objectives, and rationale. At first glance, this phenomenon can be interpreted as a result of a political calculation by the EU foreign and security policy establishment. Under the current political and military supremacy of the US, fear and the will to avoid confrontation with the superpower may legitimately lead to a policy of "discursive conciliation."

However, these similarities reflect a convergence at two other levels: the ideological and the material, socio-economic levels. Rather than seeing Europe as a unified totality *vis-à-vis* the US, the present analysis suggests that within Europe there are ideological and power struggles unfolding along the issue of Atlantic relations. Last but not least, they result in a convergence at the institutional level: the perpetuation of NATO as the primary institutional terrain within which the future of the European security continues to be decided in the last instance. Although this aspect was not examined in the present short paper, its existence was implied in the same way it is implied by the ESS. Questioning the legitimacy and effectiveness of this pattern of US-EU relations that happens to touch upon the heart of the European security order may be the way forward for critical scholarship on European security and defense.

NOTES

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- ¹³ *Ibid*, p. 26.
- ¹⁴ Carl Bildt, "We have crossed the Rubicon – but where are we heading next?" Joint Seminar, London Centre for European Reform/Svenska Institutet för Europapolitiska Studier (17 November 2003) <http://www.cer.org.uk/articles/speech_bildt_17nov03.html>.
- ¹⁵ ESS, p. 1.
- ¹⁶ *Ibid*, p. 9.
- ¹⁷ *Ibid*, p. 13.
- ¹⁸ *Ibid*, p. 14.
- ¹⁹ *Ibid*, pp. 3-4.
- ²⁰ Note that the initial draft submitted by Solana did not have a separate section on regional conflicts. This was inserted at a later stage. See Javier Solana, "A Secure Europe in a Better World" (Thessaloniki: European Council, 20 June 2003).
- ²¹ *Ibid*, p. 3.
- ²² See for example European Council, "EU external action against terrorism – Council conclusions," Brussels, 22 July 2002.
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- ²⁶ ESS, p. 7.
- ²⁷ *Ibid*, p. 11.
- ²⁸ Javier Solana, "A Secure Europe in a Better World," p. 10.
- ²⁹ Alistair Shepherd, "ESDP in the Post 9/11 Era," *Aberystwyth Journal of World Affairs*, no. 2 (2004): p. 12; Francois Heisbourg, "The 'European Security Strategy' is not a security strategy," in Steven Everts, et al., eds., *A European Way of War* (London: Centre for European Reform, 2004) p. 28.
- ³⁰ ESS, p. 11.
- ³¹ *Ibid*, p. 12.
- ³² Ivo Daalder "Are the United States and Europe heading for divorce?" *International Affairs* 77, no. 3 (2001): pp. 560-561.
- ³³ ESS, p. 9.
- ³⁴ Interview with Senior National Expert, DG External Relations, European Commission, 18 February 2004.
- ³⁵ Interview with Senior US Official, US Mission to Europe, 19 February 2004.
- ³⁶ Javier Solana, "Atlantic Drift," *The Guardian* 10 July 2003.
- ³⁷ James Petras and Morris Morley, *Empire or Republic? American Global Power and Domestic Decay* (London: Routledge, 1995) p. 23.

- 38 The most famous example of this category can be found in Robert Kagan, *Of Paradise and Power: America and Europe in the New World Order* (New York: Vintage Books, 2004).
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- 43 Interview with Senior US Official, US Mission to Europe, 19 February 2004.
- 44 Heisbourg, p. 29.
- 45 Interview (via electronic mail) with Senior EU Official, External and Politico-Military Affairs, Council of the European Union, 26 February 2004; Interview with Senior US Official, US Mission to Europe, 19 February 2004.
- 46 Interview with Senior National Expert, DG External Relations, European Commission, 18 February 2004.
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- 48 *Ibid.*
- 49 It is worth mentioning that Cooper regards the EU policies in Central and Eastern Europe and in former Yugoslavia as containing the seeds of the kind of imperialism he proposes.
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⁵⁸ Charles Grant (2004), "Conclusion: the significance of European defence," in Stephen Everts et al., eds., *A European Way of War*. (London: Centre for European Reform, 2004) p. 69.

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⁶⁰ Jolyon Howorth, *European Integration and Defence: The Ultimate Challenge?* Chaillot Papers 43 (Paris: Institute for Security Studies, 2000) p. 69.

⁶¹ Interview (via electronic mail) with Senior Counter-terrorism and Security Policy Officer, European Commission, 4 February 2004.

⁶² Javier Solana, "Speech at the German Marshall Fund Peter Weitz awards dinner," 20 May 2002.

⁶³ Nicos Poulantzas, *Classes in Contemporary Capitalism* (London: Verso, 1978) p. 61.

⁶⁴ Joseph P. Quinlan, *Drifting Apart or Growing Together? The Primacy of the Transatlantic Economy*. (Washington, D. C: Center for Transatlantic Relations, 2003) p. 15.

⁶⁵ *Ibid.*, p. 16.

⁶⁶ *Ibid.*, p. 6.

Policing Across the Atlantic

EU-US Relations & Transnational Crime-Fighting

John D. Occhipinti

This article examines cooperation between the EU and the US in the fight against transnational organized crime, especially terrorism. This includes the EU's internal reaction to the terrorist attacks on the US, as well as transatlantic initiatives involving Europol, judicial cooperation, container and airline security, and travel documents. Despite the emergence of transatlantic tensions, the period since 9/11 is notable for greater, not lesser, cooperation between the EU and the US.

INTRODUCTION

The terrorist attacks of September 11, 2001 promoted the development of Justice and Home Affairs (JHA) within the European Union (EU), while simultaneously raising the prominence of security issues on the transatlantic agenda.¹ The events of 9/11 provided new impetus for the EU to hasten internal progress across a range of JHA issues aimed at creating its planned "area of freedom, security, and justice" (AFSJ). These attacks also contributed to new areas of cooperation between the EU and the United States (US), including transatlantic ties involving Europol, judicial cooperation, container and airline security, and travel documents. 9/11 brought about a shared sense of urgency to fight terrorism, but the newly implemented measures have also contributed more generally to the common battle against transnational organized crime.

Despite the historic prominence of internal security issues at the Tampere European Council of 1999, policy-making on JHA was slow until 2001.² Internal security also figured relatively low on the transatlantic agenda. This lack of progress and attention was compounded by emerging difficulties in transatlantic relations after the inauguration of President George W. Bush, stemming both from substantive, as well as stylistic, differences across the Atlantic. Regarding the first source of trouble, there were significant disagreements on a variety of issues, including global warming, the International Criminal Court, and US plans for a National Missile Defense. Concerning foreign policy style, it was also clear, by the summer of 2001, that the Bush Administration was quite willing to forgo

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multilateral foreign policy approaches when others means seemed more expedient. In sum, the transatlantic relationship was hardly in perfect health on the eve of 9/11, and the prospects were dim for enhancing US-EU collaboration to fight terrorism and organized crime.

THE EU'S INTERNAL RESPONSE TO 9/11

The most noteworthy aspect of the EU's reaction to 9/11 was its uncharacteristic speed. As the US pursued its own measures to address the increased threat of terrorism, it also intensified its efforts to pressure other states to do the same. The EU's reaction was swift. On the very day of the attacks, Javier Solana, the EU's High Representative for Common Foreign and Security Policy (CFSP), expressed the Union's solidarity with the US. Stronger backing came during the European Council meeting held in Brussels on September 21, when the EU articulated its full support for the American people and pledged to cooperate with the US.

In addition to these symbolic gestures, the EU was also quick to answer US calls for action in more substantive ways. On September 12th, Europol, the young European Police Office based in The Hague, established a crisis center that would be open around the clock to receive and distribute data concerning the attacks. It soon became clear that some of the 9/11 suspects had previously been living in Europe, causing investigators on both sides of the Atlantic to pursue leads in Germany, Spain, Italy, The Netherlands, Belgium, and the United Kingdom (UK). Europol utilized a special exception built into its data protection rules (by declaring the post-9/11 environment "a life threatening situation") to allow it to share phone records of the 9/11 terrorists with US authorities and to help cross-check them. Europol's director at the time, Jürgen Storbeck, also complained publicly that his staff could do more to prevent such attacks if only member states' criminal police and intelligence authorities would share more information with his office.

Meanwhile, the legislative response of the EU also came with remarkable speed. Within days of 9/11, the Commission proposed two legislative framework decisions already noted on the EU's so-called "JHA Scoreboard," which encompassed its plans for the AFSJ. One measure was aimed at harmonizing anti-terrorism criminal codes in the member states. The other proposed the creation of the European Arrest Warrant, designed to simplify and expedite extradition among EU member states. Despite some initial concerns about civil liberties (as well as other issues), both matters were rapidly approved by the JHA Council before the end of 2001. Given their controversial nature in many member states, their passage would surely have taken much longer were it not for the sense of urgency created by the attacks on the US, as well as a willingness of the EU to demonstrate its commitment to the fight against terrorism. However, as memory of 9/11 faded and dissatisfaction with the overall American approach to the global war on terrorism increased after 2002, both measures were met with delays when it came to their transposition into national law.³

In addition to these initiatives, louder American demands for global actions against terrorism caused the EU to expedite its fight against the financing of terrorism and organized crime. Just weeks after 9/11, the Council of Ministers and European Parliament (EP) reached a compromise on a long-delayed directive that had been proposed in 1999 to stop money laundering by reducing banking secrecy. Similar progress was also made on new EU legislation covering the freezing of criminal assets. Responding to American pressure, the EU also reacted quickly to freeze the assets of twenty-seven groups and individuals thought to be involved in some way in the terrorist attacks of 9/11.

One sore point in transatlantic relations would emerge over the financing of terrorism regarding the EU's refusal to include the political wing of Hamas on its list of terrorist organizations. The UK, Germany, and Netherlands favored doing so, which would lead to its assets being frozen, but the French and Belgians were opposed for fear of cutting off Hamas's social services and harming Middle East Peace efforts. However, soon after the US-EU summit in Washington, DC of June 2003, a new spate of suicide bombings directed against Israelis finally prompted the EU to include the Hamas' political wing on its terror list.⁴

In sum, the EU's immediate reaction to the events of 9/11 was swift, and, on a several fronts, many US demands were met. Yet, by the fall of 2002, the terrorist attacks of 9/11 ceased to provide a sense of urgency for EU action on anti-terrorism, which would not return until the Madrid bombings of March 2004. Hoping to regain its momentum, the EU created the office of a counter-terrorism coordinator with the intention of promoting the implementation of measures already approved, as well as improving the sharing of intelligence among national authorities.⁵ The former Dutch MEP and Interior Minister, Gijs de Vries, was appointed to the new post and was quickly dubbed as the EU's "Mr. Terror."⁶

Another task faced by de Vries, who was born in New York City, was to help improve security cooperation with the US. Indeed, the spirit of transatlantic solidarity that marked the immediate period after 9/11 had since been supplanted by historic lows in US-EU relations. The toxicity of transatlantic relations after 2002 would certainly aggravate US-EU collaboration to fight terrorism and organized crime, but it would not prevent progress all together.

By the time de Vries took office, a variety of cooperative efforts were already well underway, and US-EU relations were actually improving.⁷ Soon after this, the annual transatlantic summit was held at Dromoland Castle, Ireland in June 2004 and produced a "EU-US Declaration on Combating Terrorism." Though this did little more than reaffirm several priorities and ongoing initiatives, it was a sign that transatlantic progress was continuing and much was left to be accomplished.

US – EU RELATIONS AFTER 9/11

Forging transatlantic agreements fits well with the EU's increasing emphasis on the external dimensions of its internal security. However, after 9/11,

the US was often more concerned about achieving results and doing so quickly than it was about maintaining healthy relations with the EU. Consequently, the US often bypassed the EU level when making new policy and, instead, worked directly with effected industries or European governments. On some issues, disagreements between the US and EU also emerged on the extent to which civil liberties would be emphasized in new security measures. On other issues, the EU was simply unable to respond to new American policy initiatives quickly enough. Through it all, there were indeed many instances of transatlantic tensions, but the development of US-EU relations on internal security cooperation was unprecedented.

COOPERATION WITH EUROPOL

Once the issue of terrorism was thrust upon the transatlantic agenda, it was not long before discussions were underway to establish a formal cooperation agreement between Europol and the US, which Jürgen Storbeck had promoted in the press soon after the 9/11 attacks.⁸ Although this agreement was already envisioned for the future and talks had been underway for months, establishing such a pact had once been low on Europol's list of priorities. Reaching accords with the expected accession countries was considered to be more urgent, given many of the internal security concerns that were related to EU enlargement. In the aftermath of 9/11, reaching an agreement with the US became much more important for Europol, and, with this in mind, Storbeck joined an EU delegation that visited the US soon after the attacks.

In December 2001, ensuing talks led to the signing of a cooperation agreement between the US and Europol, allowing the exchange of technical information on terrorist threats, crime patterns, and smuggling routes. However, Europol's rules covering data protection prevented the sharing of specific personal data, thereby excluding the exchange of names, addresses, photographs, and criminal records. Subsequently, the US and EU began to negotiate a supplemental agreement to allow such information to be shared.

By this point, Europol had already signed cooperation agreements with the two non-EU members of the Schengen free travel zone (Iceland and Norway) as well as four of the candidate states (Poland, Hungary, Estonia, and Slovenia). In these cases, the EU had first approved of these countries' data protection mechanisms before allowing information-sharing pacts. The problem was that, unlike these countries, the US lacked a single authority for data protection, normally a requirement for a full cooperation agreement with Europol.

As it already enjoyed bilateral information sharing agreements with most member states, the US was not eager to draft new legislation to appease Europol's Joint Supervisory Body (JSB), with its data protection. In the end, the JSB reluctantly relented on the data protection issue, deciding that an agreement with some assurance of data protection by the US was better than the possibility of information from Europol finding its way to the US (via member states) devoid of any restrictions.⁹ The personal information sharing agreement was finally con-

cluded in December 2002, but only after the EU received guarantees about data protection and assurances that its officials would not be liable for civil damages awarded by US courts regarding data supplied by Europol.

This enhanced US-Europol agreement permits the exchange of a variety of personal data regarding the detection, suppression, investigation, and prosecution of any specific criminal offense for any analytical purpose. Europol may exchange data not only with American federal law enforcement authorities (e.g. in the Departments of Justice or Homeland Security), but also with state and local authorities in the US. This means, for example, that data collected by Germany's Bundeskriminalamt (BKA) and shared with Europol could eventually find its way to detectives of a municipal police department in the US.

As negotiations continued on data sharing, the initial US-Europol agreement allowed Europol to open a liaison office in Washington, DC by the start of September 2002. This was based at the Commission Delegation office and staffed with two Europol agents. The US had appointed a Federal Bureau of Investigation (FBI) liaison to Europol soon after 9/11, but he had been withdrawn just a few months later, embarrassing Europol and leaving underutilized this potentially important link for transatlantic cooperation.¹⁰ In October 2004, amid improving US-EU relations, Attorney General John Ashcroft announced the re-appointment of the FBI liaison, with an emphasis on combating terrorism and counterfeiting. It remains to be seen how much valuable criminal intelligence will flow in both directions across the Atlantic and whether this can effectively contribute to the common fight against transnational organized crime and terrorism.¹¹

JUDICIAL COOPERATION

While discussions on the Europol agreement were still underway, transatlantic talks on a judicial cooperation accord regarding both mutual legal assistance (MLA) and extradition had already begun.¹² Formal negotiations on these two matters started in May 2002 and lasted nearly a year due to the complex issues at hand, as well as the posturing of some member states on the connection between extradition and the death penalty. This was a point the US was prepared to concede from the outset, but it became an issue amid its controversial treatment of suspected terrorists held without trial at Guantanamo Bay.

Despite rising tensions over the war with Iraq, outstanding differences between the two sides were eventually resolved, allowing the accord to be signed on the occasion of the US-EU summit in June 2003. One part of the agreement covers MLA while the other deals with extradition. It should be noted that these measures supplement, but do not totally replace, existing bilateral arrangements, many of which were in need of updating.

The agreement on MLA provides a legal basis for the creation of international joint investigation teams and eases restrictions on banking secrecy to promote the common fight against money laundering and the financing of terrorism. The new agreement also facilitates the sharing of evidence for

prosecution, allowing documents to be exchanged more quickly by fax or email and legal testimony to be given by video conferencing.

The part of the agreement covering extradition proved to be more divisive, with controversial proposals coming from both sides. For its part, the US demanded that its extradition requests be given equal consideration as claims made by EU member states for the same suspect via the new European Arrest Warrant. The final compromise reached on this point of “competing claims” leaves the matter up to the member state holding the suspect but lays down several criteria for determining which request to grant, including the location of the offense at hand and the nationality of any victims.

Meanwhile, several EU states, led by France, sought assurances that suspects extradited to the US would not be subject to military tribunals, rather than proper criminal trials. In this context, these states pushed for inclusion of a reference to EU treaty Article 6.2, which binds member states to respect fundamental rights. In the end, this was not done, but the (non-binding) preamble of the accord notes that the two sides’ legal systems “provide for the right to a fair trial to an extradited person, including the right to adjudication by an impartial tribunal established pursuant to law.” The extradition agreement also bars the *imposition* of capital punishment on suspects handed over to American authorities. That is, the death sentence might be handed down, but assurances must be given that it will not actually be carried out.

On October 1, 2004, the Netherlands became the first EU member state to sign a bilateral implementing accord with the US regarding the agreement. Luxembourg became the eighth EU country to do so in February 2005, and, as the country holding the EU presidency at the time, announced its intention to promote progress on this among the remaining older EU states, as well as the ten new members.¹³

CONTAINER SECURITY

In January of 2002, US Customs¹⁴ launched the “Container Security Initiative” (CSI) to help secure cargo and shipping infrastructure (ships, ports, etc.). Each year, twelve million maritime shipping containers arrive in the US. For years, less than two percent of these containers were ever thoroughly inspected, making them ideal devices for organized crime groups to smuggle drugs and other illicit cargo. Even after 9/11, with new resources and technologies being implemented at North American ports and border crossings, less than four percent of all containers are checked. This has led to increasing concerns that a container could be used to launch a terrorist attack against the US (e.g. by transporting a dirty bomb).¹⁵ The CSI was intended to address this, as only those ports that met its terms would be allowed to send cargo to the US.

The US initially targeted only the world’s twenty busiest ports with the new security measures, including fourteen ports in eight EU member states, such as Rotterdam, Antwerp, Hamburg, Bremerhaven, Le Havre, Algiers, and Liverpool. These ports had to establish dedicated shipping terminals for US-bound

cargo and allow American customs inspectors to work side-by-side with local officials to screen outbound cargo. In addition, on February 1, 2003, the requirements of the CSI were expanded to include the rule that shippers must inform US authorities of the contents of their cargo at least twenty-four hours before a container is loaded onto a US-bound ship. This affords authorities time to search for anomalies in shipping manifests or patterns in order to target some containers for closer inspection before they reach an American port. Due to fears of being cut off from the lucrative American market, the governments of the ports named under the CSI rushed to reach bilateral agreements with the US to meet the new security terms.

The imposition of the CIS created friction in transatlantic relations for a number of reasons. In the view of the European Commission, the CSI went beyond what was agreed to in the Group of Eight in 2002, and, by pressuring member states into bilateral agreements, the new rules violated the existing US-EU customs cooperation accord of 1997. The EU also criticized the extra-territorial nature of the twenty-four-hour rule, which it claimed distorted trade among its ports and pitted them against each other within and across member states. Moreover, the Commission argued that member states' bilateral agreements with the US violated EU treaty Article 133 (on common trade policy) and Article 10 (which calls upon the members to abstain from measures that would jeopardize the Community's customs union). Based on this, the Commission initiated treaty infringement proceedings against the EU members that had signed bilateral accords with the US, namely the Netherlands, France, Belgium, and Germany; later, the UK, Italy, Spain; and eventually Sweden.

In response to the Commission's objections, the US expressed its openness to a new customs agreement with the EU but also its unwillingness to allow the negotiation of this to delay new security measures. In any case, the US argued that it lacked the proper resources to deploy Department of Homeland Security (DHS) inspectors to every European port, meaning some would initially be excluded from the CIS out of necessity. Amid ongoing informal talks on the issue, Fritz Bolkestein, Commissioner for Internal Market affairs (including the customs union), proposed a plan to the Council in January 2003 to extend the 1997 accord. On March 18, 2003, the Commission received a formal negotiating mandate from the Council and consequently suspended its legal actions against the effected member states.

Meanwhile, the Commission had proposed its own package of measures to improve container security within the EU. As part of this, the EU would also have a twenty-four-hour rule, but this would apply only to the *arrival* of cargo at an EU port, not its loading onto a ship bound for the EU (as under the CSI). Parallel to these developments, talks with the US moved slowly, as the EU pushed for a reciprocal arrangement on container security. One sticking point for the EU was the twenty-four-hour rule, but once the Commission learned that most European traders were already in compliance with this restriction, it softened its position. This facilitated an agreement, which was initialed on November 18, 2003 by Commissioner Director-General for Taxation and Customs Union, Robert Verrue,

and US Ambassador to the EU, Rockwell Schnabel.

The new plan is based on the general principles of the CSI and the EU's own proposals and establishes a working group to settle many outstanding details. The Council formally approved this agreement in March 2004, and it was signed by US and EU leaders in Washington, DC a month later.¹⁶ By January 2005, twenty of the thirty-four ports where the CSI had been implemented were in the EU (in nine member states).

AIRLINE SECURITY

Similar to its actions on container security, the US not only unilaterally imposed new guidelines on airline security, but also initially bypassed the EU level while doing so, which precipitated additional tensions in transatlantic relations. On the basis of the Aviation and Transportation Security Act of November 2001, the US government instructed airlines to share passenger data with DHS authorities before take-off to, from, or through the US. The information would come from the database known as the "passenger name record" (PNR), which is created when tickets are booked. Domestic airlines were forced to begin data transfers soon after the law took effect, but the European Commission won a delay for EU-based carriers, which were also governed by the EU's 1995 directive on the protection of personal data. The DHS gave the European airlines until March 5, 2003 to comply with its new rules.

At issue were the types of information to be shared as well as how long and for what purpose data would be held by US authorities. The US was demanding that thirty-nine different types of data be shared from the airlines' PNR and wanted to hold this data for up to seven years for possible use in fighting *any* kind of crime. The European Commission called for limits in each of these areas. Barring an agreement, EU-based air carriers faced the choice of violating the data protection directive, which could bring sanctions from the Commission, or facing stiff American fines (i.e., \$6,000 per passenger) and the possible denial of landing rights.

As the deadline neared, the European Parliament (EP) and the EU's independent "Article 29 working group," composed of national data protection commissioners, expressed their concerns about the legality of the data transfers. The US did not back down, however, and the Commission felt compelled to reach a temporary deal in hopes of winning concessions later through formal negotiations. When the interim accord was reached in February 2003, the Commission instructed European air carriers to comply with the new rules, and some EU-based airlines began transferring data on March 4, 2003 (e.g. Air France, British Airways, and Iberia). Smaller airlines, such as SAS and Alitalia, were eventually given a later deadline of September 12th.¹⁷ The sharing of PNR data was met with additional skeptical opinions by the Article 29 group as well as the EP, the latter of which passed a nearly unanimous resolution in October 2003, promising to bring the Commission before the European Court of Justice (ECJ) if, after two months, there was no agreement to protect the personal data of EU citizens.

Transatlantic negotiations on the issue yielded little progress until December 2003, when the US made several significant concessions from its original position.¹⁸ The DHS agreed to hold PNR data for just three-and-half years, use the data only to detect potential terrorists, and limit its access to specially designated staff. In keeping with EU demands, the agreement also precluded the “bulk-sharing” of PNR data with other federal agencies, meaning, for example, that data can only be transmitted to the FBI on a case-by-case basis. The US also agreed to ask for only thirty-four PNR data fields to be shared. The EU had wanted just nineteen PNR data fields to be included but conceded on this after receiving American assurances that “sensitive” data covering ethnicity and religion would be deleted following initial screening. Originally, the US planned to identify “no fly” passengers by filtering PNR data through the next generation of the Computer Assisted Passenger Pre-screening System (CAPPS II). In this regard, the EU won another concession, as the filtering issue was left out of the agreement with the US.¹⁹

Over the strong but non-binding objections of the EP, the Commission and the Council of Ministers took steps by May 2004 to legalize the agreement with the US. Although the EP later brought the matter before the ECJ to have the accord overturned, the court refused to apply its accelerated procedure to the matter. Consequently, no ruling is expected for two to three years, by which time the current US-EU agreement will have expired.²⁰

Meanwhile, US concessions on the issue of “sky marshals” had also helped reduce transatlantic tensions on that issue. France and the UK were agreeable to using armed guards on flights, but most other EU members were either skeptical of this or outright opposed to it. Following talks with EU officials in Brussels in January 2004, deputy secretary of the DHS, Asa Hutchinson, indicated that the US had relented on its original intentions to ban inbound flights without armed guards when threat assessments called for this. The US continued to press individual member states to employ sky marshals until late April 2004, when it declared that it would no longer force the issue on countries opposed to this (e.g. Denmark and Portugal). In fact, this announcement came at the first ever US-EU “dialogue on border and transport security” held in Brussels, at which both sides also agreed that there should be more transatlantic discourse on security issues so that neither side would be surprised by the plans of the other.²¹

TRAVEL DOCUMENTS

While the PNR issue was largely resolved by the summer of 2004, another potential crisis regarding foreign transatlantic travel was still brewing. This stemmed from a new American border entry program, known as US VISIT, based on legislation passed both before and after 9/11. Its main innovation was the requirement that, as of January 5, 2004, visa-holding visitors to the US must place their finger in a biometric reader for comparison with digital records on file. Visitors from the twenty-seven countries that participate in America’s Visa Waiver Program (VWP) were initially exempted from this procedure, but the program set a deadline of October 1, 2003-- later extended to October 26, 2004- for their passports to be

machine readable.

In addition, passports issued after the October 26, 2004 deadline were required to contain at least one biometric identifier. For several years now, all EU countries have been issuing October 26, 2004 for their passports to be machine readable and contain two lines of data that can be optically scanned. However, biometric passports, which contain microchips embedded with facial images or fingerprints, will not be issued in most EU countries until the end of 2005 at the earliest. In sum, these new rules meant that European visitors would not only be fingerprinted on arrival to the US, but they would also be required to have visas if they held older, non-machine readable passports or passports issued after the deadline without biometrics.

On this issue, there appeared to be a looming crisis. Of the fifteen EU member states prior to May 2004, all but Greece's citizens enjoyed the VWP. Among the ten new members, only Slovenians participated. Along with some concerns for personal privacy, none of these countries expected to be able issue biometric passports soon enough to meet the American deadline, meaning that their citizens would have to go through the trouble and expense of obtaining visas. At the same time, American consular and DHS officials worried about how they would handle the expected five million extra visa applications annually.

An important related concern is the enduring need to bring all of the new EU member states into the VWP without delay. It is possible that one member state could invoke a solidarity procedure that would require other EU states to demand visas from all US visitors. At the high-level meeting held in Brussels in April 2004, both US and EU officials expressed a desire to avoid this, as well as any kind of crisis over visas.²²

In fact, weeks before the Brussels meetings, the Bush Administration had asked Congress to grant the VWP countries a two-year extension. While the US Senate was inclined to grant this, the House of Representatives opted for an extension only until October 26, 2005, and this became official in August 2004. As this deadline approaches, US and EU officials will have to lobby Congress for yet another extension to avert a crisis that neither side seems to want.²³ Indeed, problems have, from the start, stemmed mostly from timing, for the EU had already been working on legislation to require its own passports to contain biometrics. In June 2004, the Council approved the inclusion of facial images and, in October, a fingerprint requirement was added.²⁴

CONCLUSIONS

The events of 9/11 transformed transatlantic relations on JHA. Indeed, the period of 2002-2005 in US-EU relations must be viewed as a period of greater, not lesser, cooperation on JHA, despite the many bumps in the road along the way. In addition, it should not be overlooked that on some issues during this time, it was actually the US that made concessions from its original position to resolve

disagreements with the EU.²⁵

Finally, by the end of 2004, it was clear that the Bush Administration was making a greater effort to consult with JHA officials at the EU level, rather than bypassing it for bilateral talks with key member states or direct dealings with the private sector on security matters. In fact, on a visit to Europe in January 2005, outgoing Secretary of the DHS Tom Ridge announced US plans to appoint a new homeland security attaché to the EU, with the objective of strengthening transatlantic cooperation against terrorism. This position will become part of the US mission to the EU in Brussels and will be the main American point of contact for JHA matters in the EU. The new JHA attaché is intended to be both a symbol of US commitment to increased cooperation with the EU and a means to allow regular communication at an operational level.²⁶ The effectiveness of this new transatlantic link remains to be seen, and clearly there are several potentially contentious matters on the horizon, such as the issues related to travel documents outlined above.

Indeed, this is the case for many aspects of the evolving transatlantic relationship on JHA. Since 9/11, a variety of new initiatives have been developed, but some of these must still be implemented, and others have yet to be used to their full potential. This is also true for the changing legal and institutional infrastructures of crime-fighting *within* the US and the EU. For the US, the task is to continue its efforts to reshape its crime-fighting, antiterrorism, intelligence, and border security capabilities, as well as implement the recommendations of the 9/11 Commission Report. The EU, meanwhile, needs to make progress on its recently-approved JHA agenda for 2005-2011 (known as the "Hague Program"), the successor to the goals established by the Tampere European Council. As part of this, the EU must ensure that its newly-approved initiatives are actually implemented and properly used at the national level, especially in the new member states.²⁷ In sum, much of what is needed to "police the Atlantic" is either in place or already on the drawing board. The challenge facing policymakers in the US and EU is to coordinate their initiatives to ensure that the common fight against transnational organized crime and terrorism will be successful.

NOTES

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See John D. Occhipinti, *The Politics of EU Police Cooperation: Toward a European FBI?* (Boulder: Lynne Rienner, 2003).

- ³ See John D. Occhipinti, "Police and Judicial Cooperation" in Maria Green Cowles and Desmond Dinan, eds., *Developments in the European Union 2* (New York: PalgraveMacmillan, 2004).
- ⁴ The EU could not form a consensus on whether to include all of the charitable organizations suspected by the US of funding Hamas. Likewise, Hizbollah also remains off the EU's list, despite continued US pressure. See, for example, David L. Aaron, et al., *The Post 9/11 Partnership: Transatlantic Cooperation against Terrorism*, Atlantic Council of the United States (Policy Paper), Washington DC, December 2004, p. 11; and Richard Carter, "US urges EU to name Hezbollah as terrorist organization," 15 March 2005, <EUobserver.com>.
- ⁵ The EU's post-Madrid anti-terrorism agenda is largely contained in the European Council's "Declaration on Combating Terrorism," approved at the Brussels European Council of March 21, 2004.
- ⁶ See B. Stokes, "Transatlantic Teamwork," *National Journal*, 5 February 2005.
- ⁷ See, e.g., Gijs De Vries, "European strategy in the fight against terrorism and the cooperation with the United States," Speech, CSIS European Dialogue Lunch, Washington, DC, 13 May 2004.
- ⁸ See Occhipinti (2003).
- ⁹ Valsamis Mitsilegas, "The New EU—USA Cooperation on Extradition, Mutual Legal Assistance and the Exchange of Police Data," *European Foreign Affairs Review* 8, no. 4 (2003): pp. 516-519.
- ¹⁰ Raphael Minder, "Ridge plans stronger security links with EU," *Financial Times*, 20 September 2004.
- ¹¹ See Aaron et. al, pp. 19-20. Although increasingly used by EU member states, Europol could be more effective and a more attractive partner for US authorities, were European police agencies more willing to share their criminal intelligence with it. See, for example, *European Report*, "Justice and Home Affairs: Faull favors pragmatism over ambition on police data sharing," 2 February 2005.
- ¹² For more details on this, see Mitsilgas, pp. 523-533.
- ¹³ Luxembourg Presidency of the Council of the European Union 2005 (press release), "Luc Frieden: An historic agreement to strengthen judicial cooperation in criminal matters between the European Union and the United States," 2 February 2005.
- ¹⁴ Now part of the US Department of Homeland Security (DHS).
- ¹⁵ See, for example, Stephen Flynn, "America the Vulnerable," *Foreign Affairs* (January/February 2002).
- ¹⁶ *European Report*. "EU-US: Council Rubber-Stamps Pact to Boost Container Security," 31 March 2004; and Commission of the European Communities (RAPID-press release), "Customs - Commission welcomes signature of agreement with the United States on expanding cooperation to trade security," 22 April 2004.
- ¹⁷ See Commission of the European Communities (RAPID-press release), "Airline data transfers from the EU to the United States...", 12 March 2003; and "Commission pressed over airline data exchange," 9 October 2003, <EUobserver.com>.
- ¹⁸ See Daniel Dombey, "EU agrees to give US information on airline passengers," *Financial Times*, 17 December 2003; and BBC News, "US gets access to airline details," 17 December 2003, <news.bbc.co.uk>.

¹⁹ Later, under pressure from privacy advocates, the US dumped plans for CAPPS II and replaced it with a program called "Secure Flight" that will be used only for anti-terrorism purposes, not crime-fighting in general. See remarks by Asa Hutchinson (Undersecretary for Border and Transportation Security, US DHS), at the Council on Foreign Relations, Washington, DC, 10 December 2004 (Federal News Service).

²⁰ Statewatch, <www.statewatch.org>, Observatory on the exchange of data on passengers (PNR) with USA, Accessed 12 February 2005.

²¹ "US to back down on air marshals," 27 April 2004, <EUobserver.com>.

²² *European Report*, "EU/US: Visa waivers and passport security dominate first high-level meeting," 28 April 2004. At these same meetings, the US and EU also announced plans to create a stolen passport registry to be administered by Interpol. In addition, the US also confirmed that, starting on September 30, 2004, all EU citizens, not just visa-holders, would be fingerprinted and digitally photographed upon arrival in the US, starting at a "severe disadvantage" given the original American strategy to "divide and conquer" EU actors and present each new security measure as a *fait accompli*. See V. Guiraudon, "Transatlantic Cooperation in the Area of Border Control," *EUSA Review*, 17 (2), Spring 2004.

²³ See Kristin Archick, "U.S.-EU Cooperation against Terrorism," *CRS Report for Congress*, 19 January 2005.

²⁴ The digital photos will be mandatory in EU passports by mid 2006, while the fingerprint identifiers will be required by the end of 2007. In addition, the EU has created its own biometric data base for asylum applications and is implementing a similar system for visas.

²⁵ Virginie Guiraudon argues that European Union negotiators started talks with the U.S. at a "severe disadvantage" given the original American strategy to "divide and conquer" EU actors and present each new strategy security measure as a *fait accompli*. See V. Guiraudon, "Transatlantic Cooperation in the Area of Border Control," *EUSA Review*, 17 (2), Spring 2004.

²⁶ Edward Alden and Joanna Chung, "US to send security attaché to EU," *Financial Times*, 13 January 2005.

²⁷ *European Report*, "Justice and Home Affairs: Blueprint for Future Policies Adopted by EU Leaders," 6 November 2004.

Conflict Resolution in Transatlantic Economic Relations: What Can We Learn from the Early 1970s?

Andreas Dür

Whereas in the early 1970s considerable conflict characterized transatlantic economic relations, still before the mid-1970s the two sides of the Atlantic managed to find satisfactory compromises on most issues. To explain this outcome, I argue that disputes in the economic realm among highly interdependent entities tend to mobilize countervailing forces. Fearing losses, these forces push for a resolution of controversial issues before they can set off a genuine crisis. After applying this argument to the case of the 1970s, I suggest that a similar mechanism may help the European Union and the United States find compromises on disputed issues in the early twenty-first century as well.

INTRODUCTION

Over the last few years, with only a short interlude after the terrorist attacks on the World Trade Center in September 2001, many observers have alluded to a crisis in transatlantic relations.¹ Friction has been apparent with respect to foreign policy issues, where several European governments disagreed with the American stance on the Middle East, and the United States (US) resisted the establishment of the International Criminal Court. Perhaps less publicized, but equally contentious, have been the conflicts over economic matters such as: European agricultural subsidies and policies concerning genetically modified organisms; American policies in the steel sector and the taxation of foreign sales corporations; the US current account deficit; and both sides' subsidies for civil aircraft construction. These disputes have caused concerns about a major rift in transatlantic relations.

Significant discord also characterized the rapport between the two sides of the Atlantic in the early 1970s, providing an interesting parallel to the current crisis in transatlantic economic relations. According to the *Economist*, the quarrels during the Kennedy Round (1964-67) of multilateral trade negotiations already

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“made something very close to an enemy out of the European common market in many American minds; particularly in Congress but not only there.”² In the following years, the US complained about the negative consequences of European discriminatory trade policies for American exporters and even threatened with retaliation if the European Community (EC) was unwilling to concede. In Europe, however, governments remained defiant and challenged the great-power position of the US. Rather than accepting a compromise, they in their turn sharply criticized unilateral American trade and monetary policies. As a result, observers saw potential for a major transatlantic confrontation, making the conflicts between the two regions the “greatest problem” confronting the American administration at that time.³ Nevertheless, after several years of severe tensions, a compromise was found in the end that resolved most of the conflicts and allowed for closer cooperation in the following decade.

To explain this process of conflict resolution, I argue that disputes in the economic realm among highly interdependent entities tend to mobilize countervailing forces, which, fearing losses, push for a resolution of controversial issues before they can set off a genuine crisis. In the first part of this article, I consequently briefly discuss the major problems crippling transatlantic relations in the late 1960s and early 1970s. In the next section, I show how these conflicts could be resolved after economic interests on both sides demanded an end to the confrontation. Based on this analysis, I provide an optimistic outlook about the possibility of avoiding a deterioration of transatlantic relations today in the final part of the article.

CONFLICTS IN TRANSATLANTIC ECONOMIC RELATIONS IN THE EARLY 1970S

Throughout the 1950s and early 1960s, the US was largely supportive of European integration, with President John F. Kennedy even proclaiming that the two sides of the Atlantic were “moving steadily toward unity and cooperation.”⁴ By the mid-1960s, however, the mood on the western side of the Atlantic had changed substantially. Suddenly, the supporters of European integration among American decision-makers found themselves marginalized, with the general conviction being that European integration was detrimental to American interests. In a commentary, Edwin Dale expressed this opinion well when writing, “Of all the grand and sad dreams of American foreign policy in the past 20 years, one of the two or three grandest and saddest is ‘European unity’, as represented principally by the European Economic Community. We bought a pig in a poke. We have been taken.”⁵

The main reason for this change in mood was a series of disputes in the economic realm, starting with intense haggling over trade barriers in the Kennedy Round, and later continuing with a serious debate over the consequences of European discriminatory trade policies for American exports. Especially the expansion of the Common Agricultural Policy (CAP) to Great Britain, Denmark,

and Ireland as part of the EC's enlargement process put strain on the relationship, as it was widely feared that this development would lead to losses in American agricultural exports.⁶ Great Britain was one of the largest markets for US agricultural goods, and the expansion of the CAP to this market could lead to losses of wheat, rice, poultry, and dairy exports. The overall loss of US agricultural exports from British accession was estimated to be between twenty and 100 million dollars per year.⁷ As a result, in early 1971, Harald B. Malmgren, the prospective deputy US special trade representative, heavily criticized the EC's agricultural policies and asserted that there had been a forty percent drop in American exports to the EC of products covered by the CAP over the last three years.⁸ The enlargement of the EC would aggravate the problem by providing new markets for the surpluses created by the CAP and thus easing internal pressure for reform of the EC's agricultural policy. In addition, the entry of Denmark, a country with a strong agricultural sector, would increase European exports to third markets, damaging American exports there.

Not only EC enlargement, however, but also the accompanying free trade agreements between the EC and a series of European countries, namely Austria, Cyprus, Finland, Iceland, Norway, Portugal, Sweden, and Switzerland, in 1972 and 1973, strained transatlantic relations. The agreements, which foresaw the abolition of tariffs on industrial goods between the EC and these countries over a period of five years, potentially imposed losses of up to 300 million dollars on US exporters.⁹ The *New York Times*, consequently, referred to a "sharp dispute [...] between the United States and the European Economic Community over the trading arrangements the enlarged bloc would make with the industrialized countries of Europe that do not intend to join."¹⁰ The US administration even expressed its disapproval of these negotiations with a formal verbal protest to the EC member governments.

The association agreements that the EC negotiated with a series of developing countries were a final bone of contention for the US. These policies were particularly problematic because they included reverse preferences, i.e. they not only granted preferential access for developing countries in the EC but also facilitated EC producers' access to the markets of the developing countries. Two types of such agreements can be distinguished: on the one hand, the EC concluded the so-called Yaoundé association agreements with a series of former colonies.¹¹ On the other hand, the EC negotiated agreements with neighboring Mediterranean countries, starting with Greece (1961), Turkey (1963), and Israel (1964). Later, also Morocco (1969), Tunisia (1969), Spain (1970), and Egypt (1972) were partners in the so-called Mediterranean agreements. In October 1971, the US asserted in the Ministerial Council of the General Agreement on Tariffs and Trade (GATT) that the preferential agreements between the EC and Spain and Israel (1975) respectively violated international trade rules.¹² A resolution discussed in the US Senate even asked President Richard Nixon to use retaliatory measures to achieve an elimination of the discrimination against American exports of lemons and oranges unless the EC was willing to concede.

On the whole, in the early 1970s European commercial policies provided ample possibility for conflict with the US. Reviewing these developments, Senator Jacob K. Javits of New York declared: "I regret that the EEC [European Economic Community] is increasingly taking on the appearance of a narrow, inward looking protectionist bloc whose trade policies as they affect agricultural as well as industrial products increasingly discriminate against non-members."¹³ What bothered policymakers in the US most, however, was the seemingly-random spread of the trade agreements concluded by the EC. As pointed out by one US official: "It is disturbing that the Community appears to have no clear overall idea on what it wants to achieve. Each agreement is negotiated for its own political/economic reasons and represents a compromise among the member countries at the expense of the world trading rules."¹⁴

As a result, for some time most public statements demanded a tougher US line in its dealings with the EC. In view of the fact that the EC defended its proper preferences, the US administration should reciprocate and "give higher priority to the defense of American economic interests than it has in the past."¹⁵ In March 1971, Senator Abraham Ribicoff confirmed this evaluation and stated, "From an American point of view, the EEC appears to be looking after its own internal interests to an excessive degree and to the detriment of outside countries."¹⁶ The mood among US policymakers and economic interests further deteriorated in the course of 1971 when it became clear that the American economy would incur its first trade deficit since 1893. Harald B. Malmgren thus concluded: "Taking account of the likely trade damage to the US if European policies move further in their present direction, the traditional American support for European enlargement and unification is bound to be reassessed."¹⁷

Despite the pressure that the American Congress and administration put on European governments, however, the latter remained defiant. Both EC member states and the European Commission maintained that American problems stemmed from ill-conceived monetary policies and domestic inflation caused by the costs of the Vietnam War rather than European economic policies. They even insisted that American unilateralism in trade and monetary policy was the root of transatlantic conflicts. To buttress their point, they drew attention to a long list of decisions that went to the detriment of European interests. Already in 1968, Congress had failed to approve a trade agreement between the US and the EC that would have eliminated a disputed form of customs valuation in the US in exchange for European tariff concessions in the chemicals sector. In 1969, moreover, the US negotiated a three-year voluntary export restriction agreement with European steel producers, which was challenged by European governments. Finally, Congress threatened the imposition of mandatory quotas against steel and textile imports.¹⁸ On August 11, 1970, the Committee on Ways and Means of the House of Representatives reported a bill that, if enacted, would not only have established import quotas on shoes and textiles, but would have also required the president to accept any other recommendations for quotas made by the Tariff Commission. The so-called Mills Bill, named after the influential Chairman of the Committee

on Ways and Means Wilbur Mills, passed the House of Representatives in November 1970 but never came to a vote in the Senate.

Europeans also heavily criticized the New Economic Policy that President Richard Nixon announced in August 1971. Nixon's proposals contained three solutions to the perceived economic problems of the US: a wage-price freeze to counter inflation, the end of dollar convertibility into gold to stop the outflow of dollars, and the imposition of a ten percent tax on all dutiable imports to improve the trade balance. Europeans not only complained about the unilaterality of this policy but also about the fact that, for a withdrawal of the surcharge, the Americans demanded that the EC agree to end its free trade negotiations with various European countries.¹⁹ Moreover, it called upon the EC to halt its plan to harmonize the excise tax on tobacco since the US felt the change would reduce American exports of tobacco to Great Britain.

In sum, in the early 1970s severe conflicts dominated transatlantic economic relations. Despite the supposed strength of the transatlantic alliance during the Cold War, these tensions even had repercussions for foreign policy decisions. In response to European economic policies, for example, Congress discussed the so-called Mansfield Resolution that demanded the withdrawal of US troops from Europe.²⁰ This was a credible threat to the extent that the failure of the plans for a Multilateral Force in the mid-1960s and the US involvement in Vietnam had already led to a substantial decrease in the American military presence on the European scene. Despite this near-escalation of the conflicts, in the end, all issues were resolved in bilateral and multilateral negotiations. In the following section, I will analyze the conditions that allowed for the finding of compromises in the disputed areas.

RESOLVING TRANSATLANTIC CONFLICTS: THE IMPORTANCE OF COUNTERVAILING FORCES

Existing theories of international relations and foreign policy-making suggest different reasons for why the US and the EC may have been able to avoid an escalation of economic conflicts in the early 1970s. Regime theorists, for one, argue that the "embeddedness" of the US and the EC in an international regime allowed them to resolve the conflicts.²¹ According to this view, the international regimes built around the GATT and other international organizations such as the World Bank and the International Monetary Fund constrained economic policies and helped developed countries to avoid a protectionist backlash even though the period of American hegemony had ended. Alternatively, liberal ideas prevalent among decision-makers in developed countries since World War II may have been decisive in making politicians resist the pressures of forces opposing international cooperation.²² Having learned from the disastrous consequences of the unilateral trade and monetary policies of the interwar years, policymakers may have been eager to avoid a repetition of these events.

Instead of building on these existing explanations, I argue that tensions

among highly interdependent countries tend to create countervailing forces that push for the resolution of conflicts because they fear losses of foreign market access as a result of trade and monetary wars.²³ Substantial evidence supports this argument. In the US, for example, in reaction to the threats to transatlantic cooperation the chairmen of several important American companies such as Boeing and Caterpillar founded the Emergency Committee for American Trade in 1967. The first action of the Committee was to publish advertisements in large newspapers, in which it argued that the "protectionist trade measures now being discussed in Congress would gravely jeopardize American markets abroad and would seriously weaken our position of leadership in the world."²⁴ Similarly, the US Chamber of Commerce, in its recommendations on US-EC relations, pushed for an early resolution of the trade problems accompanying EC enlargement.²⁵ It claimed that a possible trade conflict between the US and the EC could have negative repercussions for the whole trading system. Finally, agricultural exporters mobilized in opposition to the protectionist measures proposed by some legislators in the US Congress because they feared that American protectionism could lead to foreign retaliation.²⁶ These domestic pressures resulted not only in conciliatory gestures towards the EC by the US administration, but also in the passage of the Trade Act of 1974, which enabled US participation in the following Tokyo Round (1973-79).

In Europe, as well, interest groups expressed concerns about the escalation of the conflicts. In October 1970, for example, the Permanent Conference of the EC's Chambers of Commerce proposed further negotiations between the major trading entities to reduce trade barriers as an alternative to the protectionist tendencies in American Congress.²⁷ Fritz Berg, President of the *Bundesverband der Deutschen Industrie* [Federation of German Industry], even visited Washington to suggest the creation of a commission, consisting of representatives of the industries of the US and the EC, which should try to find solutions to the existing trade problems. The other major German business association, the *Deutsche Industrie und Handelstag* [German Association of Industry and Trade], demanded that the EC oblige itself not to take measures that could result in a further burden on agricultural imports and that the EC should restrain its subsidization of exports of agricultural goods.²⁸ According to this association, these steps, together with a new trade round in the framework of the GATT, which was concerned with tariffs, non-tariff barriers, and quantitative restrictions to trade, would help to ease trade relations with the US. Finally, the German group of the International Chamber of Commerce emphasized that the creation of a powerful economic grouping in Western Europe necessarily created concerns in third countries.²⁹ It therefore asked the EC to agree to certain changes in its policies to defuse some of the concerns and objective difficulties. In its opinion, the existing problems could be resolved in the interest of world trade only if the advantages of regional integration also accrued to excluded countries.

These demands left their imprint on the preferences of the German government. The general opinion within the government was that the EC should take American interests into account when elaborating European policies. In

particular, it believed that further steps towards economic integration should create rather than divert trade;³⁰ the EC's trade policies should comply with GATT rules in the future; the reverse preferences with developing countries should be abolished since they did not make economic sense and were supported by France for political reasons only; and a multilateral trade round should be started.³¹

In Great Britain, as well, domestic interests paid attention to the European trade problems with the US. Already in September 1970, when the US Congress discussed various protectionist bills, the Association of British Chambers of Commerce asked the British government to work towards a resolution of transatlantic trade disputes.³² The Confederation of British Industry published a paper on its "objectives in Europe," arguing that "the enlarged EEC should try to ensure that the forthcoming multilateral negotiations to liberalise world trade further produce substantial and fair results as quickly as possible."³³ As a result, the British government – just as the German one – was eager to avoid an escalation of transatlantic conflicts.

Only French domestic interests were less accommodating *vis-à-vis* US demands. Some French business associations even called for retaliation against American unilateral policies.³⁴ It is no wonder, then, that the French government was much more reluctant to agree upon a compromise with the US than other European governments. It argued that the CAP and the common external tariff were important for "Community solidarity."³⁵ France also objected to the idea that the EC should compensate the US for eventual losses from enlargement with the argument that the US would gain more from enlargement than it lost. The government even opposed the US proposal for regular bilateral economic consultations. In its opinion, such a mechanism would give the US too much influence over European policies. Finally, France was concerned about the fact that a devaluation of the dollar, as happened in 1971, could make all American concessions on trade worthless.

The prediction derived from this discussion of national preferences is that a possible compromise had to overcome French resistance but was likely to find a positive reception with the other major players. The further development of transatlantic relations closely follows this prediction. In early 1971, the US administration and the European Commission started bilateral consultations on the EC's preferential tariff treatment for fresh citrus fruits from Israel, Morocco, Spain, and Tunisia and also the EC's policies with regard to lard, poultry, and tobacco. The Commission proposed a global offer for these products on April 1, 1971, which included the cutback of export subsidies for poultry and lard (conditional upon the reduction of American export subsidies), consultations on tobacco, and a cut in the tariff on oranges during the summer months (conditional on some further US concessions). France, however, withdrew its support for the proposed package deal in May, since it objected to the reduction of the export subsidies for lard and poultry. Based on a new compromise within the EC, the Commission now asked the US to abolish the retaliatory measures that it had applied since the Chicken War (1962) in response to European policies in the

poultry sector, if the EC were to stick to its offer from April.³⁶ This proposal allowed for a temporary truce between the US and the EC.

The difficulties in bilateral negotiations, however, made evident the advantages of engaging in all-around trade negotiations that would allow for better compromises across issues. In December 1971, consequently, the US and the EC signed the so-called Smithsonian Agreement in which they agreed to start a new multilateral trade round in the framework of the GATT. The US administration made two major concessions to reach this agreement: the acceptance of a link between trade and monetary issues, as demanded mainly by France, and the removal of the surcharge that it had imposed in August of the same year. In a joint US-EC declaration on February 11, 1972, then, the two sides announced the start of preparations for these future trade negotiations, which, as both delegations confirmed, would cover tariffs and non-tariff barriers as well as industrial and agricultural goods.

In the Casey-Soames understanding (1974), finally, the US and the EC also resolved the question of reverse preferences for developing countries, with a promise by the EC to limit agreements with reverse preferences to the Mediterranean countries. The former European colonies in Africa, the Caribbean, and the Pacific, instead, would receive one-sided preferences in the so-called Lomé agreements. As a counter-concession, the US agreed to end its legal challenge to these preferential agreements in the GATT.³⁷ In sum, by 1974 the economic conflicts crippling transatlantic relations had been resolved, although, only a few years earlier, it had seemed that the tensions could leave severe ruptures in the dealings between the US and the EC.

CONCLUSIONS

I have proposed that disputes between highly interdependent economies are likely to be contained before they lead to crisis because they mobilize forces that have an interest in avoiding economic warfare out of fear of losses of foreign market access. This argument seems to account well for the historical evidence available concerning transatlantic economic conflicts in the early 1970s. What can be learned from this case of conflict resolution for modern-day disputes in transatlantic relations? Again, economic relations are strained due to conflicting positions – among other issues – with regard to agricultural subsidies, the health risks of genetically modified food, and subsidies for civil aircraft production. Based on my argument, I suggest that an escalation of these conflicts is unlikely.

A review of recent developments with regard to some of the more publicized disputes in the economic realm bolsters this point. In the steel sector, President George W. Bush imposed extra tariffs on European exports in March 2002. The ensuing EU move to impose punitive duties on American exports of some steel products, fruit juices and textiles worth 300 million dollars in June 2002, however, caused strong lobbying efforts by American exporters, such as the American Chamber of Commerce in Germany.³⁸ Their demands made the US administration

retreat from its earlier position and announce an end to the extra tariffs in the steel sector. Countervailing pressures such led to a resolution of the conflict.

Similarly, the recent de-escalation of the struggle over civil aircraft subsidies could be taken as confirming the prediction made in this article. On October 6, 2004, the US administration decided to use the dispute settlement process of the World Trade Organization to push its complaint against alleged European subsidies to Airbus. In response, the European Commission launched its own case against subsidies given to Boeing. This escalation of a conflict that had been simmering for a long time, however, was not of long duration. In early 2005, the EU and the US agreed on the start of negotiations to resolve the problem bilaterally. The stated objective of the negotiations is to establish fair market-based competition between Boeing and Airbus by eliminating various types of subsidies. Peter Mandelson, the European Trade Commissioner, consequently declared: "When disputes arise in transatlantic trade relations we should try to solve them by dialogue and co-operation."³⁹

These signs of relaxation in specific sectors are mirrored by moves towards a general improvement in transatlantic economic relations. In June 2004, for example, the US-European summit agreed to further strengthen the transatlantic economic relationship. To do so, all interested parties on both sides of the Atlantic should come up with new ideas for how to push transatlantic economic integration.⁴⁰ Although more directed towards political relations, the recent proposal for an early warning system for US-European relations made by the European Union's High Representative for Common Foreign and Security Policy, Javier Solana, also suggests a general tendency towards *détente* in current transatlantic relations.

In sum, the 1970s may find their parallel in the early twenty-first century not only in the extent of economic tensions but also in the way conflicts are resolved. It seems that, even though conflicts are likely to arise between the two sides of the Atlantic as long as their economies do not converge completely, high interdependence makes sure that long-term crises can be avoided. The analysis of past conflict resolution in transatlantic relations thus should make us optimistic that the strength of common commercial interests will prevail over the forces pushing the two regions apart this time as well.

NOTES

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- ⁹ See *New York Times*, 9 November 1971, pp. 69 and 74.
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- ¹¹ For the effects of these policies on the US, see for example Gardner Patterson, *Discrimination in International Trade: The Policy Issues, 1945-1965* (Princeton: Princeton University Press, 1966), pp. 233-62; Krause, pp. 186-88; Mordechai E. Kreinin, *Trade Relations of the EEC: An Empirical Investigation* (New York: Praeger, 1974), pp. 57-73.
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²² Judith Goldstein, *Ideas, Interests, and American Trade Policy* (Ithaca, NY: Cornell University Press, 1993), p. 79.

²³ For an elaboration of this argument, see Andreas Dür, 'Protecting Exporters: Discrimination and Liberalization in Transatlantic Trade Relations, 1932-2003', Ph.D. thesis (Florence: European University Institute). This argument has similarities with interdependence theory as developed by Robert O. Keohane and Joseph S. Nye, *Power and Interdependence* 2nd ed. (no place: Harper Collins, 1989).

²⁴ *New York Times*, 17 November 1967, p. 32. See also *New York Times*, 16 November 1967, p. 69, for a portrait of this group.

²⁵ Chamber of Commerce of the United States, Letter to the President, 20 October 1970. National Archives at College Park, State Department Records, Central Files, Record Group 59, Branch 150, Subject Numeric Files, 1970-73, Economic.

²⁶ United States. Congress. House of Representatives. Committee on Ways and Means, *Tariff and Trade Proposals* (Washington, D.C.: GOP, 1970), p. 4222.

²⁷ Permanent Conference of the European Economic Community's Chambers of Commerce, 15 October 1970, "The Protectionist Trends in the United States. Resolution". National Archives at College Park, State Department Records, Central Files, Record Group 59, Branch 150, Subject Numeric Files, 1970-73, Economic.

²⁸ Telegram by the Deutsche Industrie und Handelstag to the Minister for Foreign Affairs, Scheel, 24 July 1970. Politisches Archiv Berlin, B53-III A2, No. 177.

²⁹ Deutsche Gruppe der Internationalen Handelskammer, an den Bundesminister des Auswärtigen, Walter Scheel, 24 July 1970. Politisches Archiv Berlin, B53-III A2, No. 177.

³⁰ Bundesministerium für Wirtschaft "Handelspolitische Probleme zwischen den USA und den EG (Gefahren für den Welthandel)", 17 January 1969. Politisches Archiv Berlin, B53-III A2, No. 329-A.

³¹ "Vorstellungen über ein handelspolitisches Gesamtkonzept für multilaterale Handelsverhandlungen im GATT ab 1973", 14 November 1972. Politisches Archiv Berlin, B54-III A3, No. 231.

³² *Times*, 28 September 1970, p. 17d.

³³ Confederation of British Industries, paper entitled "Objectives in Europe", June 1972, p. 6. National Archives at College Park, State Department Records, Central Files, Record Group 59, Branch 150, Subject Numeric Files, 1970-73, Economic.

³⁴ See, for example, the statement of the French Aerospace Industry Association. National Archives at College Park, State Department Records, Central Files, Record Group 59, Branch 150, Subject Numeric Files, 1970-73, Economic.

³⁵ For the French defence of the Common Agricultural Policy see "France Would Break Up EC Rather Than Yield to U.S. Farm Pressure," *Wall Street Journal* 16 April 1973, p. 13.

³⁶ Telegram from Brussels to the German Foreign Office, 28 May 1971. Politisches Archiv Berlin, B53-III A2, No. 329-C.

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³⁸ American Chamber of Commerce in Germany, "Transatlantic Trade Policy: Update Sheet December 2002", <http://www.amcham.de/fileadmin/templates/main/pdf/>

Transatlantic-Trade-Policy-December-2002.pdf [last accessed on 15 January 2005].

³⁹ EU Delegation in the US, "Airbus/Boeing Breaking News: EU/US Agreement On Terms For Negotiation To End Subsidies For Large Civil Aircraft", 11 January 2005, <http://www.eurunion.org/News/press/2005/2005003.htm> [last accessed on 15 January 2005]. Other disputes that recently could be resolved concern US taxation for foreign sales corporations and the EU's banana import regime.

⁴⁰ Council of the European Union, "EU-U.S. Declaration On Strengthening Our Economic Partnership", 26 June 2004, <http://www.eurunion.org/partner/summit/Summit0406/2004SumEcPartn.pdf> [last accessed on 15 January 2005].

Is the Transatlantic Alliance Sinking Into the Abyss of the Atlantic?

An Assessment of the Peacekeeping Policies of the United States and the European Union

Oya Dursun

Discourse between the United States and the European Union regarding peacekeeping operations have important implications for transatlantic relations. Are “Europeans from Venus and Americans from Mars” in their respective foreign policy approaches? How do transatlantic actors choose which crises to respond to—in terms of narrow national interest or in terms of moral values? Which actions do they suggest in dealing with humanitarian contingencies—military intervention or softer types of intervention? This article traces rhetorical clues for tensions and/or agreements in post-Kosovo era transatlantic relations on the issue of peacekeeping. The findings of this analysis indicate that there are not as many differences between transatlantic framings of peacekeeping operations as suggested by the literature on transatlantic relations.

INTRODUCTION

Debates centered on the prospects of the European Union (EU) emerging as a balance to the hegemony of the United States (US) lie at the heart of this article.¹ In the aftermath of intense debates regarding the Iraqi operation, the likelihood of a permanent decay in transatlantic relations attracted massive attention both in the media and academia.

Are “Europeans from Venus and Americans from Mars”² in their respective foreign policy approaches? How do transatlantic actors choose which crises to respond to—in terms of narrow national interest or in terms of moral values? Which actions do they suggest in dealing with humanitarian contingencies—military intervention or softer types of intervention? This article deals with the question of whether or not there are differences between the framing of EU and

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US of peacekeeping operations.

In the post-Cold War era, demands for the international community to intervene in ethnic conflicts and civil wars have become common currency. The changing nature of the crises has made the doctrine of non-interference untenable in the aftermath of the Cold War.³ Due to their noteworthy contributions in peacekeeping operations,⁴ a shared understanding between the EU and the US regarding the means and the ends of peacekeeping missions is vital for the prospect of such operations.

Europe is undergoing a process of self-discovery: it is trying to figure out what type of a relationship to pursue with the US. Hence, the implementation of peace operations both in the immediate European neighborhood and outside the wider European region, has significant repercussions for transatlantic relations.

Since “facts do not speak for themselves but have to be selected, ordered and given meaning;”⁵ a major contention of this study is that ignoring the EU’s essentially rhetorical nature constrains lines of inquiry that can potentially improve an understanding of the US-EU relationship. Accordingly, this article traces rhetorical clues for tensions and/or agreements between the transatlantic parties: it compares framings of international peace operations across the Atlantic by providing an assessment of the rhetorical addresses of US presidents and the High Representative for Common Foreign and Security Policy (CFSP) of the EU, from October 1999 to January 2005.

A TYPICAL STORY: CRISES AND FURTHER PROGRESS

In 1991, Jacques Poos, then foreign minister of Luxembourg, proclaimed that “the hour of Europe” had come and added, “If one problem can be solved by the Europeans, it’s the Yugoslav problem. This is a European country and it is not up to the Americans, and not up to anybody else.”⁶ Yet, the ineffectiveness of the European initiatives regarding the tragedies in Bosnia and Kosovo demonstrated to the whole world, particularly to Europeans themselves, how premature the above statement was. The Balkans crises laid bare the degree of European dependence on the US and urged the EU to take necessary measures to enhance its capabilities in dealing with conflict situations.

The EU has learned important lessons from the crises in Bosnia-Herzegovina and Kosovo, and applied them in its approach towards subsequent conflicts throughout the world.⁷ In the aftermath of the Kosovo intervention, the EU has come up with various measures to enhance its capabilities for reacting to various conflict situations. Consequently, peacekeeping has emerged to be a distinctive realm in which there is a “common voice” within the EU regarding its CFSP. This article hypothesizes that if there were actual divergence in the respective approaches of the EU and the US toward foreign policy issues, it would be evident in peace operations.

TRANSATLANTIC RIFT?

The end of the Cold War radically changed the structure of the international order: the US emerged from the Cold War struggle as the sole superpower, and the common threat that used to bind Europe and the US together disappeared from the international arena. Some scholars assert that once the Cold War victory was consolidated during the 1990s, the structurally determined need to mediate US and European foreign policy through the transatlantic prism effectively came to an end.⁸ The Iraq war further provoked such debates in the media and academia.

Many balance-of-power scholars argue that under unipolarity, states will engage in balancing against the hegemon's unchecked power.⁹ John Ikenberry warns that "the way America treats other major states when they are in decline will influence how these states treat America when—not if—they recover."¹⁰ Some project that the EU will emerge as a rival to US hegemony,¹¹ while others dismiss that possibility.¹²

Robert Kagan, in his renowned book, *Of Paradise and Power*, maintains:

It is time to stop pretending that Europeans and Americans share a common view of the world... Europe is turning away from power, or to put it differently, it is moving beyond power into a self-contained world of laws and rules and transnational negotiation and cooperation.¹³

Lambert concurs with Kagan when he contends that US military strength has produced a propensity to use that strength, and Europe's military weakness has produced an understandable aversion to the exercise of military power.¹⁴

Some, on the other hand, suggest that Kagan overstates transatlantic differences.¹⁵ They underline the EU's gradual repudiation of "soft power" tools but add that the EU will not give up on its "soft power."¹⁶ And some even go further and identify Europe as the "quiet superpower." These scholars argue that US arguments about the insufficient role of Europe in military operations ignore the fact that Europe provides the majority of peacekeeping ground forces and contributes the largest share for civil reconstruction.¹⁷

Robert Cooper identifies Europe as a "post-modern system" and maintains that the post-modern states operate on the basis of laws and open co-operative security among themselves. But he adds that when dealing with modern or pre-modern states, Europeans should "revert" to means such as "force, pre-emptive attack, deception, whatever is necessary for those who still live in the nineteenth-century world of every state for itself."¹⁸ Following Cooper's advice, Europeans increasingly emphasize the military aspect of their powers when dealing with new security threats, including humanitarian conflicts around the globe. EU High Representative Solana's remarks validate Cooper's argument: "Europeans may insist that force is used within the framework of law, but they also understand that

sometimes force must be used to uphold law. So [Europeans] want to add some muscle to [their] civil power.”¹⁹

Is it really true that the transatlantic alliance is sinking into the abyss of the Atlantic? As demonstrated by the literature review above, the majority of the works in transatlantic relations literature would expect American political discourse to assign greater emphasis on interest-based calculations or stability concerns over humanitarian concerns²⁰ and on military intervention over “softer” types of intervention, such as economic or humanitarian assistance. The underlying assumption in this article is that rhetoric is representative of foreign policy. Through an analysis of rhetorical addresses of the main foreign policymakers on each side of the Atlantic, this article compares and contrasts the EU and US framings of peacekeeping operations along the above-mentioned lines.

Accordingly, this article poses two research questions relevant for testing the proclaimed transatlantic differences on the issue of peace operations. The first research question asks: How do the transatlantic actors choose which crises to act upon—in terms of narrow national (or supranational) interest or in terms of moral values?

Hypothesis 1a: The American framing of international peace operations contains more references to national interests and cost-benefit analysis than the EU’s framing of international peace operations.

Hypothesis 1b: The EU’s framing of international peace operations contains more references to humanitarian aspects of these operations than the American framing.

In order to test for Hypotheses 1a and 1b, two dependent variables — “humanitarian (value-based) concern” and “stability (interest-based) concern”—are included in the analysis.²⁰

The second research question asks: What types of intervention—civilian (humanitarian), economic, or military—does each side of the Atlantic give primacy to when offering solutions to deal with various humanitarian contingencies?

Hypothesis 2a: The political discourse of the US is more likely to emphasize military aspects of power than is the political discourse of the EU when dealing with peacekeeping.

Hypothesis 2b: The political discourse of the EU is more likely to emphasize soft power than is the political discourse of the US when dealing with peacekeeping.

In order to test for Hypotheses 2a and 2b, three more dependent variables—“humanitarian (civilian)/ political intervention,” “economic aid,” and “military intervention”—are included in the analysis.²¹

METHOD: A CONTENT ANALYSIS OF TRANSATLANTIC DECLARATIONS

A systematic quantitative content analysis method was applied to the political discourse of key policymakers on the issue of peace operations across the Atlantic. The unit of analysis used in this project was the entire text of speeches given by both the presidents of the US and the High Representative (HR) on the CFSP of the EU. The occupants of these important official positions were selected for analysis, since these offices are designated to represent the common foreign policy decisions of transatlantic parties. As such, the political discourse of Javier Solana, William J. Clinton and George W. Bush were analyzed.

The time frame for this study is from October 18, 1999 (the date the position of HR for Common Foreign and Security Policy of the EU was first created) to January 1, 2005.²² On October 1999, the post of HR for the Common Foreign and Security Policy was created in order to give the EU diplomatic clout and visibility in the international arena. The former Head of the North Atlantic Treaty Organization (NATO)—Javier Solana—was appointed to this office. Solana is commonly referred to as the “Foreign Policy Chief” or the “Mr. CFSP” of the EU. The vitality of Solana’s office is illustrated by the following remarks of the US Secretary of State, Colin Powell: “Henry Kissinger once lamented that he did not have a number he could call when he wanted to speak to Europe. That’s not my problem. I have Javier’s number.”²³

A search containing the pivotal words of “peacekeeping,” “peacemaking,” and “crisis management” was conducted on the search engines of the websites of these transatlantic offices. This search yielded 118 results for addresses of Solana and 107 results for the addresses of George W. Bush and Bill Clinton combined.²⁴ For the content analysis, certain speeches were eliminated.²⁵ After exclusions, a census of 177 speeches was gathered for leaders on both sides of the Atlantic (N=93 for the EU HR’s speeches and N=84 for the US presidents’ speeches). A stratified sample of eighty speeches—forty speeches for Solana and twenty for each Clinton and W. Bush—was drawn out of the whole census of 177 speeches.²⁶

All relevant speech texts were coded using a coding scheme, with a special emphasis on the extent to which a given speech refers to humanitarian concerns, stability concerns, political intervention, military intervention, or economic aid.²⁷ Since the variables included in the analysis are manifest variables, the intercoder reliability coefficients, measuring the extent to which independent coders evaluate a characteristic of a message and reach the same conclusion, ranged from eighty percent to 100 percent.²⁸ Since these results did not reveal any serious problems with reliability, the coding scheme and the coding sheet were not further revised. During the coding process, data was entered into SPSS Data Editor for analysis. A discussion of the descriptive statistics of the two independent samples—the US and the EU framings of peace operations—follows.

RESULTS

Table 1: Comparison of different types of legitimizations that transatlantic parties have employed

<i>Humanitarian Concerns</i>	
The European Union	The United States
Mean: 1.8	Mean: 2.3
Median: 2	Median: 2.5
Variance: 1.39	Variance: 0.74
Standard Deviation: 1.1	Standard Deviation: 0.86
Minimum: 0	Minimum: 0
Maximum: 3	Maximum: 3
<i>International Stability Concerns</i>	
The European Union	The United States
Mean: 2.05	Mean: 1.75
Median: 2	Median: 2
Variance: 0.89	Variance: 0.83
Standard Deviation: 0.84	Standard Deviation: 0.91
Minimum: 0	Minimum: 0
Maximum: 3	Maximum: 3

Hypothesis 1b: Looking at the descriptive statistics regarding the “humanitarian concern” variable, one can argue that the mean humanitarian concern value for the EU framing is slightly smaller than the mean humanitarian concern value for the US framing. The EU framing contains fewer references to “humanitarian concern” than the US framing. This might be attributed to the abundance of high-sounding ideals in the foreign policy rhetoric of the US presidents. This trend is contrary to what is expected by Hypothesis 1b. Nevertheless, both transatlantic actors assign comparable emphasis on humanitarian concern on average (the values for both are approximately two).

Hypothesis 1a: Looking at Table 1, one can observe that the mean value for the “stability concern” variable of the EU is slightly greater than the mean value for the “stability concern” of the US. Hence, the prediction of Hypothesis 1a does not hold true in this case. Both the transatlantic sides on average mention their stability concerns only “to some extent” (i.e. twice).

Table 2: Comparison of transatlantic approaches towards the types of Intervention to be engaged in

Humanitarian Intervention	
The European Union	The United States
Mean: 2.5	Mean: 2
Median: 3	Median: 2
Variance: 0.58	Variance: 0.95
Standard Deviation: 0.76	Standard Deviation: 0.97
Minimum: 1	Minimum: 0
Maximum: 3	Maximum: 3
Economic Assistance	
The European Union	The United States
Mean: 1	Mean: 1.05
Median: 1	Median: 1
Variance: 1.16	Variance: 0.89
Standard Deviation: 1.08	Standard Deviation: 0.94
Minimum: 0	Minimum: 0
Maximum: 3	Maximum: 3
Military Intervention	
The European Union	The United States
Mean: 1.9	Mean: 1.45
Median: 2	Median: 1
Variance: 1.25	Variance: 1.31
Standard Deviation: 1.12	Standard Deviation: 1.15
Minimum: 0	Minimum: 0
Maximum: 3	Maximum: 3

Hypothesis 2b: In line with the expected relationship in Hypothesis 2b, the EU's framing favors "humanitarian intervention" more than the US framing does on average. Furthermore, the standard deviation from the mean is lesser in the EU case than in the US case. Hence, as a general trend, it can be concluded that the EU assigns more emphasis to humanitarian intervention than the US does.

Consequently, regarding the hypothesized relationship in Hypothesis 2b, looking at the distribution of the humanitarian intervention variable for the EU subgroup, one can see that there were zero "not at all" categories. The frequencies of the categories that defend humanitarian intervention significantly increase as the strength of the positive inclinations towards humanitarian concerns increase. This verifies the expectations of Hypothesis 2b.

Regarding "economic aid," the distribution of the values and their means are almost identical in the US and the EU framings. Since both of these transatlantic framings on average assign one to the significance of economic aid, one can

tentatively conclude that both of the framings emphasize the “economic aid” aspect to a lesser extent than they emphasize the other aspects measured in this study (namely, humanitarian assistance and military intervention).

Hypothesis 2a: The descriptive statistics regarding “military intervention” in Table 2 signify that the EU framing assigns more emphasis to the military intervention aspect of the peacekeeping operations than the US framing does. As a general trend, this is against the theoretical expectations of Hypothesis 2a. While the average US framing on the issue of military intervention is approximately one—“very briefly,” the average EU framing is around two—“to a certain extent.”

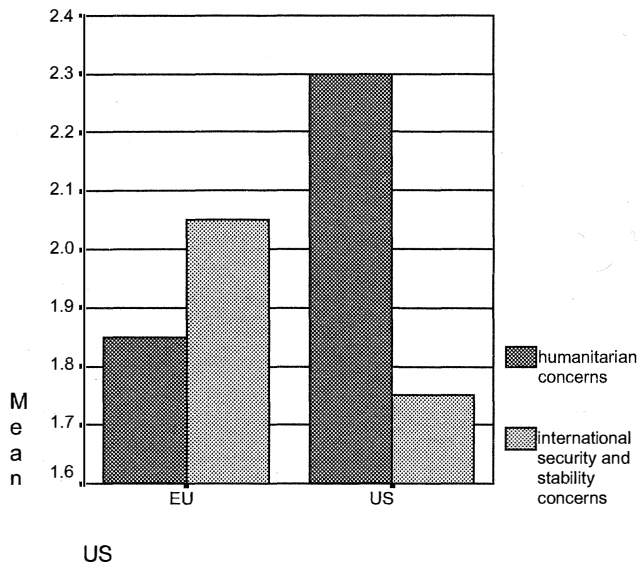


Figure 1: Distribution of different types of legitimizations across the Atlantic

As shown in Figure 1, the US framing contains a greater number of references to “humanitarian concern” than it contains for “stability concern.” The measure of humanitarian concern in the US framing is larger than the measure of humanitarian concern in the EU framing.

Also, the EU framing contains more references to “stability concerns” than to “humanitarian concerns.” The measure of the stability concerns is larger in the EU framing than the measure of stability concerns in the US framing of peacekeeping operations.

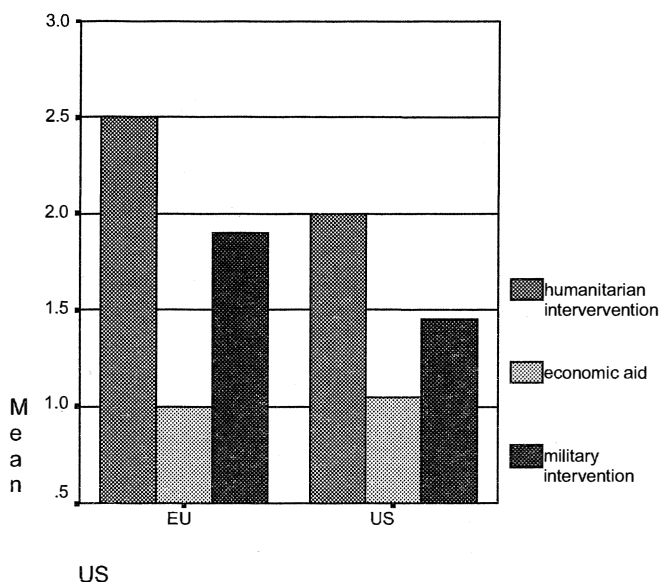


Figure 2: *Distribution of different types of solutions for dealing with various ethnic contingencies across the Atlantic*

The bar chart in Figure 2 depicts that on both sides of the Atlantic, framings of peacekeeping operations assign more emphasis to “humanitarian intervention” than to “military intervention,” and they assign the least emphasis to the “economic aid” aspect when dealing with the ethnic conflict situations. The EU’s emphasis on humanitarian intervention is 0.5 units greater than the US emphasis on humanitarian intervention. Again, the EU’s emphasis on military intervention as a remedy is 0.5 units greater than the US emphasis. This tendency is counter to the expectations of Hypothesis 2a.

The largest mean difference between the US and EU framings is on the issue of humanitarian intervention. US framing averages 2.00, whereas EU framing averages 2.50. This finding is in line with the prediction of Hypothesis 2b.

The second largest mean difference between the US and EU framing is on the issue of humanitarian concern—the US value is 2.30, whereas the EU value is 1.85. This result runs against the prediction of Hypothesis 1b. As depicted in the table above, contrary to the prediction of Hypothesis 1b, one might conclude that the US framing is relatively more favorable towards humanitarian concerns than the EU framing. Hence, the data is against Hypothesis 1b.

NARROWING GAP ACROSS THE ATLANTIC

Since the tendencies outlined here are unforeseen by both international relations and transatlantic literature, the overall direction of the findings suggested in this article is counterintuitive. These results indicate that there is less difference between the transatlantic framings of peacekeeping operations than suggested by the literature and that the gap between transatlantic parties is narrowing over time.

The EU has attempted to apply the lessons from its Balkans experience in its approach towards subsequent ethnic conflicts. Crisis management quickly differentiated itself among other items under the CFSP agenda, in that the EU has gained more coherence regarding its outlook on peace operations. As a result, the preceding decade witnessed the gradual emergence of peacekeeping as a distinctive foreign policy realm in which the EU has a common voice under its CFSP framework.

Peacekeeping is a significant policy issue with respect to which the EU attempts to differentiate itself from NATO, or to put it another way, from US dominance in security issues. Political implications of this project may be extended to the EU's desire to develop a CFSP and become independent from, if not a counterweight to the US.

The Cologne European Council meeting in June 1999 has placed "crisis management"²⁹ tasks—also known as the Petersberg Tasks—at the core of the process of strengthening the European Security and Defense Policy (ESDP), which constitutes the heart of the European CFSP. Regarding military capabilities, in December 1999, the Helsinki European Council set the "headline goal" of, by the year 2003, being able to deploy within sixty days, and sustain for at least one year, up to 60,000 rapid reaction force troops capable of carrying out the full range of Petersberg Tasks. In addition, Europeans contribute ten times as many peacekeeping troops to peacekeeping operations as the US.³⁰

The first peacekeeping operation organized under the CFSP in Bosnia and Herzegovina and operations in Macedonia and Congo confirm the expectations of this study since they show that the EU started to look at the use of military force more favorably than before. The Congo mission is especially important since it is the first autonomous EU mission (independent from NATO) and it is run outside of the immediate European neighborhood.

The EU's framing increasingly emphasizes the importance of military measures when intervening in conflicts. At the Thessaloniki summit on June 20, 2003, Mr. Solana declared:

The EU has made progress in developing a coherent foreign policy and effective crisis management in the last few years...But if we are to make a contribution that matches our potential, we need to be more active, more coherent and more

capable...We should think particularly of operations involving both military and civilian capabilities.³¹

As then President of the EU Romano Prodi expresses, the EU wishes "to be successful at preventing the conflicts, not just good at picking up the pieces" and adds that "the need for a Common Security and Foreign Policy and a European Security and Defense Identity is more urgent than ever."³²

During the last decade, the EU has defined a more visible role for itself in international politics through the initiation of structures and capabilities for a common foreign and security policy sustained by a common security and defense policy, the ESDP. EU operations conducted since 2003 (i.e. the EU Police Mission in Bosnia and Herzegovina, Operation Concordia and Proxima in Macedonia, and Operation Artemis in the Democratic Republic of Congo) prove to be powerful examples signaling a newly emerging attitude in Europe in favor of the use of military force in dealing with humanitarian contingencies.

The EU embraced ten additional member states on May 1, 2004. As demonstrated by their attitudes during the Iraq crisis, most of these countries are pro-American in their foreign policy preferences. Hence, the future of transatlantic cooperation regarding peace operations is an open-ended question that remains to be seen over time.

Nevertheless, the EU is getting better situated to seize the opportunity to increase its international political leverage proportional to its economic power. The EU has recognized the need to adopt similar rules of engagement as those used by the US for attaining a newly balanced transatlantic relationship. Europe is slowly but surely shaping its new role more in terms of independence from, if not competition with, the US.

NOTES

¹ See, for example, Antony J. Blinken, "The False Crisis Over the Atlantic: Perceived Rift Between Europe, United States," *Foreign Affairs* 80, no. 3 (May-June 2001): pp. 35-58; Charles Krauthammer, "The Unipolar Moment Revisited," *The National Interest* (Winter 2002): pp.5-18; David P. Calleo, *Rethinking Europe's Future* (Princeton: Princeton University Press, 2001); Charles A. Kupchan, *The End of the American Era: U.S. Foreign Policy and the Geopolitics of the Twenty-first Century* (New York: Alfred A. Knopf, 2002).

² Robert Kagan, *Of Paradise and Power: America and Europe in the New World Order* (New York: Alfred A. Knopf, 2003).

³ Peacekeeping operations following the end of the Cold War have been attributed as different from the "traditional" peacekeeping operations; they are more "multidimensional." For discussion, see William J. Durch, "Keeping the Peace: Politics

and Lessons of the 1990s," in William J. Durch, ed., *UN Peacekeeping, American Politics, and the Uncivil Wars of the 1990s* (New York: Henry A. Stimson Center Book, St. Martin's Press, 1996) pp. 177-190.

⁴ According to the EU-UN Statistics, currently, the share of the EU Member States in the total United Nations peacekeeping operations budget is approximately 40%; and for the US this amount is 27% <<http://europa-eu-un.org/documents/infopack/en/infopack10EN.pdf>>.

⁵ Mary Buckley and Sally N. Cummings, eds. *Kosovo: Perceptions of War and Its Aftermath* (London: Continuum, 2001) p. 3.

⁶ Quoted in David S. Yost, *NATO Transformed: The Alliance's New Roles In International Security* (Washington, DC: United States Institute of Peace, 1998) pp. 193.

⁷ Morton I. Abramowitz and Heather Hurlburt, "Can the EU Hack the Balkans," *Foreign Affairs* 81, no. 5 (September-October 2002): pp. 2.

⁸ See Ivo Daalder, "The End of Atlanticism," *Survival* 45, no.2 (Summer 2003), pp. 147-166; and Justin Vaïsse, "From Transatlanticism to Post-Atlanticism," *the National Interest* (9 July 2003): pp. 17-19.

⁹ See for instance, Christopher Layne, "The Unipolar Illusion: Why New Great Powers Will Rise," *International Security* 17, no. 4 (Spring 1993): pp.4-50; Kenneth N. Waltz, "Structural Realism After the Cold War," *International Security* 25, no. 1 (Summer 2000): pp. 5-25; John G. Ikenberry, "Getting Hegemony Right: Analysis of the United States as a 'Hyperpower' Nation," *The National Interest* (Spring 2001): pp.17-21; John. J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton, 2001); Charles A. Kupchan, *The End of the American Era: U.S. Foreign Policy and the Geopolitics of the Twenty-first Century* (New York: Alfred A. Knopf, 2002); Paul Kennedy, "Old Europe Cannot Be a Counterweight to the American Imperium," *New Perspectives Quarterly* 20, no.3 (Summer 2003): pp. 18-23, among others.

¹⁰ Ikenberry (2001), p. 17.

¹¹ See Calleo (2001) and Kupchan (2002) among others.

¹² Krauthammer (2002), Kagan (2003), and Kennedy (2003).

¹³ Kagan (2003), p. 6.

¹⁴ Richard Lambert, "Misunderstanding Each Other," *Foreign Affairs* 82, no. 2 (March-April 2003): pp. 234.

¹⁵ See Robert Cooper, *The Breaking of Nations: Order and Chaos in the Twenty-first Century* (London: Atlantic Books, 2003), among others.

¹⁶ Steven Everts and Daniel Keohane, "The European Convention and EU Foreign Policy: Learning from Failure," *Survival* 45, no.3 (Autumn 2003): pp. 167-186; Andrew Moravcsik, "Striking a New Transatlantic Bargain," *Foreign Affairs* 82, no.4 (July-August 2003): pp. 84-85; and Cooper (2003).

¹⁷ Moravcsik (2003), Cooper (2003), and William Wallace, "Europe, the Necessary Partner," *Foreign Affairs* 80, no. 3 (May-June 2001): pp. 16-22.

¹⁸ Cooper (2003), pp. 61-62.

¹⁹ Javier Solana, Speech to the Annual Dinner of the Foreign Policy Association, *Europe and America: Partners of Choice*, New York, 7 May 2003.

²⁰ Such as poverty, hunger, human rights violations moral responsibility, spread of democracy, etc.

²¹ “Humanitarian (value-based) concern” variable is defined as the emphasis on the humanitarian implications of ethnic crises in justifying the actions to be taken. Humanitarian concerns highlight the moral responsibility to intervene in civil wars. For instance, mass killings, human rights violations, are all treated as “humanitarian/value-based concerns.” “Stability/interest-based concerns,” on the other hand, are comprised of references to the impact of the conflict on international or regional stability, when a justification about which action should be taken is made. It contains interest-based considerations in justifying the kind of action to be taken. For instance, concerns about the increase in illegal immigration or for the decrease in regional stability are all treated as “stability/interest-based concerns.”

²² “Humanitarian intervention” variable is defined by the existence of favorable mentions of supporting civil society and NGOs, political mediation, negotiation, supporting civilian police missions, etc. for dealing with a civil war or ethnic conflict. “Economic aid” is defined by the existence of favorable mentions of interventions in ethnic conflicts or civil wars through any economic measure – such as economic aid to the parties, abolition of economic sanctions to the conflicting parties, etc. And finally, “military intervention” is defined by the existence of favorable mentions of interventions in ethnic conflicts or civil wars using any type of military forces – such as favoring the intervention by troops and armies, or favoring military logistic support, etc.

²³ The texts of the speeches made by the High Representative (HR) for the Common Foreign and Security Policy of the EU – Javier Solana – since the foundation of his office (October 18, 1999) were available on the EU High Representative’s website <<http://ue.eu.int/solana/list.asp?BID=107&page=arch>>. The texts of speeches made by the US Presidents are available on the website of The Weekly Compilation of Presidential Documents <<http://www.gpoaccess.gov/wcomp/search.html>>.

²⁴ Colin L. Powell, Speech by the Secretary of State, Foreign Policy Association’s Annual Dinner, *Durability of Trans-Atlantic Alliance*, New York Hilton Hotel, New York, 7 May 2003.

²⁵ For George W. Bush, the total number of speeches yielded by this search procedure was smaller than the total number of speeches yielded for Bill Clinton (N=41; 66 respectively).

²⁶ Only the political speeches with a primary focus on peacekeeping operations are retained for analysis. Duplicate texts and the speeches that mentioned peacekeeping in brief are excluded from the analysis. And for the press briefings of political leaders, question and answer sections of the transcripts are excluded from the analysis.

²⁷ While drawing this sample, in order to ensure appropriate representation for speeches given per year, stratification is conducted on a yearly basis. Next, a random subsample of speeches is selected per year for each side of the Atlantic, for the duration of five and half years – 1999 (from October to December), 2000, 2001, 2002, 2003, and 2004.

²⁸ The independent variable (IV) is the political leader representing each side of the Atlantic. It is coded as a dummy variable, which classifies the leader to be either as a US political leader (1) or as a EU political leader (0). The dependent variables (DV) used in this study are: “humanitarian concern,” “stability concern,” “humanitarian intervention,” “economic aid,” and “military intervention”. These DVs are all ordinal variables whose categories are coded as “not at all” (0), “yes, briefly” (1), “yes, to some extent” (2), to “yes, primarily” (3).

²⁹ To assess intercoder reliability, 25% of the total sample of the message pool is coded by a second coder – Deniz Gökalp, a graduate student at the Department of Sociology at the University of Texas at Austin. For variable “US,” the intercoder reliability is 100%; for “occasion,” 100%; for “humanitarian concern,” 100%; for “stability concern,” 80%; for “humanitarian intervention,” 80%; for “economic aid,” 100%; and for “military intervention,” 80%.

³⁰ In the EU parlance, “crisis management” is used synonymously with “peacekeeping.”

²¹ Moravcsik (2004), p. 191.

³² Javier Solana, Speech in front of the European Council, *A Secure Europe in a Better World*, Thessaloniki, 20 June 2003.

Europe's Other

How a Gap Became an Ocean in Transatlantic Relations

Mary Martin

Among the factors behind tensions in the relationship between the United States (US) and the European Union (EU), which erupted over the invasion of Iraq in 2003, is a change in the terms of discourse between the two blocs. How did the US move from a position where Europeans promised to stand 'shoulder to shoulder' with their ally in the aftermath of 9/11, to being cast as a threat to European interests and values? In attempting to explain contemporary transatlantic relations through an examination of foreign policy discourse, it is argued that a process of "Othering" in which the EU sought to construct differences between the two sides, particularly in its approach to international relations, is useful to our understanding of the place of identity in this changing relationship. By analyzing the European response to a set of policy differences in 2002, this article looks at deliberate attempts by Europe to elaborate a discourse of difference with the US in order to sustain its own foreign policy identity as a collective global actor.

INTRODUCTION

Four months after September 11, 2001, George Bush used the President's annual address to Congress to outline the next stage of the War on Terrorism after the defeat of the Taliban regime in Afghanistan. His speech became the most controversial piece of presidential rhetoric since Ronald Reagan's characterization twenty years earlier of the Soviet Union as an "evil empire" for its one line which labeled Iraq, Iran and North Korea an "Axis of Evil." As the correspondent for the UK's *Guardian* newspaper wrote: "The phrase has not only defined the battle lines of the 21st century, it has helped shape the world we now inhabit."¹

The President's designation drew political fault lines with America's enemies, and also produced a seismic effect on relations with US allies in Europe. From "unshrinking solidarity," which characterized the US-European relationship

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after the September terrorist attacks, the speech was the catalyst for a discourse of difference with the US which had hitherto developed piecemeal, but which gathered strength in the early months of 2002. "We are all Americans now," French newspaper *Le Monde* had declared on September 12, 2001. Yet, six months later, and before the invasion of Iraq caused a dramatic rupture in transatlantic relations, the outlines of a more fundamental – and potentially more enduring – distancing between the US and EU member states had emerged by the spring of 2002.

An examination of public discourses on foreign policy shows the US moving, or being moved, into a position of Europe's "Other,"² in order to sustain and validate a growing identity for the EU as a collective actor on the world stage.

This discourse of difference came to reify a self-understanding of Europe as distinct from, and, at times, in opposition to the US as a foreign policy actor, as characterized by the Axis of Evil phrase. A "logic of European identity"³ was produced through a contrast with US foreign policy, defined by the President's speech. This article examines how this discourse of difference was framed, and how it exists as an integral art of the contemporary transatlantic relationship.

While policy differences between EU member states and the US are well documented,⁴ this article focuses on European public political discourses of the period to show how self-understandings of role and actorness underwent an important metamorphosis, and how even loyal US allies, such as the United Kingdom, used the characterization of difference to establish and cement a clear and distinct identity for the EU in international politics. By examining public discourses about foreign policy drawn from media accounts and the statements of European leaders, this article intends to supplement the "what" and "why" questions concerning the shifts in the transatlantic relationship, with a "how possible" account.

While the concepts of "Otherness" and "Othering" remain contested in the literature,⁵ they have been used to describe processes of inclusion and exclusion, and the drawing of boundaries to delimit or "Other" those outside, in order to reinforce the identity of the *ad hoc* group or the coherence of the discourse thus formed. Furthermore, it is suggested that a spectrum of behavior, encompassing contrast or difference at one end and a more assertive process of distancing and alienation at the other, was evident in foreign policy discourses towards the US, and that "Otherness" helped entrench a more emphatic and visible identity on the part of the European Union as an international actor.⁶

Constructivist accounts see identity as recursively formed through their representation via public acts of articulation and definition,⁷ but crucially these processes involve some opposition to what an identity is not: "The definition of identity in nations and men...depends for its accomplishment on the recognition of that which is other, like and simultaneously other and like and on the abstract understanding of the self that follows from this recognition."⁸

"Identity requires difference in order to be, and it converts difference into otherness in order to secure its own self-certainty."⁹ Thus an identity is established

in relation to a series of differences that have become socially recognized. Foreign policy is the means by which identity characteristics are inscribed and projected outwards, in order to reflect back on the community, in whose name and for whom they are produced. The Axis of Evil speech, which defined the post-9/11 US foreign policy position, served to provoke a drawing of boundaries, a production of difference and even at the extreme, of notions of danger/evil implied by the presence of an alien moral space.¹⁰ While the US used foreign policy to define national character,¹¹ the Axis of Evil concept also inspired a process by which the EU, as a unique type of foreign policy actor, struggling to establish its international presence and with a patchy record in international affairs, sought to entrench its actorness through a discourse of distance and "Othering" *vis-à-vis* the US.

This article examines various policy areas in which the US and the EU were at odds during 2002 and which fuelled a discourse of difference. Apart from the Axis of Evil speech, these included the detention of prisoners at Guantanamo Bay and the US imposition of steel tariffs. These policy differences reveal an emerging European logic of identity, which became crystallized through a discursive construction of difference with the US.

In the following sections, the article discusses the context for this discursive shift, how it developed via a range of policy issues, and finally what it indicates about the development of transatlantic relations.

HOW A GAP BECAME AN OCEAN: US–EUROPEAN DIFFERENCES BEFORE AND DURING 2002

Transatlantic relationships during and after the Cold War were based not on difference, but on significant areas of commonality, particularly regarding defense. Two leading member states of the EU, Britain and Germany were strongly and pro-actively Atlanticist: Britain saw itself as a partner in a "special relationship"¹² while Germany was dependent on America's security guarantee during the Cold War and continued to rely on US logistical support after 1991. While French attitudes to the US, shaped by De Gaulle's resentment towards American cultural, economic and military hegemony, were more brittle, leading to France's withdrawal from NATO's military command structures in 1966, long-running disagreements over trade issues in the 1990s, and differences in attitudes towards key policy areas such as the Middle East, they remained part of French exceptionalism, a classic characteristic of national foreign policy under the Fifth Republic.¹³ Until recently, the elevation of these policy differences into a common European foreign policy discourse remained incomplete and inconsistent.

By early 2002, however, the divide which emerged was different in character from the irritations in bilateral relations between France and the US and the bickering among NATO allies. Earlier frictions in transatlantic security relations had revealed periodic differences between the allies, from which a

"European position" could be discerned. By the time of the 9/11 attacks and the "War on Terrorism," the "European *position*" had metamorphosed into something more akin to "European *identity*," mainly as the result of the deepening of foreign policy integration among the EU member states. The processes and machinery of the European Common Foreign and Security Policy (CFSP), and the experience, however mixed, of establishing common initiatives in defined areas such as the Middle East peace process (MEPP) and engagement with Iran, had begun to develop a commonality of purpose and perspective, which was manifest at both the working level of co-operation among ministries in European member states and in public between national leaders. The fact and goal of this integration process in foreign policy was to present the US with a partner of a different status than in the past: "a true global partner, which would be beyond what any nation-state in Europe could deliver."¹⁴ After four decades in which the US was a "European power" through its engagement in the continent's security and its economic reconstruction, Europe was offering itself as a complement to American power in the world.

The development of a European security culture¹⁵ was a manifestation of this integration, which went to the heart of changes in the transatlantic dynamic. The 1998 agreement at St. Malo, in which Britain and France proposed pushing ahead with plans for a common defense structure, represented a retreat from the position of British Conservative governments in the 1950s to prefer the US alliance above a European security option.

Moreover this development was taking place at the same time as fresh doubts about the future of the NATO alliance. While the Kosovo campaign and NATO enlargement had seemed to provide a new lease on life after 2000, America's snub to the organization's formal offer of assistance two days after 9/11, had made it clear that the old structures of European security politics were looking frail, for reasons to do with a revised US worldview.

THE BUSH FACTOR

By early 2002, however, the greatest strain on the transatlantic relationship was coming not from developments in Europe but from the foreign policy of the Bush administration. Europe was skeptical of the new administration's more unilateral line towards the Kyoto protocol on greenhouse gas emissions, the decision to revoke the Anti-Ballistic Missile (ABM) treaty and the International Criminal Court, which the US had refused to ratify.

Together they amounted to a catalogue of friction, which had at its core a different perception in Europe and in the US of the value of multilateral action. With the Bush administration demonstrating an "America first" approach to global issues, the EU had become a visible proponent for co-operation and multilateralism. Despite attempts on the European side to emphasize the benefits of co-operation as representing an "engine for positive change" and a "convergence of strategic interests"¹⁶ there were plenty of observers drawing attention to the areas where the transatlantic divide appeared to be widening.¹⁷

In the aftermath of 9/11, chronic differences in the power and capabilities of the US and its European allies had been exposed, with the EU as a collective actor relegated to a secondary role as purveyor of humanitarian aid and reconstruction in Afghanistan. A solidarity of purpose had nonetheless prevailed, sustained in part by close collaboration between the US and some European allies, such as the United Kingdom, on a bilateral basis. The transatlantic relationship assumed, at best, co-operation in areas defined by the US, and, at worst, complementarity, as both partners performed different but non-competitive tasks. Confrontation was not part of the political agenda, nor an ingredient of mainstream public discourse.

FROM ONE OF US TO THE “OTHER”; POLICY DIFFERENCES AND DISCURSIVE SHIFT

This changed with the Axis of Evil speech, which triggered a discourse in which Europe was defined as a counter subject to the United States, giving rise to a series of storylines and media frames which elaborated this difference in terms of the means and values by which the EU attempted to conduct foreign policy.

What the speech highlighted was the ability and the preference of the US to prosecute the War on Terrorism by use of force, rather than by deploying both soft and hard forms of power, including diplomatic engagement with states which posed a threat to its security. The European response was the development of a view that US foreign policy approaches were misguided or even dangerous. Furthermore it led to a corollary story that there was an alternative, “better” European way. Europe was committed to standards of international law and organization, and the US was not. The US was overly militaristic, too quick to find a unilateral solution and its policy prescriptions were misguided. The discourse had surfaced during the Afghan campaign of 2001, during which EU civilian power instruments presented a stark contrast to US firepower. Justification of European “soft power” had produced an increasingly critical stance towards the predominance of US military measures.

Ten days after the State of the Union address, Chris Patten, the EU’s Commissioner for External Relations, developed his theme of the US as Gulliver, posing a threat to international order by acting alone, and, in contrast, of Europe which should stop seeing itself as “so Lilliputian that we can’t speak up and say it.”¹⁸

Media accounts adopted a lofty tone criticizing the “brutality and brutal simplicity” of Washington’s official rhetoric, and characterizing President Bush as a cowboy and American policy as reflecting the attitudes of the Wild West.¹⁹ The idea that US attitudes threatened the West and European interests was articulated by French foreign minister Hubert Védrine, who claimed that Europeans were friends of the United States, but said: “We are threatened today by a new simplism which consists in reducing everything to the war on terrorism. We cannot accept

that idea. You have got to tackle the root causes, the situations, poverty and injustice.”²⁰

The shift from closest ally to potential threat was summed up by an American writer in the *UK Times*: “The elite view...was this: ‘What is the threat? It is the United States.’”²¹ Other voices were less keen to champion the European approach to international relations, yet still characterized US foreign policy in relation to a European alternative and cast it in alien terms. Thus the eurosceptic *Times* opined:

Mr. Patten and his continental colleagues are attempting to delineate a new division between the “sophisticated” approach to foreign affairs of the European Union that concentrates on “tackling the root causes of terror” and the “simplistic” approach of the US which deals, in its crude way, only with the symptoms. Which are you, sophisticated or simplistic, elegant or crude, or, as Nancy Mitford might have put it, EU or non-EU?²²

The cultural basis of this divide was synthesized into what became a convenient shorthand for US-European identity differences. Robert Kagan’s *Power and Weakness*, first published in June 2002,²³ gained notoriety for its epithet: “Americans are from Mars and Europeans are from Venus.” Kagan traced the developing fissure between the US and Europe to the end of the Cold War and in part to the European sense that “Europe,” as a counterbalance to the US, had replaced “the West” as a concept.

INSTITUTIONALIZING DIFFERENCE

The Axis of Evil speech galvanized a European response because it directly affected issues on which the EU had forged a common policy consensus. European discourses were anxious to avoid a designation of the War on Terrorism as a conflict between Christianity and Islam, and they were particularly concerned at its potential to jeopardize two areas of EU engagement with Islamic states: a process of rapprochement with Iran which had been underway since the previous year; and the search for a solution to the Palestinian problem in the Middle East.

Taking a clear line against US policy was not merely rhetoric: in the Middle East, the EU sought to clarify its role in the conflict by emphasizing the mistakes of US policy, and in the case of the UK’s Tony Blair, by attempting to make the peace process an integral part of the War on Terrorism, despite Washington’s refusal to view it in the same way.²⁴

While there was no question of the EU taking up a “hostile” policy stance towards the US over the Middle East, the European discourse held that a solution in the Middle East required a different form of politics to that pursued by the US, and that the European approach to the Israel-Palestine conflict offered a better

route to peace. The European Parliament's report on the issue exemplifies the distancing from the US:

By stressing that it is not just the symptoms of terrorism that have to be fought, but also and above all its root causes, and that dialogue must be conducted first and foremost with the weak, vacillating states, the EU is making conflict prevention the guiding principle of its foreign policy action and thus to some extent counterbalancing the US "axis of evil" doctrine.²⁵

STEEL AND THE FORGING OF IDENTITY

The "Europe versus America" story, once crystallized, also developed across other US policy initiatives. In March 2002, a dispute over steel tariffs provided a further occasion for the EU to concretize its foreign policy identity in distinction to the US. The Bush administration's decision to impose twenty percent tariffs on imports into the US from the largest producer nations caused an estimated ten billion dollars per year in lost revenues to companies in the EU, Japan and Korea, which bore the brunt of the restrictions.²⁶ The move was seen as an electoral ploy to win steel workers' votes in the marginal states of Pennsylvania, Ohio and West Virginia where congressional seats were evenly split between Democrats and Republicans.

The tariff move caused not only a rash of counter-offensive policy measures by the EU but a rush of rhetoric exhorting European values and economic clout. The steel narrative, like the reaction to the Axis of Evil speech, was about different means and values in international relations, with the EU seeking to present itself as the party upholding multilateralism and adherence to a rule and norm-governed international system. In comparison, the US had disregarded the constraints of international society. Pascal Lamy, the EU Trade Commissioner, echoed an earlier theme in which Europe had characterized the US: "The world steel market is not the *wild west*, where people do as they like. There are rules to guarantee the multilateral system"²⁷ [emphasis added]. In a speech to the Humboldt University in Berlin in May 2002, Lamy also linked the steel row to the EU's quite distinct foreign policy choices:

We have to assert an autonomous model of Europe that prioritizes, against the backdrop of growing global economic and social imbalances...a sustainable development path, the resolution of regional conflicts through dialogue and co-operation and a well-regulated globalization. This approach is in fact the only avenue open to us: it is the only one compatible with our European values, and, on a more cynical note, the alternative (a security-centered approach based on strategic hegemony) is out of our reach anyway.²⁸

The steel dispute also demonstrated that, in areas where the EU was a more assured and established collective actor, “Othering” of the US was an institutionalized discourse, rooted within the EU’s policy machinery. The discourse of difference was embedded and sustained within its own capacity to act collectively in the economic domain where it could claim to rival US power. A common trade policy and the competence of the Union in external commercial politics are enshrined in Article 133 of the TEU. As a result of the Single Market legislation, the EU was established as a unitary actor, it had developed a history of collective trade negotiation such as the Uruguay Round, beginning with a common negotiating mandate agreed in 1986, and had assembled a repertoire of instruments such as sanctions against third parties with embedded normative values such as multilateralism, free trade and rule-governance in international relationships.

The EU response to the US steel tariffs invoked much of this extensive armory: the Commission developed a joint strategy to challenge the US move and seek compensation within the rules of the World Trade Organization and to take steps to safeguard the EU steel market, which meant in effect contemplating sanctions against other US industries such as Florida citrus producers and manufacturers of Harley-Davidson motorcycles.

The issue of Guantanamo Bay and the detention of suspected Al Qaeda members provided Europeans with a discourse of difference which was more weakly institutionalized at the European level, but which drew heavily on common norms among EU member states. A growing normative tendency, evident from European positions towards the death penalty and human rights,²⁹ is enshrined within a framework which provides for human rights as objectives of CFSP (Article 11 of Amsterdam) and development co-operation, through conditionality in trade and aid programs (Article 177).³⁰

Unlike the steel row in which the EU had a clear collective voice, articulation of a European position on Guantanamo was largely bilateral, while acknowledging shared norms among member states. On February 23, 2002, German newspaper *Süddeutschezeitung* published an article quoting its foreign minister Joschka Fischer that the German government was ready to talk to the US administration about the treatment of the Guantanamo prisoners: “In the struggle against international terrorism we are also defending *our core values*.”³¹ Meanwhile its editorial in *SZ* was explicit about “the normative gulf between the two continents” in America’s readiness to “set aside if not completely ignore human rights when it wants.”

FRIENDLY FIRE: THE “OTHER” AS ALLY

While the discourse of “Otherness” drew on a number of issues from which to construct narratives of difference with the US, it did not go uncontested. The sense of commitment to a strong transatlantic relationship lay behind persistent attempts by executive elites and mass media to “talk up” areas of commonality with the US, the benefits of co-operation and to minimize differences. What

distinguished these processes from earlier bouts of anti-American sentiment was the strategy of linking opposition to US policy with the articulation of a European alternative. Thus, Javier Solana, the EU's High Representative, drew comparisons with the US in order to present Europe as a coherent international actor with certain distinct characteristics, while also trying to preserve co-operative rather than conflictual relations. He argued that the differences between Europe and the US should be seen as complementary rather than opposed, and that, while Europe was different, it is not a rival to the superpower. Difference was the means by which Europe offered herself as a unique partner for the US:

America seems set to maintain her military predominance for the foreseeable future, while Europe has an unrivalled claim as a global 'civil' power. Such a complementarity offers many advantages, in terms of efficiency, specialization, and the degree to which our two publics are likely to be supportive of different conceptions of a global role. Each partner must recognize the value of the other's distinct contribution...There is a strategic coincidence of values and interests: neither the US nor the EU will find an alternative international partner of similar scale and importance committed to defending values and interests so nearly identical.³²

Three weeks earlier, Solana had delivered a speech to the General Affairs Council in Brussels, covering exactly the same policy issues. The later speech, delivered after the Axis of Evil speech, is different in that it devotes a large part of the text to highlighting the differences with the US and denoting an EU role in relation to the US.

Individual European leaders, such as Tony Blair also sought to contest narratives of transatlantic tension or rivalry. Yet at the same time, their European policy led them to emphasize "Otherness" as a way of developing a distinctive European discourse and foreign policy identity. At a speech to mark the opening of the George Bush Presidential Library on April 7, 2002, the British Prime Minister characterized the US-European difference as "utilitarianism versus utopianism," but mitigated a strategy of "Othering" by claiming that "more than ever before those two views are merging," and repeating his earlier calls for co-operation rather than confrontation:

The world works better when the US and the EU stand together. There will be issues that divide – issues of trade, most recently over steel, for example. But on the big security issues, the common interests dwarf the divide. Forget the talk of anti-Americanism in Europe...people know Europe needs America and I believe America needs Europe too. We have so many shared values.³³

CONCLUSION

Identity is not a fixed and stable concept, but a fluid and highly contingent one. Therefore to suggest that a process of differentiation and “Othering” took place between the EU and the United States as a result of policy differences such as the Axis of Evil speech is not to ignore that, at other levels, commonalities of identity persisted, such as a neo-liberal identity, a democratic identity, and a Christian or “Western” identity. These forms of “inclusive” identity³⁴ are, however, partial and insecure, and susceptible to moments of challenge by alternative and sometimes competing manifestations. According to Rumelili, “If difference is constructed to be deriving from acquired characteristics, then by definition there is the possibility that the other will become like self one day, so the other is only in a position of temporary difference.”³⁵

The shift in US policy represented by the Axis of Evil speech, the imposition of steel tariffs and the detention of prisoners at Guantanamo Bay, reflects a particular strain of American-ness that provoked a disruption in more-settled forms of identity that Europe and America shared. This disruption has placed US-European relations on a new footing, exacerbating tensions in a traditional alliance which nonetheless remains of paramount importance on both sides of the Atlantic. However, crucially, this policy shift also presented an opportunity for European countries, in search of a more emphatic and cohesive identity in global politics, to talk up their internal commonalities and the role and status of the EU as a unified actor through articulating a set of differences with its most obvious rival on the world stage. Discursive trends and evidence of “Othering,” which can be discerned as a consequence of this US policy shift, enable an analysis of the transatlantic relationship at a different level and an examination of policy differences between the two regional blocs. While policy differences reflect, at least partly, the variations introduced by individual governments, discursive change and formation suggest more deep-seated processes of identity creation and inscription which may presage longer-term changes in the US-EU relationship.

While acknowledging that narratives of difference and distinction remain highly contested and that the concept of “Othering” embraces a range of behavior from co-operation to conflict, the EU’s willingness and ability to construct, through discourse, a sense of separateness from its traditional ally marks a significant shift in the development of Europe as a global actor. The range of “Othering” techniques, from viewing an erstwhile friend as a “threat,” to emphasizing the need for closer co-operation between two different but allied power blocs, suggests that the discourse of difference may produce uneven outcomes in an already bumpy transatlantic relationship.

NOTES

- ¹ Julian Borger, "How I created the axis of evil," *The Guardian*, 28 January 2003.
- ² Campbell; Weaver, pp. 103-32.
- ³ Campbell *ibid*.
- ⁴ Daalder; Nye.
- ⁵ Weaver, for example, argues that the dominant trend in European security rhetoric is an internal 'Other' in the form of Europe's own past and that other policies are defined as 'less' Europe rather than in opposition to Europe. Weaver, "Insecurity, Security and Asecurity in the West European non-War Community," E. Adler & M Barnett, eds., *Security Communities* (Cambridge: Cambridge University Press, 1998) p. 100.
- ⁶ This is only part of an extended retheorization of foreign policy itself by David Campbell who asserts that foreign policy is not the output of a state with a pre-given identity but a boundary producing practice "central to the production and reproduction of ...identity and in whose name it operates." (Campbell) For a more extensive treatment of the variations in behavior between difference and 'Otherness,' see Rumelili, pp. 27-48.
- ⁷ Weldes et al.
- ⁸ Etienne Balibar "Paradoxes of Universality," David Theo Goldberg, ed., *Anatomy of Racism*, (Minneapolis: University of Minnesota Press, 1990) 285. Quoted in Campbell, p. 71.
- ⁹ Connolly, p. 71.
- ¹⁰ This is to take a critical constructivist view of the constitutive role of social relations in identity, in which an explicit distance or 'difference' between states is the pre-requisite to identity formation, rather than a liberal constructivist approach which views states as acquiring identities through interaction with other states.
- ¹¹ A similar initiative occurred in the State of the Union speech three years later, in February 2005.
- ¹² Blair.
- ¹³ Meunier; Charillon.
- ¹⁴ Fischer.
- ¹⁵ Edwards and Cornish, pp. 567-603
- ¹⁶ Solana (January 2002).
- ¹⁷ Daalder.
- ¹⁸ Chris Patten, "Even Gulliver Needs the Help of a Lilliput," *Süddeutschezeitung*, 29 September 2001.
- ¹⁹ As such it echoes the findings of Jutta Weldes who noted in her analyses of discourses at the time of the Cuban missile crisis how US media referred to the 'bearded' Cubans in a shorthand allusion to their apparent barbarity and lack of responsibility which contrasted with the civilized nature of US foreign policy. Jutta Weldes, *Constructing National Interest: The United States and the Cuban Missile Crisis* (Minneapolis: University of Minnesota Press, 1999).
- ²⁰ "French anger at US policy on Israel," *The Guardian*, 7 February 2002.

- ²¹ Irwin Selzer, "Bush turns away from the weaklings of Europe", *The Times*, 19 February 2002.
- ²² Michael Gove, "A Pattern of Behavior that Must Be Broken," *The Times*, 13 February 2002.
- ²³ The original article in *Policy Review* No. 113, June 2002 was subsequently part of *Of Paradise and Power: America and Europe in the New World Order* (New York: Knopf, 2003).
- ²⁴ Interview Downing Street aide.
- ²⁵ EP Foreign Affairs Committee, Draft Report C5-0205/2002 (26 June 2002) p. 13.
- ²⁶ Canada, Mexico and Brazil were exempt from the import duties, exacerbating the sentiment that the move was designed to hurt the European producers.
- ²⁷ "EU hits at Wild West steel tariffs," *Financial Times* (7 March 2002): p. 1.
- ²⁸ Lamy.
- ²⁹ Manners, pp. 235-258.
- ³⁰ The Guantanamo controversy also coincided with strong EU support for ratification of the Rome statute establishing the International Criminal Court (ICC), which the US had rejected. See Statement IP/02/9, Brussels, 3 July 2002.
- ³¹ "Fischer bekräftigt Sorge über Politik der USA," *Süddeutschezeitung* (23 February 2002): p. 7.
- ³² Solana (February 2002).
- ³³ Blair *ibid*.
- ³⁴ Inclusive in the sense that other states are free to share identity, in contrast to an "exclusive identity" which is based on inherent characteristics and might be associated with Europe as a geographic entity.
- ³⁵ Rumelili, pp. 27-48.

Political and Economic Change

Failing - Again - To Bridge the Democratic Accountability Gap in the CFSP/ESDP

A critical assessment of the new EU Constitutional Treaty provisions in foreign and defense policy

Stelios Stavridis & Anna Vallianatou¹

The main purpose of the new Treaty establishing a Constitution for Europe was to produce a more efficient and more democratic decision-making process for an enlarged European Union (EU). This article argues that the new arrangements have added no real progress towards a more democratic Common Foreign and Security Policy and European Security and Defense Policy. It also claims that a number of practical suggestions for bridging that particular democratic gap have not been included, and that the new defense dimension adds yet another democratic deficit to the EU. All these developments sadly confirm the view that the question of the democratization of the EU's foreign, security, and defense policies does not top the current political agenda.

INTRODUCTION

The purpose of the Convention on the Future of Europe, and that of its subsequent Treaty establishing a Constitution for Europe, was to produce a more efficient and more democratic decision-making process for an enlarged EU. This article argues that, as far as foreign and defense policy is concerned, there has been no real democratization. Current and planned accountability mechanisms amount to yet another democratic deficit for the EU. It is also argued that, despite the existence of a number of practical suggestions for bridging that gap, the new arrangements have failed to incorporate any of them. Such a development confirms the fact that the question of democratic accountability in the international relations of the EU has yet to emerge as a serious preoccupation in the minds of its decision-makers and shapers.

In other words, this paper considers whether the new arrangements will deliver a more democratic Common Foreign Security (CFSP)/European Security and Defense Policy (ESDP)² decision-making process. It does not consider the wider

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questions of whether the Draft Treaty establishing a Constitution for Europe is good or whether it will be ratified. It is our assertion that, following the creation of new posts, bodies, and instruments,³ there is no guarantee that a successful European voice in the world will emerge. More importantly for this study, we will argue that the fact that there has been no democratization in the EU's foreign, security, and defense policies represents a missed opportunity for more democracy in the second pillar of the Union. We particularly lament the fact that, despite the make-up of the Convention (including many parliamentarians), so little progress could be noted on parliamentary accountability in the CFSP/ESDP fields. So rather than "one cheer for democracy,"⁴ it seems that in reality "the mechanisms for accountability in the area of foreign action...remain almost the same."⁵

This paper consists of three parts. The first part puts the question of democratic accountability in foreign, security and defense policies in its wider theoretical and empirical context. The second part presents a number of formal and informal proposals for reform, some of which were presented officially in two of the Convention Working Groups (External Action and Defense⁶), but which were *not* included in the Draft Treaty presented by Valéry Giscard d'Estaing in the summer of 2003.⁷ This part also assesses the relevant articles of the 2004 Constitutional Treaty. It concludes that there has been very little progress towards a more democratic CFSP/ESDP. The final part sums up the findings of this article, regrettably noting that, once again, the democratization of the EU's foreign, security, and defense policies does not top the current political agenda.

THE WIDER CONTEXT

What follows offers an overview of the current situation of democratic (read parliamentary⁸) accountability on foreign and defense matters in EU member states and institutions. First, we need to mention, however briefly, that foreign, security, and defense policies fall within the wider category of public policy. In democratic states or democratic unions (such as the EU), the principle of democratic accountability is therefore fundamental. The question of the democratic deficits in the EU has been well documented, although very little attention has been paid to the CFSP, let alone the emerging ESDP.

The national parliaments of EU member states have some powers of accountability, especially on issues dealing with internal EU matters (the "model" here being the Danish *Folketing*). But in CFSP matters, it is the national governments that maintain traditional executive dominance, a situation that is often helped by the existence of a clear governmental majority in parliament.⁹ Thus, the integration process in Europe appears to strengthen the "parliamentary decline" thesis.¹⁰ In a recent comparative study of national EU foreign policies, out of fifteen EU member states, only four contributors mentioned explicitly (and often succinctly) the question of parliamentary accountability. More importantly, even they did so only to stress their "limited role," a "rather ineffective" and "very modest policy influence" in EU foreign and defense policy. The above citations refer respectively to the French, British, and Irish cases.¹¹ Only Denmark appeared to

come out more positively, but it remains the exception rather than the rule.¹² It is worthwhile to point out the fact that, in all the remaining cases, there was no mention whatsoever of a parliamentary input. As for the not-so-flattering comments on the three cases mentioned above, they do confirm our pessimistic assessment of the current absence of democratic accountability in EU states.

One should note that even if the individual EU national parliaments were to possess more powers, there would still be a democratic deficit at the EU level if the European Parliament (EP) was not given more powers as well. This is because making individual ministers (or heads of state/government) accountable does not automatically make them *collectively* accountable to a transnational parliament. Therefore we now turn, again very succinctly, to the EU level. The current accountability mechanisms that the EP possesses are powers of information, not real powers of control. The EP is only allowed to play a marginal role in the formulation, let alone the implementation, of the CFSP. The EP does, however, possess some limited means of control in international trade, commerce, and aid policies (mainly budgetary powers), even if this is not the case in foreign policy *per se*.

The EP can do the following: debate foreign policy matters; issue declarations, reports, and other rhetorical statements on international relations; organize "hearings" of EU figures and other experts; and pass "resolutions" and "recommendations" on almost any international issue. Despite this number of instruments at its disposal, the EP remains peripheral to the CFSP. Indeed, the European Councils decides, and the EP usually reacts *post facto* with very little chance (or hope) of modifying any important foreign policy decision that has already been taken.

There is, in addition, very little accountability in defense matters at the national level. In most cases, the executive retains almost absolute control, especially over issues of arms exports, intelligence, or nuclear policy. Furthermore, the whole picture becomes even more confused because of the existence of NATO with its own parliamentary assembly (North Atlantic Assembly/NAA), but one that does not possess any real powers. It is interesting to note that the NAA was set up in the mid-1950s through the self-initiative of several parliamentarians from both sides of the Atlantic and that it does not belong to the NATO treaty itself. It is also important to mention that democracy was not a leading factor for NATO membership (especially during the Cold War years) in the way that it has always been in the European Community (EC)/EU.¹³ The situation is now, thankfully, different, as the 1999 and 2004 NATO enlargements show. As for the Western European Union (WEU), it has now all but been "disbanded" (except for its Article 5). Its parliamentary dimension strangely continues to exist under a new name (the Interim European Security and Defence Assembly). Its influence in democratic accountability terms remains very limited all the same.

As far as EU defense is concerned, although there has been recent progress in European integration in that particular policy area following the 1998 Franco-

British Saint-Malo Declaration,¹⁴ there is very little, if any, parliamentary accountability. One of the reasons is that, so far, there have only been informal Defense Ministers Council meetings, as they do not formally exist. A treaty change is not necessary, but, to date, these new meetings have not been formalized. There is a practical problem with such a development since the ESDP is formally part of the CFSP. There already are bodies within the EU Council dealing with defense exclusively, but not all CFSP issues cover defense matters. Thus the EP has repeatedly “demand[ed] that a separate Council of Ministers for Defence ... be created for ESDP matters.”¹⁵ All of the above means that there is very little democratic control.

The next section presents a number of formal and informal proposals that were available, and indeed discussed, in the relevant Convention Working Groups, as well as a number of other documents. Sadly, they were not even included in the 2003 Draft Treaty, let alone the 2004 Treaty.

EXISTING PROPOSALS...PROPOSALS IGNORED

The Convention finished its work without including a number of proposals that were both available in the existing literature on the subject and which were discussed in the relevant Convention Working Groups (Working Group VII on the external action of the EU, Working Group VIII on defense, and Working Group IV on the role of national parliaments). We will argue that the new Constitutional Treaty does not alter the existing democratic deficit in the CFSP in any significant way. We will also argue that, because the ESDP is included within the CFSP, the national democratic deficits in defense are actually added to the existing ones in foreign policy (both at national and EU levels).

As far as “inter-parliamentary cooperation” is concerned, there was talk of the need to institutionalize cooperation between the European and national parliaments on foreign, security, and defense policies for a variety of reasons, including democratic accountability purposes. The national parliaments of the EU member states *must* continue to play a role in the CFSP and ESDP because there is still no powerful EU voice in the world. This empirical observation is further reinforced by the stance of many new member states during the crisis over Iraq in 2002-2004. One should not, however, fall into the trap of re-nationalization. National parliaments can only play a certain role in EU foreign, security, and defense matters precisely because a CFSP and an emerging ESDP exist. Thus, the role of the EP cannot and should not be dismissed either. In practice, it means that it is only a combination of these two levels (European and national) of parliamentary control that needs to be developed *at the same time*. This simultaneous development is also due to the fact that most national parliaments do not exert as much control as they should (see above).

On the Convention table the following proposals were presented, discussed, but eventually *not* adopted:

- ♦ an annual inter-parliamentary forum (EP and national parliaments) or a “Congress;”
- ♦ a second Chamber of the EP with national MPs (Working Group on Defence 2002);
- ♦ an inter-parliamentary forum of national MPs on CFSP/ESDP issues, including additional cooperative arrangements with the EP (Nazare Pereira 2003), which was favored by several members (but not all) of the Working Group on Defence;
- ♦ joint (or simultaneous) bi-annual debates on foreign policy for the EP and national parliaments (ISIS 2003);
- ♦ joint bi-annual meetings of the relevant parliamentary committees of the EP and those of the national parliaments (EP 2003);
- ♦ increased financial and other resources for parliaments (both national level and the EP) to allow for more contacts with think tanks, the media, and NGOs (ISIS 2003);
- ♦ better use of the PNEU (Parliamentary Network of the European Union), especially with parliamentary conferences on specific CFSP/ESDP issues (Duff 2002);
- ♦ if QMV (qualified majority voting) is used in the CFSP, the EP should be given co-decisional powers (Van Eekelen 2003).

From the above, we tend to disregard the last option as not only unrealistic but also undesirable.¹⁶ The most desirable options are the setting up of an inter-parliamentary forum, or, even better, a second chamber. But both are unlikely (see below). Thus, a compromise solution could be a regular meeting of specialized committees. This is the gist of the Protocol on the role of national parliaments attached to the final Treaty which calls for a conference of Parliamentary Committees for Union Affairs and which specifically mentions CFSP and ESDP matters. As always, however, it remains to be seen how it will be implemented. That is to say, the devil is in the details. How much real power would these inter-parliamentary committees be granted? Moreover, we note that the term used is “may” and that, therefore, such a provision is not obligatory. It is also somehow convenient to mention such a development in the Protocol rather than in the main body of the new text.

One should add that there is a fundamental problem with the EP that has yet to be fully addressed: “The EP has been relatively unaffected by the outcome of the Convention. This is due to the fact that this institution suffers from a lack of legitimacy rather than of power.”¹⁷ The implications are various. They do not facilitate a transfer of parliamentary powers from the national level to that of the Union. To a large extent Members of the European Parliament (MEPs) themselves are to blame. Christian Lequesne aptly describes the problem as “the Convention’s ... resistance towards the creation of a congress made up by national and European

parliamentarians.” For dogmatic reasons, the EP is strongly opposed to the creation of a second chamber on the grounds that the Council should be turned into a Senate along the federal model. Once more, cooperative arrangements between the national parliaments and the EP are needed, especially in light of the non-existence of a European *demos*. This is an important point that is often missed by many observers. For a recent example, see Nowina-Konopka’s incorrect, in our view, use¹⁸ of the “domestic model analogy” with regional and sub-national entities. The whole point is that there is no European *demos*; whereas, national ones exist.

Particular attention was also given to the way the new European foreign minister would be appointed. The same applied to “special envoys.” The Constitutional Treaty does not envisage a role for the EP (and/or the national parliaments) in the appointment of the Foreign Affairs Minister. It has also been suggested that this new post should be made accountable to national governments and parliaments, rather than the EP.¹⁹ A proposal for the creation of a post of Defense Deputy for the ESDP was also made.²⁰ Neither has materialized.²¹

In more general terms, Article I-40-8 includes a general reference to the role of the EP in international affairs:

The European Parliament shall be regularly consulted on the main aspects and basic choices of the common foreign and security policy. It shall be kept informed of how it evolves.

Article 41-8 reiterates a similar role in security and defense policy. Thus, it remains clear that the EP’s role in CFSP/ESDP matters is one of consultation only. This consultative/advisory role also extends to the future development of a European External Action Service (i.e. a kind of EU diplomatic service). Article III-296-3 foresees the EP’s advisory role in such a development.

An important new development in the new Treaty is the creation of the post of Union Minister for Foreign Affairs. This new position will merge the roles of the existing CFSP High Representative and of the External Relations Commissioner (respectively held by Javier Solana and Benita Ferrero-Waldner, previously Chris Patten). The Minister will also be the Commission’s Vice President (the implications of this joint appointment remain unclear). The European Council will appoint him/her. However, the EP obtained the right to elect the Commission President, so there appears to be a *quid pro quo* here between intergovernmentalists and supranationalists. But neither the EP nor the national parliaments are involved in the appointment of this new “Foreign Minister.”

Article III-304-1 and 2 state that:

The Union Minister for Foreign Affairs shall consult and inform the European Parliament... He or she shall ensure that the views of the European Parliament are duly taken into consideration. Special representatives may be involved in briefing the European Parliament.

The European Parliament may ask questions of the Council and of the Union Minister for Foreign Affairs or make recommendations to them. Twice a year it shall hold a debate on progress in implementing the common foreign and security policy, including the common security and defence policy.

Part of paragraph 1 from the 2003 *Draft Treaty* has been dropped: "The European Parliament shall be kept regularly informed by the Union Minister for Foreign Affairs of the development of the common foreign and security policy, including the common security and defence policy." Although it could be argued that the deleted reference represented nothing more than a tautology, it could also be argued that by removing it, the EP powers over what the Minister will do have also been contained. The remaining references to the EP role continue to be the same as they were in the existing and previous Treaty, i.e., information mechanisms such as debates, oral and written questions, and reports. It is important to note that even such an advisory role is not envisaged with regard to the new European Armaments, Research, and Military Capabilities Agency (Article III-311).

The new Treaty also includes both a "security clause" (Article I-51 on territorial integrity) and a 'solidarity clause' (Article I-43 on terrorist acts and natural or man-made disasters). In our view, it is equally important that closer integration be accompanied by more accountability. That is to say that if there is 'more Europe' in security matters, there should also be more accountability in those specific matters. Similarly, the extension of "enhanced cooperation" (or "structured cooperation" in the defense field) also implies that there should be more cooperation between national parliaments and the EP because not all twenty-five member states will be involved in this kind of cooperation all of the time. This is however not the case. Indeed, in the Protocol on the role of national parliaments in the EU there is not a single reference to foreign policy or defense matters, except for inter-parliamentary cooperation on "matters of common foreign and security policy and of common security and defence policy," as already mentioned above. The door for democratic accountability is open but an important opportunity to institutionalize such cooperation has been lost. As Natividad Fernández Sola has correctly noted elsewhere, "defence policy continues to remain immune to parliamentary control."²²

With regard to trade policy and international development aid, most articles do not even mention the Parliament (Articles III-314-326). There are only mentions of the Commission reporting to the EP over Common Commercial Policy negotiations (Article 315-3) and of "informing" the EP about economic sanctions and other financial restrictions (Article 322-1). Only Article III-325 lists the areas where the EP's consent is required, namely, association agreements, international cooperation treaties, and other agreements that have budgetary implications for the Union or involve EU legislation.

Finally, in some of the Constitutional Treaty articles that cover the

“democratic life of the Union” (Articles I-45-47), there is a reference not only to “representative democracy” but also to “participatory democracy.” Parliamentary cooperation is the most obvious form of accountability in indirect democracies.

However, due to technological advances, it is now possible to include a form of direct democracy. Ironically, the Treaty calls it “participatory democracy,” as if indirect democracy were not of the same type. For instance, a defense strategy should therefore be developed after a “full public and parliamentary debate that would establish fundamental principles and clarify citizens’ expectations.”²³ Thus, in the future, the so-called “Solana Strategy” (the European Security Strategy) should form a basis for further open and complete dialogue, and not be the exclusive propriety of governments. In short, public opinion may begin to play a role in EU foreign and defense issues. There is, again, only a half-open door in the Treaty, but no real thought has been given to how European citizens could intervene in the framing of the CFSP, let alone defense matters. Such involvement is also difficult to implement because of the lack of public opinion input in foreign policy at the national level. However, the real challenge remains the absence of a European wide *demos*.²⁴ Thus, the non-institutionalization of a link between national parliaments and the EP remains an important missed opportunity, not only as a democratic control mechanism but also as a way to facilitate public opinion’s involvement in the decision-making process. Institutionalization is also important because (as Jean Monnet’s oft-quoted saying goes) nothing can be done without people but nothing can last without institutions.

CONCLUSIONS: A MISSED OPPORTUNITY

Why is such an issue still not attracting the attention it deserves? It is clear that after nearly thirty-five years in the CFSP (previously European Political Cooperation/EPC), the EU still does not possess a real voice in the world. But where we disagree with the dominant view in the EU foreign policy literature is that a communitarization of the second pillar is not only unlikely but that it is unwelcome.²⁵ It is necessary instead to democratize the CFSP and ESDP because a more democratic second pillar means a more democratic EU *tout court*, and more integration without more democracy is neither a realistic nor a desirable option. In other words, even if democratization is not a panacea to the question of how to best achieve a common European stance on foreign and defense policy,²⁶ it still represents a necessity for its own sake, because there is a link between democratic accountability and efficiency in democratic structures. Similarly, the militarization of the EU will not be successfully completed without democratic input and related forms of democratic control. The defense dimension requires the support of the various public opinions in the EU.²⁵ Without democratization, further integration in this very sensitive public policy area will be seriously compromised. As two Convention members have argued, first:

The reinforcement of the European Union’s international role has to be accompanied by an improvement of its parliamentary

responsibility. Without such responsibility, European actions would permanently lack democratic legitimisation and authority towards the Member States and the citizen. This might provoke more complicated and longer procedures for external relations actions. But the American example proves that the ability to act does in no way suffer from a strong involvement of the Parliament.²⁷

Second, in his Contribution, Paweł Hamański (Polish representative to the Convention), considered as a major drawback the fact that in the process of establishing the ESDP the pragmatic functional approach continues to prevail with progress being made by technical agreements without greater public involvement. This was probably convenient during the initial stages, however, from a long-term perspective even this part of the European integration cannot successfully continue without larger public involvement. The gradual pressure exerted to maintain, and eventually even slightly increase defence expenses, which is not simple in any country, will certainly be politically sensitive.²⁸

From the above, it is therefore possible to conclude that very little attention has been paid to the question of democratic accountability in the CFSP and the ESDP. It is clear that another missed opportunity is being added to the many more that have occurred in the past. Each time there has been a treaty revision (or a new treaty), and therefore an opportunity to remedy an unsatisfactory state of affairs, there has been no real interest in the question of democracy and EU foreign policy. Ever since the “militarization” of the EU (post-Amsterdam) there does not appear to be any interest either in how to control European defense democratically.²⁹ But, it is important to emphasize that agreeing on a “Constitution” for Europe is a defining moment in itself, often compared to the 1787 Philadelphia Convention. Thus, it is a golden opportunity that has been missed, not just another one.

In that respect, a public information campaign appears to be of particular importance for foreign, security, and defense policies. As several EU states will hold referenda to ratify the Constitution, it is high time for such an initiative to materialize. Democracy without fair, accurate, and updated information is not a realistic proposal.

This article has shown that the existing democratic deficits in foreign, security, and defense policies have been reinforced by the creation of an ESDP within the CFSP, without the addition of any significant new accountability mechanisms. It has also surveyed a plethora of existing proposals for a more democratically accountable CFSP/ESDP. Suggestions and recommendations to that effect are available. What needs to be done is to adapt and implement (some of) them because, at the end of the day, the democratic dimension of integration cannot seriously be enhanced without parliamentary accountability. Without it, there can be no real progress towards a more united, more efficient, and more internationally active EU. It is hoped that this article has highlighted the urgent need for a public debate about some vital issues for the future of an enlarged (and

enlarging) EU. Decisions to go to war or to send troops into a hostile environment surely deserve more attention than they have received to date. The question of democratic accountability in EU foreign, security, and defense policy has yet to emerge as a serious preoccupation for EU decision-makers, despite the rhetoric to the contrary in the Constitutional Treaty.

NOTES

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The new Treaty uses the term CSDP (Common Security and Defence Policy), although the ESDP continues to be in use until its ratification. See for instance the continued use of the ESDP in the 16-17 December 2004 Brussels European Council Conclusions, <www.europa.eu.int>.

E.g., a single EU international personality, a new EU Council President, and a new EU Foreign Minister, let alone advances in defense matters such as "structured cooperation."

Kirsty Hughes, "One cheer for democracy," *International Herald Tribune* 20 June 2003. To be fair to Hughes, the title of her article does not seem to be a fair representation of most of her article and her concluding comments in particular ("a disappointing outcome for those looking for a real breakthrough").

Esther Barbé and Esther Zapater, "External Action and the Role of the European Parliament: Still Pending," in *CFSP Forum* 1, no.1 (2003): pp. 3-4.

Working Group IV on the role of the national parliaments is also relevant here.

For more details, including a detailed bibliography and reference list, see Stelios Stavridis and Anna Vallianatou, *Parliamentary accountability in EU foreign and defence policy: a preliminary assessment of the impact of the Convention on the 'Future of Europe' debate*, European Foreign Policy Unit, LSE International Relations Department, EFP Unit Working Paper No. 2003/02, June 2003 <<http://www.lse.ac.uk/Depts/intrel/EuroFPUnit.html#workingpapers>>.

⁸ "Parliaments play a central role in any representative democracy," p. 197. Hans Born, "Democratic Accountability of the Military in the United States, France, Sweden and Switzerland", in Karl von Wogau ed.), *The Path to European Defence* (Maklu: Antwerpen/Apeldoorn, 2004) pp. 195-213

⁹ Stelios Stavridis, "The democratic control of the EU's foreign and security policy after Amsterdam and Nice," *Current Politics and Economics of Europe* 10, no.3 (2001): pp. 289-311.

¹⁰ Dimitris Chrysoschoou, Stelios Stavridis, and Michael Tsinisizelis, "European Democracy, Parliamentary Decline, and the Democratic Deficit in the European Union," *Journal of Legislative Studies* 4, no.3 (1998): pp. 108-128. ¹¹ Margaret Blunden, Anthony Forster, and Ben Tonra, in Ian Manners and Richard Whitman, eds., *The Foreign Policies of European Union Member States* (Manchester: MUP, 2000), pp. 32, 52, and 232 respectively.

¹¹ Margaret Blunden, Anthony Forster, and Ben Tonra, in Ian Manners and Richard Whitman, eds., *The Foreign Policies of European Union Member States* (Manchester: MUP, 2000), pp. 32, 52, and 232 respectively.

¹² Tonra, in *Ibid.*, pp. 231-237.

¹³ For instance, Portugal was one of the founding members of the Alliance under the Salazar/Caetano dictatorships, Turkey became a member in 1955 despite its numerous coups and other indirect military interventions (the latest in 1997), and Greece remained a member during the 1967-74 colonels' rule.

¹⁴ Trevor Salmon and Alistair Shepherd, *Toward a European Army – A Military Power in the Making?* (Boulder and London: Lynne Rienner, 2003); Nicole Gnesotto, ed., *EU Security and Defence Policy – The first five years (1999-2004)* Institute for Security Studies, Paris, 2004.

¹⁵ Elmar Brok Report, Report on the progress achieved in the implementation of the common foreign and security policy, Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, A5-0296/2002, 11 September 2002, PE 309.702, p. 6.

¹⁶ Olivier Rozenberg, "Les Parlements nationaux et l'Union européenne: une inadéquation structurelle?" *Synthese* No.99, (2003) <www.robert-schuman.org>, p. 4.

¹⁷ Christian Lequesne, *An Assessment of the European Convention: the political dynamics of Constitutional reform*, Section III, The Clingendael Institute, The Hague, 5 June 2003; See also Stelios Stavridis, "The Forgotten Question of the European Parliament's Current Lack of Legitimacy," *The Oxford International Review* 3, no.2 (1992): pp. 27-29.

¹⁸ Piotr Nowina-Konopka, "Democratic Deficit: a European Scapegoat for Domestic Trouble," *European Foreign Affairs Review* 8, no.1: pp. 1-4.

¹⁹ Peter Hain, UK Government Convention Representative, Interview, *Newsnight*, BBC2 TV, London, 28 October 2002.

²⁰ Steven Everts and Daniel Keohane, "The European Convention and EU Foreign Policy: Learning from Failure," *Survival* 45, no.3 (2003): p. 174.

²¹ One could finally add a better cooperation on CFSP/ESDP matters between the parliamentary branch and the judicial one, including the Court of Auditors, but we do not expand on that aspect of the question, as we prefer to concentrate on its political rather than its judicial dimension.

²² Natividad Fernández Sola, *La política europea de seguridad y defensa en el debate sobre el futuro de la union europea*, in B.E.U.R., no.11 (2003), <www.unizar.es/union_europea>.

²³ Karl Von Wogau, Contribution to Conference on Building an Integrated and Accountable European Security and Defence Policy, ISIS Europe Conference, Brussels, 11 June 2003.

²⁴ Richard Sinnott, *European Public Opinion and Security Policy*, WEU/ISS Chaillot Paper No. 28 (1997); Stavridis (2001).

²⁵ We do not enter here in the debate between the community method and intergovernmental cooperation. Suffice it to say that the EU is the result of a combination of not only these two dimensions but also of a number of other elements, such as confederal norms, etc. See Dimitris Chrysoschoou and Michael Tsinisizelis and Stelios Stavridis and Kostas Ifantis, *Theory and Reform in the European Union* (Manchester: MUP, 2nd edition, 2003).

²⁶ Of course, there are important national differences on the wider debate about what international role the EU should play. Ulrike Guerot, Kirsty Hughes, Maxime Lefebvre, and Tjark Egenhoff, France, Germany and the UK in the Convention. Common interests or pulling in different direction, EPIN working paper No 7, July 2003; Stelios Stavridis and Natividad Fernández, *The EU as an international actor* (Forthcoming).

²⁷ Joachim Wuermeling, Contribution to Convention, International Agreements of the EU - Proposals to reinforce parliamentary control, CONV 362/02, 23 October 2002.

²⁸ Pavol Ham•ik, The European security and defence policy as part of the EU's CFSP, CONV 194/02, 17 July 2002.

²⁹ For academic exceptions (both funded by the European Commission), see the recent ESDP Democracy Project (Bridging the accountability gap in European security and defence policy): <www.esdpdemocracy.net> and the ongoing FORNET Project (A network of research and teaching on European foreign policy): <www.fornet.info>.

EU Challenges to Domestic Politics: A Regional Nationalist Response

Carolyn Marie Dudek¹

The following examines the extent to which European Union (EU) institutions and policies have affected resource distribution between center and periphery within Member States. As resource distribution changes, so does the politicization of regional nationalist parties. The way that nationalist parties include the EU in their party program, however, is dependent upon the perceived type of influence the EU has upon their region and the political goals of the party itself. Two Mediterranean regions in Spain, Galicia and Catalonia, as well as one non-Mediterranean region, Scotland, are examined to see empirically how the EU affects political territorial dynamics. The following discussion suggests the need to examine EU policies which later become political inputs within Member States. Moreover, the discussion indicates that it may be fruitful to utilize old models of the nation-state to understand how domestic politics have been transformed through European integration.

INTRODUCTION

In 1996 ten thousand irate Gallego farmers protested the Galician regional government in reaction to European Union (EU) milk quota policy. In response, the Galician national party, the Bloque Nacionalista Galega (BNG), vocalized its opposition to these European imposed policies. On the other hand, the Scottish National Party's (SNP) member of the Scottish Parliament, Alex Salmond, proposes the vision of Scotland as a "modern state independent in the European Union."² Jordi Pujol, the leader of the Catalan nationalist party, Convergència i Unió (CiU), became one of the founding fathers of the Committee of the Regions and also entered Catalonia into a much-talked-about cross-national regional association, the Four Motors.³

In the past few decades we have witnessed two seemingly opposing movements throughout Europe: 1) deeper and wider European integration and 2) a re-emergence of regional nationalist sentiment along with the devolution of policy

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responsibility to sub-national levels (e.g. Spain, Italy, Belgium, and Great Britain). In what way, if any, has European integration shaped the political dynamics within regions, among regions, and between regions and their corresponding national governments? Has the EU influenced the politicization of regional nationalist political parties? More specifically, how has the EU, as an additional institution and source of economic and political resources, affected the political strategies of regional nationalist parties?

More traditional writings regarding territorial politics were conceived within the context of the nation-state where its boundaries were strictly defined. The focus of such studies attempted to explain the creation of the nation-state as based upon the distribution of resources between central and peripheral territories. Center-periphery theory attempted to explain the relationship within and between territories within the same state. In particular, such theory was used to explain why there are variations in territorial power structures. Center-periphery theory provided a useful tool for examining sub-national developments and the possible roots of regional nationalism.

With greater European integration, however, it seems that a new dynamic has been added to the resource exchange between center and periphery which affects the politics within regions and the politicization of regional identities. No longer can we examine European countries as closed systems. Furthermore, EU integration has made member state borders much more permeable as EU policies directly affect domestic politics. Thus, the EU has introduced a new component within domestic politics and has possibly altered the distribution of resources within member states.

In the context of the EU, one of the most commonly applied models to understand the relation between regional, national, and supranational governance is the multi-level governance model. The model suggests that "authority and policymaking influence are shared across multiple levels of government—sub-national, national, and supranational."⁴ National sovereignty has thus been eroded due to the actions of EU institutions and the collective nature of bargaining at the EU level. The multi-level governance model is built upon functionalist assumptions, focusing predominantly on processes and bargaining among these interconnected arenas. Such assumptions, however, tend to exclude politics itself as well as the relationships among formal institutions and between institutions and citizens. Hooghe and Marks⁵ assert that one of the repercussions of multi-level governance is that "states have lost control over individuals in their respective territories" and that as a result "state sovereignty has become an object of popular contention – the outcome of which is uncertain."⁶

Theodore Lowi⁷ implicitly suggests another way to address how the interaction of various levels of governments have affected accountability and democratic quality of politics in Europe. He states that "policies determine politics."⁸ This assertion suggests that we need to abandon the strictly process-oriented approach to political phenomena and to examine political outcomes that

later become political inputs. One of the central duties of government is coercion, and one form of coercion is policymaking and implementation.⁹ Policy making at the EU level is a way for the supranational government to control and regulate various policy sectors. As the EU increases its policymaking role, new interests are emerging within countries in response to EU policies. According to Lowi,¹⁰ we can better understand political patterns if we understand the policies motivating them. Thus, rather than focusing on bargaining and processes among levels of government, which the multi-level governance model emphasizes, it may be more advantageous to study how EU policies and institutions affect territorial politics.

Neo-functional theories suggested that further European integration would affect interests and identities in a way that would cause a shift in allegiance to the European polity.¹¹ Marcussen, *et al.*, however, demonstrate that this has not been the case with some national identities.¹² On the other hand, intergovernmentalists asserted that, since the nation-state controls the process of integration, so too will the nation-state steer "interest formation and aggregation to take place at the national level."¹³ Thus, European integration would have no effect on national (or perhaps regional) identities. In an integrated Europe, however, we have witnessed a change in territorial politics as well as the cultural and political dynamics associated with territory.¹⁴

Europeanization, seen as both a process and an effect, is an ongoing and ever-changing phenomenon.¹⁵ Green Cowles, *et. al.* define Europeanization in part as "an evolution of new layers of politics that interact with older ones". One of the interesting changes in the European polity that has occurred is the growing gap between where policies are made and the politics of those policies. Specifically, of concern is how EU policies directly impact domestic politics and evoke domestic reaction, yet the policies themselves are created elsewhere. Many EU policies, such as regional development policy and Common Agricultural Policy (CAP), provide direct aid to regions within member states and sometimes bypass the central government. Regional governments have even become active in the European political arena either through lobbying efforts or via the Committee of the Regions.

It appears that the EU has transformed territorially oriented political, economic, and social boundaries. Removal of tariffs, the free movements of goods, labor and capital, and regulation and deregulation at the European level have presented challenges to the traditional construction and configuration of nation-states. As borders are broken down, the center or national government plays a lesser role protecting its territory from external political, economic, and cultural shocks.¹⁶ European integration does not necessarily mean a disintegration of the center but rather that the role of national governments as the dominant source of resources and protection from external influences is significantly changed. As the role of the center changes, likewise, the relationship between center and periphery changes accordingly.

Europe can provide "new spaces to political competition."¹⁷ The importance of Europe within domestic politics has caused political parties to incorporate EU issues into their own political agendas and to adapt to the pressures and benefits

of the EU. Moreover, regional governments have established direct interaction within the political arena in Brussels and have sought relations with cross-border regional associations. One of the more profound and noticeable changes among regional governments, due mostly to European integration, is that they are no longer purely domestic actors. As the EU transforms the role of national and regional actors, how does this in turn affect traditional center-periphery relations?

Many scholars and regional political actors refer to Brussels as an additional political arena whereby these actors can bypass their central governments.¹⁸ Bypassing the central government can have two possible effects. First of all, it can alleviate added pressures upon national governments, thus acting as a stabilizing force. Secondly, it may alter the relations among territories within a member state and perhaps challenge the dominance of the central government. Another issue that may alter politics within regions and among regions of the same state is the extent to which the drama of EU policies is played out within member states. As alluded to earlier, the reactions toward EU policies often occur within the domestic arena. For instance, citizen protest against EU policies takes place mostly at the national or regional levels.¹⁹ As the politics of EU policies take place on home soil, how does this affect the internal political relations among territories? In what way does this influence center-periphery relations?

DEMOCRACY IN EUROPE—THE “GAP”

Within an integrated Europe, we find a physical “gap” between where EU policies are made and where representation concerning those policies takes place. Several scholars suggest that the response to EU policies does not necessarily entail political mobilization in Brussels.²⁰ In essence, citizen representation concerning EU policies often takes place at various levels of government within member states. For example, Dieter Rucht²¹ points out that “EU politics, institutions and policies that become – relative to national ones – increasingly an addressee and/or target of political and social groups, regardless of whether this action is carried out by sub-national, national or transnational actors.”

Individuals or groups hold more proximate governments accountable for policies formulated in far-off Brussels. This is of particular concern to local and regional governments since they do not have decision-making competencies at the European level. In addition, these pressures can become problematic since they can potentially jeopardize the legitimacy of lower levels of governments. The question of who should be held accountable becomes difficult as perceptions and convenient domestic mobilization structures dictate the system.

If we examine EU policies, it becomes evident that a democratic deficit and lack of system-building capacity arise from the disjuncture between where policies are made and who is held responsible. The gap between where policy is made and where the politics of those policies takes place is problematic. As a result, citizens seek a way to cope with the effects of the EU and their discontent with their national government. In this way, a new political space has been created that

allows parties that are either regional or ideologically unique from national level parties to gain more support. EU policies and the subsequent reaction to those policies possibly have created a political opportunity for less traditional parties to gain voter support and public attention.

Domestically oriented citizen reaction to EU policies is of concern because it potentially place extra pressures on regional and national governments. As EU policies provide stimulus for citizen protest and demands, these policies can also affect state legitimacy and emphasize the importance of territoriality in politics. As EU policies affect specific territories in different ways, so too does this differentially affect the resources of peripheries and subsequently the conditions of center-periphery relations. EU policies can also create new political possibilities for territorially-oriented political parties.

As alluded to earlier, new political opportunities for regional nationalist parties have emerged due to the EU's affect upon legitimacy. The idea of legitimacy and what creates legitimacy has changed over time and has perhaps changed in the face of European integration and the reallocation of policy competencies to the supra-national level. On what is legitimacy based? We can categorize legitimacy in two ways: procedural legitimacy and performance legitimacy.²² Procedural legitimacy refers to the process of implementing and creating policies; whereas, performance legitimacy refers to citizen acceptance and expectations of the goods a government provides.

When the nation-state expanded its policy domain into welfare programs, the state's legitimacy became increasingly more dependent on what services it provided. Therefore, the state's legitimacy became more dependent on performance than on procedure. With European integration, increasingly more areas of policy-making, which were once the responsibilities of the state, are being allocated to the European level. Thus, the state needs to turn to other ways of maintaining legitimacy since it is no longer responsible for all the government goods provided.

In addition, state performance legitimacy is further affected in the context of territorial politics. Within a global economy the ability of states to manage their own territories is becoming increasingly more difficult. Theories of global economics suggest that territory and especially regions are an important element to facilitate adaptation to a global economy.²³ EU policies, however, can constrain the policy-making capacity of regions, thereby decreasing the policy options available to bring about regional economic development. Thus, the EU can act not only as a resource for peripheries, but also as a constraint. Such constraints, however, can act as a political resource for regional nationalist parties as they strategize to create a political space among national level parties that overall support the EU.

Due to the changes associated with the global economy and European integration, minority nationalist parties take on a new significance "since they are able to give meaning to place and re-constitute social and political relations within places."²⁴ As mentioned earlier, European integration and its subsequent policies

have created a political opportunity structure for regional nationalist parties. All political parties have found it necessary to include EU issues within their own political platform. Regional nationalist parties have been able to incorporate EU policies into their agenda in a way that distinguishes themselves from national parties or to open the possibility for more regional autonomy within an integrated Europe. In actuality, it even has become strategically necessary for regional nationalist parties to position themselves in relation to European policies to push forward their nationalist agenda in the interest of their region either in relation to the central government or in relation to Europe or to both.

It seems that the way regional nationalist parties actually incorporate EU issues into their political agendas, however, depends upon: 1) the type of parties they are (e.g. conservative, modernizing, technocratic, cultural, separatist); 2) what their political goals are (e.g., electoral ambition at the national or regional level, separatism, maintaining their position as the regional governing party, or pursuing greater electoral support as an opposition party); and 3) how the EU has affected their regional conditions.

To understand better the specific experience of different regional nationalist parties let us examine the main nationalist parties within Catalonia, Galicia, and Scotland. These three regions are useful to examine since their regional nationalism is based on specific territories and a unique regional culture. In addition, these cases present interesting examples of how regional nationalist parties incorporate EU issues into their political agenda in relation to how the EU and its policies are perceived. For example, the mainstream Catalan nationalist party, the CiU, has a pro-European position, the Gallego nationalist party, the BNG, has an anti-European position, and the Scottish national party, the SNP, once had an anti-European position which has been modified to be quite positive with respect to the EU. Why have these parties chosen a particular stance in relation to Europe, and what has the incorporation of EU issues into their political agendas done to their electoral success?

CATALONIA AND THE CONVERGÈNCIA I UNIÓ

The CiU was the governing regional nationalist party in Catalonia from 1980 until 2003. Catalonia is an economically strong region in Spain and has prospered from its industries and its export-oriented trade. Throughout history, Catalonia, and particularly its capital, Barcelona, has been another “center” within Spain and has often competed with Madrid for predominance in Spain. The region’s strong business class became a driving force within the nationalist movement, and Catalan became the language of the business class. Thus, the nationalist political party was formed around a political platform to protect the Catalan business elite and is a center-right movement.

The CiU, a moderate nationalist party, was able to dominate Catalonia from the first AC elections in 1980 until 2003. Not only has the CiU sought power at the AC level but also at the national level. Under the final years of Felipe

González's government, through the first term of Jose Maria Aznar's government (till March 2000), the CiU maintained a strong role in national politics as a key member of an informal coalition government.

The CiU and its dynamic leader from 1974 until 2003, Jordi Pujol i Solel (who is also a former president of Catalonia), placed the CiU well within the context of an integrated Europe, as a Spanish party and as a member of the EU. The CiU has a strong outward-looking platform that sees the identity of the Catalans as European. Pujol strongly emphasized European and international spheres, thus "reviving the Catalan tradition of playing in multiple political arenas."²⁵ The CiU has promoted dynamic relations not only within the institutional framework of the EU, but also with other strong European regions. Since 1989, the Catalans have been members of the trans-Pyrenean Euro-region composed of Catalonia, Languedoc-Roussillon, and the Midi-Pyrénées. More importantly, the Catalans are members of an association called the Four Motors, composed of Catalonia, Lombardy, Rhône-Alps, and Baden-Württemberg. It is important to understand that this association is comprised of regions that have relatively strong regional autonomy. Since these regions have competencies, their institutional experience promotes the creation of an organization seeking to obtain regional aspirations.

From the point of view of the CiU and generally for the region of Catalonia, Spain's membership in the EU has been beneficial to the region's economy. The opening of economic borders and the removal of barriers to trade have proven to be a very positive aspect of the EU for the industries of Catalonia. In particular, Catalonia since the late 1960's (during the *apertura*) has had strong industries and an export-oriented economy that makes membership in the EU with its open European market beneficial.

Catalonia is a very unique region of Spain since it is quite modernized, and its capital, Barcelona, has oriented itself toward a very modern European image. For example, the 1992 Olympic Games gave Barcelona an opportunity to demonstrate a Catalan/European contemporary image. Barcelona has become a very cosmopolitan European center of high fashion, multi-national corporations, and banking. Thus, the image of Europe and the image that the CiU wants to project are synonymous. In addition, the European institutional arena and European policies have been favorable for Catalonia since they promote their export-oriented economy. Moreover, Pujol was a well-known figure in Brussels; therefore, the Catalan government, guided under the direction of the CiU, learned to utilize the European arena to its benefit.

Thus, if we think of how European institutions and their subsequent policies have affected the political agenda of the CiU and the resources available to the region, it is clear that what is good for Europe is synonymous with what is good for Catalonia. Europe, generally conceived, does not threaten the Catalan identity. Just the opposite, Europe enhances and forms, in part, the notion of Catalonia. In addition, since European policies are generally favorable for the Catalans, there is little citizen pressure on the regional government to rectify negative European policies. Therefore, the CiU's niche within the political arena is

based on its ability to successfully work with Europe, which for the voting population is favorable. It is essential not to understate the CiU's importance both within the Catalan electorate and as an alternative option from the Castillian national parties. The domestic conditions within Spain and Catalonia have certainly given the CiU a favorable position to win elections; however, it seems that European issues and how the CiU has dealt with them certainly re-enforced the CiU's popularity.

In this way, European integration has provided new resources for Catalonia and the CiU. EU policies regarding economic concerns such as trade have been very beneficial for Catalonia, and it appears that they have allowed Catalonia to become less dependent on the resources of the central government. Regarding cultural resources, Europe has provided an additional outlet to promote the Catalan identity and to further distinguish it in a positive way from Castille.

BLOQUE NACIONALISTA GALEGA

Galicia has had a very different experience within an integrated Europe. Galicia is an underdeveloped region, which falls within the Objective One²⁶ category of European structural funds. Geographic conditions of Galicia, such as its mountains and peripheral location within Spain, have contributed to Galicia's disadvantaged economic position. Within an integrated Europe, Galicia's peripheral position is even further reinforced. Not only is Galicia geographically within the periphery of Europe, but it has also been placed in an even more precarious position due to the enforcement of EU agricultural and fishing policies.

Galicia is predominantly an agricultural region whose important sectors are fishing and dairy production. As part of Spain's accession, both milk and fishing quotas were implemented. These EU quotas have adversely affected the economy of Galicia.²⁷ Although Galicia is a recipient of regional development funds, which have been used to improve infrastructure and to improve the standard of living of agricultural workers, this funding has not changed the economic standing of Galicia.²⁸ Thus, the effect of EU policies upon Galicia has had a mixed effect, but is mostly negative.

Since the first AC elections, the Partido Popular (PP)²⁹ has dominated the politics of the region. Galicia, having its own language and culture, also has a regional nationalist party called the Bloque Nacionalista Galega (BNG). The BNG, although composed of a coalition stretching the gambit of the political spectrum, tends to be perceived as a left-leaning party. The platform of the BNG is based heavily on Galician cultural preservation and upon an anti-clientelism platform. In particular, the major rhetoric of the BNG concerns its disapproval of the PP's usage of clientelism to preserve its predominant position. The region of Galicia has a long tradition of clientelism, and the PP is not the only perpetrator of such political practice.³⁰

The platform of the BNG not only includes anti-clientelism but also anti-

EU sentiment. BNG members see the Spanish state as the major actor in the EU and they also perceive the Spanish state as unrepresentative of the specific interests of Galicia. EU-induced fishing and milk quotas along with EU restrictions on subsidies to boat construction are the major sources of the BNG's anti-EU fervor. According to the party program of the BNG, one of its goals is to have a renewed fishing fleet and to participate in the decisions of the EU regarding fishing policy. Both of these demands are unlikely since the Spanish government, thus far, has not included the Gallegos in EU negotiations regarding fishing policy. Furthermore, EU institutions do not have formal mechanisms for regions to participate directly in decision making.³¹ In addition, EU restrictions on subsidies to boat construction have adversely affected the ship building industry, thus leaving it unable to refurbish the underdeveloped Gallego fishing fleet.

The BNG not only has a negative view of EU institutions and its policies, but it also sees problems with how the Xunta, and specifically the PP, have utilized the EU arena and EU moneys. For example, members of the BNG suggest that the Fundación Galicia-Europa, Galicia's "mini-embassy" in Brussels, is merely a way for the PP and its leader, Manuel Fraga, to employ his clients.³² In addition, the BNG claims that EU structural funds are spent in a clientelistic manner and are thus inefficient and ineffective. It has been demonstrated that the Xunta, which is PP-controlled, has utilized questionable means of distributing funds.³³

Thus, the BNG views EU structural policy as a means of reinforcing the PP's predominant position in the region by providing fuel for the PP's patronage networks. Moreover, the BNG does not see the EU as a way to circumvent the central government, but rather as a way to reinforce the central government's predominance. In particular, since the EU's decision-making structure is strongly premised upon the representation of national governments, it sees Madrid as the main actor within the European political arena. The BNG believes that the interests of Galicia are put aside within the Spanish EU agenda, which is similar to how the Spanish government is perceived to act domestically (i.e., not advocating Galician interests).

Both the PP and the Socialist party, the PSOE (*Partido Socialista Obrero Español*) have very pro-European stances. Prior to the 1996 elections the PSOE was the main opposition party in Galicia. The 1996 AC elections, however, changed the PSOE's position and the BNG became the second largest party, and it has even been able to gain seats within the national parliament. It appears that the BNG's main election aspirations are at the AC level. The lack of success in the most recent 2001 elections, however, suggests that the BNG is still unable to compete with the PP's political entrenchment in the region. It seems, however, that irate farmers and fisherman have opted for the BNG's anti-European position, as demonstrated in the 1996 and 2001 elections. The BNG has perhaps been able to find a niche within the voting population since it is distinct from the other two main parties with respect to its policies regarding Europe.

THE SCOTTISH NATIONAL PARTY

The SNP is one of the few regional nationalist parties with separatist aspirations. The SNP has a center-left political orientation that has led the mobilization of Scottish nationalism since the early 1960's. In the 1960's and 1970's, the SNP had a negative view of the European Community (EC). This hostility was related to the exclusion of a Scottish voice within the British negotiations for entrance into the EU. There was a feeling that the economic interests of Scotland would not be taken into consideration. Thus, the SNP viewed the EC as "centralist and elitist with little concern for democracy and participation."³⁴

With these negative feelings, the SNP used a political strategy to piggy-back anti-European sentiment in Scotland with anti-British feelings. Peter Lynch points out that this provided some political opportunities for the party as the British government continued to waiver on the issue of joining Europe.³⁵ However, the SNP began to realize that perhaps the EC could provide the economic and security aspects of government that would eventually lead to a larger political federation. Thus, the SNP pushed to have a Scottish Council created to defend Scottish economic interests within the negotiating process. However, the British opposed the idea of a Scottish Council.

In 1975, the British government held a referendum for membership in the EC. The SNP used this opportunity to increase its own support by presenting the referendum as a choice between Scottish independence or "continued representation within European institutions as a province of Britain".³⁶ In this way, the SNP could pull support away from the major parties and at the same time show a difference between Scottish opinion and the rest of Britain.

Following the referendum, the SNP began to take a rather different position. The change in attitude was strongly linked to European regional development policy. The SNP began to realize that they could obtain funds for their citizens and that there were other mechanisms within Brussels for economic advancements. In addition, the SNP gradually began to see Europe as an economic support system that could insulate Scotland from the disruptive effects of secession.

One of the major contentions of the SNP was the adverse affect of CAP. An important policy area for Scotland is fishing. Within the context of Europe, the British government has often allowed the Scottish Office representation in the Council of the EU regarding this specific sector. Although the Scottish Office, in the eyes of the SNP, is still British rule, it does suppose that eventually, with institutional learning within the Scottish parliament, the Scots could have direct representation in such matters as the German *Länder* have. In this way it could be seen as a precursor to direct Scottish participation in EU policy-making for sectors important to the region. Thus, the SNP's push for greater representation in the EU regarding certain sectors does distinguish them from other parties.

CONCLUSION

In the case of the CiU, it seems that European institutions and policies have improved the conditions of the major interests the party represents, including the industry and export sectors. Therefore, negative mobilization regarding EU policies has not been a problem and has not threatened the legitimacy of the Catalan government. In addition, EU policies have improved the general well being of the region of Catalonia. Thus, to be European continues to be part of Catalan identity.

In this way, the politicization of the Catalan identity via the CiU has remained pro-European and outward looking. The CiU has been able to present the EU as a way to improve its own region and to push forward its goal of more autonomy from Madrid.

On the other hand, the BNG has had a very different outlook toward the EU. European policies have had a negative impact upon the regional economy of Galicia, particularly in the milk and fishing sectors. In addition, EU regional development policy in the form of development funds has strengthened the position of the PP, which, in the eyes of the BNG, hurts the Galician nation. The BNG views the PP as a national party, which uses EU resources to reinforce their clientelistic networks, which does not ameliorate underdevelopment in the region. In addition, in response to EU policies there have been many mobilized interests, such as that of Galician farmers and fishers. Such protest has opened a political opportunity structure for the BNG, since both the PP and PSOE have a pro-European platform.

How has the mobilization of these interests in reaction to EU policies affected Gallego identity? In the past, Gallego identity has been based upon ideas of "historic debt," i.e., being the poor man of Spain and similar notions that portray Galicia as a victim of the Spanish state and its location. It seems that Europeanization has reinforced this identity. At the same time, it has provided a political opportunity for the BNG to gain greater voter support since, in the past, the party was perceived to be a threat to the agricultural sector due to its leftist image. Thus, the political identity as filtered through the BNG's political platform is an identity that is truly Gallego - outside of Europe, however, desiring to be inside of Europe - but the Spanish state prohibits this. Moreover, the BNG has utilized the negative effect of EU policies on Galicia to orient their anti-EU position in contrast to the PP or PSOE.

The SNP, in the beginning, followed a position similar to that of the Gallegos. They thought European integration would threaten the interests of Scotland. However, they differ from the BNG because they mainly perceived European integration as a threat to the aspiration of Scottish separatism. Since the goal of the SNP is specifically separatist, this added a different dimension to understanding their negative view of Europe. Later, the SNP found a new political space within the EU. The negative effects of EU policies such as CAP began to lessen, and the Scots became recipients of development funds, which allowed the SNP to strengthen its own position as it began to give benefits to its constituents.

Thus, those interests that were initially hurt by European membership began to find their condition improving. The change in the Scottish constituencies' opinion of the EU thus allowed the notion of European integration to be acceptable within a Scottish identity. However, this differs from the Catalan identity, which is seen as both European and Catalan. It seems that the Scottish identity is not European, but Scots do not perceive the EU as a threat to their identity but instead as a possible opportunity structure to realizing a separate Scotland. Europeanization's effect upon the political identity of Scotland as it is vocalized by the SNP is the idea of a Scotland, unique in its own right, able to survive in its "pure form" within an integrated Europe.

Although the above is a rather cursory examination of specific cases, it does suggest that European integration has had varying degrees of success providing new political spaces for regional nationalist parties. The gap between where EU policies are formed and the politics of those policies has created opportunities for regional nationalist parties to set themselves apart from national parties or to reshape their own regional identities and political aspirations. As the democratic deficit of the EU persists and the EU continues to have varying positive and negative effects on the regions of Europe, regional nationalist parties gain new political opportunities.

NOTES

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² Salmond, 2000 <www.snp.org>.

³ The Four Motors is a cross state borders association among Catalonia, Lombardy, Rhône-Alps and Baden-Württemberg

⁴ Liesbet Hooghe and Gary Marks, *Multi-Level Governance and European Integration* (Lanham, MD: Rowman and Littlefield, 2001) p. 2; Gary Marks, Liesbet Hooghe, and Kermit Blank, "European Integration from the 1980's 'State Centric v. Multi-level Governance.'" *Journal of Common Market Studies* 34 (1996): pp. 342-77.

⁵ Hooghe and Marks, pp. 2-30.

⁶ Hooghe and Marks, pp. 2, 29.

⁷ Theodore Lowi, "Four Systems of Policy, Politics and Choice," *Public Administration Review* (July-August, 1972): pp. 298-310; Theodore Lowi, "Decision Making vs. Policy Making: Toward an Antidote for Technocracy," *Public Administration Review* (May-June, 1970): pp. 314-325; Theodore Lowi, "American Business, Public Policy, Case Studies and Political Theory," *World Politics* (1964): pp. 677-719.

⁸ Lowi (1972), p. 299.

⁹ Lowi (1964, 1970, and 1972).

¹⁰ Lowi (1972).

¹¹ Martin Marcussen, Thomas Risse, Daniela Englemann-Martin, Hans Joachim Knopf, and Klaus Roscher, "Constructing Europe? The evolution of French, British and German nation state identities," *Journal of European Public Policy* 6, no.4 (1999): pp. 614-33; Ernst B. Haas, *The Uniting of Europe: Political, Social and Economic Forces 1950-1957* (London: Steven and Sons, 1958).

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¹³ Stephano Bartolini, "Political Representation in Loosely Bounded Territories. Between Europe and the Nation-State," Paper prepared for *Conference on Multi-level party systems. Europeanization and the reshaping of national political representation*, Florence (16-18 December 1999).

¹⁴ Patrik Le Galès and Christian Lequesne, *Regions in Europe* (London: Routledge, 1998); Rokkan, Stein, *Economy, Territory, Identity. Politics of West European Peripheries* (London: Sage, 1993) pp.1-65; Michael Keating, *The new Regionalism in Western Europe. Territorial Restructuring and Political Change* (Edward Elga: Cheltenham, 1998).

¹⁵ Maria Green Cowles, James Caparaso and Thomas Risse, eds., *Transforming Europe: Europeanization and Domestic Change* (Ithaca: Cornell University Press, 2001), p. 2.

¹⁶ Michael Keating and John Loughlin, eds., *The Political Economy of Regionalism* (London: Frank Cass, 1997); Philip Cooke and Kevin Morgan, *The Associational Economy, Firms, Regions and Innovation* (New York: Oxford University Press, 1998); Michael Storper, *The Regional World. Territorial development in a global economy* (New York: Guilford Press, 1997).

¹⁷ Bartolini (1999), p. 23.

¹⁸ Carlos Closa Montero, "National Interest and Convergence of Preferences: A Changing Role for Spain in the EU?" in Carolyn Rhodes and Sonia Mazey, eds., *The State of the European Union Vol. 3: Building a European Polity* (Boulder: Lynne Rienner, 1995); "Fraga se suma al Estado federado europeo "como antídoto contra la fiebre nacionalista," *La Voz de Galicia* 30 April 1992.

¹⁹ Tarrow, 1995; Rucht 2000; Imig and Tarrow, 2001, 1999; Klandermans et. al. 1999

²⁰ Dieter Rucht, "The EU as a Target of Political Mobilisation: Is there a Europeanisation of Conflict?" in Richard Balme, Didier Chabanet, and Vincent Wright, dirs., *Collective Action in Europe* (Paris: Presses de Sciences Po, 2002) pp. 163-194; Sidney Tarrow, "The Europeanisation of Conflict: Reflections from a Social Movement Perspective," *West European Politics* 18 (1995): pp. 223-251; Doug Imig and Sidney Tarrow, "The Europeanization of Movements? A New Approach to Transnational Contention," in Donatella della Porta, Hanspeter Kriesi, and Dieter Rucht, eds., *Social Movements in a Globalizing World* (New York: St Martin's Press, 1999).

²¹ Rucht, p. 167.

²² Stefano Bartolini, "The Consequence of European Integration for National Political Representation," *Seminar Paper. European Forum, Robert Schuman Center* (11 November 1999).

²³ Michael Keating, *Nations Against the State* (London: MacMillan Press, 1996); Storper, pp. 1-104.

²⁴ Keating, p. 47.

²⁵ *Ibid.*, p. 123.

²⁶ Objective One regions are those regions that are less than 75% of the European average.

²⁷ Carolyn Dudek, *EU Accession and Spanish Regional Development: winners and losers* (Brussels: P.I.E. Peter Lang, 2005); Carolyn Dudek, "The European Union's Affect Upon Regional Economic Development and Regional Governments' Policy-Making Ability," *Regional and Federal Studies* 11, no.1 (Spring 2001), pp. 101-125.

²⁸ *Ibid.* (2001), pp. 101-125.

²⁹ Between 1987-1989 a coalition government controlled Galicia, but scandals pushed this government out of power and the PP has dominated ever since.

³⁰ Carolyn Dudek, "Spanish Regions and the European Union Structural Funds," in Jeanie Bukowski, Simona Piattoni, and Marc Smyrl, eds., *Between Global Economy and Local Society: Political Actors and Territorial Governance* (Lanham, MD: Rowman and Littlefield, 2003), pp. 111-132; Dudek (2005).

³¹ The Committee of the Regions plays merely an advisor role and there is no guarantee that the Gallego voice specifically will be represented within this body.

³² *Ibid.*

³³ *Ibid.*; Álvarez X. Corbacho, *La Agonía del Municipalismo Gallego* (Santiago de Compostela: Fundación Caixa-Galicia, 1995).

³⁴ Peter Lynch, *Minority Nationalism and European Integration* (Cardiff: University of Cardiff Press, 1996) p. 30.

³⁵ Lynch.

³⁶ Lynch, p. 33.

Understanding Policy Change in Europe Through the Prism of Convergence

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This article attempts to respond to questions of public policy change that increasingly preoccupy political science given complex multilevel pressures at international and regional levels. To reveal the ways transformations at both the supranational and interstate levels constrain policymaking, and to understand the interactions at work, we first highlight how recent changes observed in domains as diverse as foreign and security policies, defense policy and family policy can be interpreted as signs of convergence. Secondly, in a more causalist perspective, we envision several variables as possible explanations of convergence. Finally, we seek to understand convergence by observing mechanisms through which it may be produced.

INTRODUCTION

The question of change in public policy increasingly preoccupies political science because of “given” the complex multilevel pressures emerging in the contexts of globalization, the end of the Cold War, and the European construction. How do these pressures interact with national policymaking and how do they appear in the policy process? Do countries adapt to the transformations that occur in their international environments and in what ways do these transformations initiate change?

This article attempts to respond to some of these questions by observing the evolution of three different policy sectors in selected European countries: the foreign and security policies of Austria, Finland and Sweden; the defense policies

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of France and of the United Kingdom (UK); the social policies directed at the family in France, the UK and Sweden. The geographic and sectorial choices inherent in this comparative analysis are not solely derived from personal research interests. Fundamentally, the areas under consideration are all emblematic of national sovereignty. Given their significant national anchorage, these sectors appear, at first glance, to be impervious to all external pressures to change and their evolution tends to go along with specific national trajectories (path dependency). They have all been the object of very specific approaches from one country to another, approaches that are entrenched in the traditions, the history and the culture specific to each state. Consequently, we normally discern, in these particular areas, a large diversity of the systems in place in the European countries—not trends of convergence. The countries chosen for each case are normally presented in the literature as representative of the diversity of these models. Nevertheless, in analysing the changes undertaken in each of these sectors and countries in the last decade, we observe changes that indicate convergence. In other words, although traditionally marked by strong national specificities, each of these sectors displays, in the 1990s, what Kerr defines as a “tendency of societies to grow more alike, to develop similarities in structures, processes, and performances.”¹

What do these trends signify and how can they be interpreted? Why do policymakers in different national contexts make, at a given moment, similar commitments to reform their public policies? At a time when most comparative studies investigate the persisting diversity in the policy goals, instruments, styles and/or outcomes of different countries, we focus on simultaneous trends of convergence. What pressures and processes drive political change to designate convergence of public policies?

In order to reveal the ways in which policymaking today is constrained by political and economic transformations at both the supranational and interstate levels, and to understand how these transformations may interact with choices made by national decision-makers, we first intend to highlight how recent changes observed in domains as diverse as foreign and security policies, defense policy and family policy can be interpreted as signs of convergence. Secondly, in a more causalist perspective, we envision several variables as possible explanations of convergence. Finally, we seek to understand convergence by observing the mechanisms through which it may be produced.

CONVERGENCE TRENDS EMERGING THROUGH POLITICAL CHANGE

The notion of convergence usually designates the act of progressing while coming closer together. Inherent in this definition is a movement, over time, toward more similarity. This requires the inclusion of a cross-temporal dimension in comparative studies focused on change.² In order to investigate the phenomenon of convergence, one must also distinguish between policies and their outcomes. In this vein, Börzel and Risse³ distinguish between policy convergence and convergence in policy processes and instruments. The latter is revealed in the

conceptions underlying reforms, or in the content of these reforms, without mechanically supposing an identical outcome. Our empirical studies focus on this second kind of convergence, considering declared policy goals, processes and instruments, which are visible through change over time.

We observe this dynamic in analyzing the foreign and security policies in Austria, Finland and Sweden. In light of the official security texts published in the last ten years, these three countries distance themselves from the principle of neutrality,⁴ which directed their policies during the Cold War, though for different reasons and in different ways. At the beginning of the 1990s, they make the same diagnosis, modifying their security doctrines in the name of a changing security environment (notably the end of the Cold War and globalization). In this context, Austria, Finland and Sweden take recourse to the same concepts, namely solidarity and cooperation, instead of independence and the freedom of action in vogue during the Cold War. They all affirm feeling increasingly drawn into collective security and recognize that they would certainly not remain passive in the case of an attack upon another EU member. In addition, in the three countries, a debate has arisen concerning North Atlantic Treaty Organization (NATO) membership, which most of their EU partners have. Vienna, Helsinki and Stockholm, in reorganizing their defense apparatus, have sought to assure their interoperability with NATO and EU structures. The three defense systems are increasingly integrated and prepared to intervene in a crisis, whereas before they were created almost solely to cope with a direct conventional threat.

A careful analysis of defense policies in Europe since the 1990s also compels us to reconsider this sector with regard to convergence. While French and British policy have traditionally diverged,² they have come to share similar conceptions of the role of the military in modern military operations that define their strategy and battlefield management. The statute of a soldier has evolved from that of warrior to include that of peacekeeper. Above all, official and internal strategic documents in both countries encourage the integration of the armed forces according to the notions of interoperability and jointery.⁶ Similar analyses as to the dysfunctions of the chain of command, insufficient budgetary means and the deficiencies of national defense industries, led the two countries to affirm together in the declaration of the 1999 Anglo-French summit the necessity of reinforced European cooperation to cope with observed challenges.

A similar trend towards convergence is surfacing in social policies regarding families conducted by Sweden, France and the UK. In these countries, historically marked by different models and logics,⁷ similar public attention has been focused, since the end of the 1990s, upon the problems of the conciliation between professional life and family life. In the pledges made and the political intentions announced, all three governments commit themselves to the same goal: providing aid adapted to working parents while allowing for more individual choices. In order to do so, governments have invested in the development of care resources for young children. The possibility for parents to interrupt their professional activity for family commitments becomes simultaneously more

accessible and more flexible. In the three countries, the principles emphasized are founded on the endorsement of employability, in particular that of mothers rearing young children. At the same time, childcare issues in these countries are formulated to support an equal sharing of family responsibilities between men and women and to encourage men to assume a more active role in childrearing. A larger category of actors is also recognized as being involved in the policy implementation, with a prominent role allotted to the private sector.

The comparative study of the evolutions observed in these three cases during the last decade reveals a gradual dwindling of differences and a progress toward common values, norms and causal conceptions. These tendencies appear more as a process, progressively decreasing national specificities, than as an identical outcome reached by all the countries. A process of convergence is thus identifiable in each of our cases over time, despite the lack of a particular model or policy goal either revealed upfront or completely attained. By adopting the prism of convergence, we can consequently reveal changes at work in different fields and in different countries that would not necessarily be noticed otherwise. It is probable that these particular changes, taking the form of convergence, reveal a certain influence of supranational or interstate pressures on national policies. Indeed, the tendencies toward convergence that we emphasize do not seem to be rooted in continuity, but appear more as a departure that has emerged simultaneously in the different sectors and different countries under consideration. How can these similar evolutions be explained?

EXPLAINING CONVERGENCE: MULTILEVEL PRESSURES

Beyond the obvious differences that separate the policy fields considered here—differences that allow us to distance ourselves from the specificities linked to the sectors—the three cases present certain common characteristics leading to similar questions: the areas under consideration are all emblematic of national sovereignty, all have historically been the object of very specific approaches from one country to another, and, given their significant national anchorage, all appear seemingly impervious to external pressures to change.⁸ Under these conditions, in what ways can global, European, or domestic variables help to explain convergence?

GLOBAL FACTORS: PRESSURE FROM INTERNATIONAL MUTATIONS?

Several developments at the global level have enhanced the interest in convergence. Polemic as it may be, “The End of History” thesis proposed by Francis Fukuyama⁹ conveys a possible interpretation of the Cold War as a source, if not of the uniformity of societies, at least of the generalization of certain models.

For European states, the end of the East-West conflict signaled more room to maneuver in external relations. Thereafter, surrounded by countries that share outwardly the same norms (especially liberal democracy and market economy)

and integrated into or on the road to integration into the Western sphere, via NATO and EU enlargement, the neutral countries approach diplomatic action differently than during the Cold War. They no longer manage their foreign policy as a function of membership in one block or another but according to different priorities.

Moreover, throughout Europe, the end of the Cold War cast doubt on the foundations of prior security and defense policies (territorial defense, nuclear deterrence, the risk of conventional interstate war, etc.). A relatively stable setting with a clearly identifiable threat gave way to a less predictable environment. The threat that weighed upon European countries took on a new form, leading to the reform of defense policies on both national levels and within military alliances. As a result, states—neutral or not, militarily strong or not—no longer view their defense policy as aimed essentially at self defense, but, instead, base it more often on the concept of cooperation in order to facilitate participation in military coalitions in crisis management operations.

Though *a priori* less obvious, the end of the Cold War may also have influenced the direction of social policies. As with analyses explaining the development of social policies after 1945 as a way to contain the communist threat, we could understand the entirety of policies seeking to reorient individuals toward the job market as a form of compromise, allowing for the development of liberal policies, including social policies.¹⁰ The fall of the communist model, in decreasing the perceived necessity of generous social policies, thereby constitutes an occasion to rethink the relationship between work, social protection and welfare in European countries which pushes toward convergence in this sector.

The current global context is also characterized by an increasing number of exchanges in all sectors of society and increasing interdependence.

Neutrality, usually understood as an instrument of national independence and a demonstration of state sovereignty, is no longer a relevant tool to assert a state's existence on the international scene, marked by the diminution of the significance of individual states' sovereignty.

What we commonly call the "Khaki Economy," otherwise known as the defense economy, has been similarly affected by the increasingly international competition that globalization creates. European arms industries are indeed faced with numerous common difficulties: the fall in the volume of exports, downsizing, budget cuts, etc. Challenged by strong American competition, Europe has sought to consolidate its own industry by constituting three leading industrial entities (BAE Systems, European Aeronautic Defence and Space Company/EADS and Thales). In the cases of France and the UK, naval yards and ground-based armament industries are additionally being reformed and reorganized.

In the social sector, the reform of the welfare state, under the pressure of the increasing competition at the global level, seems to lead to the realization of national public actions concerning family and gender issues that are more cost-efficient, more adapted to a liberal environment and more directed at labor market participation. Decision-makers in different countries are driven to share the same

conceptions and visions of welfare policy in Europe, promoted by the communications and the orientations coming from international organizations (notably the Organization for European Cooperation and Development—OECD).

DOMESTIC FACTORS: SIMILAR CHALLENGES FRAMING SIMILAR DIAGNOSIS?

It is plausible that countries facing similar problems at the domestic level are tending to solve them in similar ways. Can domestic variables then account for change and, with it, for convergence?

In Austria, Finland and Sweden, political parties, aware of public opposition to the alignment of their country, have refused the total abandonment of neutrality, although the majority of elites are in favor of entrance into NATO. Considerations of national interest add to this, making the current situation of non-alignment the most comfortable.

In France and the UK, the political situation embodied in public opinion is increasingly open to change and, at the same time, less conservative due to political change and elections.

In terms of social policy, we can assert that all European countries share an alteration of the family structure, due to the decrease and postponement of childbearing, the aging of the population, the rise in the divorce rate and the number of single parent families, as well as the rise in the rate of women's professional activity. Moreover, the job market has endured mutations demonstrated with particular acuity during the 1990s, with a significant rise in unemployment, affecting primarily women, and the growth in flexibility of the labor market. These common demographic and employment evolutions can be considered as strong, shared incitements to support working parents by developing the sector dedicated to the conciliation of professional and family life.

EU: A COMMON FRAMEWORK AT THE EUROPEAN LEVEL?

Convergence has often been understood in the literature as going together with the Europeanization of public policy—the former being seen as a result of the latter.¹¹ In this frame, the conduct of public policies by different EU member states, subject to the same European regulations, would tend to bear a strong resemblance to one another. Nevertheless, several studies have demonstrated that there is no obvious causal link between Europeanization and convergence.¹² As claimed by C. Radaelli, “Europeanization is not convergence. [...] Convergence is not Europeanization.”¹³ Following this result, and although the states studied here are all members of the EU, we cannot automatically attribute the convergence observed to this same membership. Our study questions the manifestation of tendencies toward convergence in policy fields in which EU intervention is limited and relatively weak.

As such, the Common Foreign and Security Policy (CFSP) was set up as a pillar of intergovernmental cooperation and its means of action depend essentially on the states: the task of defining the principles and the orientations of the CFSP and of deciding common strategies falls firstly on the European Council. Since unanimity or constructive abstention are used for decision-making, nothing is forced on member states. Furthermore, the secretary general of the Council of Ministers, responsible, along with the President of the Council, for monitoring the CFSP and coordinating the external policy of the EU, is named by the European Council unanimously and acts more often than not at its request.

Similarly, defense policy entails a method of intergovernmental governance in which the rule of unanimity hinders the implementation of common policies that are nonetheless put forth in the treaties of the European Community (EC). If the Maastricht Treaty explicitly articulates the goal of a common defense policy, and in the long term a common defense, we cannot speak of an autonomous European defense policy: the European Security and Defense Policy (ESDP) does not offer any supranational dimension. While the institutions established¹⁴ represent undeniable progress in the ESDP, they remain limited in scope, having only an advisory function and being devoid of any actual power. Military planning remains entirely a national prerogative, and nothing is compulsory for the states.

In social policy, the application of the principle of subsidiarity, leaving a limited space for the development of common social policies, strongly limits European integration. EU action with respect to the family consists essentially of non-obligatory, non-coercive and vague encouragements such as recommendations, resolutions, action programs or more general orientations, the national implementation of which depends entirely on the good will of national governments.

If it seems possible to identify conditions or variables on the global, domestic or communitarian levels that account for the likenesses that we have observed in the evolution of the national policies conducted by different European states, it is, on the other hand, more difficult to assert that there are unequivocal links between these explanatory factors and the observed reality. In the empirical cases followed here, the developments that have taken shape on the global, the community, or on the domestic level do not really appear as strong adaptational pressures that would lead national policies to increasingly resemble each other. No formal, legal or concrete constraints explain in what ways common international or interstate challenges produce convergence. No specific dimension can be distinguished as an isolated source of convergence having a direct causal effect.

To understand the relationships between change and convergence, it seems necessary to shift away from the causalist reasoning to consider more specifically the process by which convergence occurs.

INTERACTIVE PROCESSES PRODUCING TRENDS OF CONVERGENCE

To explain the changes we have revealed in the evolution of foreign and

security policies, defense policies and social policies with regard to families in different countries, it seems necessary to investigate further how convergence really works: what are the mechanisms, or the concrete processes, that explain how norms, perceptions and logics of action can be diffused between different political systems?

Relying on perspectives introduced by different works on policy transfer, defined by D. Dolowitz and D. Marsh as “the process by which knowledge of policies, administrative arrangements, institutions and ideas in one political system (past or present) is used in the development of policies, administrative arrangements, institutions and ideas in another political system,”¹⁵ we can identify several plausible mechanisms of convergence.

Emulation, also known as imitation, mimesis, policy borrowing or even band-wagoning, is one such channel often mentioned in the literature on policy transfer.¹⁶ According to K. Holzinger and C. Knill, emulation occurs when a state, concerned with resolving a difficulty at hand and/or desirous of avoiding lagging behind, copies choices made by the majority of states.¹⁷ A similar process is that of learning, pushing a state concerned with change, not to directly imitate the solutions of other states, but to learn from the lessons of other states faced with similar challenges: it extracts, from the observation of what is done elsewhere, what should be done and what should be avoided.

Similar processes seems to be at work in all the cases under consideration in our study. For the neutral countries, the context of uncertainty following the end of the Cold War and globalization works as an incitement to abandon their status in order to cooperate more easily with other states. As a result, they move towards the solutions adopted in foreign and security policy by non-neutral countries, particularly EU countries, without copying them *en toto*, hence their hybrid status of being non-aligned. In the defense field, the constant uncertainty concerning the role of the EU, the scope of its missions and future operations, as well as current operations in Southeastern Europe drive European countries to monitor what the others are doing in order to define their own policies. The British model is often cited in studies as an example in this sector. In social policy, national political decision-makers, faced with profound socio-economic mutations, also seemingly choose to rely on the example set by countries that have attempted in the past, to respond to the same challenges in order to define their own policy. We notice in this regard that a number of French and British public studies on the reform of their family policy refer to examples or lessons from the Swedish case. Another plausible channel opening the way for transfer of public policy, and thus convergence, is *transnational cooperation*. Building on regular interaction and exchange between elites and national experts that seek to find policy solutions through transnational networking, the process implies that shared perceptions of a policy problem, and the solutions applicable, are developed on a interstate level and then diffused to policymakers in single countries. Acting within the national decision-making structures, on the perception and interpretation of domestic and global events to which public policy must respond, this transfer process finds its

expression in shared knowledge and can thus explain the consideration of an issue by different policymakers in similar terms and through similar conceptions.

In our analysis, this mechanism is particularly evident in the framework of the EU and, more generally, of Europe. In defense, foreign and security policies, informal networking is a reality on the EU level, where we observe elite cooperation in the framework of the CFSP and the ESDP. The meetings that surround intergovernmental summits and the preparation of common declarations are all occasions for national elites involved in defense, security and foreign affairs to be informed, exchange ideas, and possibly adjust themselves to certain shared cognitive concepts. In defense policy, beyond the cooperation already in place within NATO, this form of transfer is seemingly more structured in the EU by the recent creation of permanent advisory bodies that bring together elites of the different member states. As for social and family issues, a large number of networks have also been formed on the community level,¹⁸ bringing together experts of different European countries around common research projects. Working on the collection of information, the presentation of expert opinions, as well as the production of comparative studies and reports, they have developed a causal reasoning and distinct logic of action concerning working parents. This informative work has probably constituted a common expertise resource for decision making in different countries.

Common cognitive frameworks and logic of action can also be diffused by an active promotion of specific policy models or solutions. In this case, particular policy orientations are being put forward, without coercion, either by an individual state, explicitly persuading other states to imitate it, or by international institutions wishing to encourage their members to attain common norms and goals.

NATO, the OECD, and the EU indeed appear as bearers of values, goals, and common standards in reference to defense and security policies as well as to social policy. Although no specific structures to diffuse models of action and norms of reference regarding foreign and security policy can, as of yet, be identified within the EU, the member states, however, agreed upon common goals through the ratification of the constituent treaties of the EU. This has contributed to structuring national debates. In defense, the prospect of leading common operations in the context of the EU, with other member states, composes a form of indirect promotion by the EU to mutually adjust policies in different member states. The likelihood of a common defense compels neutral countries to distance themselves from neutrality in order to participate actively in the CFSP and to open themselves to the prospect of cooperation. Regarding social policy, instruments such as the open method of coordination (OMC), benchmarking, or the diffusion of good practices have recently been developed at the EU level in order to promote specific models and actions. The European Strategy for Employment, adopted in Luxembourg in 1997, for instance identified quantified good practices on the community level regarding female employment as well as access to childcare structures to be adopted/attained at the national level.

The examples of policy transfer brought to light here show that several

processes and dynamics are at work, leading to the diffusion and the re-appropriation of certain perceptions of an issue, referential norms and political solutions. In fact, in the cases followed here, the actors of different political systems seem to appropriate shared ideas, concepts and causal reasoning through exchanges and voluntary adjustments. These processes are supported by actions intervening both at the domestic, community and international levels. This forces us to imagine the relations that are created between common interstate changes and convergence at the national level in terms of interactions. It is a voluntary process in which actions on several levels interact to drive national policymakers in different countries to rethink and reformulate their public policy based on similar conceptions. These interactive processes rely on a strong cognitive dimension, giving way to a convergence that expresses itself primarily at the level of ideas, perceptions and logical justifications.

CONCLUSION

In analyzing the evolutions of policy sectors that are all strongly embedded in traditions of national sovereignty and, as such, normally considered resistant to external pressures for change, our study brings to light policy transformations that square with and result from a dynamic of convergence in the cognitive and normative frameworks. Our quest in this article has been to interpret those particular developments.

If the cases considered here seem, at first glance, to have little in common, they are all necessarily affected by the shared context of an increasingly integrated environment. Throughout our study, we have been able to detect a multitude of challenges at the global, European as well as the domestic levels that may exert common pressures for convergence in several policy fields in different countries. However, we cannot find a sufficient explanation of convergence in these developments: in the absence of any direct means to act upon policies on the national level, the relation between global, European or domestic transformations and convergence of national policies is not obvious. Indeed, nothing deterministic obliges governments of different countries to adopt similar positions. This does not mean that challenges taking shape in the given multilevel context have no influence on national policymaking or exert no constraints on the decisions made by single countries. The role of multilevel changes is to be understood differently.

We assert that the impact of the multilevel pressures should be analyzed through the dynamics underlying the convergence, in the conditions that motivate countries to engage in processes of policy transfer. Rather than from an imposed evolution, the convergence trends here seem to result from processes occurring through voluntary interstate exchanges and adjustments. When looking to the concrete mechanisms through which public actions in different contexts can mutually influence each other, we establish that common global/European/domestic challenges are almost always present.

Convergence thus stands out as an interactive process, which takes place

at a cognitive level, without any specific or legal constraints, and helps orient the change of public policies in different countries in common directions. In our view, these dynamics are central to understanding the significance of changes undertaken in current public policies.

NOTES

¹ Clark Kerr, *The Future of Industrial Societies: Convergence or Continuing Diversity?* (Cambridge: Harvard Press, 1983) p.3.

² "Convergence should also been seen as a process of 'becoming' rather than a process of 'being' more alike [...].In comparative research, therefore, the essential theoretical dimension is temporal rather than spatial". Colin Bennett, "Review article: what is policy convergence and what causes it?" *British Journal of Political Science* 21, no. 2 (April 1991): p. 219.

³ Tanya Börzel and Thomas Risse, "When Europeanization Hits Home: Europeanization and domestic change," *European Integration Online Papers* 4, no.15 (2000) <http://eiop.or.at/eiop/texte/2000-015a.htm>.

⁴ The principle of neutrality is understood as the express intention of taking no part in any armed conflict between States.

⁵ The organizations of their respective armies, the relationships between the state and the military industrial complex, and their positions with respect to NATO and the EU traditionally diverged.

⁶ Jointery is defined as missions or groups organized conjointly among the different armed service branches, to maximize efficiency and flexibility. Interoperability "is the capability of people, organizations and equipment to operate effectively together" in order for each unit to effectively and rapidly share information on the battlefield. Sterling Sessions and Carl Jones, "Interoperability: A Desert Storm Study Case," *McNair Papers* 18 (1993): p.2.

⁷ The Nordic model traditionally advanced the principle of the equality between men and women, favorizing the dual breadwinner family. France encouraged the professional activities of mothers while preserving reproductive capacities in order to maintain birthrate levels. The UK defended an open family policy, in the name of non-intervention in private life.

⁸ Unger and van Waarden explain: "because much of policy substance, form and outcome is ...strongly rooted in history, they will be rather persistent over time...Those that touch the 'core' of a nation's belief system [...] will be the most difficult to change". Brigitte Unger and Frans van Waarden, *Convergence or Diversity? Internationalization and Economic Policy Response* (Avebury: Aldershot, 1995) pp. 1-2.

⁹ Francis Fukuyama, *The end of history and the last man* (New York: Free Press, 1992).

¹⁰ For this type of analysis applied, see Deacon in Bob Deacon, Michelle Hulse and Paul Stubbs, *Global Social Policy* (London: Sage, 1997).

¹¹ See Maria Cowles, James Caporaso and Thomas Risse, dirs., *Transforming Europe: Europeanization and Domestic Change* (Ithaca, NY: Cornell UP, 2001).

¹² Enos, Jönsson, Sheppard (forthcoming) «Phénomènes de convergence dans un contexte européen - Quel rôle pour l'eupéanisation?».

¹³ Claudio M Radaelli, "The Europeanization of Public Policy," *The Politics of Europeanization* (Oxford: Oxford University Press, 2003): p.33.

¹⁴ Notably the Political and Security Committee (PSC), the Military Committee (MC) and the Military Staff of the EU, whose creation was decided at the European Council at Nice in December 2000.

¹⁵ David Dolowitz and David Marsh, "Learning from Abroad: the role of policy transfer in contemporary policy making," *Governance* 13, no.1 (2000): p. 5.

¹⁶ See Colin Bennett, Katharina Holzinger and Christoph Knill, "Explaining Cross-national Policy Convergence: Concepts, Causes, and Conditions," unpublished paper, March 2003.

¹⁷ Holzinger and Knill, p. 7.

¹⁸ The Network on Childcare and the Network on Childcare and other Measures to Reconcile Employment and Family Responsibilities of Women and Men are two transnational groups put in place and financed by the European Commission.

The 2001 Irish Reprimand: Effects on EMU Credibility and Enforcement Power

Barbara Barath

This article uses the case of the Irish Reprimand to showcase the importance of European Monetary Union (EMU) credibility. Although the reprimand was justified in light of Ireland's inflationary spillover effects and pro-cyclical fiscal policies, the measures taken by the European Union (EU) against Ireland have resulted—and may continue to result—in a loss of credibility with respect to EU citizens who see contradictions in EU behavior, especially considering the fact that clear violators of the Stability and Growth Pact (SGP), for example, Germany and France go unpunished. Considering the reprimand in the context of the current debate surrounding the SGP, it is important that the EMU focus on maintaining credibility with EU citizens (not financial markets) by consistently and transparently applying its measures to gain public opinion and confidence.

In 2001, the EU issued a reprimand to the EMU member state with the fastest growth rate and largest fiscal surplus, as a share of Gross Domestic Product (GDP) in Europe.¹ While Ireland's growth was due in large part to its EU membership, it received a reprimand because the EU perceived its fiscal policies to be aggravating the overheating of its economy.

Although the EU was right to worry about spillover effects from Irish inflation, its reprimand did not serve to stabilize the EMU. Instead it served to decrease the credibility of the EU—the overall perception of EU citizens regarding its ability and desire to produce a beneficial tradeoff for each nation (i.e. EU-led stability and growth in the long-term in exchange for national sacrifices in the short-term)—because (a) the justification for the reprimand itself was questioned, and (b) the reprimand was a part of a trend of inconsistent behavior towards member states on the part of the EU.

The justification was questioned not only because Irish inflation was caused partly by external shocks (rather than Ireland's budget), but because Ireland had been taking measures to limit its inflation, which was (and projected to continue) diminishing. Ireland claimed that its tax cuts were necessary in anticipation of

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economic downturn. While the government did not suffer any material sanctions, its public did respond negatively—with the rejection of the Treaty of Nice.

The EU has since come under criticism because of its inconsistent actions as other members whose violations were more clear-cut than that of Ireland escaped reprimand. An analysis of the EU's actions reveals that it has generally used its discretion to the advantage of national interests and has benefited EMU performance. It has, however, ironically worked against the common interest: bringing EMU credibility into question—due to the combination of the questionable justification of the Irish reprimand and inconsistency in other cases—has potentially made future enforcement of EU rules difficult.

HISTORY: IRISH GROWTH AND REPRIMAND

When Ireland joined the then European Economic Community in 1973, the country's income-per-head was about sixty percent of the community's average; it is now around 120 percent. Ireland's biggest export for most of its history has been its people; now high-tech goods stream out of Ireland, and immigrants stream in.²

There is no doubt that Ireland's membership in the EU played a significant role in the economy's expansion. In the past thirty years, Ireland has received a net total of 32 billion euros in agricultural and regional development subsidies.³ The link between these transfers and Irish growth may, however, not be as close as some imagine.⁴ The true sources of Ireland's growth—its ability to assert its independence from the United Kingdom (UK) and attract foreign direct investment (FDI)—were nevertheless in large part made possible by its EU membership.

Ireland used participation in the exchange rate mechanism of the European monetary system (EMS) to sever the link between the Irish punt and the British pound in the late 1970s and early 1980s. EMS participation also encouraged a redirection of Irish trade from Britain to the Continent, not only enhancing the country's economic independence from its former colonial master but also strengthening the technological base for Irish manufacturing.⁵

This technological base was a foundation for the main source of Ireland's growth: FDI in the form of high-technology investments from the United States and Japan. The most spectacular growth spurt began in 1995 as investors recognized that Ireland was certain to be a founder member of EMU.⁶ FDI was further attracted not only by Ireland's cultural appeal (there may have been "a shift in worldwide technology favoring Irish aptitudes and workplace attitudes"⁷) but also through Irish government initiatives in taxes, education and wage policy. After the failure of expansionary fiscal policies to stimulate growth in the late 1970s and early 1980s, the government instituted attractive corporate tax rates (as low as 10 percent) and invested heavily in education, resulting in rapidly improving skills levels, in order to attract direct investment by export-oriented multinationals.⁸ The availability of a skilled labor force at competitive wage rates (made possible by price-incomes policies) and of technologically-advanced capital (from whom

developers could profit at low tax rates) attracted further investment and spurred GDP growth, which averaged near ten percent during the 1996-2000 period (compared to only 2.6 percent for the eurozone as a whole).⁹

Its growth was so significant that, by 2000, that the EU instructed Ireland through the Broad Economic Policy Guidelines (BEPGs) to increase its fiscal surplus in order to reduce the threat of overheating in its economy and prevent the transmission of inflation to the rest of the eurozone. The Irish finance minister, Charlie McCreevy, planned on December 6, 2000 for a record fiscal surplus in his budget for 2001, and on January 24, 2001, the Commission “welcomed” these budget surpluses, which “would clearly be sufficient to provide a safety margin against breaching the deficit threshold.”¹⁰ The Commission, however, criticized what it considered to be major pro-cyclical elements of the budget (cuts in direct and indirect taxes and increases in current and capital expenditures),¹¹ which it concluded would further increase domestic demand and thereby aggravate inflationary pressures. It therefore proposed that the Council adopt a recommendation addressed to the Irish government to end the inconsistency of the expansionary aspects of its budgetary plans with the BEPG. The Council of Economics and Finance Ministers (ECOFIN) accordingly issued an “early warning” recommendation to Ireland on February 12, 2001,¹² the public nature of which made it a formal reprimand.¹³

While Ireland’s finance minister Charlie McCreevy responded to the 2001 reprimand saying that it was “very difficult” for him to see why it was warranted,¹⁴ the Irish government did make some changes in its budget, including a special savings incentive scheme—which would take demand out of the economy—as well as a tax recovery scheme that clamped-down on offshore accounts and unpaid Deposit Interest Retention Taxes—which would increase the budget surplus. On October 24, 2001 the Commission ruled that, due to the changing economic climate (resulting from agricultural crises, especially foot-and-mouth-disease, as well as the slowdown of the United States and world economy in the aftermath of September 11¹⁵) and the implementation the abovementioned counter-cyclical tax measures in the budget, the previous overheating in the economy had been reduced.¹⁶ Although some Irish called the statement “a humiliating u-turn on its economic reprimand,”¹⁷ the credibility of the EU came into question. According to a report from the *European Voice* in March 2001, “Selling euro-zone membership to Swedish and British Social Democrats just got even harder and Irish Members of the European Parliament (MEPs) have warned that their countrymen may punish the EU by refusing to ratify the Nice Treaty in a referendum.”¹⁸ Ireland did indeed reject the treaty in June 2001 probably more because the reprimand resulted in fears of losing political autonomy (along with questions of neutrality and abortion rights¹⁹) than because of opposition to enlargement per se.²⁰

Although the Irish remain strong supporters of EMU, member states must continue to convince their publics (and the EMU the member states) that the benefits of EMU membership outweigh the costs. In order to do so, the EMU must maintain credibility in the application of its rules and procedures.

EU RULES AND PROCEDURES

The Maastricht Treaty on European Union (TEU) and the Treaty Establishing the European Community (TEC) set economic objectives for the EU to include “a high level of employment,” “non-inflationary growth,” and “convergence of economic performance.”²¹ In order to achieve such goals and avoid conflict under the EMU, the member states agreed to monetary and fiscal harmonization measures.

For monetary harmonization, the European Central Bank (ECB) uses a two-pillar strategy to maintain price stability: maintaining an annual rate of change of less than but near two percent in the Monetary Union Index for Consumer Prices (MUICP), which measures aggregate price developments across members states, and less than 4.5 percent liquidity growth, with M3 as the aggregate measure.

Although fiscal policies are set by member states, they are limited by European guidelines — to avoid excessive fiscal deficits and to respect the medium-term budgetary objective of “close to balance or in surplus” — and procedures.

The excessive deficit procedure represents a commitment to avoid excessive fiscal deficits (defined as a debt to GDP ratio at, below or declining towards sixty percent and a deficit to GDP ratio at, below or declining towards three percent). The procedure includes a critical break—set out in Article 104 of the TEC—beyond which parties to the excessive deficit procedure become legally responsible for their actions²² and can be fined up to 0.5 percent of GDP.

The multilateral surveillance procedure requires all member states to participate in the elaboration of BEPGs, which contain both an assessment of the general economic performance of the EU and specific recommendations for each member state to follow in order to coordinate its policies with the common European interest. Because it is impossible for the EMU to punish inflationary policies in individual member states, the TEU granted to the Council responsibility for ensuring that member states “regard their economic policies as a matter of common concern.”²³ Its main method of enforcement against member states who do not abide by the BEPGs is the issuance of reprimands (such as that against Ireland), which can be damaging as long as a peer pressure mechanism is in place through which states who fail to work within the EU’s framework for economic policy coordination are considered sinners: “Any member state that fails to operate within the framework is self-interested (pride), excessive (gluttony), and indolent (sloth).”²⁴ If the credibility of EU rules is lost, however, the force behind the Council’s enforcement mechanism—a general commitment to common interest²⁵—would be lost.

At the 1997 Amsterdam summit, the Council of Ministers introduced the SGP in order to provide clearer guidelines on the usage of the previous two procedures. The Council of Ministers could then issue an early warning in the event that it has sufficient evidence to believe that a member state might not meet the requirements for either the multilateral surveillance or the excessive deficit

procedures. This “early warning procedure” is intended to encourage member states to meet EU fiscal guidelines before approaching the Article 104 break after which legal sanctions for noncompliance apply.²⁶ Since most procedures, therefore, rely mostly on public opinion for enforcement, it is important that the public feels that reprimands are justified and consistent.

JUSTIFICATION FOR REPRIMAND AND INFLATION

“In light of the comparative performance of the Irish economy,” it is not surprising that the Irish finance minister questioned the justification of the 2001 reprimand.²⁷ While it is likely that McCreedy instituted the tax cuts that motivated the reprimand for political reasons (as implied by the *Economist* caption, “McCraves your vote”²⁸), it is important to analyze the validity of the assumptions that the EU made as the basis for its reprimand: a) the overheating of Ireland’s economy (i.e. high levels of inflation in Ireland) would have spillover effects and destabilize the EU as a whole and b) the inflation itself was caused by the government’s loose fiscal policy (or at least could be diminished by a reversal of that policy).

EFFECTS OF INFLATION

According to *The Economist*, “Ireland’s inflation harms nobody but the Irish. It will not affect the euro’s credibility on world markets, nor have the slightest measurable effect on eurozone inflation as a whole.”²⁹ EU Monetary Affairs Commissioner Pedro Solbes seemed to agree as he said that the Irish economy (contributing a share of just one percent to the EU’s aggregate GDP) is too small to pose a threat to the stability of the eurozone as a whole.³⁰

Even if inflation itself is not directly transmitted to other countries, the fact that the ECB must set interest rates based on average EMU inflation rates means that Irish inflation did have spillover effects. Even in 2002 when Irish inflation had decreased to just under five percent, the combination of its inflation with that of Greece, Spain, Portugal, and the Netherlands (where inflation was just under 4 percent) pushed the eurozone average to 2.3 percent despite the fact that Germany’s inflation averaged only 1.3 percent.³¹ The ECB therefore set the nominal interest rate in such a way that real interest rates in high inflation countries became negative while they were too high for countries like Germany (for whom the tight monetary policy resulted in falling prices as well as slow—and even negative in 2003—growth).³² Despite its otherwise impressive economic performance, inflation in Ireland did negatively affect other EMU members.

CAUSES OF INFLATION

Because of limited convergence between EMU members, Ireland’s asymmetric response to external shocks may have been the source of its inflation

rather than the government's fiscal policies. Due to the country's small size and openness, higher import prices resulting from rising oil prices and a sustained period of euro weakness against sterling and the US dollar (Ireland is uniquely exposed among euro area countries to the euro's external value, as the UK and the US account for almost half of Ireland's total merchandise imports) caused inflation to pick up in 2000.³³ If Ireland's economic deviance was, in fact, a result of external factors, attacking the government's fiscal policies would not have solved the underlying problem. The effects of the second-best solution to inflation (i.e. decreasing demand) would be, at best, short-term.

Although domestic factors clearly also contributed to the rise in inflation, the Commission itself noted that the budget for 2001 "included measures aimed at containing inflation." Although it felt that those measures would "likely... be counterproductive,"³⁴ the government's budgets *were* intended to *limit* inflation. By January 2001, Ireland's inflation rate had actually fallen from six percent in November 2000 to 3.9 percent and was falling further as the main factors pushing it up had stopped or gone into reverse.³⁵

In fact, some fiscal stimulus may have been necessary as Irish officials repeatedly emphasized that a general economic slowdown was already predictable in February 2000 since the US economy, to which the Irish economy was far more exposed than most EU countries, was then warning of a possible recession.³⁶ Furthermore, the International Monetary Fund (IMF) noted that the deterioration in the global outlook for high-technology companies posed "considerable downside risks" given the importance of FDI to Ireland's economy.³⁷ Given the potential of an economic recession, Ireland's overheating economy was bound to cool down and may have needed fiscal stimulus rather than a reprimand.

Although the Irish government's claim that it was fully aware of this need in early 2001 can be questioned (since it could not have foreseen the global economic downturn resulting from September 11), rational actors questioned whether the reprimand was necessary or justified. This is not surprising given the fact that, a week after he spearheaded the unprecedented reprimand of Ireland, Solbes, paid tribute to the positive aspects of Irish economy.³⁸

Nevertheless, McCreevy did make some budget revisions (the abovementioned savings and tax-recovery schemes mentioned) of which the Commission approved and which prompted the Council to say that its recommendations had to some extent been adhered to³⁹ because they decreased demand. As many claim that Ireland actually ignored the reprimand,⁴⁰ it is unclear whether the revisions were actually an admission of the inflationary nature of the previous budget or simply a continuation of what the government intended to be anti-inflationary measures.

Given Ireland's special circumstances, a one-size-fits all policy may not be appropriate since member states whose economic structures and macroeconomic performance will not and were not even intended to converge either as part of the process leading up to the monetary union or the Lisbon strategy.⁴¹ Solbes suggested

that Ireland, which had reduced its debt to low levels, should have been allowed greater freedom in order to make public investments and create jobs.⁴² Instead, it appears that the Council decided to “make an example” of Ireland and create a precedent for a “valuable coordination effort”⁴³ since it believed that, if Ireland’s sins were ignored in 2001, then it would be impossible to chase bigger countries’ sins when they really mattered.⁴⁴ Ironically, the reprimand may have negatively affected the credibility of the EMU and therefore its ability to enforce future recommendations.

EU CREDIBILITY AND ENFORCEMENT

Member states have implicitly accepted that the trade-offs of EMU membership (e.g. exchange rate stability at the cost of national monetary policy control and fiscal policy coordination at the cost of limitations on national fiscal policy) are favorable.⁴⁵ The stability of the EMU are, however, weakened as the policy framework and institutions come into question either because the targets themselves are too strict or because they are applied inconsistently.

Although the rules and procedures that guide member-state performance are relatively dogmatic, the EU has a great deal of discretion. For example, the Council can issue a recommendation when a state’s economic policies “risk jeopardizing the proper functioning of economic and monetary union”⁴⁶ and the Commission can make a *qualitative* assessment of a country’s budgetary situation with even the “hardest” enforcement mechanisms (i.e. Article 104 of the excessive deficit procedure).⁴⁷ The use of discretion has inevitably led to inconsistency.

Article 237(d) TEC, which grants the ECB the authority to sue directly before the European Court of Justice (ECJ) a national central bank that has failed to fulfill its obligations under Community law, reflects the only instance in Community law where a national authority can be sued directly before the ECJ.⁴⁸ Since member states sacrifice their sovereignty to some extent by giving responsibility for monetary policy to the EU, the credibility of the ECB is extremely important. However, the ECB refuses to give any precise formula for predicting monetary policy on the basis of economic data.⁴⁹ Furthermore, it has violated its own targets. In 2001, it overshot on both MUICP and M3 indicators but did little to improve its image as it confirmed the reference values (which it had violated) at the end of the year only changing the timing of interest rate decisions.⁵⁰ In December 2002 the Governing Council decided to lower interest rates even though both indicators suggested that there was inflation. The ECB president explained the decision, saying that output growth was low and expected to remain low so the increased growth from reduced rates would not result in increased inflation or the undermining of price stability.⁵¹ Although the ECB’s reduction of interest rates can be interpreted as an effort to aid member states in structural reforms by allowing for growth, its willingness to deviate from its own rules reduces the institution’s credibility.

In order to ensure that national fiscal policymakers take into account the

preferences of those people who live outside their fiscal borders but within the monetary borders of the EU,⁵² the EU also has special powers to control members' fiscal policy (e.g. EDP excludes the member state concerned from the final voting, thereby suspending membership rights to ensure EMU stability⁵³). Some rules of conduct for fiscal policies are clearly necessary because a country that allows its debt to GDP ratio to increase continuously would have increasing recourse to the capital markets of the union, driving up the union interest rates and thereby increasing the burden of the government debts on other countries.⁵⁴ However, the EU's fiscal targets, which imply that governments should wipe out all of their debts,⁵⁵ may be too strict (even though the target date for balanced budgets has been postponed). De Grauwe, who claims that there is no valid economic reason why governments should have no debt at all, writes: "Forcing governments to run their affairs with the constraint that they cannot issue new debt creates incentives to reduce investments that have a return extending far into the future. This is a recipe for low growth, even stagnation."⁵⁶

Furthermore, when countries are hit by economic hardship, fining them through the excessive deficit procedure could prevent the alleviation of the hardship.⁵⁷ As *The Economist* writes, "fining a country for spending too much is as counterproductive as punishing indigent drunks by making them buy another round."⁵⁸ Because national governments may not accept low growth in the face of elections, they are likely to defect, thereby decreasing the ability of the EU to force cooperation.

In fact, countries *have* defected but have escaped reprimand despite much worse economic performance than Ireland. Germany, for example, started running fiscal deficits after the 2001 worldwide economic slowdown. In contrast to the Irish situation, however, ECOFIN was slow to respond. When the Commission recommended that the German government be given an early warning in February 2002, the Council instead chose to accept reassurances that the German government would act.⁵⁹ The Council finally initiated the excessive deficit procedure against Germany in early 2003⁶⁰ and also against France in June 2003.

Both French and German leaders protested, however, emphasizing the importance of the word "growth" in the Stability and Growth Pact. Although the countries' protracted deficits mainly reflected the governments' readiness to yield to pressure from organized interest groups,⁶¹ ECOFIN voted on November 25, 2003 not to move beyond the break in the excessive deficit procedure—instead holding the excessive deficit procedure "in abeyance"—so that neither country would be subject to sanctions for their failure to comply with fiscal policy recommendations. The Council's decision to ignore the Commission recommendation brought criticism from both the ECB and Commission,⁶² the latter of which sued the Council in the ECB in the European Court of Justice (ECJ), which ruled on July 13, 2004 that the Council could not reinterpret the implementation of a disciplinary procedure.⁶³ In the end, France and Germany were let off the hook.

Even Portugal avoided reprimand. While it claimed to "share the European Commission's concerns" when it was ordered to rein in its deficit in 2001,⁶⁴ the

Council accepted assurances that the government would fix the problem even after it became obvious that the Portuguese government had grossly understated its fiscal deficits.

Why was Ireland reprimanded while these other countries were not? The crucial difference between Ireland and the other cases is that Ireland's policy was pro-cyclical. With the use of the BEPG, the Council pursues an anti-inflation program, preempting a virulent ECB reaction to inflationary policies in individual member states, thereby safeguarding the collective good and avoiding a situation in which governments that maintain low inflation are punished when one or a few defect. Conversely, fiscal policies that do not endanger the ECB's low inflation target are left untouched, even if they break the formal provisions of the SGP—a stance that appeared to receive the tacit approval of the ECB.⁶⁵ Apparently the EU is aware of the fact that fiscal consolidation within a country could mean a slowdown in economic performance that would not only strengthen popular political opposition against governments (and the EU itself) but also make it even more difficult for governments to meet deficit criteria.

Although the EU appears to have been looking out for national interests in most examples of its inconsistency, the inconsistency remains and still calls into question the credibility of targets and procedures. Because much enforcement is based on peer pressure (which is naturally weak since other countries may not back up EU reprimands if they are in the same situation⁶⁶), a loss of credibility may mean that the EU will not be able to enforce measures (justified or not).

CONCLUSION

Those in Brussels who believe that EU-financed programs are among their most effective propaganda instruments in promoting the union⁶⁷ can rest assured that the Irish are aware of the funding they have received—because billboards must be erected on the sites of all infrastructural investments that receive a certain minimum of EU funding.⁶⁸ EU citizens—especially those who live in member states who have not enjoyed the profound success of Ireland—may not, however, be as aware of the benefits of EU membership—especially the indirect ones. Since public support is so important in the enforcement of consensus-based mechanisms, launching an attack on the eurozone's most successful member was no way to boost the credibility of future attempts by the EU to direct member states' economic policies.⁶⁹

Although a thorough analysis of the situation indicates that the EU's inconsistency was understandable given that Ireland's inflation had potential spillover effects and that Ireland's policies seemed to be pro-cyclical (i.e. worsening the situation), the European public does not make such a thorough analysis. Brussels may be perceived as a dangerously erratic and unreliable ally in any campaign to persuade skeptical voters to support the euro⁷⁰ as they see that the EU prioritizes national interests in certain situations (i.e. perhaps in favor of large countries, or simply in the case of fiscal deficits) but issues reprimands in the case

of arguably less egregious violations (e.g. Ireland's inflation). It does not help matters that the cause and projection of Ireland's inflation were questionable (i.e. it may have been caused in part by Ireland's asymmetrical response to external shocks and been diminishing).

Furthermore, the reprimand was based on the application of "softer provisions" (i.e. BEPG not SGP), the very softness of which give them a "catch all" power⁷¹ that allows for great discretion (and therefore inconsistency) on the part of the EU. Since enforcement is based on public opinion, the EU should be careful to consistently and transparently apply measures (especially "soft" ones) by more stringently adhering to its own rules and targets. If it recognizes that they are unreasonable for countries experiencing a slowdown, it should reform them instead of making exceptions.

Given the strength of the euro, financial markets may not see EMU credibility as an issue because they are less concerned about inconsistency since they understand the need for exceptions in certain cases. For EU citizens whose governments are reprimanded or must cut back spending to meet criteria, on the other hand, transparent rules and consistent application are necessary to maintain credibility. Italy would not have been able to achieve its economic miracle in the 1990s if its public did not consider the EMU credible. National policymakers can only impose policies for the "common good" without fearing public backlash if their citizens see the EU as credible.

Reform of the SGP is indeed one of the Luxembourg presidency's priorities. Some proposals are in line with the above recommendations: the imposition of heavy penalties in cases where member states are found to have cheated; and changing the definition of "exceptional circumstances" under which countries are allowed to breach provisions of the pact (i.e. relaxing the limit on government deficits at times of slow growth). Further steps should be taken to increase credibility: for example, the analysis of countries' budgetary situations should be based on cyclically-adjusted budget deficits so that only the structural budget deficit is considered⁷² and economic policy decisions should be defended before national parliaments in the public arena in order to increase transparency. Most importantly, the EU's own institutions must agree on the implementation of economic policy in order to be more credible and stable.

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Defrosting Italy's Labor Market: Berlusconi, Trade Unions, and the Future of the Bread-Winner Model

Alexandru Coita

The Italian labor market suffers from stark rigidities and high regulation. Government attempts to alleviate high unemployment through deregulation and moderate labor market reforms have met with staunch and aggressive opposition on the part of the trade unions. This paper seeks to explain how a squabble over technical issues has turned into an existential fight on the part of the trade unions, generating major social upheaval with ripple effects across the societal structure. The consequences of dislocating the breadwinner model will be considered along with the implications of a fluid labor market structure on Italian industrial relations.

INTRODUCTION

The Italian labor market is widely considered to be one of the most rigid in the European Union (EU). High structural unemployment and low labor participation only constitute the very tip of a problem that extends to the whole of the Italian society. Recently, the Berlusconi government has attempted to tackle the thorny issue of labor market reform by proposing a series of legislation which aims to ease rigid regulations and to allow employers more flexibility in hiring and firing labor while promoting social inclusion and wider labor participation. Reform proposals were met with strong opposition on the part of trade unions, which staged grandiose protests and organized a general strike that brought the country to a standstill.

At first sight, the somewhat timid reform initiatives of the Berlusconi government seem out of proportion with the massive outcry that they triggered. Explaining this apparent paradox is useful for understanding the deep roots of the labor market *status quo* as well as for identifying its connection with various societal actors.

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This paper argues that the reforms drawn up by Marco Biagi and proposed by Welfare Minister Roberto Maroni go beyond merely relaxing the tight regulations governing the Italian labor market. Instead they are intended to effect a structural reshaping of the Italian society. The massive protests elicited by the government proposals have a dual explanation. First, the projected reforms tackle the roots of trade union participation in policy-making. Their full enactment would lead to an alienation of the main trade union powerbase and would effectively trigger a breakdown of Italian industrial relations. Second, the Biagi proposals signal the end of a central paradigm of the Italian society, which relates to the single male bread-winner supporting an extended family. Eliminating the lifetime employment guarantee for currently protected workers would thus have the dual consequence of eliminating current cleavages in the Italian labor market, while radically transforming industrial relations for the foreseeable future.

The structure of my argument flows from a critical assessment of the state of the Italian labor market. I will include an analysis of its most salient features and of the developments affecting the labor market since the 1990s. I will then look at the major aspects of the Biagi proposals, superimposing them onto the existing labor legislation. In the third part, I will attempt to explain the trade union reactions to the reform proposals by suggesting that workers' associations used protest as a way to counter powerful pressures aiming at their marginalization. Finally, I will seek to condense the observations gathered throughout the analytical survey and map the potential outcomes of the projected reforms for the unions as well as for Italian society as a whole.

LABOR MARKET CLEAVAGES

In March 2002, a law professor from Emilia-Romagna was murdered in front of his house in Bologna. The motive of the crime was not pecuniary, but instead related to the activity of a terrorist organization, which had gained widespread notoriety during the 1970s, known as the *Brigate Rosse* [Red Brigades]. Militants of the extreme-left organization had allegedly assassinated Biagi because of his central role in drafting a sweeping labor market reform project.

The Red Brigades represent an extreme, marginal faction within Italian society that is guided by a neo-Leninist doctrine. Yet Biagi's tragic death was a portent for massive protest and deep unrest. In order to understand why Biagi's reform proposals – otherwise widely perceived as moderate and realistic – caused such a high degree of dissent, it is useful to first analyze the structural imbalances of the Italian labor market.

Italy is one of the wealthiest countries in Europe. It boasts one of the highest Gross Domestic Product (GDP) per capita ratios in the developed world, yet its economy is adversely affected by low employment rates and, particularly worrisome, a high rate of structural unemployment. According to 1992 data, only 60 percent of people aged between the ages of 15 and 64 were in the labor force – of which only 53.6 percent were employed.¹ In spite of sustained economic growth

throughout the 1990s, Italy has only managed to marginally curb the unemployment problem. Persistently high unemployment reveals the structural nature of Italy's labor market problems and belies the hopes of recent governments that continued growth would eventually steer Italy onto a full-employment path.

The structural problems of the Italian labor market are explained by a set of dualisms which draw deep cleavages throughout the society. The most widely accepted definition of the dualist nature of the Italian economy reflects a territorial division between the North and the South. Unemployment in the North lies at a low 5.7 percent, while in the *Mezzogiorno* it reaches rates as high as 25 percent.² The Southern Italian peninsula has never fully benefited from a diffusion of self-sustained growth and subsequent modernization, displaying, as a result, chronic conditions of low participation in the labor market. The unemployment rates in the Italian *Mezzogiorno* are among the highest in Western Europe, along with some Spanish regions.³ Besides the low degree of overall development with respect to the North, the South is also plagued by lower worker productivity, which is not fully offset by lower wages. A second dualism of the Italian labor market relates to gender distribution. In the context of a society still bearing conservative features fostered by the long Christian Democratic Party (DC) rule, female participation in the workforce remains comparatively low, even though recent indicators seem to point toward a slight reversal of the historic trend. When women do enter the labor force, it is often by means of family-owned businesses, usually run by their male partners. As a result, women remain relegated to a status of dependency.

Participation in the labor market is further differentiated according to age groups. According to 2000 data, 81.1 percent of employment is concentrated within the median age classes (twenty-five to fifty-four years of age).⁴ Although this feature can be partly attributed to an ageing population and a consequently lower share of young job seekers, such reasoning would only serve to hide the high share of unemployed youth. The Italian labor market has a pronounced difficulty in fully integrating young workers into the labor force. Faced with high barriers to entry, the younger sections of the population are faced with few attractive options. This situation forces them to choose between low-paying temporary jobs and dependency on immediate family. According to Marco Spinedi, an economist at the Nomisma research group, the young unemployed find it easier to rely on the support from the extended family, which typically contains at least one person with a secure, well-paying job.⁵ Overall, the trend toward high unemployment among the youth raises serious questions regarding the future of the Italian workforce since increasing numbers of young workers are faced with ever-gloomier prospects of entering the active workforce. This, in turn, creates diminished incentives to pursue further education and encourages youth to pursue a back-door approach to the labor market, either through temporary contracts or through work on the black market.

In terms of labor market regulation, a further dualism can undoubtedly be seen between, on the one hand, workers covered by social security and holding a permanent job, and, on the other, workers not covered by social security. The

former category is protected by a two-prong system of shock absorbers cushioning against unemployment governed by the *Cassa integrazione guadagni* (offering regular short-term earnings compensation) and by *Cassa integrazione guadagni straordinaria* (which helps to counter long-term restructuring programs).⁶ Social cushioning institutions indirectly benefit the latter category. Precarious jobs become acceptable when the worker benefits from social protection through family support or the welfare system.

The dualist nature of the Italian labor market runs deep into the basic structure of the society, creating an image of disunity. Collating the various dualist imbalances reveals a labor market deeply split between the “prime-age” male workers, who enjoy a lucrative job and stable employment guarantees, and those either unemployed or holding precarious jobs, who are forced to rely on the breadwinner as a safety net at the family level. Analysts have interpreted this pattern as a consequence of a process of “social allocation of the jobs available, in the context of a system which has a built-in bias toward the breadwinner.”⁷

The male breadwinner model holds great value for analyzing the incentives of different groups within the society. On the one hand, the insiders have a great stake in the current *status quo*, which offers them well-paid stable employment, thus allowing them to acquire a privileged, sought-after status while looking after their dependents. On the other hand, however, the motivations of those virtually locked out of the labor market are less than easy to ascertain. Through a contemporary Western societal paradigm posited on equal opportunity and individual independence, these actors would seek to break the structural rigidities of the labor market system and acquire greater independence through higher employability. They would then have a stake in reforming the labor market system so as to enhance their chances of becoming employed.

This conclusion seems less than obvious, however, given the conservative features of the Italian society. Because a greater flexibility of the labor market would be tantamount to the possible loss of employment for the breadwinner, dependent groups could arguably have a stake in maintaining a *status quo*, seen as the lesser of the two evils.

While analyzing sociological patterns is beyond the scope of this essay, a brief look at the structure of the labor market reveals that the problems leading to Italy's dire employment situation go beyond economics. The rigid structure of the labor market confers an apparent stability posited on the family nucleus. In fact, the term “rigid” itself belies a precarious balance between a powerful, well-organized, conservative group that is reluctant to change, and a number of outside actors that are disadvantaged by the *status quo* but lack leadership and direction.

THE MARONI WHITE PAPER

Addressing the structural imbalances of the labor market became one of the priorities of Italian governments throughout the 1990s. Italy had to respond

to the challenges of globalization and align itself to the new requirements of economic integration in a global context. Moreover, through its commitment to the EU, it agreed to regulation guidelines requiring a serious streamlining effort on the part of the government.

It soon became clear, however, that reform was going to encounter considerable obstacles and that, in order for it to be successful, it had to satisfy two main requirements. First, any substantial reform effort could only be undertaken by a government enjoying broad parliamentary support. Second, reform proposals had to be the topic of intense dialogue among social partners, aimed at reaching consensus around their implementation.

When Prime Minister Silvio Berlusconi regained executive power in the year 2000, time seemed ripe for a serious reform effort. After many years of political instability, Italy was ruled by a government enjoying broad parliamentary support. Political stability offered Berlusconi the chance to push through a coherent effort at reforming the labor market. Through his 2001 reform plans, Biagi offered the prospect of a realistic project that could restore the viability of the Italian labor market. Moreover, his left-leaning ideas served to balance the alleged Thatcherite propensities of the Berlusconi government, conferring an aura of bipartisan credibility to a project that sought to elicit a national consensus.

On October 3, 2001, Maroni unveiled a White Paper on the labor market. The draft proposal, whose main author was Biagi, constitutes a program of measures that the Berlusconi government intended to carry out during the next five years. The stated objectives of the White Paper were "to guarantee a substantial increase in the employment rate, to improve the quality of work and to obtain stronger social cohesion."⁸

The document is divided into two parts. The first contains an analysis of the labor market and the second a set of concrete reform proposals. The analysis' main focus is the performance and the characteristics of the Italian labor market. It assesses the impact of EU guidelines on existing labor policies, while placing considerable emphasis on the shock absorbers aimed at easing the impact of redundancies and restructuring on the active labor force, as well as on employment incentives and the training system.

The second part of the White Paper outlines a series of reform proposals aimed at strengthening the "efficient capacity of functioning of the market."⁹ In order to achieve this result, the document states, the labor market must be freed from the regulatory mechanisms which are seen as immobilizing it. The White Paper recommends a shift from a system of guaranteed lifelong employment to a framework guaranteeing lifelong *employability*. According to this concept, workers would eventually benefit from an "efficient and fair meeting between labor demand and supply."¹⁰

The document sets out three main areas of reform:

1. The modernization and the liberalization of public employment services;

2. The enhancement of state intervention in the process of transition from educational institutions to the labor force. Accordingly, continuing training would be supported by stronger public intervention. The role of apprenticeships would be reinforced as a training tool, while the work/training contract would be used to foster the entry of workers into employment.

3. The reform of social shock absorbers, aimed at allowing them to act as employment incentives. This goal would be attained by conditioning benefits on a worker's active search of employment.

Additionally, the White Paper pays particular attention to the participation of women in the labor market, the ultimate goal being the removal of all external factors which prevent women from actively engaging in it. The document mentions impediments relating to the difficulty of reconciling work and family life, as well as gender discrimination regarding economic and occupational treatment. More concretely, the White Paper proposes promoting flexible forms of employment for women, especially part-time contracts.

The document recognizes that reaching the goals of labor market inclusion necessarily requires changes in the regulation of employment relations. Recognizing the rigidity of the existing system, the White Paper bluntly states that it "reflects a work organization which is now completely outdated." Consequently, the document suggests that workers shift from a dependent employment relationship to the status of a "collaborator who works within a cycle of working activities."¹¹ Such a cycle would then be composed of periods of dependent work and periods of autonomous employment, alternating with periods of training and vocational retraining.

Within such a framework, all types of employment contracts would have to be adapted and rendered more flexible by removing regulatory hindrances. The document proposes instead the creation of two new forms of employment: *lavoro intermittente* and *lavoro a progetto*.

Finally, and perhaps most importantly, the government also intends to increase labor flexibility by modifying Article 18 of Law 300, the *Statuto dei Lavoratori* [Workers' Statute]. The article requires employers to reinstate workers whose dismissal is ruled unjust by firms. Generally, Italian law states that an employer can dismiss an employee if it is able to demonstrate *just cause* – in the case of individual dismissals – or *justifiable reason* – in the case of redundancies or collective dismissals. The *Statuto dei Lavoratori* allows considerable leeway for interpretation and, as a result, an employer can never have the certainty that dismissals will not be overturned by a judge.

If the courts declare an individual dismissal as unlawful, the employment relationship is considered never to have been interrupted by the invalid dismissal and the employee is entitled to reinstatement. Even in cases where *de facto* reinstatement fails to take place, employers are obliged to pay employees the

remuneration due to them from the time of the judge's reinstatement order until the time of actual reinstatement or until the end of the employment relationship.

Article 18 makes it almost impossible for an employer to make an economic decision in terms of dismissing an employee. In this respect, Italian law goes further than any other in Europe, virtually offering solid guarantees for lifetime employment to any worker covered by the *Statuto dei Lavoratori*. Critics of the provision argue, however, that Article 18 discourages firms from hiring, deters foreign firms from investing in Italy and acts as deadweight on business, especially in the country's poor southern regions.¹²

Overall, the White Paper envisions a sweeping transformation of the Italian labor market. Consistent with the principles of labor market deregulation, the Paper aims at setting the basic paradigm for future labor market reforms. It acknowledges the fact that current rigidities in the system favor high structural unemployment and further proposes a more active state role in creating incentives for long-term unemployed to seek reentry into the labor market. The White Paper argues that reincorporating the unemployed into the workforce necessitates a comprehensive training program designed to match the skills of jobseekers and the demands of current employers.

The proposed policies would serve the long-term goal of the drafters: shifting the concept behind labor market regulations from guaranteeing employment to guaranteeing employability. Under the new premise, all active jobseekers can reasonably expect to find a job that matches their skills. While the focus here is clearly on creating new employment and reducing structural weaknesses, the main problem of the argument stems from the fact that, according to the proposed guidelines, the state would relinquish its role as guarantor of employment. Removing guarantees on lifetime employment creates uncertainties for those workers already employed, especially in the public sector.

UNDERSTANDING THE TRADE UNIONS

The Berlusconi government intended to use the White Paper as a platform that would allow future legislative acts to be passed. If trade unions, employers' associations and the government had reached an agreement over the basic aims of the document, then the text could have allowed for the pursuit of much-needed reforms.

Reaching a national consensus around principles guiding a comprehensive streamlining of the Italian labor market was no easy task for the Berlusconi government. The Confindustria employers' confederation was not completely satisfied with the White Paper. It considered the document "timid and uncertain" compared with private sector expectations, especially in the area of worker dismissals.¹³ The employers would have liked a set of more radical reforms, but they could not back away from supporting the White Paper, especially since it held the hope of easing restrictions and reducing the burden on employers.

While industry representatives expressed mild criticism of the document, the General Confederation of Italian Workers (*Confederazione Generale Italiana del Lavoro* – CGIL), the largest trade union, criticized the White Paper in sharp terms. According to Giuseppe di Casadio, CGIL’s confederal secretary, the document describes a system of industrial relations whereby the exercise of collective representation of workers is completely denied. The labor representative argued that the main objective of the paper “is to reinvent the whole of Italian labor law around the individual dimension of employment relationship.”¹⁴

The other two main union confederations – the Italian Confederation of Workers’ Unions (*Confederazione Italiana Sindacati Lavoratori* – CISL) and the Union of Italian Workers (*Unione Italiana del Lavoro* – UIL) – seemed to favor an open debate around the White Paper. Savino Pezzotta, the general secretary of the CISL, expressed the view that the document “describes a contractual model which leaves room for discussion and interventions in terms of employability.”¹⁵

After the death of Biagi, the debate turned into outright acrimony. CGIL resisted government attempts to shift the focus of the discussion toward union support for terrorist organizations and sought to show that it would not relent to government pressure. The fierce opposition to the Maroni White Paper translated into a massive demonstration opposing both reform proposals and left-wing terrorism. The mass rally, organized by CGIL on March 23, 2003, gathered close to one million trade unionists who staged a grandiose protest in Rome’s Circo Massimo. The protest was followed by a general strike on April 16, which mobilized sixteen million people and involved eighty to ninety percent of the workforce in the major industrial sectors, including metal-working, public services, banking and finance.¹⁶

Italy seemed to be headed toward another “hot summer.” Social conflict became keen and seemed to backlash against the government’s attempts at social consensus. The country was torn between Berlusconi’s government and the trade unions, led by the CGIL. Industrial relations had taken a sharp turn for the worse and seemed to be headed for a breakdown.

The trade unions had rallied behind common opposition to the provision in the White Paper that called for scrapping Article 18 of the *Statuto dei Lavoratori*, which is the only concrete provision that can act as a short-term threat to union interests. As such, mobilizing rank-and-file around opposition to the proposal constitutes a politically savvy action by union leaders. In and of themselves, the alterations proposed by Berlusconi’s government seem to be a slim reason for the massive protests staged by the unions. The disproportionate reaction of the unions shows that industrial relations have reached an important turning point. Gradual decline of union power has entered a new phase. A move from social concertation¹⁷ to social dialogue, in the context of a labor market system in flux, could lead to momentous changes that would sweep away unions from the social landscape. Leaders like Sergio Cofferati, CGIL’s boss, have understood that the proposal to eliminate Article 18 serves as a portent of worse things to come and that, unless unions acted forcefully, they will no longer be able to oppose the tide of reforms.

Since the peak years of the 1970s, the influence of trade unions on the political process has entered a slow, but steady decline. This progressive loss of trade union power has moved to a new phase with the collapse of the Italian party system in the early 1990s. Under the external constraint for change imposed by the efforts to enter the European Monetary Union (EMU), Italian political actors moved toward social concertation. Harmonizing the actions of social actors within the context of internal reform was intended to galvanize a consensus that would allow Italy to solve the structural problems of its economy.

The initiative of social concertation further served to reveal trade union dependency on political parties. It was the government that initiated social concertation, and trade unions were left with little choice but to agree to goals that were seen as in the national interest.¹⁸ Overall, the 1990s led to a crisis of identity within the worker movement. The situation was compounded by the lack of unity among the three main trade unions. CGIL, historically the most powerful trade union, is closely identified with the Italian Communist Party (PCI) – and, as such, is the most radical of the main workers' organizations. The union is guided by the notion of class struggle and Marxist ideals. Following the demise of the Cold War, CGIL found it hard to assert its identity and entered a structural crisis.

CISL, mostly composed of public sector workers, enjoys high membership in the South. It was closely identified with the DC, Italy's main government party until the Tangentopoli scandal.¹⁹ The 1990s and the end of DC rule in Italy served to alter CISL's identity and to deprive it of support from the political sphere.

UIL, the smallest of the three main trade unions, was the only trade union which did not undergo a process of identity crisis through the 1990s. Its small membership and the fact that its identity was never clear made it even more vulnerable during the times of political instability that came in the 1990s.

The coming to power of the Berlusconi government on a market-oriented reform agenda did not bode well for the trade unions. Confronted with the specter of a new Thatcherite revolution, unions were forced to take a highly-confrontational stance toward government policies, hoping that they could make up for the lost political clout by increasing rank-and-file allegiance. Having lost the hope of gaining any political support for their actions, Italian trade unions chose a policy of confrontation.

The unions' choice was made easier by Berlusconi's emphasis on a new relationship with social actors, which he called *social dialogue*. This approach was a clear step back from social concertation. It institutionalized the upper hand of the political parties and clearly showed that unions were only junior members in any consultations, and that the government had the means to operate unilaterally if it so desired.

For trade unions, the idea of social dialogue served to add insult to injury. It became clear for all trade union representatives that the Berlusconi government was seeking to marginalize workers from the policymaking process and to exclude

unions from any decision that would affect their interests. If they accepted the new paradigm of dialogue, the unions risked losing their institutional role in Italian industrial relations, leaving policy in the hands of a conspiracy jointly led by Berlusconi and employers.

The cornered trade unions saw the Maroni White Paper as a clear provocation by the Berlusconi government. Union leaders considered the reform package to be guided by neo-liberal ideals which ran contrary to the core interests of the trade unions. Furthermore, under the proposed system of social dialogue, changes to legislation were possible even without an agreement with the trade unions.

CONCLUSION – WHAT FUTURE FOR ITALIAN INDUSTRIAL RELATIONS?

Understanding the context of the White Paper from the viewpoint of the workers' movements serves to clarify the fierce reaction by Italian trade unions. The agreement reached by the government and the CISL and UIL on alterations of the labor law indicates that the 2002 mass protests may have well been the overture to the trade unions' swan song. Even though the agreed changes will be limited in time and less radical than initial government plans, the fact that two trade unions have signed on to them shows that Berlusconi has been able to successfully isolate CGIL and to further reduce its pool of allies.²⁰

The CGIL now stands alone against the powerful forces aimed at reshaping industrial relations in Italy. The only effective power base it has left is its membership. If the Berlusconi government is successful in abolishing restrictions on the labor market, CGIL's rank-and-file may simply implode as a result of the ensuing changes.

The power of trade unions to garner strong support from their membership rests on their leaders' ability to ensure security for their members. In the case of Italy, trade unions had managed to push through a system of labor market regulations that served as an absolute guarantee to their members. Employees were protected under the *Statuto dei Lavoratori*, enjoyed high wages and virtually life-long jobs. Unions served to uphold their interests and to ensure that the *status quo* would be defended and preserved.

The dual constraints imposed by the unfavorable political situation and the economic requirements of membership in the European structures combine to create an existential crisis for the Italian trade unions. On the one hand, they are increasingly excluded from the policy process and their institutional role is reduced to consultations. In a sense, trade union policy making power depends on government goodwill. Furthermore, economic constraints imposed by European convergence requirements chart a path of reforms inevitably leading toward deregulation and increased flexibility.

What these developments mean for the trade unions is that, not only they have no leverage on policy making, but also that policy makers themselves are

likely to favor a course which runs contrary to trade union vested interests. Increasing cohesion among membership and galvanizing it against government policies is the only possible course for Italian workers' movements. The union reactions to the labor market reform proposals clearly illustrate this trend.

The threat posed by political developments does not entirely stem from political marginalization and detrimental economic policies. Even under such conditions, unions could still conceivably retain their social significance through ensuring membership cohesiveness. It is at this stage that the White Paper holds the deepest significance for labor organizations. The proposed course of reform charts a path headed towards more labor flexibility and fewer employment guarantees. This serves to undermine rank-and-file allegiance, since union membership is posited on the leaders' ability to maintain employment guarantees. Conversely, in a flexible (and, by consequence, fluid) labor market, current trade unions would be unable to fulfill expectations from their membership. Moreover, they would lose the constant pool of members represented by the bread-winners.

A combination of political marginalization and economic policies would then serve as the general framework within which a fluidization of the labor market could well be the end of Italian trade unions as they exist today. It is within this context that the protest to Maroni reforms must be understood.

The crisis of trade unions in Italy is only one aspect of the crisis of Italian society. Changes in the rules governing Italy's labor market would challenge taboos and serve to effect structural changes in the Italian society as a whole. In the long run, the male bread-winner model would become a thing of the past and the whole of societal relations would realign according to new dynamics. Under these circumstances, the government bears the burden of ensuring that the shift to a more flexible labor market does not cause unnecessary damage among workers. New educational programs and a focus on vocational training are necessary additions that would serve to cushion the transition and help to pull the Italian labor market into the 21st century.

NOTES

¹ Roberto Schiatarella and Paolo Piacentini, "Old and New Dualisms in the Italian Labour Market," in *The Italian Economy at the Dawn of the 21st Century* (Burlington: Ashgate Publishing Company, 2003) p. 84.

² *Ibid.*, p. 91.

³ Alessandro Vercelli and Luciano Fiordoni, "The Italian Labour Market and Production System: Structural Features and Main Developments," in *The Italian Economy at the Dawn of the 21st Century* (Burlington: Ashgate Publishing Company, 2003) p. 47.

⁴ *Ibid.*, p. 41.

⁵ "Waiting for a Job," *The Economist* (6 Nov. 1997): pp. 52-53.

⁶ Schiatarella et al., p. 89.

⁷ Ibid., p. 85.

⁸ "Government Presents White Paper on Labour Market," European Industrial Relations Observatory On-line, 21 Jan. 2005 <<http://www.eiro.eurofound.eu.int/2001/10/feature/it010104f.html>>.

⁹ Ibid.

¹⁰ *Ibid.*

¹¹ "Future Prospects for Social Concertation under Discussion," European Industrial Relations Observatory On-line, 21 Jan. 2005 <<http://www.eiro.eurofound.eu.int/2001/02/feature/it010227f.html>>.

¹² "Berlusconi 2, Cofferati 1," *The Economist* (27 June 2002): pp. 25-26.

¹³ "Government Presents White Paper on Labour Market," European Industrial Relations Observatory On-line, 21 Jan. 2005 <<http://www.eiro.eurofound.eu.int/2001/10/feature/it010104f.html>>.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ "The Trade Unions Hit Back," *The Economist* (28 Mar. 2002): pp. 43-44.

¹⁷ Social Concertation is an academic term describing a process of continuous interaction between the social partners (policy-makers, trade unions and employers' organizations) with the aim of reaching agreements on the control of certain economic and social variables, both at macro and at micro level. It is broadly synonymous with social corporatism and implies a roundtable-like process resulting in consensus on economic policy and industrial relations, with the purported result of easing the task of negotiations and easing the scale of industrial conflict.

¹⁸ Stephen Gundle and Simon Parker, eds., *The New Italian Republic: From the Fall of the Berlin Wall to Berlusconi* (London: Routledge, 1997) p. 23.

¹⁹ Tangentopoli was the name used to indicate the corruption-based system that ruled Italy until the Mani Pulite investigation delivered it a deadly blow in 1992.

²⁰ "Berlusconi 2, Cofferati 1," *The Economist* (27 June 2002): pp. 23-24.

Brazil and China: Strategic Partners in the 21st Century?

Ilan B. Solot

The objective of this paper is to discuss the implications of a possible improvement in the terms-of-trade for Brazil (a reversal of the controversial Prebisch-Singer Hypothesis) resulting from China's industrialization process. The paper will address, in particular, how this terms-of-trade improvement opens the possibility for a new model for Brazil's economic development, based on the export of commodities. It finds that the dual effect of lowering the prices of manufactures and raising those of commodities, brought about by China's industrial export-led growth model, will likely invalidate the declining terms-of-trade aspect of the Prebisch-Singer Hypothesis. Nevertheless, many of the implications derived from this hypothesis still deserve careful consideration.

"The 1990s already saw a return to a primary-exporting role for Latin America. All the signals are that the world economy will push Latin America even more strongly in this direction in the new century, especially in the fields of oil and mining. It behooves us to look very coldly at the political economy and social dimensions of such a model, with more than half an eye on the past. We need to be alert to what will need to change if primary-resource-based growth is to be compatible with long-term economic and social development."¹

– Rosemary Thorp, *Oxford University*

INTRODUCTION

Should Brazil give up on manufacturing? Behind this seemingly rhetorical question lies what will perhaps be the next most important strategic decision for policymakers in Brazil, as well as in many other Latin American countries. While the Ricardian theory of comparative advantage seems to insinuate that the best trade strategy for Brazil is to specialize in exporting primary commodities, there is, on the other hand, plenty of reason for disagreement. After all, industrial activity has been – for the past two hundred years – the key to the development of virtually every advanced economy.

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As a result of the recent Chinese industrial revolution, resource-rich countries like Brazil may finally get what classical economic theory had always promised them: a rise in the international value of commodities.² In fact, this “promise” dates back to the *English* industrial revolution. Writing during the late 18th century, Robert Malthus prophesized that the “passion between the sexes” would cause the population to grow at an unsustainable rate, eventually leading to a dramatic condition of global food scarcity. Henceforth, many liberal political-economists have contended that the gains from international trade would be distributed in such a manner that they would benefit developing countries, at least eventually. In the words of John Stuart Mill: “the exchange values of manufactured articles, compared with the products of agriculture and of mines, have, as population and industry advance, a certain and decided tendency to fall.”³

But much has changed since the days of Malthus and Mill. In the late 1940s, two UN economists, Raúl Prebisch⁴ and Sir Hans Singer, concluded that Malthus, Mill and the tradition of liberal political-economy were wrong with respect to rising commodity prices. Using cutting edge United Nations (UN) statistics from the time, Prebisch and Singer argued that prices of primary commodities were, in fact, falling *vis-à-vis* those of manufactures. This controversial observation, along with its controversial theoretical explanations, became known as the Prebisch-Singer Hypothesis (P-S).

In the years after the publication of his thesis, Prebisch became the most important advocate of an industrialization path for Latin America’s economic development. He believed that any strategy in which economic activity was concentrated on the production of primary products would not succeed. Moreover, he argued that promoting industrialization was the optimal strategy *even if* the industries turned out to be relatively less efficient relative to agricultural production.⁵ Much of Prebisch’s pro-industry conviction came from the belief that prices of primary products would continue their declining trend.

However, much has changed since the days of Prebisch and Singer. The rise of China (and soon India) as an industrial power, casts serious doubts on the continuing validity of the Prebisch’s pro-industry postulate. China’s increasingly important role in international trade is not only causing prices of commodities rise, but it is also causing prices of manufactures to fall. If this trend persists, it is clear that the P-S will no longer be valid.

This recent China-induced improvement in Brazil’s terms-of-trade has paved the way for the re-emergence of the debate over a “commodity vs. manufacture economic development strategy.” Much of the discussion over what is the optimal “China Strategy” resembles – both in substance and in rhetoric – the debate that took place in Prebisch’s time.

A “China strategy” – or lack thereof – may prove to be the most important policy decision in determining Brazil’s future role in the new international division of labor. There is increasing evidence that, without a decisive governmental strategy, Brazil may return to its historical condition of a commodity exporter and

manufacture importer. Hence, as in Prebisch's days, the Brazilian government is called upon to support its national industry in spite of its Ricardian fate as an exporter of primary products. There is, however, one essential difference: this time around, commodity prices are expected to rise.

The P-S and its implications are the most resilient thread that links the debate from Prebisch's day with the present-day debate over a "China Strategy." A good example of how the P-S is re-contextualized can be seen from an interview with the current Brazilian Ambassador to China, Luiz Augusto de Castro Neves, conducted by the *Folha de São Paulo* on October 24, 2004. When asked if the government was worried about the export patterns of trade between Brazil (commodities) and China (manufactures), the Ambassador answered:

[The expansion of primary commodities exports to China] has led us to reproduce, between Brazil-China, a north-south commercial relation, in which China would be north, while Brazil south. This dichotomy between agrarian versus industrial goods, in which higher value added and higher price potential is attributed to industrial goods, is changing little by little. What we have seen in Brazil during the last years is an enormous growth in the agribusiness, which is behind the recent economic performance. The agribusiness prevented a contraction of the Brazilian economy and is one of the inducers of growth.

It is clear that by "dichotomy," the Ambassador is either directly or indirectly referring to the fifty-year-old debate over the P-S. The importance of the P-S for the present day debate is unequivocal: *if it holds in years to come, there will be no viable path to economic development through the export of commodities.*

The objective of this paper is to discuss the implication of a possible improvement in the terms-of-trade for Brazil (a reversal of the P-S trend), resulting from China's industrialization. The paper will address, in particular, how this terms-of-trade improvement opens the possibility for a new model for Brazil's economic development, based on the export of commodities. The arguments in favor of this hypothetical new model will be contrasted with the objections by pro-industry advocates, which are drawn from the legacy left by Raúl Prebisch and the Structuralist economists from the Economic Commission for Latin America and the Caribbean (ECLAC).

The remainder of this paper will be organized as follows: 1) a brief discussion of the P-S; 2) a presentation of evidence that terms-of-trade are improving, and are likely to continue to improve, at least for Brazil; 3) a presentation of numeric evidence for a possible "commodity export-led growth model;" 4) a presentation of possible objections to this model (drawing from Prebisch's intellectual legacy); 5) a broader discussion of the "window of opportunity" opened

by China's industrialization in light of the presented evidence; and 6) concluding remarks and a historical overview of the composition of Brazil's export portfolio.

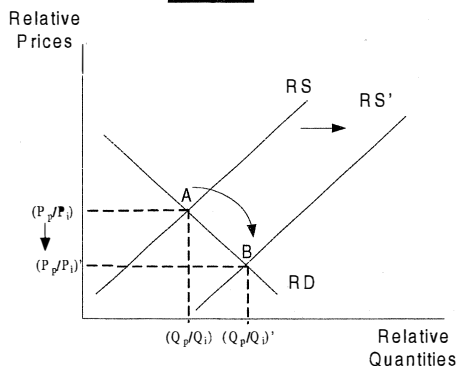
PREBISCH-SINGER HYPOTHESIS (P-S)

The P-S refers to the observation that there is a long-term tendency of decline in the terms-of-trade for countries who export primary products. Using the UN statistics available at the time, Prebisch, along with another UN economist, Singer, simultaneously – though independently – came to the same conclusion: since 1876, the international prices for industrialized commodities were steadily rising, while those for primary commodities were steadily falling.⁶ As a consequence, the developed (industrialized) countries were growing richer while the underdeveloped (agrarian) were becoming poorer. This observation, along with its theoretical explanations, became known as the P-S.

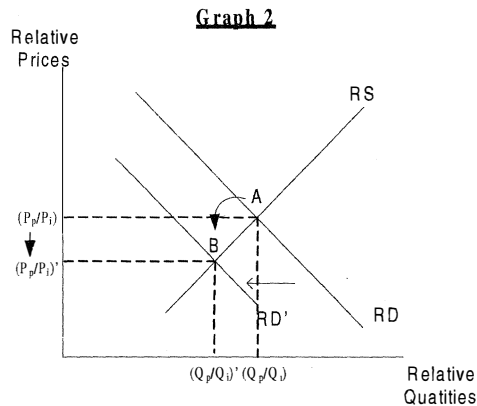
Although Prebisch and Singer arrived at the same conclusion, they offered different theoretical explanations for what they observed. While Prebisch offered a supply side theory based on asymmetries between industrial and developing countries and Keynesian nominal rigidities, Singer focused more on the demand side, considering mainly price and income elasticities.⁷

Prebisch believed that labor unions in industrialized countries caused wages in manufacturing to become permanently fixed at a higher level with each subsequent business cycle. This was because wages would rise during upswings, but were "sticky" during downturns. In developing countries, on the other hand, weak unions were unable to prevent wage cuts during downturns. According to Prebisch, the observed decline in the terms-of-trade resulted from prices of commodities rising by less than the price of manufactures during upswings and falling by more during downturns. Graphically, this can be understood as a rightward movement in the relative supply (RS) schedule of primary commodities in terms of industrialized ones (see Graph 1).

Graph 1



Singer, on the other hand, considered mainly price and income elasticities to be responsible for the shortfalls of a primary commodity-dependent economic model. He argued that monopoly power held by industrialized countries prevented the prices of industrialized products from falling, much like Prebisch's explanation. However, he also argued that demand for primary commodities was relatively less income elastic. In other words, after any given income growth, the demand for industrialized products would rise by more than the demand for primary products. This would cause a leftward shift in the relative demand (RD) curve (see Graph 2).



The semantic link between primary product specialization and the condition of underdevelopment has been, for nearly fifty years, reliant upon the expectation that prices of primary commodities would fall relative to those of industrialized ones (i.e., P-S).

However, what if the prices for primary products were expected to *rise*, as opposed to falling? In other words, what if the P-S were expected to reverse in years to come? Would there still be a basis to defend a pro-industrialization position? These two questions open the door for building a new development model for Latin American countries based on the export of commodities.

A POSTSCRIPT TO THE PREBISCH-SINGER THEORY

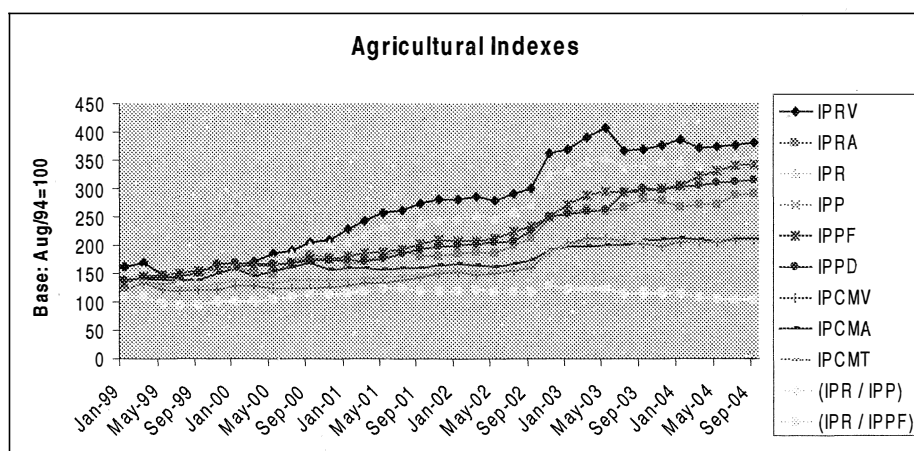
On August 27, 2004, the United Nations Conference on Trade and Development (UNCTAD), the same UN branch for which Prebisch served as Secretary General, published its report entitled *World Commodity Trends and Prospective*. According to the report:

Commodity prices increased considerably in 2003 and the first

half of 2004, particularly for minerals, while prices of agricultural products rose more slowly. The general economic recovery and rapidly increasing demand in Asia, particularly China, were the main reasons for the price rises...Developments differed between commodity groups. Industrial raw materials experienced good demand conditions and the UNCTAD price index for minerals, ores and metals rose by more than 28 per cent during 2003...The index for agricultural raw materials rose by 27 per cent in 2003...In conclusion, Chinese and Indian demand growth will provide a major dynamic stimulus to international commodity markets over the next several years and, since commodity markets are global, the additional demand arising from Asian growth will benefit a wide range of countries and not only affect the immediate neighborhood.⁸

While the P-S's statistical claim seemed unconvincing when published, it is even more unlikely to hold today.⁹ Although there is so far no evidence of a sustained trend in increasing terms-of-trade for countries who export primary commodities, the data published in reports such as the *World Commodity Trends and Prospective* provide enough evidence to expect that the terms-of-trade will not be decreasing in the near future. This is particularly the case for Brazil's export portfolio, since soy and iron are amongst its top five export commodities.

The most recent data on the Brazilian agricultural sector shows an unequivocal trend of rising prices. The chart below depicts some of the most important Brazilian agricultural indexes since 1999.



Source: Instituto de Economia Agrícola

IPRV =Prices Received for Vegetable Products	IPCMA =Price of the Market Basket of Products of Animal Origin	IPPF =Prices for Agricultural Inputs Acquired Outside the Agricultural Sector
IPCMV =Price of the Market Basket of Products of Vegetable Origin	IPPD =Prices for Agricultural Inputs Acquired Within the Agricultural Sector	IPRA = Prices Received For the Animal Products
IPP = Prices Paid by Producers Producers	IPR =Prices Received by	IPCMT = Total Price of the Market Basket

THE PREFACE TO A NEW MODEL

China has a population of 1.3 billion people. This means that if its per capita income were to increase by USD 100 there would be additional USD 130 billion demand to be absorbed by the global market.

Due to China's demographic outlook and stage of development, the recent rise in Chinese income has translated into an additional consumption of commodities. These commodities are likely to be food and the raw materials required for investments in infrastructure. As a net exporter of food and raw materials, a rare window of opportunity is opening for Brazil. While some of this increased demand will undoubtedly be met by expanding domestic production, imports of primary commodities are likely to continue to increase. For example, in spite of China's expanding production of minerals and metals, its exports have been falling for the last few years. Given both geological factors and signs of increasing scarcity of energy in China, future investments are unlikely to reverse this trend. As a result, China's mineral imports from developing countries outside Asia tripled from 1995 to 2002.¹⁰

The same applies to agricultural imports. The capability of China's arable land to feed its growing population (in numbers and income) has begun to come under strain. As a result, imports from developing countries *outside Asia* increased by a total of thirty percent from 1995 to 2002.¹¹

In short, China's increasing demand is potentially the single most important determinant for Brazil's economic development in years to come. In 2003, China became the third largest importer of Brazilian products (behind the United States (US) and Argentina, respectively). In the same year, Brazil became China's tenth largest provider of imports. Moreover, China has become the fifth largest exporter to Brazil.

BRAZIL'S TOP 5 TRADING PARTNERS IN 2003			
IMPORT		EXPORT	
Partner	Trade Value	Partner	Trade Value
USA	10.17	USA	16.90
Argentina	4.95	Argentina	4.56
Germany	4.37	China	4.53
Japan	2.63	Netherlands	4.25
China	2.33	Germany	3.14

Source: The United Nations Statistics Division
Number is USD bn

The pattern of trade between Brazil and China is clear: Brazil sells commodities to China and buys China's manufactures.

BRAZIL - CHINA TRADE 2003					
TOP 5 EXPORTS TO CHINA (bn)			TOP 5 IMPORTS FROM CHINA (bn)		
HS Code	Description	Trade Value	HS Code	Description	Trade Value
12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	\$1,313,082,368.00	85	Electrical, electronic equipment	\$766,212,736.00
26	Ores, slag and ash	\$773,660,544.00	27	Mineral fuels, oils, distillation products, etc	\$351,455,488.00
72	Iron and steel	\$754,599,040.00	29	Organic chemicals	\$226,593,584.00
15	Animal, vegetable fats and oils, cleavage products, etc	\$270,033,280.00	84	Nuclear reactors, boilers, machinery, etc	\$225,600,768.00
47	Pulp of wood, fibrous cellulosic material, waste etc	\$265,604,608.00	90	Optical, photo, technical, medical, etc apparatus	\$141,577,040.00

Source: The United Nations
Statistics Division

One of the main concerns about the Brazil-China trade pattern is that it emulates that of Brazil-US throughout most of the twentieth century (i.e., exporting commodities and importing high value-added goods). As we shall see, many of the arguments for a pro-manufacture "China Strategy" are based on the notion that this pattern of trade has to be broken if Brazil itself is to develop economically. These arguments, as many others, are based upon the intellectual foundation left by Prebisch and the Structuralist economists.

OBJECTION TO A COMMODITY BASED MODEL

The first step for any economic model which favors primary commodities is to pass the "golden standard" set by the first generation of pro-industrialization advocates. This is especially important because much of the intellectual groundwork

for contemporary pro-industrialization advocates draws from it.¹²

The first generation of pro-industrialization economists believed that promoting industrialization was the optimal strategy *even if* the industries turned out to be relatively less efficient than the agricultural sector.¹³ Many of the arguments that led to this conclusion can be revised to fit Brazil's current dilemma over a "China Strategy." Once revised, these arguments can serve as guidelines for the challenges a model based on commodity export is likely to face. Here are four examples, with their respective adaptations:

1. Agricultural activity is not capable of raising income or absorbing the growing labor force in Latin American countries. The recent growth in agricultural and mineral exports seemed to have little effect on the rural unemployment problem – in the case of Brazil, typified by the Landless Movement (*Movimento sem Terra*);
2. Primary product specialization will crystallize the North-South (or Center-Periphery) dynamics in which only the North is able to retain the benefits of technical progress. Allowing this process to continue would perpetuate the income gap between the regions. Even if China moves towards the Center, so to speak, Latin American countries will continue to be at a disadvantage *vis-à-vis* the US and Europe. Moreover, the unfavorable pattern of trade between the US and Europe (which contributed to Brazil's underdevelopment), may very well extend to the Brazil-China trade relations;
3. Primary commodity exporting countries suffer from chronic external vulnerabilities resulting in structural balance-of-payment problems. Some have also argued that such vulnerabilities feed into inflation.¹⁴ In any case, balance-of-payment problems are thought to be related to the low income elasticity of commodities;
4. The dependence upon low value-added exports would not generate enough foreign exchange to import essential high value-added ones (e.g., *m a c h i n e r y*) without incurring foreign debt. Given the available land and technological restrictions, there is no realistic terms-of-trade gain that would make the arithmetic work out favorably in order to raise the living standards of the population.

While an in-depth analysis of these, and many other "neo-Structuralist" arguments, is beyond the scope of this paper, it is important to point out some of the main factors that could counteract the above challenges as well as open the window of opportunity to a primary product-based model.

THE WINDOW OF OPPORTUNITY

The progressive industrialization of China and other Asian countries is not only causing a rise in primary commodities prices, but it is also causing the prices for industrialized commodities to fall. This means that developing countries now have access to industrialized products at a cheaper price and have become

less dependent on their national industries (for example, mobile phone technology). In short, the terms-of-trade for a country that is the exporter of commodities and the importer of manufactures is likely to improve from both sides, contrary to the P-S expectations.

Moreover, two factors undermine the theoretical explanations of the P-S, described above. First of all, the “flood” of industrialized and semi-industrialized products coming from China – as well as from the Asian Tigers – negates any possibility of monopoly power by any one industrialized country.¹⁵ Secondly, labor markets in developed countries are becoming increasingly flexible. On the one hand, unions are clearly losing power, and, on the other hand, governments are conducting reforms in order to improve their industries’ competitiveness. To put it differently, “under attack by conservative politicians, battered by overseas competition, threatened by capital flight, bewildered by changes in the nature of work, and shackled by an outmoded egalitarian ideology, unions increasingly appear like large but aging dinosaurs struggling to adapt as the climate changes.”¹⁶

From a political perspective, China’s influence on the global commodity prices may extend well beyond its influence as an importer: China has become an important player in the struggle to reduce agricultural subsidies in the US and the European Union. The best example is China’s protagonist role, alongside Brazil, in the G-20 coalition of developing countries. Much of China’s position against agricultural subsidies as well as its growing demand for agricultural products, relates to China’s accession as a WTO member. Upon entry into the WTO, China agreed to limit domestic agricultural subsidies to 8.5 percent of the value of production (i.e., less than the ten percent limit allowed for developing countries under the WTO Agreement on Agriculture) and to eliminate all agricultural export subsidies.¹⁷

From a geopolitical perspective, China’s increasing economic power is causing the North-South (Center-Periphery) dichotomy to lose its significance. Developed countries are no longer the only industrialized countries. In other words, “developed” and “industrialized” are no longer synonymous. Countries such as Brazil now have more political leverage than ever before. This is especially the case since China is becoming increasingly dependent on commodity imports from underdeveloped countries such as Brazil.

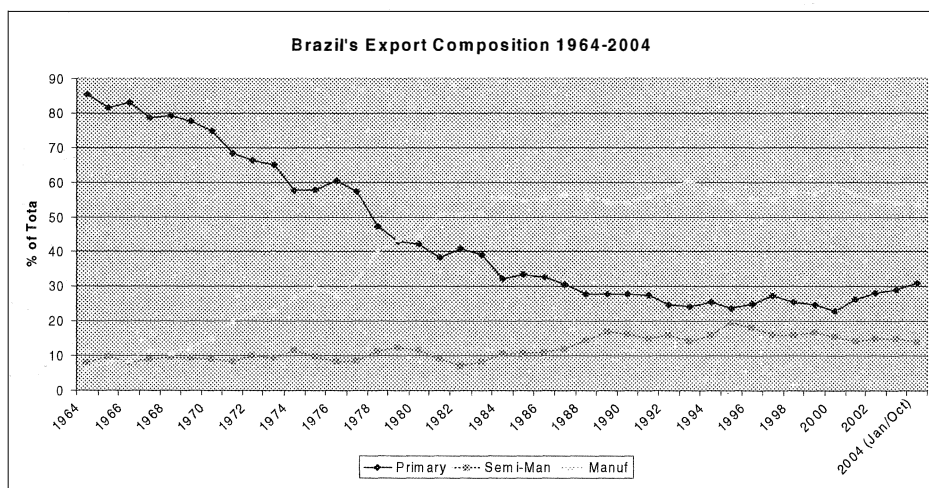
Finally, Brazil’s macroeconomic variables are becoming progressively more stable, thanks in part to its strong exports of steel and soy. Since the implementation of the Real Plan in 1994, the year 2001 has been the first in which Brazil has achieved a trade surplus. Since then, the surplus has steadily grown.¹⁸

A window of opportunity has, indeed, opened for Brazil. However, it is clear from Brazil’s history as a commodity exporter, that *laissez-faire* is likely to fail in many areas. The most grievous case is, of course, distribution of income.

Despite the favorable conditions, the task before the Brazilian government is, nevertheless, daunting: to move towards sustainable development by crafting a “commodity export-led growth model,” which is sensitive to Brazil’s social-economic problems.

CONCLUSION

Prebisch's international reputation is often associated with – and sometimes blamed for – the period of Import-Substitution Industrialization (ISI) in Latin America. While Prebisch's ideas did influence Latin American policy makers in many ways, ISI began as a natural process which resulted from the high international tariffs put in place after the Great Depression and World War II.¹⁹ Since then, the composition of Brazil's export portfolio has undergone a progressive increase its industrial component (see graph below).



Source: Secretaria de Comércio Exterior (SECEX)

In 1979, industrialized exports overcome the exports of primary products. This trend reached its peak in 1993, when approximately 61 percent of Brazil's total exports were industrialized products, relative to 14.5 percent semi-industrialized and 24.5 percent primary products. From the year 2000, however, this trend has been reversing: industrialized and semi-industrialized products are losing ground to primary ones (see table next page).

% of TOTAL EXPORTS (aprox.)			
Year	Primary	Semi-Ind	Industrialized
1965	82 %	10 %	8 %
1970	75 %	9 %	15 %
1975	58 %	10 %	30 %
1979	43 %	12 %	44 %
1980	42 %	12 %	45 %
1985	33 %	11 %	55 %
1990	28 %	16 %	54 %
1993	24 %	14 %	61 %
1995	24 %	20 %	55 %
2000	23 %	15 %	59 %
2001	26 %	14 %	57 %
2002	28 %	15 %	55 %
2003	29 %	15 %	54 %
2004 (Jan/October)	31 %	14 %	54 %

Source: Secretaria de Comércio Exterior (SECEX)

As it becomes clear that the “de-industrialization” of exports is likely to continue, the Brazilian government is once again called upon to support its national industry, in spite of Brazil’s evident comparative advantage in commodities. This interventionist (i.e., non-classic) vein, can be traced back to Prebisch, Singer, and the Structuralist economists.

Hence, even under the favorable constellations of improving terms-of-trade and comparative advantage, someone will always ask the question: *Should Brazil really give up on manufacturing?*

NOTES

¹ Rosemary Thorp, abstract of a lecture given at the Inter-American Development Bank, Washington, DC, 1 August 2001.

² “Commodities” refers to primary products such as foodstuffs and raw materials.

³ Mill, IV.2.11.

⁴ Prebisch, a former secretary general for UNCTAD, was best known for his work in CEPAL where he was Executive Secretary. Prebisch was main founder of the Structuralist school of economic thought.

⁵ Bielschowsky, 21-45.

⁶ In May 1950, Prebisch published “The Economic Development of Latin America and

Its Principal Problems,” through the UN. In the same month, Hans Singer published “The Distribution of Gains between Investing and Borrowing Countries,” in the American Economic Review.

⁷ The following explanation is based on: Cuddington *et al.*

⁸ UNCTAD.

⁹ It is beyond the scope of this paper to discuss vast literature on the statistical validity of the P-S. But see, for example, Grilli and Yang.

¹⁰ UNCTAD.

¹¹ Ibid.

¹² From the onset, is important to recognize that the arguments put forth by Prebisch and the Structuralists evolved significantly from the time of the foundation of the Structuralist school. As a general rule, this paper will focus on the early arguments, which extend approximately up to the time when the Import-Substitution Industrialization model was recognized as obsolete.

¹³ Bielschowsky, 21-45.

¹⁴ See, for example, works by Osvaldo Sunkel and Aníbal Pinto.

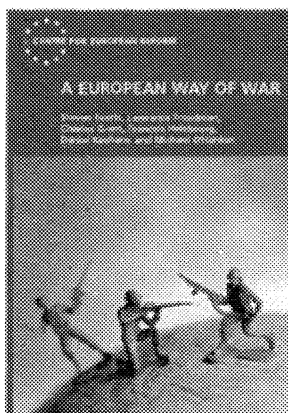
¹⁵ Recall that monopoly power is defined as the ability to raise price by restraining demand.

¹⁶ Wallerstein and Western, pp. 355-77.

¹⁷ Rumbaugh and Blancher.

¹⁸ Brazil's trade surpluses must be taken with a grain of salt, however, primarily for two reasons. First, any conclusion about Brazil's trade performance or international competition must take into account the devaluation of its currency, the Real. This devaluation played a large role in generating the current trend of trade surpluses. Second, while Brazil's external account has undeniably improved since the times of trade deficit, much of the surplus achieved in the past 3 years is due to slow or decreasing imports. For example, according to official figures, Brazil's total imports in 2003 (USD 48.3bn) were below its 1995 import level (USD 50.0bn).

¹⁹ See for example, Barbosa (1998).



A European Way of War

By Steven Everts, et al.

Reviewed by Patrick Avato

The recent drift in transatlantic relations has been the subject of many controversial debates. Most prominently this debate has centered on Robert Kagan's famous Mars and Venus metaphor, in which an overwhelming American military force contrasts sharply with a post-modern and predominantly pacifist Europe and its notoriously underdeveloped military. The authors of "A European Way of War" deal with questions concerning Europe's role in coping with current world threats and especially with how Europe should position itself regarding these questions relative to the US. All together, the authors suggest that Europe certainly could and should play a more central role in shaping international responses to conflicts and threats. Indeed, the European strategic culture and the strengths of various European military doctrines do offer the potential for Europe to develop its own idiosyncratic approach to warfare.

However, as François Heisbourg points out, before raising excessively high expectations one needs to acknowledge that the divergence of military capabilities and strategic cultures among European countries—exacerbated by European Union (EU) enlargement—makes a clear and effective common European military strategy appear highly unrealistic. Instead, Heisbourg argues that Great Britain and France ought to assume a leading role in shaping a European approach to security problems. Both these countries already possess modern militaries and highly developed and effective military doctrines. Not least they have significant experi-

ence in overseas deployments, counterinsurgency and peace-keeping operations, due to their colonial legacies.

Heisbourg expects other European countries to follow if British and French policymakers engage in further developing their security policies and integrating them more closely. In fact, with certain limitations this development is already taking place. However, integrating and expanding (the limited) European strengths in medium and low-intensity warfare is not enough. Europe clearly needs to look across the Atlantic with respect to developing better trained and equipped forces, capable of engaging in modern high-intensity warfare. O'Hanlon and Freedman warn against an excessive emulation of the United States (US) approach. Indeed, the authors argue that in some ways the American military doctrine is flawed.

By focusing excessively on increasing its military might against any other military power in the world, the US has not devoted enough resources and training towards dealing with asymmetric threats—one of the major issues on the present security agenda. Moreover, there appear to be strong differences in strategic priorities between the US and the EU. Indeed, it appears that in the future the EU will be more concerned with weak and malfunctioning states on its eastern and southern borders, while the US will be more focused on global security issues like Iraq and “rogue” regimes in Iran and North Korea as well as potential escalations between India and Pakistan and the China-Taiwan issue. Together with the harsh budgetary constraints which Europe faces, any European attempts at keeping up with the enormous US spending on defense are futile and, indeed, unnecessary. Europe should rather build upon its strengths and on further developing its soft-power capabilities, including the concerted and strategic use of measures such as trade, aid and political dialogue—this strategy has lately shown some success in dealing with Iran. However, as Charles Grant puts it, the Balkans have clearly shown that conflicts cannot be solved by soft-power alone.

Indeed, Europe needs to increase its hard-power capabilities. Following the lead of Great Britain and France, European militaries need to adapt to contemporary necessities, mainly by enhancing their capabilities in peace-keeping and nation-building operations and by creating relatively small but highly trained and mobile high-intensity combat units. Though this does not necessarily entail larger overall spending on defense—European spending on defense is by far the second highest in the world—additional resources need to be freed to increase procurement and Research and Development (R&D). This can mainly be done by measures such as cutting personnel costs and by establishing a better division of labor between the various European countries, hence eliminating costly redundancies. Finally, Europe would have to take the growing threats of international terrorism and organized crime into consideration by adding an internal component to its security strategy.

Summing up, Europe needs to further develop and coordinate its hard-power capabilities and integrate them in a coherent approach with soft-power measures in order to be able to fight global threats deriving from nuclear proliferation, weapons of mass destruction, failing states, international terrorism

and organized crime. Paradoxically, according to Everts et al., this approach would most likely develop within the North Atlantic Treaty Organization (NATO), as the EU is simply too consensus-oriented and political in nature to be able to effectively target defense issues. Therefore, the authors conclude that the European way of war, while certainly differing from the US strategy in important ways, would effectively complement US efforts in tackling global threats and therefore be mutually beneficial.

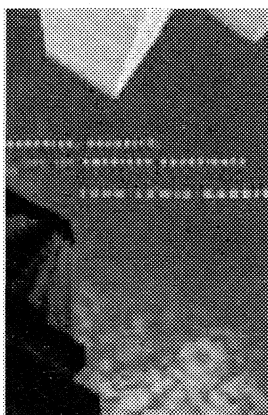
Certainly a stronger Europe which aids and complements the United States in tackling global crises is highly desirable. In the end such a role would have to rely on a common European foreign policy that builds upon the fairly well-developed soft-power measures, and to be credible, also on a common military strategy. The book by Everts et al. raises important issues concerning such a European approach to war and thoroughly discusses the major aspects and problems the creation of a true European security strategy would encounter. Most importantly, the authors build a picture of a possibly distinctly European approach to warfare that through its effective mix of soft and hard-power measures might in many respects differ from the American strategy. This stance is refreshing in contrast to the sometimes obsessive comparisons of European militaries with US military might and technological advantage. While European countries certainly need to improve their military capabilities, it is important to point out the different strategic threats and interests of Europe and the US. Indeed, considering that the EU could most probably still respond to any conceivable threat to its territory on its own, calls for increases in defense spending need not be exaggerated. In any case, this does not mean that investments in defense are not necessary. Quite to the contrary, Europe does need to improve the quality and effectiveness of its forces. However, in light of the budgetary strain on European governments and the relatively low interest of European electorates in security issues, it is extremely difficult, if not impossible, for European governments to significantly increase defense spending in the near to medium future. As pointed out by Everts et al., efficiency enhancements seem the only plausible way of freeing up resources—offering manifold opportunities, indeed.

The authors also touch upon an important point when stressing the difficulties of forging a European consensus on military strategy through the political organs of the EU. While there is common ground among member countries on the use of soft-power measures in answering to different types of crises, strategic cultures across Europe differ widely concerning the use of force. Also, capabilities in terms of force projection are very different, with only Great Britain and France being able to deploy a considerable force in remote areas. Consequently, Freedman's suggestion to concentrate on these two countries for leading European defense integration is plausible. However, one should not take their coordinated commitment to European defense for granted. Undeniably both countries have moved closer after their rift over Iraq. They both continue to cooperate closely on various defense issues, both on the operational level and on procurement and R&D issues. Also, France has been increasingly pushing for a stronger European commitment to NATO, and the UK has championed a realignment of European

countries on foreign and defense policies. However, it is still far from clear how both countries will position themselves in future crises, most notably regarding potential US policies that may again be controversial in Europe. Though Tony Blair has certainly learned from his experience in the wake of the Iraq war—his rate of approval in the UK has not yet recovered—the special relationship between the US and Great Britain will most probably continue to influence British foreign policy in the future. Therefore, the success of further Franco-British defense coordination depends largely on the British reaction to US unilateral action. A British abstention would indeed greatly weaken the European security policy. Further, one should not forget that without Great Britain, European security policy would be widely dominated by France and Germany—the reactions to such dominance in other European countries such as Italy, Poland and to a lesser extent Spain are well known. In the end, any EU military strategy would be hardly operational if European countries cannot agree on a common foreign policy.

Consensus among European countries might be more easily attainable on issues regarding internal security. It appears that Europe is in fact subject to substantial threats from within. International terrorist organizations and organized crime have increasingly been able to build up networks across various European countries. Threats associated with these developments can only be tackled by closer cooperation amongst intelligence agencies and police organizations. While some progress has been made in this regard recently, quarrels over the European Arrest Warrant, which has not yet been implemented in many European countries, highlight the inefficiency of the European political and bureaucratic procedures related to such matters. Heisbourg's proposal of creating a High Representative for internal security who is responsible for coordinating internal security measures and organizing operational plans in case of a terrorist attack does offer a possibility to effectively improve the situation.

Finally, one should reflect on the general implications a distinctly European way of war would entail. According to Everts et al., a stronger and more coordinated European actor in foreign policy and military doctrine would be in the long term interest of both the US and Europe. As it is unlikely that anything resembling a real European military strategy would evolve outside NATO, European efforts could complement US policies and aid an already extremely overstretched US military. Unfortunately, in this regard the authors might underestimate the deepness of the transatlantic rift. Indeed, disputes over issues ranging from Iraq, Iran and the Middle East to the International Criminal Court and the Kyoto Protocol highlight major differences among the US and European countries. In this light, it is not at all clear whether the US administration would accommodate European aspirations to play a bigger role in decision-making concerning security policy on a world scale. For many European countries this option is, however, the very reason for enhancing their military capabilities in the first place. Should the US fail to respond to this, it is likely that European countries would move even closer together on strategic issues, maybe even shifting the focus from NATO towards the EU. In the end however, it is to be hoped that policy-makers on both sides of the Atlantic understand that in the words of Everts and Keohane, "NATO and EU defense policy will sink or swim together."



Surprise, Security, and the American Experience

By John Lewis Gaddis

Reviewed by Sunil Vaswani

The September 11 attacks were a severe “security surprise” and provided ample proof that the United States faces a new security environment that bears no resemblance to the Soviet threat of the Cold War. But how new is the Bush grand strategy that addresses this new security environment? In his book, *Surprise, Security, and the American Experience*, John Lewis Gaddis argues that the fundamental principles of the Bush doctrine – preemption, unilateralism, and hegemony – go back a long way. They were first developed by John Quincy Adams after the British marched into Washington and burned the Capitol and the White House on August 24, 1814 – the day America suffered its first surprise attack.

Gaddis, a leading historian and scholar of American foreign policy, has, in usual fashion, carefully worked his way through the archives to craft a cogent argument. He cites the fact that Adams (then Secretary of State to President Monroe) was the lone voice in defending General Jackson when he preemptively invaded Spanish Florida in 1818. The policy of preemption continued when James Polk annexed Texas in 1845 on the grounds that this fledgling state was unable to maintain its independence. Similarly, President McKinley took over all of the Philippines when Spanish rule showed signs of collapse in 1898. In short, the United States has preempted or prevented trouble long before Iraq.

Unilateralism was first articulated by George Washington in his Farewell Address of 1796 although Washington, as Gaddis reminds us, borrowed this concept from Adams' earliest writings. Unilateralism continued into the 20th century when the United States chose to enter World War I as an "associated" power rather than an "allied" power. After the war, the Senate rejected President Wilson's idea of collective security embodied in the League of Nations.

To maintain security unilaterally, the United States needed to be the dominant power on the North American continent. A balance of power in the region would limit American objectives and require complex alliances that could prove unstable as the European experience had repeatedly shown. Once again it was John Quincy Adams who best articulated the idea of American hegemony when he wrote that America is "destined by God and nature to be the most populous and most powerful people ever combined under one social compact" (p.26).

Gaddis correctly notes that America's response to its second surprise attack – Pearl Harbor – was markedly different from Adams' response to the British attack on Washington. To begin with, preemption was less relevant because the threats had already manifested themselves – both Japan and Germany had declared war on the United States. Unilateralism gave way to the Grand Alliance because Roosevelt knew that America did not have the military capability to win this global war alone. All the while, Gaddis says, Roosevelt skillfully ensured that the United States had the upper hand in the Alliance that eventually set the stage for American hegemony in the post-war world.

According to Gaddis, America answers surprise attacks not by contracting its responsibilities and withdrawing behind defenses but "by taking the offensive, by becoming more conspicuous, by confronting, neutralizing, and if possible overwhelming the sources of danger rather than fleeing from them" (p.13). Expansion is the American answer to security threats. Why do Americans respond this way? Because Americans, Gaddis claims, place a high value on "free security" – the luxury of not having to exhaust one's resources to ensure one's safety. Free security is part of the American ideal, and when this prize possession is in jeopardy, Americans are quick to step up to retrieve it. Gaddis states, "If the benefits of mostly free security have shaped the character of American people, then the methods that secured those benefits [preemption, unilateralism, and hegemony] should be embedded within our national consciousness. They would be the default: when in doubt, fall back on these" (p.31). His conclusion: given the September 11 attacks, the Bush grand strategy is not out of the ordinary.

Gaddis presents strong evidence to support his case but his analysis has its weaknesses. Most problematic is his assumption that America had a choice between taking the offense and withdrawing behind defenses. The historical record has shown that it is difficult for major powers to remain behind the scenes for too long. They are an integral part of the global trade and financial system. Smaller powers are willing to make major concessions to have them as allies. Or they are provoked into taking sides in a war. Take the case of Russia in World War II. Despite Stalin's best efforts to avoid war with Germany (he signed a non-aggression pact

with Hitler in 1939, avoided rebuilding the Red Army after his notorious purges, and continued shipments of fuel and raw materials until German soldiers crossed into Russia), the Russians faced Hitler's onslaught in 1941. Russia's size simply did not allow her to be neutral.

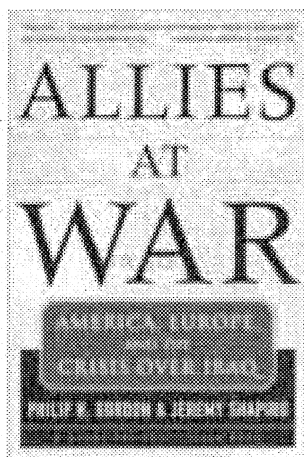
Similarly, after the attack on Pearl Harbor, American neutrality was not an option. A weak response would probably have resulted in a terrible domino effect: Japanese attacks would have continued, each time getting closer to the American homeland; Britain and (possibly) Russia would have fallen into German hands, and soon the Axis powers would have been conjuring up ways to carve up the American landscape. One could counter this argument by saying that the United States could have reached a separate settlement with Japan and Germany (instead of aligning itself with Britain and Russia) and avoided the policy of unconditional surrender. But Hitler was never open to compromise. He viewed settlements and agreements as a sign of weakness and a way to buy time to strengthen his military. It was precisely the policy of accommodation and appeasement that emboldened Hitler, allowing him to pursue his grand designs one step at a time. This is why unconditional surrender and total victory were the only options left.

The other major problem with Gaddis' argument is his claim that the Bush doctrine is a "default doctrine" that stems from America's national consciousness. For the doctrine to be embedded in the American psyche, the majority of its citizens must support it until the security threat is removed. Polls, however, show that a majority of Americans do not favor unilateralism. Instead, the public seeks extensive cooperation with other countries to prevent America from doing all the heavy lifting. The public has also developed the belief that going-it-alone can only go so far in today's interconnected and interdependent world. (Whether these opinions are correct is another matter altogether). To put it differently: what if Al Gore had become president? Would he have pursued unilateralism with respect to Iraq? "What ifs" are usually dangerous from an analytical standpoint, but given how close the 2000 election was, this is something worth thinking about. Given that the electorate is so evenly divided, is there such a thing as the "American" consciousness?

As for hegemonic aspirations, realists would argue that this is not unique to the United States. France and Great Britain have, at certain periods in their history, sought and succeeded in achieving hegemony. If given half a chance, these countries (and others) would seek to dominate again. The difference between most other nations and the United States is that the latter actually has the capability to achieve hegemony.

Despite these analytical shortcomings, Gaddis' book is worth a careful read. At the very least, it shows that the Bush doctrine is not new – a crucial fact that many foreign policy analysts seem to miss. The book is also sprinkled with sharp insights. For example, in discussing the *short-term* effects of the Iraq invasion, Gaddis writes that "the United States exchanged its long established reputation as the principal stabilizer of the international system for one as its chief destabilizer" (p.101). Whether the United States can reestablish its past reputation as a stabilizing

power remains to be seen and Gaddis (unlike many foreign policy analysts) sensibly avoids making any predictions or conducting a thorough evaluation of the Bush foreign policy. It is simply too soon to tell how this policy will play out. When we are in a position to make a full evaluation, I hope Gaddis picks up his pen again. It is sure to be an interesting, thoughtful, and well-written book.



Allies at War

By Philip Gordon and Jeremy Shapiro

Reviewed by Ryan R. Miller

In their recent book, *Allies at War*, Philip Gordon and Jeremy Shapiro describe how a transatlantic split emerged between the United States and its main continental allies, France and Germany, during the lead-up to the Iraq war. The extent of the split, they say, was such that “the result was not only a failure to agree about Iraq, but such damage to the world’s most successful alliance that it was a legitimate question whether [the transatlantic link] would endure.”¹ Their central argument is that this split stemmed in a large part from “diplomatic wrangling,” rather than pre-existing divisions between Europe and the United States. In their historical narrative, Gordon and Shapiro give a very balanced assessment, criticizing both the United States and its European allies equally. They describe how the Bush administration pursued an arrogant, unilateralist diplomacy, and how France and Germany departed from traditional alliance norms by openly opposing the United States. Ultimately, according to Gordon and Shapiro, “diplomatic mistakes, personality clashes, unfortunate timing, faulty analysis, and bad luck” played an important role in straining relations.² The split, in other words, was avoidable. The authors conclude by arguing that the alliance is salvageable, and they propose several measures to restore a healthy transatlantic link: advancing a peaceful settlement to the Israeli-Palestinian conflict; jointly rebuilding Iraq and

promoting reform in the greater Middle East; consolidating the alliance around the war on terrorism; coordinating a policy of “carrots and sticks” toward Iran; developing new norms to govern the use of force; and building a robust European Security and Defense Policy to give the US a more capable partner in international affairs.

The principal shortcoming with *Allies at War* is that the book’s central claim is perhaps applicable only with regards to US dealings with Germany, while being less helpful for understanding Franco-American relations. The reason is that Paris and Washington arguably were already parting ways in the “new world order.” Pertaining to Germany, Gordon and Shapiro correctly point out that the split between Washington and Berlin came as a result of Shroeder’s political exploitation of popular opposition to US plans, as well as the American “berating” of Germany for its opposition to the war. Indeed, German leaders have for a long time placed a premium on good relations with the United States in questions of international security. The authors accurately highlight how the Bush administration’s isolation of Schroeder after his anti-war election rhetoric helped drive the German leader into the French camp.

But Gordon and Shapiro do not adequately explore the historical and structural factors driving the animosity that appeared in US-French relations. They focus instead on a series of diplomatic fisticuffs. Concerning the Americans, the authors highlight how Washington undertook a series of actions to punish France for its increasing opposition to the war. These included how the Pentagon prevented the French military from participating in previously arranged exercises, or how Undersecretary Feith admonished a French official who had come to Washington to explore modalities for French participation in the enforcement of UN resolutions. With regards to the French, Gordon and Shapiro critique Paris’s “all out attempt to deny legitimacy to [the war] once it had been decided.”³ For example, they cite France’s threat of its UNSC veto, or how Chirac stated on television that he opposed the war “because [the French] want to live in a multipolar world.”⁴

While it would be difficult to deny that these and other mishaps inflamed the public discourse surrounding US-French relations, the inter-governmental divide currently discussed is a consequence of much deeper factors. A better explanation for the current US-French divide can be found in historical predispositions of the French state, as well as the changed structure of the international system. Gordon and Shapiro deny that French resistance to a war came from “a reflexive desire to resist American power,” yet the historical record suggests that French leaders have a long history of measuring French stature and power against that of the United States.⁵ With the hope of “loosening” the bipolarity of the Cold War, Charles de Gaulle and his successors espoused a policy of *grandeur nationale*, according to which France should plot its own independent course in international affairs. One consequence of the Gaullist tradition has been that French foreign policy elites traditionally have prided themselves on competing with the United States. Some observers have pointed out that when de Villepin took the stage at the UN to denounce American policies, he was personifying how the French are most comfortable when in opposition to Washington.

Furthermore, the shift from bipolarity to unipolarity following the USSR's collapse exacerbated these pre-existing intra-alliance tensions. Gordon and Shapiro admit the importance of the structural shift, conceding that "as the 1990s began, the constraints on intra-alliance disagreement loosened significantly."⁶ Still, they do not adequately discuss how Washington's increasingly erratic and unilateral policies irritated French leaders, or how France was freed to pursue more openly its traditional Gaullist policy of *grandeur* vis-à-vis Washington. Brenner and Parmentier note how France in the post-Cold War era "saw itself as a direct rival of the United States – whether in shaping European security arrangements, in deciding on the appropriate approach to regulating international financial markets, or in the images and models of popular culture."⁷ In short, US-French spats were already becoming more natural because the USSR's collapse allowed Washington to adopt a more unilateral policy, and Paris to pursue more openly its long-standing *concurrency* with the US. Seen in this light, the Franco-American clash over the 2003 Iraq war was the culmination of a long-term development.

Gordon and Shapiro seek to downplay the influence of these pre-existing trends, but their arguments are unsatisfactory. They assert that leaders in America and France averted earlier transatlantic splits of the current degree because they were willing to rise above their differences, and make a conscious commitment to alliance unity. The problem is that they make comparisons to crises of both a different scale and nature. For instance, the authors point to Paris's acquiescence to America's more aggressive (and often unilateralist) position during the Bosnian and Kosovo conflicts as evidence of such a spirit of cooperation. But is this a fair comparison? In the Balkans, the issue was a debate over means, but not ends. Indeed, France and others agreed with the goal of bringing stability to Southeastern Europe and stopping ethnic cleansing. When differences did exist, they concerned the means to achieve these ends, but both sides agreed from the start on the objectives themselves. Conversely, in Iraq, the US had an agenda to topple Saddam's government, while France was opposed to a preventive policy of regime change.

Regarding the American side, Gordon and Shapiro try to show that was the Clinton administration's concern for allied consensus that prevented a transatlantic rift from forming over Iraq in the late 1990s. The authors contend that, "it was clear from the Clinton administration's effort to reach compromise that it still believed that allied support in the UN was essential for managing the Iraq problem. In three successive crises...the U.S. was unwilling to use force in Iraq without broad international support."⁸ By implication, it was the Bush administration's disregard for its allies' concerns that brought about the clash.

Here too, the authors make an unfair comparison – the circumstances were different. First, Operation Desert Fox was of a different scale entirely. The fact that leaders on both sides may have prevented diplomatic relations from deteriorating at this point serves as weak evidence for proving the authors' arguments. Second, the question can again be considered one of ends and means. Even when Paris criticized Operation Desert Fox, the ends of Washington and Paris were generally in sync – both saw the threat of weapons of mass destruction.

It is not reasonable, therefore, to compare apples and oranges in international security.

Gordon and Shapiro nonetheless imply that different administrations could have avoided the transatlantic clash. They declare that

...if either Florida's famous butterfly ballot had not deprived Gore of that state's electoral votes or if fringe presidential candidate Christine Taubira had not kept leading Socialist Lionel Jospin out of the second round of the French presidential election..., the diplomacy of 2002-2003 might have been significantly different.⁹

Certainly, one can imagine that had Al Gore won the election, then the US would likely not have decided to overthrow Hussein's regime. But this lies beyond the scope of the authors' analysis. Gordon and Shapiro are not offering to explain why the war took place, but rather why relations between the US and its traditional allies worsened so dramatically. To make a fair comparison, and identify an independent variable explaining the current state of transatlantic tensions, US plans to remove the regime in Baghdad must be held constant.

In other words, the core question becomes the following: if a Gore administration sought to topple the Iraqi regime, or if French Socialists were in power, would relations with France have remained cordial, and would all partners have adhered to traditional alliance norms? The authors do not explore this point. It is reasonable to suppose that, at best, one could have hoped for a change in tone, but little more. Headlines in *The New York Times* and *Le Monde* might have been somewhat less inflammatory, but if the substance of the debate remained the same, it is most likely that a diplomatic split would still have resulted. Thus, with the goal of reinforcing their thesis that the pre-Iraq relationship can be restored, Gordon and Shapiro place too much of an emphasis on the role of diplomatic fisticuffs, and underestimate the extent of the pre-war divisions between the US and France. In the end, a preventive war against Iraq was destined to elicit fierce opposition from Paris because of the long-standing French opposition to the perceived illegitimacy of a unipolar environment.

Despite the weaknesses of the book's main argument regarding France, *Allies at War* does nonetheless provide an impressive historical account of diplomatic maneuvering. Gordon's and Shapiro's hardback is based on solid research, and is unrivaled in uncovering the behind-the-scenes details of the Iraq crisis. *Allies at War* also has important lessons for readers on both sides of the Atlantic. Americans reading this book will come away with a better understanding of the extent to which officials in the Bush administration inexcusably neglected its allies' concerns. Readers in Europe, for their part, should hopefully see that French and German leaders too deserve part of the blame for current tensions. Only if both sides accept responsibility for the mistakes that the authors bring to light can the transatlantic partners hope to put the crisis behind them.

NOTES

¹ Philip Gordon & Jeremy Shapiro, *Allies at War* (Washington: Brookings, 2004) p. 182.

² *Ibid.*, p. 91.

³ *Ibid.*, p. 177.

⁴ *Ibid.*, p. 179.

⁵ *Ibid.*, p. 177.

⁶ *Ibid.*, p. 31.

⁷ Michael Brenner & Guillaume Parmentier *Reconcilable Differences: U.S. Relations in the New Era* (Washington: Brookings, 2002) p.23.

⁸ Gordon & Shapiro, p.44.

⁹ *Ibid.*, p.161.

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