



The United States and Europe: Current Issues

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Summary

Due to extensive cooperation on a wide range of issues, the relationship between the United States and Europe is often called the transatlantic partnership. The two sides have many common values and shared interests, and have grown increasingly interdependent in terms of security and prosperity. The overall tone of transatlantic relations during the Obama Administration has been largely positive. At the same time, a constructive tone does not necessarily translate into tangible foreign policy results; both sides have also experienced frustrations in pursuing their goals over the past three years. As the United States and Europe face changing geopolitical realities, some new anxieties are surfacing about the future relevance and influence of the partnership.

This report selects five major issues to illustrate the nature of U.S.-European cooperation and shared interests:

- The United States and the European Union (EU) have the largest trade and investment relationship in the world. The Eurozone debt crisis continues to pose a danger to economic recovery and financial stability worldwide, however. Resolving the crisis is the EU's top priority, and such efforts have been consuming much of Europe's political energy. Members of Congress and Administration officials have been deeply concerned about the potential effects of the crisis, but avenues for U.S. involvement in resolving it appear limited.
- The United States and the EU continue to seek a way to halt Iran's nuclear program. In January 2012, the EU adopted a major new round of sanctions against Iran, including a ban on the import of Iranian oil. Analysts believe U.S. and EU sanctions measures are having a significant economic impact on Iran, but it is unclear that they are affecting Tehran's nuclear ambitions. Following the EU oil embargo, tensions between Iran and the West have increased further.
- The focus of the NATO-led mission in Afghanistan has begun shifting toward transferring security responsibility to Afghan forces in preparation for a coordinated withdrawal of coalition troops by the end of 2014. Assessments about progress in Afghanistan continue to be mixed, however. In the context of plans for winding down the mission, the uncertainty of security conditions poses considerable questions and challenges for U.S. and European policymakers.
- After a period of relative improvement, relations between the West and Russia have grown more tense in the context of Russia's elections and new disagreements about foreign policy issues. Despite a range of on-going irritants and points of contention, there are also some substantial areas of U.S. and European cooperation and interdependence with Russia.
- Europe remains both a primary target of radical Islamist terrorists and a potential base for those seeking to carry out attacks against the United States. Transatlantic counterterrorism cooperation has been strong since the terrorist attacks of 9/11, but challenging differences exist over issues such as data privacy that could hinder or complicate efforts to jointly combat terrorism.

The transatlantic relationship and the key subjects of U.S.-European cooperation and shared interest are likely to have continuing implications for U.S. policy during the 112th Congress.

Contents

The Ties That Bind	1
The EU and NATO	1
An Evolving Relationship.....	2
Selected Key Issues in U.S.-European Relations.....	3
Economic Relations.....	3
Iran.....	5
Afghanistan.....	7
Russia	8
Counterterrorism.....	10

Contacts

Author Contact Information.....	11
Acknowledgments	11

The Ties That Bind

Common values, overlapping interests, and shared goals are the foundation of what is often described as the transatlantic partnership between the United States and Europe. Many observers stress that in terms of security and prosperity the United States and Europe have grown increasingly interdependent. Both sides of the Atlantic face a common set of challenges, including economic concerns, terrorism, weapons proliferation, energy security, climate change, and the destabilizing effects of failing and rogue states. Both sides are proponents of democracy, open societies, human rights, and free markets.

This report summarizes five broad issues in which the transatlantic relationship and U.S.-European cooperation play an important role. A full survey of global issues that are important for U.S. and European interests would also include relations with countries such as China, India, and Turkey; unrest and political transitions in North Africa and the Middle East; concerns about stability in the Balkans and the countries of the former Soviet Union; the Middle East peace process; development assistance and humanitarian aid to the countries of Africa and elsewhere in the developing world; and many more. Supporters of close U.S.-European cooperation argue that neither the United States nor Europe can adequately address such an agenda alone, and that the track record shows the two sides can accomplish much more when they work together.

The EU and NATO

By almost any measure, the institutional pillars of the Euro-Atlantic community, NATO and the European Union (EU), have proven successful in promoting prosperity and security in Europe. The U.S. Congress and successive U.S. Administrations have strongly supported both institutions as means to foster democratic states, reliable military allies, and strong trading partners.

While strong bilateral relationships between the United States and individual European countries remain a vital foundation for transatlantic relations, the relationship between the United States and the EU has been taking on a growing significance. The EU has become an increasingly important interlocutor for the United States because its 27 member countries now take common decisions and formulate common policies in a wide range of areas, including many economic and social issues and a growing number of law enforcement and judicial matters, at the level of the EU institutions.¹

The EU is also continuing efforts to develop a stronger Common Foreign and Security Policy (CFSP) and Common Security and Defense Policy (CSDP). In December 2009, the EU adopted the Lisbon Treaty, introducing reforms intended to enhance the credibility and coherence of the EU's foreign policy voice, and to streamline the EU's institutional arrangements and decision-making procedures.² Members of Congress and officials in the Obama Administration have stated

¹ For more information, see CRS Report RS21372, *The European Union: Questions and Answers*, by Kristin Archick and Derek E. Mix.

² See CRS Report R41088, *The European Union: Leadership Changes Resulting from the Lisbon Treaty*, by Derek E. Mix and CRS Report RS21618, *The European Union's Reform Process: The Lisbon Treaty*, by Kristin Archick and Derek E. Mix.

their support for the initiatives of the Lisbon Treaty and affirmed their intention to work closely with the new institutions and arrangements launched by the treaty.

NATO remains the preeminent security institution of the Euro-Atlantic community. Like the EU, NATO, too, has been experiencing dramatic change in recent years. Since the end of the Cold War, the alliance has added 12 new member states from Central and Eastern Europe. Also during this time, NATO has sought to redefine its mission. Some members maintain that NATO should return to focusing on collective territorial defense and deterrence, while others believe NATO's relevance depends on "out-of-area" expeditionary operations and an ability to address new types of global security threats.

While NATO has worked to transform itself and develop new capabilities, some observers contend that it should further commit itself to addressing challenges such as stabilization and reconstruction operations, crisis management, counterterrorism, energy security, or cyber security. At the NATO Summit in Lisbon in November 2010, the 28 member countries approved a new Strategic Concept document that provides an updated vision for the alliance.

An Evolving Relationship

Polls show that President Obama remains popular in Europe, and that European perceptions of U.S. foreign policy have improved significantly compared to the years of the Bush Administration.³ The overall tone of transatlantic relations has been mostly positive and constructive over the past three years, but in attempting to deal jointly with the daunting list of challenges they face, both sides have also encountered frustrations and reality checks—in seeking to achieve strong economic recovery, trying to marshal resources for the mission in Afghanistan, or attempting to agree on a new international climate change treaty, to name but three examples. Such examples lead some observers to caution against the dangers of exaggerated expectations, warning that each side should be realistic and reasonable about what it can expect from the other.

In any case, U.S.-European agreement and cooperation may often be a prerequisite for effectively addressing global problems, but it is not necessarily sufficient on its own. Questions about the future relevance of the transatlantic relationship have received increased attention in recent years. Some observers see an emergent trend in which a more multipolar world, signaled by the advent of the G-20 and the rise of the "BRICs," foretells a future of declining Euro-Atlantic influence.⁴

Additionally, there is a perception that as the United States shifts focus to Asia and the Middle East, it is consequently pulling back from a Europe that is no longer a central preoccupation. Some observers have interpreted plans announced by the Obama Administration in January 2012 to remove two of the four U.S. Army brigades stationed in Europe as the latest confirmation of such a trend.⁵ In the German Marshall Fund's *Transatlantic Trends 2011* survey, 51% of American respondents answered that Asian countries were more important to the U.S. national interest, versus 38% who answered the EU was more important.⁶

³ See, for example, The German Marshall Fund of the United States, *Transatlantic Trends 2011 - Key Findings*, p. 5-6, <http://trends.gmfus.org/transatlantic-trends/key-findings/>.

⁴ The acronym "BRIC" is commonly used to refer to Brazil, Russia, India, and China as a group.

⁵ Greg Jaffe, "2 Army brigades to leave Europe," *The Washington Post*, January 13, 2012.

⁶ The German Marshall Fund of the United States, *Transatlantic Trends 2011 - Key Findings*, p. 13, (continued...)

Some observers argue that Europe faces a new reality in which it may no longer be a primary U.S. focus in and of itself, but in which it is viewed by the United States mainly as a potential partner in addressing common threats and concerns. Some such observers assert, therefore, that the transatlantic relationship is an increasingly utilitarian one based more on function and less on sentiment. In this view, perceptions of a declining Europe defined by economic stagnation and a waning interest in military power could fuel U.S. drift away from the transatlantic relationship.

On the other hand, many analysts also maintain that Europe is, firstly, an important U.S. ally due to the substance of the relationship. Examples of close and unique substantive cooperation are not lacking; many analysts cite the 2011 NATO operation against the forces of Muammar al-Gadhafi in Libya as further recent proof of the continuing and deep vitality of the transatlantic partnership. Less tangibly, however, many analysts also assert that Europe will continue to matter to the United States because, if nothing else, common values, shared history, and compatible worldviews still matter, too.

Nevertheless, many observers agree that if Europe is to maintain itself as a central global actor and a close U.S. partner over the longer term, it likely needs to increasingly speak and act as one on foreign policy and security issues; urgently re-discover ways to increase economic dynamism and competitiveness; commit to deeper initiatives for pooling defense resources in order to gain capabilities and efficiency; and emphasize the further development of soft power strategies that project influence through the attractiveness of European political, cultural, and economic values.

Selected Key Issues in U.S.-European Relations

Economic Relations⁷

The United States and the European Union have the largest trade and investment relationship in the world. In 2010, the value of the two-way transatlantic flow of goods, services, and income receipts from investment totaled more than \$1.5 trillion. U.S. and European companies are also the biggest investors in each other's markets—total stock of two-way direct investment came to about \$3.4 trillion at the end of 2010. Transatlantic economic activity provides an estimated 15 million jobs in the United States and Europe.⁸ With the United States and the EU together comprising approximately 40% of global gross domestic product (GDP), the transatlantic economic relationship is also the world's most influential in terms of shaping standards and regulations. U.S.-EU cooperation has been the key force driving efforts to liberalize world trade.

More than two years after it began, however, the Eurozone debt crisis threatens economic well-being on both sides of the Atlantic. Although European leaders have taken a series of unprecedented steps attempting to stem the crisis, the course of events has raised significant

(...continued)

<http://trends.gmfus.org/transatlantic-trends/key-findings/>. By contrast, 52% of European respondents answered that the U.S. is more important to their national interests, versus 37% who answered Asia is more important.

⁷ For more information see CRS Report R41652, *U.S.-EU Trade and Economic Relations: Key Policy Issues for the 112th Congress*, by Raymond J. Ahearn, and CRS Report RL30608, *EU-U.S. Economic Ties: Framework, Scope, and Magnitude*, by William H. Cooper.

⁸ Daniel S. Hamilton and Joseph P. Quinlan, *The Transatlantic Economy 2011*, SAIS Center for Transatlantic Relations, Johns Hopkins University, http://transatlantic.sais-jhu.edu/bin/s/s/te_2011.pdf.

concerns about the future of the euro, the common currency shared by 17 EU member states.⁹ Members of Congress and other observers have been concerned that the extensive U.S. export, banking, and investment interests in Europe could be adversely affected by the Eurozone crisis. Analysts are also concerned that economic difficulties in Europe could act as a brake on U.S. growth and set back the world economy.

Since early 2010, when markets began losing confidence in Greece's ability to repay its debts, the Eurozone crisis has demanded the energy and attention of Europe's leaders. The crisis has spread: Greece, Ireland, and Portugal have each received financial assistance from the EU and the International Monetary Fund (IMF) in order to avoid defaulting on their debts; bond markets and ratings agencies have put considerable pressure on other EU countries, including Spain and Italy; and the debt crisis has expanded into a banking crisis and a European political crisis.

European policymakers have been forced to confront difficult choices about the nature of the EU and its currency union, but there has been no quick and easy consensus about the best way forward. After prolonged and contentious debates, EU leaders have created new loan facilities to provide emergency financial assistance to struggling member states; taken steps toward more centralized economic governance, including more intrusive monitoring of national budgets by EU authorities; and agreed to a new compact that reinforces fiscal discipline. Additionally, the European Central Bank (ECB) has broken with past policy by purchasing sovereign debt in the Eurozone in order to stabilize markets.

Although these efforts illustrate European leaders' deep commitment to preserving the euro, EU crisis response measures have often been perceived as "too little, too late" and "one step behind" the concerns of markets and investors. Beyond disagreements about the best course of action, responses have been slowed and complicated by domestic political constraints and concerns about "moral hazard." The crisis has increased tensions between EU member states and fanned political and social tensions within EU member states. Over the past two years, a series of national governments in the Eurozone have fallen or been voted out of office as a direct or indirect result of the crisis.¹⁰ The European response to the crisis has been firmly oriented toward austerity and the pursuit of balanced budgets, but critics have become increasingly vocal about the need to address growth and competitiveness issues. Some analysts have reasserted doubts that the Eurozone, a monetary union without fiscal union, has a sustainable structure for a currency area.

Some analysts maintain that the EU will most likely "muddle through" the crisis, with step-by-step measures coming after extensive introspection, and that Europe could even emerge from the crisis stronger and more economically integrated. Others warn that developments with unpredictable and potentially disastrous consequences—such as one or more sovereign defaults, wider contagion to larger EU countries, or a break-up of the Eurozone through the departure of one or more members—cannot be ruled out.

The U.S. Administration has consistently urged European leaders to take more decisive action to resolve the crisis. President Obama has been in regular contact with German Chancellor Angela Merkel and other key European officials to discuss the crisis. Treasury Secretary Geithner has made numerous trips to Europe to talk about the crisis with his European counterparts, urging

⁹ See CRS Report R41411, *The Future of the Eurozone and U.S. Interests*, coordinated by Raymond J. Ahearn.

¹⁰ The crisis has directly or indirectly led to a change of government in Greece, Portugal, Ireland, Spain, Italy, and Slovakia.

them to increase the size of the funds established by the EU to provide emergency loan assistance. Reflective of growing concern, five congressional hearings were held between September and December 2011 on various aspects of the Eurozone crisis and its implications for the United States. The United States has supported the EU indirectly through its contributions to the IMF and with currency swap lines extended by the Federal Reserve to European central banks in order to increase dollar liquidity. The options for more direct U.S. involvement in resolving the crisis continue to appear limited, however: officials and observers assert that the crisis is Europe's to solve.

Beyond the potentially considerable impact on the U.S. economy, some analysts and officials have expressed concern about the potential effects of the debt crisis on transatlantic political and security cooperation. Such observers worry that an inward-focused EU, spending less in areas such as defense and aid, and potentially holding less attraction for other international actors, would offer less relevance and less capability as a partner of the United States in addressing global challenges.

Some analysts argue that a new U.S.-EU initiative pushing for a more fully integrated transatlantic market could be both timely and mutually beneficial.¹¹ Numerous studies have concluded that reducing regulatory burdens and harmonizing standards could provide a significant boost to GDP on both sides of the Atlantic. The United States and the EU have made a number of attempts to reduce remaining non-tariff and regulatory barriers to trade and investment. Most recently, the Transatlantic Economic Council (TEC), headed on both sides by cabinet/ministerial-level appointees, was created in 2007 and tasked with advancing the process of regulatory cooperation and barrier reduction.¹²

Iran¹³

Transatlantic cooperation regarding Iran's nuclear program has been close and extensive. Since the discovery of Iran's covert enrichment activities in 2002, the "EU-3" (France, Germany, and the United Kingdom) have played a leading role in international efforts to curtail them. In 2006, the United States joined the EU-3, along with Russia and China, to form the "Permanent Five Plus One" (P5+1) group that has attempted to conduct negotiations with Iran.¹⁴ Between 2006 and 2010, the EU-3 and the United States successfully pushed for United Nations Security Council approval of four rounds of sanctions on Iran (Resolutions 1737, 1747, 1803, and 1929).

With sanctions now appearing to put considerable pressure on the Iranian economy, tensions between Iran and the West increased during late 2011 and early 2012. Following a November 2011 IAEA report about Iran's activities in pursuit of nuclear weapons, EU member states began

¹¹ See, for example, "A Transatlantic Jobs and Growth Initiative," testimony of Bruce Stokes to the House Subcommittee on Europe and Eurasia, October 27, 2011, <http://foreignaffairs.house.gov/112/sto102711.pdf>.

¹² See CRS Report RL34717, *Transatlantic Regulatory Cooperation: Background and Analysis*, by Raymond J. Ahearn.

¹³ For more information see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman and CRS Report R40094, *Iran's Nuclear Program: Tehran's Compliance with International Obligations*, by Paul K. Kerr. For more extensive information about sanctions on Iran, see CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

¹⁴ EU High Representative Catherine Ashton acts as the group's leading spokesperson.

discussing the dimensions of enhanced sanctions.¹⁵ Tensions intensified after a mob stormed and ransacked the UK embassy in Tehran in late November, followed by Iranian television displaying an alleged U.S. spy drone said to have gone down near the Iranian-Afghan border in early December. In late December 2011, Iranian officials sparked a war of words by warning foreign warships against entering the Persian Gulf and threatening to close the Strait of Hormuz, transit point for nearly 20% of the world's oil, if additional sanctions were imposed. In early January 2012, Iran announced it would begin new enrichment activities at its facility in Qom.¹⁶

On January 23, 2012, the EU adopted a major new round of sanctions on Iran. Among other measures targeting the Iranian Central Bank and Iran's petrochemical industry, the latest EU sanctions banned the import of oil from Iran. The EU had imported approximately 600,000 barrels of oil from Iran per day, accounting for about 20% of Iran's total oil exports. Three EU member countries—Italy, Spain, and Greece—accounted for the majority of the EU's Iranian oil imports; Greece, in particular, had recently come to rely heavily on Iranian oil procured at favorable terms. In order to allow time for the signing of new contracts with alternate oil producers, the EU sanctions allow for previously concluded contracts with Iran to be carried out until July 1, 2012. Iran responded by threatening to preempt the EU embargo by immediately banning oil sales to European countries from its own end.

Combined with the already extensive sanctions previously adopted by the EU, many observers have been surprised by how far the EU measures have gone. In July 2010, the EU went beyond the measures authorized in UNSC 1929 in adopting a new round of tough sanctions including measures targeting Iran's oil and gas industry and financial institutions. In the past some Americans had pointed to European economic ties with Iran as a sign of European reluctance to press Tehran too hard, urging Europeans to adopt tighter sanctions. Some analysts assert that the EU's willingness to go beyond the UNSC authorizations sends a strong signal and brings U.S. and European sanctions policy on Iran into a broad alignment. The EU has stressed that its sanctions are designed to target sources of finance for Iran's nuclear program, and not the Iranian people or legitimate trade activities.

While most analysts believe that sanctions are having a substantial economic effect on Iran, and possibly significant political and social effects as well, it appears more doubtful that sanctions are influencing the country's commitment to its nuclear program and ambitions. No clear strategic consensus exists between U.S. and EU policymakers regarding next steps if sanctions fail to achieve the desired results, nor on a specific timeline or criteria for judging the success or failure of sanctions. Despite the recent increase in tensions and a discouraging attempt in February 2012 to re-start engagement with IAEA inspectors, there have also been indications of willingness on both sides to move toward a resumption of talks between Iran and the P5+1.¹⁷ Iran has previously indicated an interest in including additional topics—such as broader questions of regional security and economic issues—in possible future negotiations, rather than limiting talks to its nuclear activities. Without a more cooperative Iranian approach to the nuclear issues, however, it appears unlikely that the United States and the EU are prepared to broaden the topics of discussion.

¹⁵ The International Atomic Energy Agency (IAEA) report can be downloaded at: <http://www.iaea.org/Publications/Documents/Board/2011/gov2011-65.pdf>.

¹⁶ See U.S. Department of State, *United States Condemns Iran's Announcement on Qom*, January 10, 2012, <http://www.state.gov/secretary/rm/2012/01/180401.htm>.

¹⁷ See, for example, Steven Lee Myers and Rick Gladstone, "Talks With Iran Over Its Nuclear Program May Resume Soon," *The New York Times*, February 18, 2012.

Afghanistan¹⁸

Over the past several years, many analysts have considered Afghanistan the most urgent and important international security issue for the transatlantic alliance. Afghanistan has been a focal point for transatlantic and international cooperation: as of January 2012, the NATO-led International Security Assistance Force (ISAF) consists of over 130,200 troops from 49 countries, including all 28 members of NATO.¹⁹ After considerable force increases in 2009-2010, these numbers represent a substantial commitment of alliance and partner country resources. At the same time, Afghanistan has been a test of cohesion for the alliance. Among concerns about flat or shrinking European defense budgets and persistent shortfalls in military resources, questions about the equality of commitments and burden-sharing in Afghanistan have at times caused tensions in the transatlantic alliance.

As agreed at the November 2010 NATO Summit, the Afghanistan mission has now entered a period of transition in which ISAF seeks to gradually transfer responsibility for security to Afghan leadership, with Afghan forces leading in all functions and operations by the end of 2014. Following three U.S. strategic reviews in 2009-2010, the alliance has been pursuing a strategy that emphasizes the integration of civilian and military efforts, the promotion of governance capacity and economic development, and the training of Afghan army and police forces.

This transition process also drives the timetable for ending ISAF's combat mission and withdrawing the vast majority of NATO forces from the country. In early 2012, some preliminary indications about the details of the timetable began to emerge that suggested the possibility of accelerating the planned transition. In January, France decided to move forward the date for ending its combat mission to the end of 2013, and French officials, in conjunction with Afghan President Karzai, suggested NATO should move the entire timetable up to that date. Subsequent statements by U.S. Defense Secretary Leon Panetta suggested the United States would also begin to transition away from combat in mid-2013. The pace and scale of the withdrawal is expected to be a central item on the agenda of the May 2012 NATO Summit in Chicago.

Many national governments will be eager for the transition timeline to proceed and stay on track. Considerable segments of the public in Europe have never been sold on their country's participation in Afghanistan. Prior to NATO's endorsement of 2014 as the mission's targeted end date, public opposition to the war in many European countries had pressured governments to define an exit strategy. An atmosphere of economic austerity in Europe has presented an additional challenge to those seeking to justify their country's deployments. The debate about extending the Netherlands' participation in ISAF brought down the Dutch government in early 2010, causing the country to end its combat mission in August 2010 and withdraw a large majority of its troop contingent. The continued commitment of European countries to an agreed alliance timetable in Afghanistan is an important tone setter in transatlantic relations, and U.S. officials are eager to ensure that allied troop reductions are well coordinated in advance.

Despite the range of international efforts, progress assessments about Afghanistan continue to have a high level of uncertainty. Some officials and analysts have asserted that the international

¹⁸ For more information see CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*, by Kenneth Katzman.

¹⁹ As of January 9, 2012, "International Security Assistance Force (ISAF): Key Facts and Figures," <http://www.nato.int/isaf/docu/epub/pdf/placemat.pdf>.

strategy is working, both in terms of state-building and combating the Taliban and other insurgents. On the other hand, insurgent violence continues to cause instability in many parts of the country and serious questions persist about corruption, the Afghan economy, and the self-sufficiency of Afghan institutions. European officials have urged the United States to pursue openings for preliminary peace settlement negotiations with Taliban representatives.²⁰

In any case, most analysts agree that Afghanistan will most likely need some level of direct security assistance after 2014. In late January 2012, France, Italy, and the United Kingdom each signed long-term bilateral partnership agreements with Afghanistan that outline military training and economic development commitments beyond 2014.²¹ Nevertheless, given Europe's economic difficulties and the sense of "Afghanistan fatigue" felt by many Europeans, the depth of the overall European commitment after the 2014 withdrawal date is uncertain. Similarly, as Europe's overarching focus shifts to planning for transition and withdrawal, most analysts are not optimistic about the chances for new or extended European troop deployments should the security situation in Afghanistan take a turn for the worse.

Russia²²

After a period of what appeared to be better relations in 2009-2011, tensions between Russia and the West have increased following Russia's December 2011 parliamentary election. Following the vote, the United States and the EU expressed serious concerns about allegations of widespread electoral fraud, procedural violations, lack of independent media coverage, and harassment of election monitors.²³ Prime Minister Putin subsequently blamed the United States for opposition protests which took place after the election, asserting that criticism leveled by Secretary of State Clinton sent a "signal" to Russian political activists. In the context of Russia's March 2012 presidential election, expected to return Putin to the president's office, analysts expect criticism of Russia's "managed democracy" to further affect U.S. and European relations with Russia.

Russia has also stepped up its criticism of U.S. and European foreign policy in recent months. Russian leaders have criticized the 2011 NATO operation in Libya, arguing that it exceeded its UN mandate. Russian officials have accused the United States and European countries of seeking a Libya-style war with Syria to remove President Bashar al-Assad, and Russia has thwarted U.S. and European efforts to address the violence in Syria through the UN. Russia has criticized the EU's oil embargo on Iran and accused the West of trying to foment unrest and revolution in Iran. Russia has also been critical of U.S. moves in implementing revised plans for a missile defense system in Europe. Russian officials are unhappy about their exclusion from participating in the planned system and assert they have not received sufficient guarantees that the system is not directed against Russia. Although top NATO officials have re-asserted that the alliance does not

²⁰ Julian Borger, "Taliban peace talks 'at risk' as Obama stalls on Guantanamo," *The Guardian*, January 18, 2012, <http://www.guardian.co.uk/world/2012/jan/18/taliban-peace-talks-risk-obama>.

²¹ Kevin Sieff, "France pledges two decades of commitment to Afghanistan," *The Washington Post*, January 27, 2012.

²² For more information see CRS Report RL33407, *Russian Political, Economic, and Security Issues and U.S. Interests*, coordinated by Jim Nichol.

²³ See *Secretary of State Hillary Clinton's Remarks at the Bonn Conference Center, December 5, 2011*, <http://www.state.gov/secretary/rm/2011/12/178267.htm> and *Statement by EU High Representative Catherine Ashton, on the Duma elections in the Russian Federation*, December 6, 2011, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/126596.pdf.

constitute a threat to Russia, Moscow has reacted with new plans to deploy ballistic and surface-to-air missiles to Kaliningrad, a Russian enclave bordering Poland and Lithuania.

In the aftermath of its August 2008 conflict with Georgia, relations between Russia and the West reached what some observers consider their lowest point since the end of the Cold War. In fact, relations had already grown increasingly tense in previous years, with numerous issues—including past and prospective NATO enlargement, and Western support for the independence of Kosovo—serving as points of irritation and contention. Against this backdrop, officials and observers in Europe and the United States had routinely expressed concern about what they perceived as the increasingly authoritarian character of the Russian government, as well as its assertiveness and quest for influence in the Russian “Near Abroad” and beyond.

The Obama Administration’s “reset” initiative appeared to help alleviate some of the tension that had built up. Leaders at the April 2009 NATO Summit decided to resume the meetings of the NATO-Russia Council, which had been suspended due to the Georgia conflict. President Obama traveled to Moscow for a summit in July 2009, and the two sides reached an agreement allowing the transit of U.S. military material through Russia to Afghanistan, among other areas of cooperation. The Administration’s September 2009 decision to alter U.S. plans for missile defense installations in Poland and the Czech Republic temporarily diminished a primary source of past friction. In March 2010, the United States and Russia concluded negotiations on the new START treaty, in June 2010 Russia backed UNSC 1929 authorizing tougher international sanctions against Iran, and in September 2010 Russia cancelled the sale of air defense missile systems to Iran. President Medvedev also accepted an invitation to attend the NATO summit that was held in Lisbon in November 2010. At the same time, there have been standing and consistent U.S. and European objections regarding Russian policy on many issues, including Georgia and Russia’s recognition of the breakaway provinces Abkhazia and South Ossetia, Russia’s unilateral suspension of its obligations under the Conventional Armed Forces in Europe (CFE) Treaty, and matters of internal governance and human rights.

Many European countries have complex and interdependent relationships with Russia in terms of energy and economics, and EU member states have had a difficult time formulating a common approach to their eastern neighbor. Europe has for some time been divided between those who believe in a firm, vigilant stance toward Russia, and others inclined more toward pragmatism and engagement. Countries such as Poland and the Baltic states have tended to see Russia as a potential threat, looking to a U.S. approach that robustly guards against Russian assertiveness. Advocates of engagement, on the other hand, notably countries such as Germany, France, and Italy, assert that the maintenance of extensive ties and constructive dialogue is the most effective way to influence Russia. They argue that Russia should be viewed as a strategic partner and observe that Russian cooperation is important on issues such as Iran, climate change, arms control, and energy. In 2010, a measure of Polish-Russian rapprochement helped diminish the sharpness of inter-European divisions about Russia. Although some bilateral tensions remain, Poland has noticeably shifted its approach to Russia in recent years, advocating that the EU should cooperate more closely with Russia on economic and energy issues.

Regarding energy, the EU as a whole is dependent on Russia for more than one-quarter of its gas and oil supplies, a number expected to grow substantially over the next 20 years. For some individual countries, dependence on Russian gas is already much greater.²⁴ Thus, upstream gas

²⁴ See CRS Report RL34261, *Russian Energy Policy Toward Neighboring Countries*, by Steven Woehrel.

cutoffs—as occurred most recently in the dispute between Russia and Ukraine in January 2009—have major implications for wider European energy security. Although that dispute was nominally about payment, some analysts have described a trend in recent years in which Moscow seems to use energy supplies as an instrument of foreign policy. Additionally, in recent years Russia has been actively engaging in bilateral energy deals with a number of European countries and acquiring large-scale ownership of European energy infrastructure, while not applying Western standards of transparency and market reciprocity regarding business practices and investment policy. There is concern in the United States over the influence that Russian energy dominance could have on the ability to present European—and, by consequence, transatlantic—unity when it comes to other issues related to Russia. For this reason, some have expressed the desirability of decreasing European reliance on Russian energy through diversification of supply, and supported European steps to develop alternative sources and increase energy efficiency. Analysts have also advocated the development of a common European energy policy that would push Russia to introduce more competition and transparency in its energy sector.

Counterterrorism²⁵

Homeland security and counterterrorism also continue to rank at the forefront of transatlantic concerns. Analysts assert that Europe remains both a primary target of radical Islamist terrorists and a potential base for cells seeking to carry out attacks against the United States. In the years since the 9/11 attacks, transatlantic cooperation on counterterrorism has been strong. Spurred on by 9/11, the March 2004 bombings in Madrid, and the July 2005 bombings in London, the EU has sought to strengthen and coordinate its internal counterterrorism capabilities. While the EU has thus been increasing its relevance in this area, bilateral intelligence sharing and cooperation between the United States and individual European countries also remains key for efforts to disrupt terrorist plots and apprehend those involved.

U.S. and EU officials from the cabinet level down maintain regular dialogues on issues related to homeland security and counterterrorism, and relevant U.S. and EU agencies have established cooperative relationships that include information sharing and, in some cases, an exchange of liaison officers. Under a 2004 U.S.-EU agreement on customs cooperation and the U.S. Container Security Initiative, for example, U.S. customs officers stationed at a number of European ports help screen U.S.-bound cargo containers. With more than 2,500 transatlantic flights taking place each week, much of transatlantic counterterrorism cooperation centers on transportation and border security issues such as cargo screening. A U.S.-EU agreement on sharing the passenger name record (PNR) data of U.S.-bound air passengers has been provisionally in force since 2007.

Additionally, new U.S.-EU treaties on extradition and mutual legal assistance entered into force in early 2010 following their approval by the U.S. Senate in 2008.²⁶ The treaties, which were negotiated in 2003, are largely intended to promote transatlantic cooperation that aids prosecutors dealing with terrorism cases. The treaties update and harmonize the bilateral agreements between the United States and EU member countries and streamline extradition and assistance procedures. The United States and the EU also actively work together to track and counter the financing of terrorism, in forums such as the Financial Action Task Force and through information sharing deals such as the U.S.-EU “SWIFT agreement.”

²⁵ For more information see CRS Report RS22030, *U.S.-EU Cooperation Against Terrorism*, by Kristin Archick.

²⁶ Treaty numbers 109-13 and 109-14.

Although overall counterterrorism cooperation is strong, numerous areas of tension exist. European concerns over data privacy have affected cooperation on the SWIFT and PNR agreements. The EU considers data privacy a basic right, and the EU has strict regulations protecting personal data. In early 2010, the European Parliament voted against final approval of the SWIFT agreement on the grounds that it did not sufficiently protect the privacy of citizens' personal data. The United States and the EU subsequently re-negotiated the agreement with added safeguards, and the European Parliament approved the new version in July 2010.

Similar objections have been raised by the European Parliament ahead of an eventual vote, expected for spring 2012, on a revised U.S.-EU PNR accord that was concluded in May 2011 and further revised in November 2011 to address such concerns. In May 2011, resolutions were introduced in the House (H.Res. 255) and passed in the Senate (S.Res. 174) supporting the information sharing standards required under the existing 2007 PNR accord and urging the U.S. Department of Homeland Security to reject any efforts by the EU to modify data sharing mechanisms in a way that would degrade the usefulness of PNR data in the fight against terrorism. Some observers assert that a broader U.S.-EU framework agreement on principles of privacy and data protection would help ease European concerns and promote closer cooperation.

In addition, European opposition to the death penalty could impede extradition deals in some terrorism cases, and many Europeans consider U.S. provisions for 100% screening of U.S.-bound cargo containers as unrealistic and financially burdensome to ports and businesses. U.S. and EU officials have discussed ways to strengthen airport security, but many Europeans are strongly opposed to the installation of "full body" security scanners at European airports. European interest in the detention center at Guantánamo Bay appears to have declined since the Obama Administration took office, but there are still concerns in Europe about human rights and the treatment of detainees, objections which long stood at the center of European criticism of U.S. counterterrorism practices during the Bush Administration. U.S. officials have been concerned that rendition-related criminal proceedings against CIA officials in some EU states may put counterterrorism cooperation between U.S. and European intelligence agencies at risk. Lastly, although some EU member states include Hezbollah on their national lists of terrorist organizations, the EU has for years resisted adding Hezbollah to its common list, despite repeated entreaties from Members of Congress and U.S. Administrations.

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