

**THE IMPACT OF 9/11 ON THE TRANSATLANTIC
RELATIONSHIP**

*Dissertation submitted to Jawaharlal Nehru University
in partial fulfilment of the requirements
for the award of the Degree of*

MASTER OF PHILOSOPHY

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2007**



Date: 20th July 2007

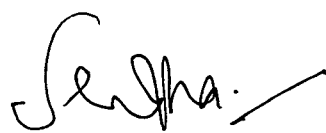
DECLARATION

This is to certify that the dissertation entitled “**The Impact of 9/11 on The Transatlantic Relationship**”, submitted by me in partial fulfillment of the requirements for the award of the degree of **Master of Philosophy**, is my own work and has not been previously submitted for any other degree of this or any other university.


Ajit Kumar Nirala

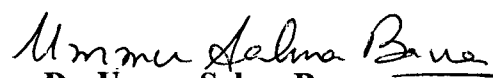
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Dedicated to

My Parents

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ACKNOWLEDGEMENT

This academic endeavour of mine would not have been possible without the help of a number of people, who with their kind co-operation, active supervision and steady support have made this research work a reality.

I am extremely grateful to my esteemed supervisor Dr. Ummu Salma Bava whose able guidance, intellectual ingenuity and avid suggestion helped me in completing this academic exercise. I am also indebted to all the faculty members of our centre, who shaped my thought and knowledge since my Post-Graduation day. I am also thankful to our centre staffs for their cooperation.

May God relieve my parents' pain that shaped my destination in a positive direction without whose support it would not have been possible for me to arrive at this good university and pursue higher education.. I am also extremely indebted to Uncle Uma Chaurasia who persuaded my parents to let me explore the career opportunities far beyond my sphere and has been a constant source of inspiration

I am thankful to all staffs of Jawaharlal Nehru University Library, and Institute of Defence Studies and Analysis (IDSA) library, without whose support this work would not have been completed.

I am also thankful to my batchmates and friends Manasi, Dawson, Ronald, Abhay, Prashant, Girish,, Milu, Rajiv and my childhood friend Pankaj as well as my college friend Rajesh who always stood besides me in the time of need either intellectually or morally. And last but not the least I am extremely indebted to my seniors Ramvir Sir, Sameer, My Roommate Pratap Bhai, and my ex-Roomet Uttam Bhai, and Ankush who always extended all kinds of support in every possible way in my endeavour to complete this work.

Having been privileged in receiving such love and support, I own responsibility for all the errors or omissions that might have crept into the work.

Date: 20.07.2007

New Delhi


Ajit Kumar Nirala

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ABBREVIATIONS

ABMT:	Anti-Ballistic Missile Treaty
CAP:	Common Agricultural Policy
CEEC:	Central and Eastern European Countries
CET:	Common External Tariff
CFE:	Conventional Armed Force in Europe
CFSP:	Common Foreign and Security Policy
CJTF:	Combined Joint Task Force
CTBT:	Comprehensive Test Ban Treaty
DPRK:	Democratic People's Republic of Korea
EC:	European Community
ECSC:	European Coal and Steel Community
ECTD:	Transatlantic Declaration of the European Commission
EDC:	European Defence Community
EEC:	European Economic Community
EFTA:	European Free Trade Area
EMS:	European Monetary System
EPC:	European Political Cooperation
ESDI:	European Security and Defence Initiatives
ESDP:	European Security and Defence Policy
ESS:	European Security Strategy
EU:	European Union
GATT:	General Agreements on Tariffs and Trade
HEU:	Highly Enriched Uranium
IAEA:	International Atomic Energy Agency
ICC:	International Criminal Court
IMF:	International Monetary Fund
ISAF:	International Security Assistance Force
KFOR:	Kosovo Force
KLA:	Kosovo Liberation Army
MBFR:	Mutual and Balanced Force Reduction

MFN:	Most Favoured Nations
MLF:	Multilateral Force
MRA:	Mutual Recognition Agreement
NAFTA:	North Atlantic Free Trade Area
NATO:	North Atlantic Treaty Organization
NPT:	Non-Proliferation Treaty
NSS:	National Security Strategy
NTA:	New Transatlantic Agenda
NTMA:	New Transatlantic Marketplace Agreement
OECD:	Organization for Economic Cooperation and Development
OPEC:	Organization of Petroleum Exporting Countries
PRT:	Provincial Reconstruction Team
SFOR:	Stabilization Force
TABD:	Transatlantic Business Dialogue
TEP:	Transatlantic Economic Partnership
UN:	United Nations
UNMIK:	United Nations Mission in Kosovo
UNSC:	United Nations Security Council
WEU:	West European Union
WMD:	Weapons of Mass Destruction
WTO:	World Trade Organization

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== PREFACE ==

The beginning of the 21st Century is very significant for the global political and security environment, as it saw the emergence of new threats that are very different from the threats of the 20th century. The environment is different in the sense that a new threat in the form of terrorism has emerged on the international plane, which is diffuse in nature and has a global reach. It is different in the sense that unlike threats (identifiable) emanating from the state; it is very difficult to trace terrorism. The means the terrorist organizations use in order to achieve their aims is also unique. This is also significant in the sense that the only superpower (the USA) left after the dissolution of the Soviet Union in 1991 was targeted in September 2001. The myth that the US is invulnerable was shattered. After the terrorist attacks of September 11, 2001, the course international politics took, had its bearing upon many bilateral relations and multilateral institutions including UN. The course United States took in the wake of 9/11 in foreign and security matters had its bearing upon Transatlantic alliance too (the term 'alliance' and 'partnership' have been used interchangeably throughout the study, though it has certain mere differences).

Though, after the end of the Cold War in 1990, the Cold War institutions (like NATO) that worked as a link across the Atlantic, lost its relevance, but with the initiative of the Transatlantic partners, the Cold War Transatlantic institution (NATO) continues to exist and has expanded its area of activities from containing Communism to peacekeeping, peace making, non-proliferation and disarmament and so on. Besides this, with the enlargement of NATO and admission of Central and Eastern European Countries (CEEC), it has recently expanded its area of influence very near to Russia. It also ensured the presence of US in Europe by which it can influence the foreign policy decision making of the European Union and its member states, which was contested by some countries particularly by France, who saw it as a US hegemonic presence in Europe. The US presence through the institution of NATO and its close relations with CEEC has been reflected during the current Iraq crisis, when France, Germany and Belgium opposed the US intervention in Iraq and refused to give any support. At that time US played the card of East European countries and sought the necessary support required for 'Operation Iraqi Freedom' as called by US and its coalition partner for its recent Iraq attack. The opposition from the side of some of US' European partners

sparked a debate on the future of the Transatlantic relations that gained momentum, when US Secretary of Defence, Donald Rumsfeld in a speech talked about the so called dichotomy of 'old Europe and new Europe'. This prompted many scholars to say that the Transatlantic relationship is dead. In this context, Robert Kagan's statement that 'Europe is from Venus and America is from Mars' further added fuel to the fire. However, it is not the first time such a debate on Transatlantic relations has occurred. The same type of debate originated after Henry Kissinger's statement regarding the 'troubled partnership' in his book *American Foreign Policy: Three Essays* in 1969 in the wake of Suez crisis and subsequent French withdrawal from NATO's integrated military command against the US leadership of NATO in 1960s. But in reality, since then the Transatlantic relations have faced many jolts like earlier and have survived despite the negative speculations made by the policymakers and academicians across the globe.

However, the tendency of divergence in Transatlantic relations became more apparent in the changed global political and security scenario after the end of the Cold War as the demise of the Eastern bloc dissolved the Cold War glue of Soviet fear, which held together the Transatlantic partners despite the differences in perspective and views on political and security matters. In the changed circumstances, some states especially France openly started questioning the desirability of upholding strong Transatlantic relations, while the newly liberated Central and East European Countries (CEEC) turned out to be staunch Atlanticist as the US support was necessary for their economic and homeland security from any future threat emanating from the Russian side.

Moreover, from time to time, despite the differences in views on many issues among Atlantic partners, cooperation in political, security and economic sphere continued. Since the two World Wars that Europe faced to the very recent Bosnia and Yugoslav conflicts, the US came to rescue Europe by providing both political and military support. The crisis Europe faced after the end of Cold War and US support to overcome those crises once again reinforced the idea that Transatlantic relations are relevant even in the absence of any identifiable threat after the end of bipolarity and placed NATO as the most important security institution for Europe even though Europe sought to develop its own military and security capability in the form of European Defence and Security Policy (ESDP). However, ESDP still is in a phase of development and due to

its intergovernmental character it needs consensus for an effective policy among member states. This incoherence within the EU in foreign and security matter can be best seen more recently over Iraq issue. Although, the differences also exist in economic and trade matters between the Transatlantic partners, but both the EU and US are responsible together for about two fifths of world trade. Trade flows across the Atlantic are running at around €1.7 billion a day. In the year 2003, the total amount of two-way investment was over €1.5 trillion, composed of €731 billion of EU Foreign Direct Investment (FDI) in the US and around €772 billion of US FDI in Europe. In the year 2005, exports of EU goods to the US amounted to €250 billion, while imports from the US amounted to €234 billion. Concerning trade in services, EU exports to the US amounted to €108.6 billion in 2004 while EU imports from the US amounted to €93.0 billion. There were apprehensions that differences over Iraq will affect even the strongest part of the Transatlantic relationship i.e. the economic dimension, but Professor Daniel Hamilton and Joseph Quinlan study defy the argument that Transatlantic economic relationship was anyway affected by Iraq issue. In fact they argued that the Transatlantic economic relationship was running smoothly and people and companies of either sides engaged in business were doing better than earlier. It is in this backdrop this study explores the pros and cons of the impact of 9/11 and Iraq crisis on the Transatlantic relationship.

Chapter I Provides an overview of the Transatlantic relations during the Cold War, which generally constitutes both politico- security relations as well as economic and trade relations during the Cold War. Chapter II analyzes the entire gamut of the Transatlantic Relations in the Post-Cold War Era and the impact of 9/11 over it. This chapter also examines the merits of the Rumsfeld's dichotomy of 'old Europe and new Europe' as well as Kagan's dictum of 'Mars and Venus' regarding the Transatlantic relationship in the in post-9/11 era especially after the war in Iraq. Chapter III deals with the major challenges that both partners are facing in the post-Cold War scenario with an emphasis on why the Transatlantic relations will remain intact even though no direct security threats to West exist in the current globalised world. Chapter IV as the Concluding chapter focuses on the future of the Transatlantic relations in the post-9/11 period or we should say after the divergence that cropped up during the recent Iraq crisis.

CHAPTER - I

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Introduction

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CHAPTER-1

INTRODUCTION

Alliances have constituted one of the most important manifestations of state behaviour in international politics after the Second World War. In an anarchic world, where national survival is the primary concern of the states, alliances have come to be the primary means by which states seek cooperation of other states in order to enhance their power and advance their interests. Although, alliances have been also existed in the past, but modern world alliance manifestation can be better seen in the form of Transatlantic alliance following post-Second World War era, when the existence of West was challenged by the mounting threat Communist Soviet Union particularly in the Western Europe. The threat became more apparent to the West when the Soviet Union challenged the monopoly of the United States by acquiring nuclear weapon. For the United States, it was essential to contain Communism and Soviet Union because even United States was vulnerable with the new technological advancement in the weapons technology. In the changed circumstances, previous United States policy of 'isolationism' ceased to be relevant as the advance weapons technology with its global reach left even the distant countries like the United States vulnerable. Now, it became imperative for the western countries to form a mechanism to deal with a rising threat not only in outlook but also in political structure based on different ideology, which was posing a threat to Western values like liberalism, democracy and market economy (values common to western societies). It was this rationale that led to the formation of North Atlantic Treaty Organization (NATO), a military alliance in 1949, which is the bedrock of the Transatlantic alliance.

In this background, this Chapter has been divided into three sections. The first section will be focus on a brief outline of framework of alliance which includes both 'realist' as well as 'liberal institutionalist (complex interdependence)' understanding of alliance in international relations for examining this study. Section II will deal with the historical evolution of Transatlantic political and security relations in the aftermath of Second World War and section III will deal with the transatlantic economic relation in the Cold War period.

Theoretical Understanding of Transatlantic Relationship

Theoretical literature on alliances broadly falls into two categories- the 'realist' and the 'liberal-institutional' perspective. The realist notion of alliances focuses on the aspect of conflict and its consequent impact on alliances- more particularly on tendencies in alliance formation. Realists in an attempt to explain the alliance formation focussed on unit-level attributes of the state. The other perspective on alliances comes from liberal-institutionalist school. Liberal institutionalist in contrast to the realist' concentrates upon the cooperative aspect of the state behaviour. Actually both 'realism' and 'complex interdependence' is one of the dominant frameworks in international relation, which is frequently used by the students and the experts of the international relations to study the various events including bilateral and multilateral relations including the Transatlantic relationship. Therefore, this section tries to look into both theories in order to understand the Transatlantic relationship in more objective manner.

Realism mainly propagated by Morgenthau and further by Kenneth Waltz' is based mainly on the concept of the 'balance of power'. The clearest expression of the theory can be found in Kenneth Waltz's *Theory of International Politics*.¹ For Waltz, the outcomes in international politics are the results of more than the total sum of the behaviour of all states. In this context, the realist understanding is concentrated upon 'balance-of-power' theory which posits that states are unitary actors, who at a minimum seek their own preservation and at a maximum, drive for universal domination in an anarchical world (absence of a central authority unlike domestic politics). Realist' takes this argument further to point out that this persistent feature of international system makes it a self-help system. In this self-help system, since there is nobody to guarantee the security of the states, states have to take steps to ensure that they meet the challenge emanating from the rising power of another state. This translates into the balance of power system. The anarchic nature according to realist gives rise to security dilemma among states. Therefore, states in order to guarantee their security generally take both internal and external steps. Here internal steps include augmentation of military capabilities and external

¹ For detail on realist notion of international relations see Kenneth Waltz, 1979. *Theory of International Politics*, Reading, MA: Addison- Wesley Publishing Company, p. 100.

steps through formation of alliance (Waltz 1979: 100). In an alliance, for weak states, bandwagoning is the preferred course of action. As Waltz says:

“Secondary states if they are free to choose flock to the weaker side; for it is the stronger side that threatens them. On the weaker side, they are both more appreciated and safer, provided, of course that the coalition they join achieves enough defensive or deterrent strength to dissuade adversaries from attacking (Waltz 1979: 127).”

Stephen Walt, while answering the question on balancing and bandwagoning, advances the *balance of threat theory*. He asserts that states form alliances primarily to balance against threats. These threats are in turn a function of power, geographic proximity, offensive capabilities, and perceived intentions. So, the behaviour of states is determined by the threats they perceive, and the power of other states is merely one element in their calculations (although an important one). Unlike Waltz, Walt maintains that states do not balance power. Rather they balance against threats (Walt 1997: 173-178). Walt also explores the impact of ideology on the issue of alliance formation. He says that there is a moderate link between ideology and alliance. More fundamentally, for Walt the point is that ideology may be more of a rationalization than a cause. The problem with the balance of threat theory is that it considers the alliance choices made by the state only when it faces an external threat or a superior power. Obviously, alliance choices are also made when the states are not faced with threat. These choices are essentially made with certain gains or benefits in mind. How do we examine the peacetime alliances? Clearly, Walt's framework does not have answers to these questions. However, in most cases bandwagoning does not mean a total surrender as Walt envisages and in fact joining a stronger side brings benefits that are not seen in the balancing strategy. According to Randall Schweller, Walt defines the concept of bandwagoning too narrowly- as giving in to threats- as to make it appear opposite of balancing.

"... the problem with Walt's definition is that it (1) confuses bandwagoning with strategic surrender, (2) defies conventional usage and the common meaning of the term, and (3) by viewing bandwagoning solely as a response to threat, ignores the primary motivation for bandwagoning, namely the expectation of profit and easy gains (Schweller 2003: 76)."

Hence, Schweller points out to those alliance choices made in the expectation of gain, unfettered by a desire for greater security, and argues that unthreatened revisionist states² often bandwagon with the stronger revisionist state or coalition for opportunistic reasons. Such kind of behaviour is quite prevalent throughout history among a certain class of states (Schroeder 1994: 431). Based on this, he proposes a theory of *balance-of-interests* theory, which operates at the unit as well as systemic level. At the unit level, it refers to the costs a state is willing to pay to extend its values and interests. At the systemic level, it refers to the relative strengths of status quo and revisionist states (Schweller 2003: 99-106).

Realism focuses on nation-state, and their power and security interests. This in turn has limitations in case of transatlantic relations, because the European Community (EC), now European Union (EU) is not a nation-state. Moreover, the agenda of Transatlantic relations has involved political and economic issues more than traditional questions of security. Therefore, realism offers only partial explanation of Transatlantic relations. Why both realist and neo-realist formulation are inadequate when faced with the complexities of transatlantic relations (Featherstone and Ginsberg 1996: 59). Reasons are:

- i) There are a great variety of actors involved in this relation. The EC itself is unique because of its unique internal political structure with different levels of power and models of decision-making. There are in addition, numerous non-governmental actors operating within the Transatlantic area.
- ii) The variety of actors operating in Transatlantic relations who pursue a variety of interests, even as individual units.
- iii) The realist perspective neglects the complex and sensitive linkages which underpin Transatlantic relations. The linkages exist between them transmit profound and reciprocal effects.

The narrowness of realist understanding offers an incomplete framework for studying Transatlantic relations. Transatlantic alliance came into existence as an attempt to secure countries of the West from the threat emanating from the side of Communist Soviet Union, because search for security was of paramount importance.

² Revisionist states are essentially those states that seek a change in the status quo, and would promote their interests.

In this way NATO as an alliance assured the security of Transatlantic alliance members. However, despite repeated differences on opinion based on different perceptions regarding the events unfolding in the world as well as occasional overt challenges within this structure, the alliance continues to exist and in a sense is successful. The Transatlantic alliance has displayed alarming fluctuations and divergence in its member's perceptions of their security problems. From time to time members have acted as if the threat did not exist, and have taken to fraternizing with its enemy; at other times they have insisted that the threat must be met on a far broader front than that provided by the Atlantic alliance, and that both domestic intervention and foreign adventures are legitimate responses. Since the 1960s, in an environment of detente, the economic issues took precedence over the security issues and dictated the balance of power logic of realists'. In this way realists failed to deal with the issues of shifting balance of power and of national perception since the initial consolidation of the Transatlantic alliance. However, sometimes we can see the balancing behaviour on the part of some member states within the alliance. But, it remained temporary as the interdependence aspects took precedence over the realist aspects of narrow national interests. Though, alliance always have the manifestation of national interests as the states choose to ally in order to preserve their national interests, which could be of any kind ranging from security interests to economic interests. In this sense, the Transatlantic alliance through the formation of NATO not only protected the security interests of the member states but also furthered the broader economic interests of the member states. These aspects are better explained through the 'liberal institutionalist' paradigm of international relations which were better analysed in the Robert O. Keohane and Joseph Nye's conception of 'complex interdependence'.

Keohane and Nye define interdependence as a situation of mutual dependence where the loss of autonomy creates reciprocal costly effects. Therefore, complex interdependence does not just refer to situations of mutual benefit. Keohane and Nye defined complex interdependence according to three characteristics (Keohane and Nye 1977: 25):

- The actors are states and non-state actors with multiple channels of communication; interstate, trans-governmental and trans-national.

- The agenda of interstate relationships consists of multiple issues that are not arranged in a clear or consistent hierarchy. In other words, there are multiple issues with no hierarchy; military security does not consistently dominate the agenda.
- Military force that plays a relatively minor role in international relations mainly because “it is not used by governments toward other governments within the region, or on the issues, when complex interdependence prevails.” As a result of these characteristics, distinctive political processes rises which translate power resources into power as control of the outcomes of the linkage strategies, agenda setting, trans-national and trans-governmental relations.

Keohane and Nye do not claim that military power is insignificant. They argue that military actions are costly and relative to cost there is no guarantee that military means will be more effective than economic ones to achieve a certain goal. Keohane and Nye explained such a cost with four main explanations: There is a risk of nuclear escalation’ negative effects on achievement of economic goals, domestic opposition to the human costs in the case of war and peoples resistance in weak countries (Isiksal 2004: 141). Also Keohane and Nye stress that transnational actors would seek their own goals rather than a state based desire. In fact international regimes and institutions encourage cooperation, and this enable states to surpass the anarchical forces in the international system. Furthermore, Keohane and Nye suggested that powerful institutions with powerful norms could play a role to that similar to the states both domestically and internationally. Keohane and Nye further assert that the international regime maintained by the hegemon allows other states to become more powerful. In other words, as the economic and military power of secondary states increases they become more assertive (Isiksal 2004). Consequently, the hegemonic balance declines and a new power structure leads to the creation of a new international regime. Thus, Keohane and Nye assert that states are not determined to be hegemon till the end of the history even if they had such a power. This contrasts with Kenneth Waltz argument that states would do everything in order to maximize their powers at the expense of the others (Isiksal 2004: 147). Complex interdependence notion highlighting the above objective argues states

would concern with their own benefits, would not oppose other states to maximizing their powers. Alternatively, states would not try to maximize their power when they are not in danger. Thus, in an atmosphere where states would not need to deal with security concerns, they could search for further co-operation and mutual economic and political gains. Furthermore, in an opposite scenario, it is doubtful how the states could 'maximize' their power in an international environment where they would use all their efforts and resources to defend, stabilize or preserve their foundations. Keohane and Nye argued that technological change and increases in economic interdependence will make existing international regimes obsolete (Isiksal 2004: 151). By this principle, Keohane and Nye mainly referred to the increasing communications between the states while costs are reducing every day. In the earlier times, states were uncertain about other states motivations and their sensible security concerns due to the lack of communication. However, in the era of interdependence this uncertainty vanished. The contacts between the people, society along with higher government officials helps on decreasing the uncertainty of the other side through the development of mutual cultural understandings. These cultural congruities could rebuild same norms, rules, expectations and values that would reflect to the security understandings in the form of reducing mutually perceived security threats. Furthermore, since it would be too costly to use, powerful states would prefer to use other instruments (as defined by linkage instruments by Keohane and Nye) that is also fully available to the not influential or militarily weak states. As Huseyin rightly says:

Since the communications between two states in many areas would conduct and promote the mutual understandings between them, this relationship could reflect as ramification in other areas. Eventually, common political culture, norms and practices between two countries would decrease the potential for any sort of conflict. Therefore, Waltz is inadequate in explaining the recent and developing patterns of interactions among states along with changes in political economy. In contrast, Keohane and Nye, by giving the special emphasis to the co-operation among the states and non-state actors, filled this gap by arguing that co-operation among these actors is both possible and preferable (Isiksal 2004: 152).

In this context, as far as the Transatlantic relation is concerned, the United States and European community represents two very different international actors. Concept of interdependence according to Keohane and Nye is a state of mutual dependence, in which there are reciprocal effects among nations. For Keohane and Nye-interdependence involves repercussions or 'reciprocal effects'. Interdependence affects and is itself affected by, policy choices on the part of actors involved, the extent of reciprocal effects, the types of power relationships existing and the levels of policy autonomy available. Keohane and Nye explained that interdependence exists when interactions involve 'significantly costly effects' (Featherstone and Ginsberg 1996: 65). The effects result from the interaction themselves and they vary according to type. For example a country fully dependent on imported oil is likely to dependent on a continued flow of oil rather than import of purely luxury goods. Transactions have both costs and benefits, producing symmetrical and asymmetrical outcomes. They do not limit the term interdependence only to relationship which is mutually beneficial as costs may exceed benefits. There will always be costs, since interdependence restricts autonomy. Interdependence exists when the costs of the transactions are actually or potentially significant (Featherstone and Ginsberg 1996). Even the issue of 'sensitivity' and 'vulnerability' also has impact on a nation's response to external pressures. Interdependence generally involves both political and economic aspects. In this context, the Transatlantic relations display profound level of interdependence, albeit one varying across policy sectors. In case of Transatlantic relations, the use of force by either party against the other is unthinkable and multiple channels do connect both the partners. The relations involve multiple issue areas and the relative importance of different sets of issues has different importance given the different environments and pressure (Feathstone and Ginsberg 1996: 66).

The importance of interdependence understanding lies in that like realists it recognize that state continues to be the principal actors in world politics, but the non-state actors, intergovernmental organizations, and trans-governmental and transnational relations too are playing a significant role in shaping the world politics. Apart from this interdependent theorist assume that actors are expected to behave rationally, but the objectives of nations vary time to time (not changing according to realists). The pursuit of power is an overriding tendency of states is rejected by

interdependent theorists as definition of interests varies according to different conditions. Moreover, state power is not necessarily fungible across the issue areas. In light of the above framework, the presents study seeks to determine the extent to which the realist and complex interdependence understanding of international relations could be relevant to study of the Transatlantic relations.

Transatlantic Political and Security Relations in the Cold War Era:

Due to the complex interdependent nature of Transatlantic relations, it is very difficult to make a distinction between political and security aspects of the relations. In Atlantic alliance, the Truman Doctrine, Marshall Plan and creation of NATO provided the right environment in which countries of the alliance flourished both politically (especially war torn European countries benefited from it) and economically. Creation of NATO also provided an institutional base for continuous consultation and interactions among the allies on politico-security matters which later on facilitated the creation of European Economic Community (EEC). As rightly pointed out by Huseyin Isiksal:

The NATO established as military alliance, however, even it was established for military security concerns, one of the principle objectives of the NATO was to create an atmosphere for economic development of the European countries. By this way, European countries gave their priorities to economic development and able to develop their powers not in military terms but in socio-economic terms. Eventually, rather than military power, European states concerned with their security by some other kind of politics or perhaps by no politics at all in realist sense (Isiksal 2004: 146).

Therefore, security aspects generally covers political and economic aspects too as it is very difficult to draw a dividing lines between the two. In the immediate aftermath of Second World War, the politics of Atlantic community were remarkable for their harmony. American leadership in the task of European recovery and defence was eagerly sought. Busy with the wreckage of war, deeply disillusioned with nationalism, Western Europe felt too insecure militarily, too much in need of American aid and too dependent on American political support to define its interests as inconsistent in any degree with American interests. American leadership provided

the coordination of effort needed for common tasks too large to be efficiently undertaken by nations acting autonomously (Cleveland 1966: xxii). After the unimaginable devastation of the Second World War, it was felt that there should be some arrangement that would prevent Europe from again falling in any such arrangement that may lead to world war like situation. This fear deepened when the Soviet Union acquired nuclear capability, challenging the United States monopoly in nuclear technology. It was also felt that, if any war like situation occurs that will definitely turn into an all out nuclear war. The fear of the Soviet Union suspicious intention towards Western Europe led to the emergence of the Cold War and they believe that any move of increasing Soviet Union influence in Europe could prove detrimental to United States. It was in this context, the United States strongly felt that only a stronger and secure Europe can contain Soviet Union from extending its influence in Western Europe (Rao 1988: 161). Therefore, the creation of a close Transatlantic alliance truly reflected the realist notion of balance of power, where Western European countries choose to bandwagon with the United States in order to protect themselves from the threat emanating from the Soviet Union. However, the United States have their own national interests in protecting the Western European allies. What drew both the partners closer to each other has been rightly pointed out by Prof. Neil Nugent, “perhaps the most important idea shared by the governments stemmed directly from the East-West division: a determination to preserve Western Europe from communism. Not only had the Soviet Union extended its influence far into the European heartland, but France and Italy’s domestic communist parties were commanding considerable support and from 1947 were engaging in what looked to many like revolutionary activities. The United States shared this anti-communist concern, and the encouragement and assistance which it gave to the West European states after the war to cooperate was partly driven by a belief that such cooperation could play a major part in helping to halt the communist advance (Nugent 2003: 13).” In these tense environment in Europe, President Truman in March 1947 concerned with events in Greece- where communists were trying to overthrow the government-outlined a policy known as the Truman Doctrine, which amounted to a political guarantee of support to ‘free peoples who are resisting attempting subjugation by armed minorities or by outside pressures’. This political commitment was quickly followed up in 1948 by economic assistance in the form of Marshall Aid and in 1949 by military protection with the foundation of NATO and a

guarantee to the then ten West European member states of US military protection against the Soviet attack (Nugent 2003). Moreover, the creation of the NATO was the result of efforts of West European governments made for reassurance that the North American allies would not retreat from involvement in the affairs of the Old World, which was compounded by the fact that the United States was the world's dominant military power and by the recognition that without an American guarantee there was a real danger of either Soviet expansion or German revanchism (Smith 1984: 64-65). The rationale for the treaty became more pressing in the light of the mounting threat of communism not only in Europe but also in Far East and Indochina.

However, with the creation of NATO, United States extended its nuclear security umbrella to West Europe, but the question remained whether military security is enough to contain Soviet Union and revanchist Germany. In this circumstances, it was felt that a stronger and integrated Europe can only stand before Soviet Union and Germany can be prevent from moving towards ultra-nationalist path. Based on this reasoning, the movement for the integration of Europe launched by Western Europe in the post-war era which received the most active and consistent support of the United States. As the differences between the Soviet Union and the allied powers increased over the post-war settlement, the need for the creation of a united Europe seemed imperative in the view of the United States. The United States was convinced that Soviet behaviour in Europe posed a danger to the Western world. The economically ruined European states were too weak to meet the Soviet threat, and hence the recovery of Western Europe was felt to be vital not only for Europe's security but also for the survival of American capitalism. Moreover, the United States firmly believed that Europe could recover only by way of economic integration. Therefore, the primary objective of Marshall Plan was not only to restore the European economies but also to foster economic integration in Europe (Rao 1988: 161).

The United States in this way played the role of a facilitator for European integration. The Schuman Plan, which created the European Coal and Steel Community (ECSC) in 1952, was launched with the blessing of the United States. However, French initiatives of creating a European Defence Community (EDC)

failed, because the United States opposed the French idea to keep West Germany out of it. Even United States was sceptical about it because it was seen as an attempt to create a European defence capability independent of the US that may in future cause reduction of US influence and hegemony. There was also fear that any attempt to keep West Germany out of any arrangement in Western Europe could force West Germany to rethink its alignment with the West and may fall in the side of the Soviet, which would be detrimental not only to the Western Europe but also to the American interests in Europe. Therefore, the United States not only supported a stronger Atlantic arrangement but also the rearmament of West Germany and her inclusion in the EDC, which led to rejection of EDC idea by France. Though, there was also belief that a rearmed West Germany in the EDC, who understood to be the closest ally of the US could reinforce the Atlantic community, and cutting down the US military expenditure in Europe, so that the United States being a superpower could be able to look beyond Europe (Rao 1988: 162). It was in this context, with positive support from the United States, the European Economic Community (EEC) was formed in 1957 through the Treaty of Rome. The United States supported the Common Market, later called the European Community (EC) mainly for political reasons as it was perceived as a community within the Atlantic Community. On economic grounds too the EC seemed to satisfy the US objective of encouraging a liberal economic order in the post war era. The United States believed that the Treaty of Rome would encourage the development of liberal capitalism in Europe. Therefore, the United States raised no objection to the EC's Common Agricultural Policy (CAP) and the trade preferences extended by the EC through its Association agreements to the African countries, even though it were discriminatory in nature and was in violation of the GATT principle (Rao 1988: 163). There were expectations that a unified Western Europe would remove the impediments of America's superior power. European unity was said to be necessary, too, to bring Europe's capabilities and sense of its own interests up to global scale, so that Europe will be able to stand alongside America in the great common tasks for containing communist Soviet Union and China, of coping with growing disorder in the third world and of economic development (Cleveland 1966: xxv).

But, the birth of NATO contained the seeds of important contradictions, which time to time were reflected in tensions that arose among its members with regard to what

should be the policy response on issues not only important for Europe, but of global issues as well. NATO being an alliance of equal members, but with one dominant member; based on multilateral and mutual obligations; which crucially depends upon the guarantee sustained by one member. Alliance focuses on a quite clearly defined geographical area; it has also been presented as the keystone in a broader defence against a general threat. The threat can be defined in strict military terms, but also acquired strong ideological, political and economic overtones. Therefore, the evolution of NATO has been accompanied by continued and often acrimonious debate about what might be termed the 'limits of alliance': the perception of threat and the extent of the allies' obligations, the sharing of the military and economic burden, and the geographical or functional scope of the alliance's operations (Smith 1984: 66). Besides this it is also important to note that Europe had been the centre of power till the end of Second World War, but devastation in the Second World War pushed Europe on the brink of ruined states. Europe was bound to accept the subordination to United States in order to get out not only of catastrophe of world wars but also of mounting threat of communist Soviet Union. But, it was always in the heart of European leaders to regain their past glory, which gained momentum with the political and economic recovery of some of the European NATO members that followed the demand for structural reform within the alliance based on equal sharing of power. This demand was particularly raised by French President de Gaulle, who was very much in favour of a European Europe. Moreover, cohesion in the alliances was largely determined at that time by the political climate of the international system especially the relations between the United States and the Soviet Union (Smith 1984). As the threat of direct and immediate Soviet aggression receded as a reflection of NATO's consolidation and as direct communication between Washington and Moscow developed following the Cuban Missile crisis, the allies became concerned with a triple threat from the America themselves. It was due to three reason, a) American globalism meaning shifting of American focus from Europe to other distant areas which threatened to dilute the American commitment to NATO, b) unilateralism which became evident in 1960s when the US engaged on global level with Soviet Union without consulting their European allies, which gave rise to the suspicion that the NATO would be put aside, and c) following from second, the structural domination of United States in NATO would lead to interventionism and United States will manipulate their strategic position in

alliance to their particular conception of the alliance. These three set of threats from NATO played a central part in the evolution of NATO since the early 1950s (Smith 1984: 67). The divergence in views on political and security matters not only had bearing upon the cohesion in alliance but also on the integration of Europe. France was very much sceptical of the Anglo-Saxon special relations and their motive of European hegemony. This view of France solidified as the United States helped Britain to become a nuclear power. At the same time when France sought the same help from the US, it refused, which reinforced French suspicion. Due to intense rivalry between France and Britain to dominate continental Europe since many centuries again became alive in French memory. Therefore, de Gaulle moved forward to nuclearize France and strengthened their idea of Europe independent of American Atlanticist Europe. De Gaulle also started questioning the dominance of American domination in the 1960s. This was seen as a strategy to balance the rising hegemony of Anglo-Saxon alliance in Europe.

This divergent tendencies on the part of some state in the 1960s was not simply over the control of military or economic instrumentalities but on ultimate questions of political power among the Atlantic nations question, i.e., of leadership and subordination (Cleveland 1966: xxii). Thus, the European powers did not envisage a united Europe as a necessary constituent of an Atlantic Community as the United States wanted it to be. In fact, during the early years of the post-war era many in Europe wanted to maintain as much distance from the United States as from the Soviet Union. Therefore, Europe and the United States had different notions of the role that an integrated Europe should play. The United States wished to see an Atlantic oriented Europe. It meant that the cohesion of the entire group of Atlantic nations should be the principle objective of the nation's policies and Atlantic cohesion should take precedence over the cohesion of any lesser grouping in other words leading to European subordinations under American superiority. In contrast with the Atlantic idea, Europe on the other hand visualized a new Europe destined to play an independent role in world affairs (Rao 1988: 165). This was based on de Gaulle's vision of the European idea which stressed the priority of unification of Europe over the cohesion of Atlantic community as a whole. That simply means European identity and autonomy, a rejection of indefinite American leadership as inequitable, damaging to Europe's self respect, and inconsistent with European's

right to shape their own political destiny. These differing ideas were not in harmony with each other and therefore, growing transatlantic conflicts since 1960s should be analysed in this light. Definitely, here the differing perception regarding their national interests in the wake of détente between the superpower played important role. However, this does not mean the end of the alliance per se.

Despite all these odds in Transatlantic relations, military and economic interdependence has transformed the nature of the political issues which divided the West (Cleveland 1966: xxii). In the 1960s the principal subject matter of Atlantic politics was the structure, the locus of control and the policies of the great systems of military and economic cooperation which had grown up since 1945 (Cleveland 1966: xxiii). It was due to the past experience and long and continued military and economic interdependence that national identity reduced significantly. This was also reflected since 1945 by the marked convergence of political, social and economic values and institutions and of economic conditions, among the western nations-most notably, the rebirth of constitutional democracy in Germany and Italy. There was expectation that a) harmony and cooperation among the Atlantic nations will increasingly prevail over discord and conflict, and b) increasing functional cooperation will lead in time to voluntary merger of national sovereignties into supranational political structure (Cleveland 1966: xxiv).

There were also expectations that a unified Western Europe will be able to stand alongside America in the great common tasks for containing communist China, of coping with growing disorder in the third world and of economic development. But, after the formation of the EEC and fast recovery from the devastation of World War II, West Europe emerged as trading bloc in the world. Initially, the United States did not have any objections to EC discriminatory measures (means free trade among members as well as with outside world), but the recovery and consolidation of EEC led to the decline in United States hegemony and trade and differences began to emerge on subsidies issues. It was in this context, the then United States President Kennedy articulated his support to European integration and promulgated the idea of 'Grand Design'. The United States, he said, regarded a strong and united Europe not as rival but as a partner. Such a Europe, he went on, "will be capable of playing a greater role in the common defence, of responding more generously to the needs of

poorer nations, of joining with the United States and other in lowering trade barriers, resolving problems of currency and commodities, and developing coordinated policies in all other economic, diplomatic and political areas (Piening 1997: 95).” Kennedy also viewed the membership of United Kingdom (UK) into EEC for a stronger and united Europe oriented towards Atlantic. Therefore, he encouraged UK membership to EEC. But, it met with failure, when French President, who was very much in favour of European idea, vetoed British application in 1963 and this situation, prevailed until the De Gaulle remained in power in France. Only in 1973, Britain could be admitted into the EEC. De Gaulle move signalled the divergence in Transatlantic relations, which was further reinforced when Europeans refused to share the burden, when the United States sought support of her European allies in the Vietnam War. Christopher Piening rightly pointed out, “President de Gaulle’s veto of the British Application in 1963 signalled the beginning of a decade in which EC-US relations stagnated, indeed in which the European integration process itself seemed to mark time, largely in the face of Gaullist insistence on more intergovernmentalism and less supranationalism (Piening 1997).” Actually, the Kennedy administration’s ‘Grand Design’ for a close and equal partnership with Europe was primarily viewed with suspicion in Europe as it was aimed to perpetuate the United States dominance in the NATO as well as in the economic sphere. This suspicion of France and other countries was reinforced through American advocacy of British membership to the EEC and the plan to establish a multilateral force (MLF) in NATO. It was this suspicion, that lead to French veto of British membership to EEC as well as her subsequent withdrawal from NATO’s integrated military command that not only hurt the cohesion in the alliance but also to the European integration process, which could be resumed only after de Gaulle’s era came to end. But one must understand that France did not withdraw from Alliance per se (Smith 1984: 67-68). However, the notion of the Atlantic alliance as the guardian of western security interests and the promoter of western ideals around the globe is an attractive vision to which even General de Gaulle had not been immune. De Gaulle even proposed that NATO’s writ should run to the entire non-Communist world and that the Alliance should be headed by an American-British-French directorate. But no such consensus and agreement existed in case of Vietnam; however, in North Korean case, all the allies participated and acted together. For allies refusal to act in concert in case of Indochina crisis, the European were

criticized by their American counterpart for their failure to assume a larger share of responsibilities of the West in the Third World (Cleveland 1966: 154). De Gaulle also made it clear that he opposed the organization, NATO, not the alliance. "France does not intend to use the clause of the Treaty of April 4, 1949, which allows any member to denounce the treaty from 1969. Consequently, the alliance shall continue as far as France is concerned." France opposed the military agencies of NATO: Supreme Headquarters Allied Power Europe (SHAPE) and its subordinate command including Allied Forces Central Europe (AFCENT) because of American domination (Cleveland 1966: 33). Moreover, despite the withdrawal of France from NATO's integrated military command, France got equally protected in the same way as other Alliance members and neutrals in Western Europe were getting protection

Among allies, controversy is inevitable. Disagreements arise because no alliance serves equally well the interests of all the allies. For some, the benefits are bound to seem more valuable, or the burdens and risks greater, than for others. Even in wartime, when the incentive to agree is at a maximum, it is difficult to come together on political objectives, on strategy, and on the size, deployment, and coordination of forces. In peacetime it is much more so, because the allies must prepare to meet a range of hypothetical enemy actions rather than a definite military situation, and because the need to agree is less pressing (Cleveland 1966: 37). Moreover, in the nuclear age, dissension among allies is rarely concerned with strictly military issues, but depends upon the thorny issue of who controls the deterrent and this issue is inherently divisive because it touches the most fundamental questions of national security and power.

The rise of Western Europe and their refusal to shoulder responsibility in their involvement outside Europe or follow blindly the United States were seen by realist Nixon administration in 1970s as an economic rival and a growing political force that was undermining the United States global position. As the process of integration accelerated, conflicts between the EC and the United States increased. It became evident that economics was gaining priority over politics in US policy towards Europe (Rao 1988: 167). This view reflected in a series of unilateral economic measures that United States took in 1970s without being sensitive to the implication of their policies over their European allies. This caused flurry a in the Transatlantic

relations and allies responded in the same manner as United States did by taking protectionist measures. The end of 1960s also witnessed the emergence of other centres of international economic power apart from EEC such as Japan and the United States was no longer in a position to dominate the world trade. The multipolar interdependent world configuration of the 1970s and beyond complicated and added new pressures to the Transatlantic relations. The US found that outside NATO, its European allies had become competitors and, in some cases, even adversaries. So, in the period 1971-80, US policy moved between unilateral neglect and bilateral cooperation, while the EC's relationship to the US shifted from client status towards a more independent foreign policy action. In 1973, a brief turnabout in US attitudes towards the EC and NATO members occurred. With the end of US involvement in Vietnam and new US relations with the Soviet Union and China, the Nixon administration suddenly tried to reverse the years of neglect of the European allies by announcing a Kennedy like Grand Design- dubbed as 'The Year of Europe'. This idea was articulated by Secretary of State Kissinger. Kissinger also called for a new 'Atlantic Charter' in order to revive Transatlantic relations. This idea was aimed to redirect EC foreign policy back to Atlantic based centre (Ginsberg 1989: 267). But, the Kissinger formula proved unattractive to Europeans as it was aimed at undermining the EC foreign policy identity distinct from American patronage. This suspicion was strengthened when Kissinger expressed that the United States had 'global interests and responsibilities' whereas the Europeans had only 'regional interests (Rao 1988: 169).' But, this debate was quickly overtaken by events in the Middle East in 1973-4, when the Yom Kippur War between Israel and Arab countries took place. This event was followed by Organization of the Petroleum Exporting Countries (OPEC) oil embargo. United States commitment to Israel conflicted with the EC's attempt at a more even-handed policy. EC dependence on oil imports has always made it more vulnerable than the US to embargoes and price increase (Ginsberg 1989: 268). EC obtained 63 percent of its oil requirements from the Arabs whereas the United States obtained only 17 percent. Therefore, the EC had taken special care not to offend the Arab League members by taking pro-Arab stance and refused to contribute to US diplomatic and material assistance to Israel. In March 1974, EC members signed the Euro-Arab dialogue to establish close economic, cultural, and technical ties with the Arab League (Rao 1988: 170). With this move of the EC, the United States felt betrayed and it

criticized the Europeans for their betrayal. Actually, any move to side with the United States would have been detrimental to EC's interests. Moreover, the Arab-Israeli conflict fell outside NATO's limited regional purview and the EC's limited legal purview. More importantly, what especially complicated Transatlantic relations in this area was the lack of institutional mechanism for consultation and coordination when necessary and possible (Ginsberg 1989: 2680). Though, Transatlantic relationship came under severe strain during Nixon-Kissinger era, there were yet positive sides to the relationship. Europeans in general welcomed the initiatives taken by the United States- détente and arms control agreements with the Soviet Union. With American support West European within NATO negotiated for Mutual and Balanced Force Reduction (MBFR) which began in Vienna in 1973, and then in the Conference on Security and Co-operation in Europe (CSCE) which produced the 1975 Helsinki Declaration, which continued to persist even in 1980s by active participation of the Transatlantic partners (Smith 1984: 69). This agreement showed how receptive they could be to working together in an area of mutual concern and on equal basis. Later on in late 1970s Carter administration by accepting the EC as a reality and growing force took measures to improve political relations with the EC. Carter announced during his visit to Europe in 1978 that the United States would give its 'unqualified support' to strengthen European cooperation. He further said- "we see European strength and unity as boon and not as a threat to us" (Rao 1988: 171). However, despite effort to revive good relations with the EC, differences between the two over the Middle East and other areas persisted. The United States President Carter launched 'Camp David' initiative to reconcile Israel and Egypt and thereby contribute to peace in the region. But, many in Europe, however, grew sceptical about whether a general peace could be secured in this fashion and they believed that fresh action was necessary to break the logjam. The EC did not throw its support behind the Camp David process, as it excluded the Palestinians. As a result, a new initiative was launched by the EC (under 'EPC') with its Venice Declaration. This called for a Palestinian homeland, Palestinian participation in peace talk, and international guarantees for mutually recognized borders. EC leaders visited capitals in the Middle East for talks with all sides. Neither the Camp David nor that launched by the EC led to any noticeable improvement in relations between Israel and Palestinian leaders, however, as peace remains elusive. Yet, the US was dismayed by what it saw as the EC's meddling and

it felt that its own actions were undermined by the EC's intervention. Similarly, the EC initiative clearly stemmed from the belief that the Camp David process was going nowhere and continuing failure to secure peace in the Middle East threatened European interests. Shared interests led to separate action and to policy failure. Indeed, it could be argued that failure was in part the result of separate action. Certainly, the policy of each party was clearly affected by that of the other. Subsequent actions by the US and the EC in the Middle East continue to point divergent interests (Featherstone and Ginsberg 1996: 108). Despite differences on how this issues could be tackled, in 1981 the EC members endorsed a plan to provide troops for a US-supported multilateral force to oversee Israeli disengagement from the Sinai, which were considered to be integral part of the Camp David Process. The participation brought credibility to the multilateral force otherwise it would have lacked a genuine international composition (Ginsberg 1989: 269). Apart from this West Europeans also welcomed Carter's détente policy and the SALT agreement between the United States and the Soviet Union, which was the logical culmination of the Helsinki Accord (Rao 1988: 173).

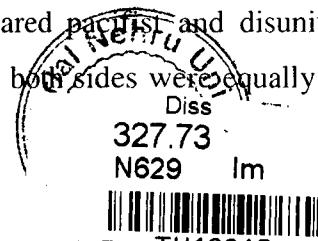
But, Iranian hostage crisis in 1979-80 once again brought both the partner face to face due to EC's reluctance to go with the United States when the United States was expecting more immediate and cogent sanctions from the EC (Ginsberg 1989: 269). However, the EC members very reluctantly agreed to apply limited economic sanctions against Iran, if the hostages were not set free (Rao 1988: 174). Besides Iran crisis, divergence in EC and US approach became more acute in their different reactions to the Soviet invasion of Afghanistan in late 1979.

What goodwill the Carter administration tried to generate towards the EC was replaced by old economic antagonism and heightened foreign policy differences as Regan administration took office. Though, the Regan administration supported the concept of a united Europe and a strong Atlantic alliance, but had also shown itself to be formidable opponent of EC's discriminatory economic policies. The Reagan administration took a hard line on relations with the USSR and neglected détente policy particularly after the Soviet invasion of Afghanistan. The Regan administration was willing to use trade as a lever of foreign policy in confronting its adversaries. The EC in the 1980s emphasized on a foreign policy actions

independent of the United States. European were focussing on their own style of détente, protecting their own interest which was unlinked to the Soviet actions elsewhere in the world while US policy of détente was global in nature linking to all facets of east-west relations. The EC in contrast to the United States had been very reluctant to use trade as lever to influence Soviet actions, because the EC saw the superpower attempt to spoil European détente as well as prospects for increased trade between the two halves of Europe. Because the EC's import dependence on energy supplies, dependence on export markets, and geographic proximity to the Warsaw Pact countries, the West European countries were against any attempt that would be detrimental to not their trade interest but also to their security.. Therefore, when the United States sought European allies to follow their suit against the Soviet actions in Afghanistan and Poland and expected the European sanctions against Soviet Union, European allies mildly responded, which definitely hurt United States. But instead of being practical and sensitive to the need of their allies, the United States time and again resorted to such matter that was detrimental to interests of their allies. This was the result of United States being less accommodative towards their allies. This myopia was bound to lead to differences among allies, but not to the dissolution of alliance per se.

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The Libyan case was another sensitive issue that led to the disagreement among the Transatlantic partners. President Reagan ordered to attack Libya in 1986 in response to terrorist attack supported by the Libyan government caused conflict among allies as the US sought a unified stand and actions against Libya government for their alleged involvement in terrorism had failed. Most EC governments and public opinion generally, disapproved of the US bombing. This was because of evidence that it had been mistargeted, and a feeling that it was an overaction and a misuse of power. In addition, Europeans feared that it might exacerbate terrorist activity in Europe, and were concerned as to its affects on travel and tourist safety on the continent. As a consequence of the Libyan action, the tourist industry in Europe suffered greatly as Americans feared they might be high-risk targets for terrorist action (Featherstone and Ginsberg 1996; 108). In sum, action taken by the US towards a non-EC country was criticised, in part, for fear of its consequences inside the Community. For the US, Europeans appeared pacifist and disunited; for the Europeans, the US appeared trigger-happy. Yet both sides were equally affected by



the threat of terrorism. There was an immediate and obvious recognition of the policy sensitivities involved (Featherstone and Ginsberg 1996: 109).

The failure of EPC in 1986 to adopt a strong policy in support of U.S. measures aimed at isolating Libya in retaliation for the latter's alleged involvement in a series of terrorist attacks (including one in Berlin on 5 April 1986 in which two people were killed and over 200 injured in the bombing in a discotheque). In the absence of what it regarded as a firm European response, Washington decided to bomb targets in Libya. However both the French and Spanish governments denied the United States the use of air bases on their territory, and it had to launch its raids from Britain, whose government, under Margaret Thatcher, adopted a traditionally supportive approach (Piening 1997: 100).

Actually, the differences over the issues of Third world included the sensitive issues of 'out of area' activities of NATO. In the European points of view NATO was exclusively formed for European defence and security, which was unacceptable to the US, as the US expected Europe to extend cooperation in conflict areas even outside Europe as well as increased defence outlays to meet such operations. United States insisted that several new areas fell outside the initial geographical concerns which represented shared concerns and therefore required concerted action by both the partners. However, the Europeans were bound to be Eurocentric as they were engaged in reconstructing their own economy, polity and security devastated in the Second World War, while the US, not a direct target of WWII, was looking to the whole world in order to contain communism so that their interest could be preserved. These views were the major reason behind their mild response to the Vietnam Crises and Soviet invasion of Afghanistan, which was deeply resented by the US. It was in this context, European governments criticized United States for their actions in Libya, Afghanistan etc. on the ground of American disregard for the constitutional limits of the Treaty (Kurian 2001:280).

The sharing of the resource burden of NATO's security arrangements also proved to be a contentious issue between the US and Europe. The US constantly complained that it bore an unequal share of burden for the upkeep of the alliance. It criticized its partners for not fulfilling their pledge of a 3 percent annual increase in defence

spending and exhorted them to do so. The US complained that its commitment to the defence of Europe constituted the largest single item in its defence budget and demanded that Europe shoulder a larger share of the burden. It pointed to the asymmetrical nature of the arrangement which remained disproportionate even after European countries increased their share in 1986. The US in 1986 allocated 6.5 percent of its GDP to defence which amounted to \$ 266 billion (half of which was for the European segment) whereas European members of NATO spent 3.8 percent of their GDP which amounted to \$83.5 billion (Kurian 2001:278). However, the European countries regarded the US views as being unfair based on their contribution in terms of bulk of armed forces to NATO as well as several hidden costs of the security arrangements borne by them (Kurian 2001:279).

Transatlantic Trade and Economic Relations during the Cold War Period

The EU-US economic relationship started long before the Second World War. The hallmark of Transatlantic economic links for the past two and half centuries followed the European settlement of north-America. Most commercial exchange took place in the form of trade in goods and assets and the westward migration of people and enterprise. While the First World War helped to promote closer social affinities between Transatlantic allies, the inter-war years saw a reduction of Euro-American trade and investments, as on both sides of the Atlantic, the attention of the governments and markets was given over to internal economic problems (Dunning 1998: 3). Before the outbreak of the Cold War, the realities of economic interdependence were apparent because both sides agreed to turn away from the economic nationalism of the 1930s and to create a new international economic order in the 1940s designed to institutionally manage economic interdependence (Dunning 1998: 119). In the year following the Second World War, the US shared its growing hegemony with an economically ravaged Western Europe, mainly through government sponsored schemes such as Marshall Plan and through direct investment by US multinational enterprises. The post-war Transatlantic economic relations became a partnership because it took place on a legal and political framework, which brought on political, security and ideological commitments (Featherstone and Ginsberg 1996:117). The legal and political framework through which the transatlantic economic relations were carried out were like Organization for

Economic Cooperation and Development (OECD) and General Agreement on Tariffs and Trade (GATT). These international legal bodies provided legal and political framework to the Transatlantic trade in a systematic manner. The underlying factor of the concrete and systematic trade, political and security relations between Europe and America was based on common objectives to contain Soviet influence by strengthening the economy and thus political foundations of post-War Western Europe. Anti-communism, liberalism, multilateralism and collective self defence were the driving force behind the exclusive bilateral links and diplomatic relations. The Transatlantic relations also refer to the spirit of shared belief and understanding among the countries of both sides in a common civilization and similar political, economic and social system (Ginsberg 1989:263). It was in this context, the post war trade arrangements among the Atlantic nations were the result of an effort by the United States to reverse the protectionist tide which ran so strongly in 1930s and to restore a relatively integrated international economy among nations able and willing to participate. It was this rationale which led to the creation of GATT. The GATT had two objectives: one was non-discrimination; the other trade liberalization. The former was implemented by the Most Favoured Nation (MFN) principle; the other was by outlawing trade barriers except import quotas imposed temporarily for balance-of-payments reasons, and by providing for periodic multilateral negotiation of agreements to reduce duties. The commercial interests of the largest and most competitive trading nation lay in the general opening of world markets and the dismantling of the British and French colonial preferences (Cleveland 1966:98).

But, the American policy of non-discriminatory trade liberalization as well as regional economic integration in Europe were hardly consistent as the European economic integration meant discrimination by European countries in one another's favour and some diversion of trade from non-European to European sources. Yet this inconsistency did not at first give rise to any conflict of interests between Europe and the United States as long as Europe remained weak and dependent on the United States. One reason was that European tariff discrimination was a potential, not actual, until the dollar crisis occurred following the American commitments to other part of world and the first internal tariff cuts were made by the European Economic Community in 1959 in order to meet the problem of dollar

shortage. With food production and industrial capacity in Europe still not recovered from war, American exports, financed by a massive outpouring of aid dollars dominated world markets throughout the 1950s. Under these circumstances, export interests were little concerned about possible future European tariff discrimination. This was also because; America saw a united and dynamic European economy a better trading partner than the compartmentalized, stagnant European economy (Cleveland 1966:103-104). With the establishment of EEC in 1957 and rapid economic recovery in the late 1950s and its continued vigour had not been expected as it transformed into a formidable trading bloc, possessing the most rapidly growing internal market in the world and wielding, by virtue of a common external tariff and a volume of external trade greater than America's, more bargaining power in trade negotiation than the United States. Development of this led to reduction of American trade in Europe especially in the farm sector. Trade diversion and increased agricultural protection in Europe were therefore not merely challenges to American commercial interests. They were threats to the dollar and to American monetary autonomy (Cleveland 1966:107). Therefore, by the early 1960s the United States came to view the EC as a challenge to its economic and political interest. The rapid pace of Europe's recovery and Europe's return to convertibility enabled the Six to complete successfully the first phase of economic integration leading to a custom union with a common external tariff and a common market in agriculture. United States soon learnt that its commercial as well as farm exports to the Western Europe were facing cuts as a result of the EC's common external tariff (CET). The Kennedy administration saw in the EC a rising trading giant with its potential to threatening US leadership in shaping the trade agreements of non-Communist world (Rao 1988: 165). With the United States facing a balance of payment crisis and the dollar on the decline, the Kennedy came up with a proposal of 'Grand Design', which was based on the Trade Expansion Act in 1962, in order to prevent EEC's external commercial policy being solidified in a protectionist mold. It was in this context, Kennedy Round of trade was negotiated by President Kennedy, but with some concession it remained unsuccessful particularly on agricultural trade, which led to the notorious 'chicken war' (Rao 1988).

This act was intended to authorize tariff cutting to zero and on a reciprocal basis from the side of the Community also. But, this act had a political objective too as it

had favoured Britain's accession to the Community which was seen as a guarantor to Europe orientation towards the Atlantic, but de Gaulle's veto to British membership in the EEC halted the American move. Kennedy's attempt to bring the Trade Act and advocating British accession to EEC were seen by the members of the EEC as a threat to their principle achievement in the form of the customs union. Continental Europeans believed that the elimination of duties would weaken the bonds holding together the countries of the Common Market, of which the common tariff is the principle outward manifestation (Cleveland 1966: 108-109). The Kennedy round of negotiation also proposed for the establishment of an Atlantic free trade area as well as to link the United States with other EFTA countries, which was intended to reduce the power and separateness of the EEC as a trading bloc by wiping out the custom union for industrial goods, while the other proposal was intended to balance the community's trading power by taking counter-discrimination policy against the EEC's Common Market's discrimination. These proposals of Kennedy round were the American reactions to the shifting balance of economic and political power within the Atlantic world (Cleveland 1966: 118-119).

One of the major contentious issues that continue to affect transatlantic relations is the Community Common Agricultural Policy (CAP), which remained source of contention since 1960s. The US criticized EC's CAP for being protectionist and discriminating against the US farm exports as US farm export fell by 47 percent in the late 1960s. However, it appears that US farm exports to the EC during the 1960s suffered not so much because of the CAP as because of the greater agricultural self-sufficiency achieved by the EC members in the decade preceding the Rome Treaty. The creation of a common market had only accelerated the trend as the US industrial exports to the EC increased from 13.6 percent in 1958 to 18.2 percent in 1965. No doubt the creation of the EC meant a certain loss to the United States in the European market, but US "export to these EC countries remained a most dynamic element in US export growth". By far the most important economic benefit was the vast investment opportunity that European integration offered to the United States, which is evident from rise of American investment by 40 percent between 1965 to 1966 (Rao 1988: 166).

However, despite the differences over many issues especially on economic issues, United States continued to extend its security umbrella to Europe, which provided a conducive environment for European countries to further their integration. With this the EC succeeded in completing the final phase of Custom Union, thereby demolishing custom duties to the zero level between member states and subjecting all exports from the non-members of the EC to the common external tariff. Further, in France de Gaulle period came to end and 1969 Hague Summit indicated the green signal for further enlargement, which led the British member to the EC in 1973. These events established the EC as the largest trading bloc in the world.

During the Vietnam crisis, and reluctance of European to help US and in order to reduce the trade deficit vis-à-vis the EC fixed exchange rate regime, the US unilaterally devalued its dollar without keeping in mind its implication on interests on its allies. In response the EC created the European Monetary System (now it tuned out to be the single currency union also termed as EMU) in 1979 to stabilize intra EC exchange rate fluctuations attempt to, which was seen in the United States to do away with dependence on US monetary policy (Featherstone and Ginsberg 1996: 27).

The 1967 crisis in the Middle East followed by another Arab-Israeli war in the 1970s led to the famous oil crisis of the 1970s which were followed by recession in the world economy. This crisis forced the countries around the world to take measures, which could prevent their economy from crumbling down. Even the countries of the Atlantic alliance resorted to such protectionist measures, which was contrary not only to their immediate economic interests but also against the GATT's philosophy of liberalized world trade order. Growing EC stature in the world was seen as an economic rival and a growing political force by the United States. As the process of integration accelerated, conflicts between the EC and the United States increased in the 1970s. Against the growing stature of the EC, the US came up with New Economic Policy that was aimed at establishing the primacy of the United States in the world economy. Through the New Economic Policy, the United States firstly temporarily suspended the dollar's convertibility into gold and also imposed a 10 percent surcharge on all imports into the United States. These two steps were solely intended to improve the balance of payments and balance of trade position of

the United States and maintain the dollar predominance in the world. But such unilateral measures also flouted US obligations under the GATT and IMF. Apart from the Middle East crisis, the problem in the world economy was the result of the United States unilateral act of printing dollars in order to pay for the Vietnam War and to finance the welfare benefits of the Third World society. As a result, mounting deficits on internal and external accounts began to accumulate. In response, the US allies choose to break the dollar standard and to float their own currencies in the world's money markets (Goldestein 1985: 186).

Besides the above unilateral steps, the Nixon administration further demanded the EC to scrap its preferential trading arrangements with African (preferential trading arrangements were already in place, which were extended for further five years in 1969) countries, thoroughly restructure the CAP, and, as a short term concession, lower tariffs immediately on its imports of citrus fruits, tobacco, and wheat from the united states, which was contrary to the basic structure of the EC (Rao 1988: 168). The United States also started engagement with individual member of the EC. The strategy of dealing bilaterally, not collectively, with the individual members of the EC and playing upon the internal differences between them demonstrated not only the withdrawal of US support for European unity but also a crude *realpolitik* attempt to break it. Though, Hennery Kissinger tried to diffuse the growing differences among allies by calling 1973 the year of Europe, but his remarks that the United States had "global interest and responsibilities" whereas the Europeans had only "regional interests" was a blow to the Atlantic solidarity as it undermined the credibility of European as an emerging power. Therefore, the Kissinger idea of the year of Europe failed to attract the Europeans. In turn this led to the 1973 Copenhagen Declaration aimed at establishing a European identity in order to define the future role of the European Union in Euro-American relations and underlining the need to establish the EC as a 'distinct and original entity' (Rao 1988: 169-170).

When a unilateral action was taken by the US without taking into account their possible implications for the EC, relations between them got severely strained. One such instance was the US exports control imposed on soyabeans in 1973. In order to check the shortfall of domestic supplies of soyabeans, the US imposed an embargo on the export of soyabeans and cut existing contracts in soyabeans by 50 percent and

in soyabean cakes by 40 percent. To the Europeans, especially the French cattle industry was heavily dependent on these imports; it looked like a declaration of war. The crisis galvanized the European countries to augment domestic oilseed production to prevent a recurrence of the situation. This adversely affected the zero-duty concession on oilseeds which the US had been enjoying (Kurian 2001: 281).

However, President Nixon's successor Carter by accepting the rising stature and importance of Europe, tried to diffuse the tension and strengthen relations which became tense following the unilateral steps taken by the Nixon administration. For this purpose, the Carter administration abandoned its time honoured demand for greater trade liberalization of the CAP. Carter liberal approach finally led to the successful completion of the Tokyo Round. Both the partners after the Tokyo Round reaffirmed their commitment to evolve a joint strategy to tackle the problems common to them like-inflation, unemployment, trade relations, rivalry for markets and investments, north-south dialogue, and defence against the Soviet Union (Rao 1988: 172). It was this conducive environment, which led to the remarkable historical development in the history of European integration by launching of the European Monetary System (EMS) in March 1979. The EMS was to become a "zone of monetary stability" for member countries and indirectly, for the international monetary system. It was to eliminate the asymmetries, the de facto inflexibility of the Bretton Wood arrangement, and assure that all currencies would be equal. The primary purpose was to eliminate the impact of dollar fluctuation on European economies, although, it failed to eliminate the influence of dollar (Kaufmann 1988: 218). But, it is important to note that this achievement was not possible without the positive support extended by the then Carter administration. Apart from the above development, Greece got green signal for the EC membership, which finally joined in 1981. But the late 1970s and early 1980s witnessed a resurgence of protectionism. Countries have engaged in these policies despite the knowledge of the increased costs and the potential for setting in motion vicious circle-to themselves and the Atlantic community as a whole (Kaufmann 1985: 216).

But, whatever positive development took place due to Carter administration liberal policies, they were overpowered by the unilateral actions taken by the Regan administration. The anti-soviet crusade of the Regan administration and his

monetary and protectionist responses to the recession that pushed up the dollar interest rates forced the EC-US relations into an era of bitter political and economic conflict. The US unilateral action again in 1980s faced vociferous criticism by the Europeans. The United States ban in 1982 on the supply of equipment by American firms and their European subsidiaries to the Soviet-European gas pipeline as a punitive measure to protest against the soviet supported suppression of solidarity in Poland as well as soviet invasion in Afghanistan caused unprecedented damage to Euro-US relations, which were declared by the EC ac contrary to international law. The EC also refused to apply sanction against Poland and the Soviet Union. Both in case of sanctions against Poland and in the case of the ban on supply of pipeline equipment, the United States had a long tem objective-viz to deny western economic benefits to the Soviet Union and the eastern European countries in general so as to weaken its industrial and military capability and, ultimately its global power. In contrast the Europeans had a larger stake in east-west trade. It was not ready to take any step that would mean sacrificing markets, foregoing huge profits, and risking several hundred thousand jobs in its member countries (Rao 1988: 176).

The long standing dispute over the EC's export subsidies continued to affect the relationship between the two and the agricultural trade was intensified under the Regan administration. This came to a head when the US sold wheat flour to Egypt in 1983 which traditionally had been a strong market for European Community. The US supplied Egypt one million tonnes of wheat flour at a rate much below the market rate. The US was fighting subsidies with subsidies. In the same year, it also signed a contract with Egypt for the sale of butter and cheese at subsidised prices. Egypt was offered special terms of payment, namely, interest free loans, special sales loans and repayment in Egyptian currency. The US actions almost closed the Egyptian market for the EC with regard to these two products and the later was quick to resort to reprisal measures. It imposed restrictions on soyabeans and corn gluten products, which were exclusively supplied by the US. These two countermeasures affected \$ 5 billion worth of US exports, which constituted 60 percent of agricultural exports to the EC. In 1986, the US vehemently opposed the EC's decision to EC's decision to raise Spain's tariff on Corn and Sorghum imports from 20 to 140 percent. A segment of Portugal market was also reserved for community trade. The US retaliated by imposing 200 percent tariffs on a variety of

Community export items such as fruit, beer, white wine etc, which was subjected to steeper tariffs. However, a compromise solution was worked out whereby the EC revoked some of its decisions (Kurian 2001: 282).

Actually the most contentious areas in Transatlantic relations were agriculture and steel. Agriculture, Steel and many other trade disputes will remain unresolved as long as both sides produce the same kinds of products, compete for the same market outlets, support industry and agriculture in different ways and follow contradictory economic and monetary policies. Trade problems will therefore always exist, which highlights the importance of interdependence that both the economies achieved since the Second World War. During the second Reagan administration, several trade disputes were settled only after the US and EC imposed or threatened to impose punitive duties and quotas against one another. This decade was the most confrontational since the notorious 1963 Chicken War. In this period apart from the CAP, access of the EC steel to the US market, Airbus issue, EC tariff preferences for imports of Mediterranean etc. were continuously attacked by the US for being discriminatory. When they failed to reach on any solution to these issues, they engaged in imposing certain restriction against each other in order to protect their interests which proved more dangerous to their common interests. Finally, many of these issues in absence of any solution brought in GATT for solution. As a result, by 1986, the two ended citrus conflict, punitive duties were lifted on many EC items like pasta, walnut etc. by the US. The EC agreed to improve access of US farm products such as lemons, almonds etc. Both sides took conciliatory and compromising path in order to break the deadlock, which also included the US agreement to not to challenge in the GATT the legality of the EC's preferential trade accords with the non-EC Mediterranean states (Ginsberg 1989: 271). All these settlement showed the positive developments from the both sides. However, the accession of Spain and Portugal in EC in 1986 triggered another round of trade dispute between the US-EC as under the terms of accession, both the countries need to buy certain percentage of grain from other EC member countries and also both the countries required to raise their external tariffs to the level of EC's much higher CET. This led to the decline of US export of grain (especially corn and sorghum) to these two countries as these items were now imported from the member states only. The United States quickly responded and wanted compensation for their trade loss,

however, EC insisted that its actions would not harm US trade and also refused to pay any compensation. This resulted in imposition of quota by the US for certain EC products like white wine, candy, etc. and restricted the access of US market for some EC's products. The EC retaliated and restricted the import of US export in the EC market. Finally, the EC agreed to compensate adequately by granting special incentives to US imports to the EC market by lowering tariffs on over twenty industrial and farm products and also withdrew the requirements that required to follow these countries a term of accession. By this the tension came to end between United States and the EC (Ginsberg 1989: 272).

In fact, till the 1970s, the EC was not an equal partner, although was dependent on United States. this was due to the fact that a) it had yet to develop a level of political integration sufficient for it to speak with one voice in foreign affairs, and b)the heavy hand of French nationalism robbed the EC of its influence as a single actor in Europe and abroad until after 1969. When Europe fully recovered from war and emerged as an economically powerful trading bloc in world economy, the US hegemony came to end and Europe started to assert itself as power if not militarily then definitely economically in order to gain its past glory of great power. This was further manifested by the signing of Single European Act in 1985/87. The partnership in this period and after became much more equal in terms of major indicators of economic power (i.e. in terms of GDP, GDP per capita, industrial output and performance) and independence (in terms of food, energy, and industrial self sufficiency). Indeed the EC has the largest concentration of wealth and human resources in the world. It is the world's largest trader and boasts the world's largest single market (Featherstone and Ginsberg 1996: 121).

Actually, the 1980s was a decade of internal economic and political problems followed by 1970s oil crisis and problems in Middle East, which required stringent actions to meet the challenges and sustain their economies that sparked the adoption of protectionist measures by the countries, which were contrary to the liberalized trade philosophy of GATT. Countries that had appeared to be in favour of free trade no longer were unequivocally committed to these principles, and used other countries violations as a pretext when relenting to domestic protectionist pressures. Though tariffs were further lowered during the Tokyo Round negotiations of the

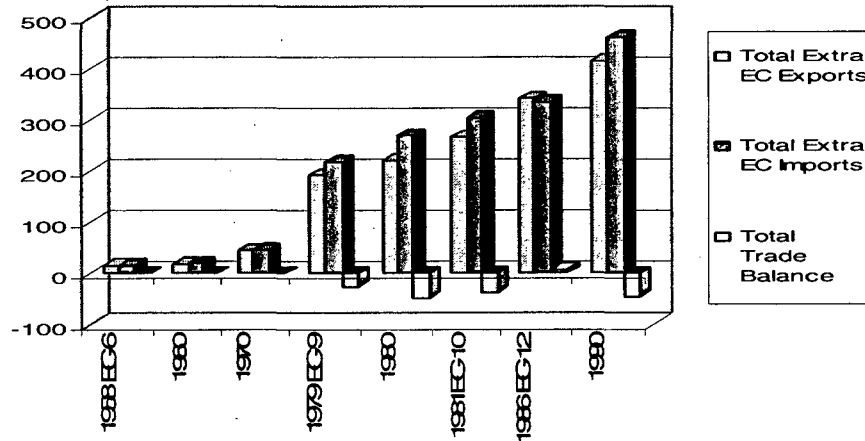
1970s, non-tariff barriers took their place (Featherstone and Ginsberg 1996: 213). It given rise to a situation that was affecting every country including the Atlantic countries. However, after a heated response and counter-response countries of the Atlantic realized the severity of the situation and finally agreed to move on compromising path that could better preserve their common interests and tensions be avoided. However, certain matters still remained unresolved, which even in 21st century continues to haunt transatlantic relations. Despite the rise in trade and foreign policy disputes, the two sides managed the world's largest two way trade and investment partnership, which has been mentioned in above table. Above table shows that, the volume of EC trade to US kept on rising as the exports of EC increased from €1.7 billion (i.e. 10.9 percent of total EC export) in 1958 to €415.4 billion (i.e. 18.4 percent of total EC's export) in 1990. US import to the EC reached to € 85.2 billion in 1990 from the € 2.8 billion of 1958. The trade balance always remained in favour of the United States. The table below shows that most of this period, the flow of trade and investment remained untouched by disputes. The preceding graph helps in better understanding the trade and economic aspects of transatlantic relations. Most importantly, the event that unfolded as a result of Soviet policy of Glasnost and Perestroika led finally to the falling of iron-curtain between the East and West and finally to the end of the Cold War. What impact the event following the dissolution of Soviet Union and the end of the Cold War had on the transatlantic relations will be discussed in Chapter 2.

Table 1: EEC External Trade Trends with the United States: 1958-90

Year	Exports (in Bn €)			Imports (in Bn €)			Trade Balance	
	Total Extra EC	US	%	Total Extra EC	US	%	Total	US
1958 EC-6	15.3	1.7	10.9	15.7	2.8	17.9	-0.3	-1.1
1960	19.2	2.2	11.6	19.3	3.8	19.8	-0.1	-1.6
1970	44.8	6.6	14.8	45.6	9.0	19.8	-0.8	-2.4
1979 EC-9	191.9	25.0	13.1	217.3	33.8	15.5	-25.5	-8.7
1980	220.7	26.6	12.0	269.7	43.5	16.1	-49.0	-16.9
1981EC-10	266.3	37.2	14.0	303.8	49.6	16.3	-37.5	-12.4
1986 EC-12	341.9	75.2	22.0	334.6	56.6	16.9	7.4	18.5
1990	415.4	76.6	18.4	461.5	85.2	18.5	-46.1	-8.7

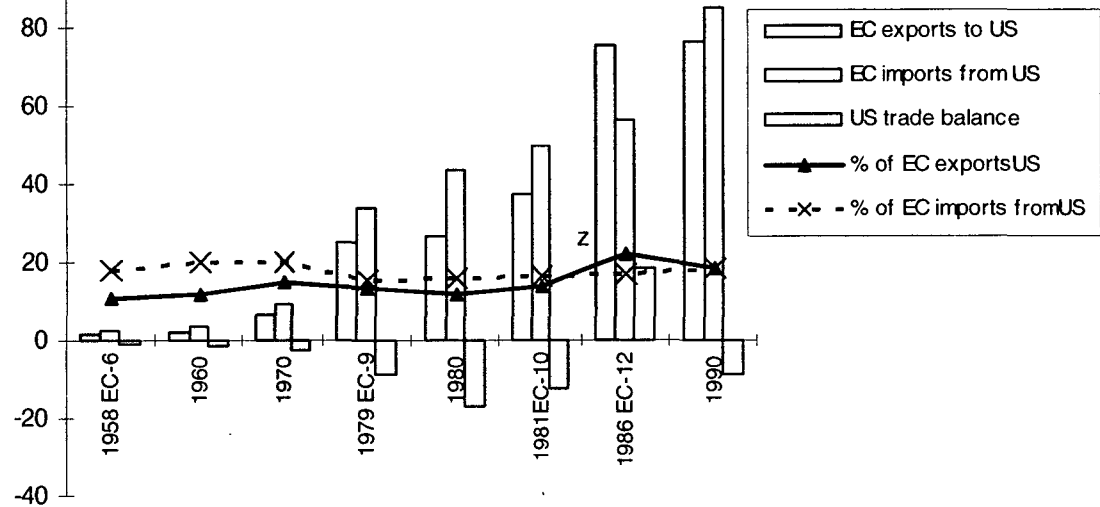
Source: External and Intra-European Union Trade: Statistical Yearbook, 2006. Official Publication of the European Communities. 2006

Chart 1: EEC External Trade Trends with the United States: 1958-90 (in Billion €)



Source: Data collected from Eurostat, 2005

Chart 2. EEC External Trade Trends with the United States: 1958-90



Source: Data collected from Eurostat, 2005

Conclusion:

Numerous conflicts within the Atlantic Community stemming from economic, political and military differences have done no damage to the Community as such. Organized as it is, NATO is of tremendous value to both Europeans and the United States. It forms the basis for the Atlantic Community and guarantees that – whatever kind of conflict may arise – the Community will be able to solve it by compromise

and cooperation. The Transatlantic relationship has lived through several conflicts, and these cannot be expected to diminish in future given the complex interdependent nature of the relationship. In the political and security field, the issue of burden sharing, out of area activities to détente and in economic field, the issue of export subsidies, dumping prices (steel, agriculture etc.), monetary problem to non-tariff barriers were remained most contentious issues in Transatlantic alliance. Given the intense interactions between the two partners on innumerable issues, harmony would be inconceivable. There have to be conflicts, competitions, and crises. As long as they are solved peacefully and by compromise, everything is in good shape.

In the security field, even the issue of 'out of area activity' of NATO and 'burden sharing' in the alliance (by erecting at least conventional capacity so that US could be free from European responsibility and could focus beyond Europe) did not made any substantial impact on the existence of the Alliance per se. Worst situation came in the 1960s, when France withdrew from NATO integrated military command, but even then alliance manage to withstand the crises. Even France did not object the rationality of the alliance. In the post-War scenario, decolonization in third world led to the emergence of problems that was detrimental to the common interests of the alliance partners. Therefore NATO member states agreed to work together in third world based on the idea of rationale division of labour. It was in this context, the alliance partners like France and Britain within the 'division of labour' idea sent their ships into the Indian Ocean in 1970s following the crises in Asia. German financial support to Turkey and Pakistan and in 1983-84 the US, British, French, and Italian troops combined role in diffusing the crises in the Beirut were examples that highlights their extraterritorial cooperation and solidarity on the issues of common concern despite intense competition and conflicts on different issues. That highlights the cooperation and deepened relations across the Atlantic. In solving so many problems, adapting rather quickly to changing situations, NATO proved that is vital and active and has a stable base. It serves the strongest link between Western Europe and the United States as a forum which can be used to solve Atlantic problems in other issue areas.

CHAPTER - II

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*The Transatlantic Relationship in the
Post-Cold War Era and Impact of 9/11*

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CHAPTER II

THE TRANSATLANTIC RELATIONS IN POST-COLD WAR ERA AND IMPACT OF 9/11

“The relationship between the United States and Europe constitutes the world’s strongest, most comprehensive and strategically most important partnership.”

-James Manuel Barroso,

European Commission President, Brussels, 9 February 2005

Political and Security Relations

After the end of the Cold War, NATO’s *raison d’être* about which Lord Ismay, the First Secretary General of NATO talked about as “keeping the Russian’s out, the American’s in, and the German’s down” was questioned as the systemic threat in the form of Communist Soviet Russia disappeared with the collapsed of the Soviet Union. But, still NATO even after 15 years of the end of Cold War continued to exist by gradually transforming its role from a security organization to a political organization signifies its relevance for the Transatlantic relations. However, NATO’s relevance was being questioned by some quarters’ in Europe because it was seen as an instrument of US hegemonic presence in Europe. But, despite the differences among the European allies of the US on the nature of role US would play in politico-military affairs in Europe, they were in agreement on the need for continued US military presence in Europe. This was based on the apprehension that if the US will leave, the European countries will engage in competitive military policies that means Europe might return to what they fear. Therefore, they saw the US engagement in Europe, a necessary deterrent to competitive military policies in Europe, a return to which they fear.

In the post-Cold War, the European integration further deepened as a result of Maastricht Treaty, and thereby a closed single market marked the emergence of the EU as a powerful bloc in international politics. This trend was further reinforced by EU’s constructive and commendable role in reconstructing Central and Eastern

Europe and later the accession of Austria, Finland, and Sweden to the EU. The US realized the weight of the EU in international trade related matters when the Transatlantic standoff in the closing phase of Uruguay Round almost leading nowhere in liberalization of trade. Thereby both realized the implication of the cooperation in trade liberalization matters necessary for preserving their common economic interests globally. Moreover, apart from those above, the Common Foreign and Security Policy (CFSP) pillar of the Maastricht Treaty, giving the EU a political and security role highlighted the growing importance of the EU not only for the Transatlantic relations but also for the world politics. In addition, a joint response by the USA and Europe to a growing number of external challenges was needed, for example, in relation to the threat of proliferation of weapons of mass destruction, and of international terrorism, to the fragile peace process in the Middle East, and to the need to safeguard economic growth and employment. It was in this context, on 3 December 1995 at the EU-US Summit in Madrid, European Commission President Santer, Spanish Prime Minister González, as President of the European Council, and the then US President Clinton signed the New Transatlantic Agenda (NTA).¹ This provided a new framework for a partnership of global significance, designed to lend a new quality to the Transatlantic relationship, moving it from one of consultation to one of joint action in four major fields: Promoting peace and stability, democracy and development around the world; Responding to global challenges; Contributing to the expansion of world trade and closer economic relations; and building bridges across the Atlantic.

Besides the NTA, a “Joint EU-US Action Plan” was also signed in order to translate the agenda agreed in NTA in all the above four areas to put NTA into action. Clinton administration’s attempt to revitalize Transatlantic relationship showed how much importance he had been giving to Europe in order to realize their common goals. This urgency was further felt when both the sides in order to give a push to economic relations, signed the Transatlantic Economic Partnership (TEP) agreement in 1998 aimed at eliminating all barriers to trade and further opening of their’s market for

¹ In the NTA both sides committed to work together for the promotion of democracy, human rights, rule of law as well as for their endeavor to peaceful settlement of disputes through multilateral institutions such as role of UN. for more detail log on to http://ec.europa.eu/external_relations/us/new_transatlantic_agenda/index.htm

each other, which is dealt broadly in the next section. But that does not mean that even the leaders of both sides were looking forward for broader cooperation, the Transatlantic relations was dispute free. There were disputes in several areas, including tackling 'rogue states', global warming, the International Criminal Court (ICC), the failure to ratify the Comprehensive Test Ban Treaty (CTBT) and the treaty banning land mines. Therefore it is wrong to assume that Transatlantic relations were smooth without any friction before George W Bush took over the White House in January 2001 (Fraser 2004: 3).

But, the European apprehension that election of the Republican candidate George Bush as the President of the United States, would instead of further deepening of ties with Europe, will lead to more tense relation, proved true. Bush' policies, like other earlier Republican president's were more unilateralist than multilateral in approach, when he denounced the Kyoto protocol, sabotaged the ICC, refused to sign or ratify arms control agreements and proceeded with national missile defense (NMD) and later withdrew from the Anti Ballistic Missile Treaty (ABM). European concerns were further heightened by the new administration downgrading the importance of the Middle East peace process and North Korea (both Clinton priorities). Global institutions were scorned (Fraser 2004).

Post-9/11 Transatlantic Relations

Soon the incident of September 11, 2001 (popularly known as 9/11) changed the global political and security scenario. The events of 9/11 raised an unprecedented wave of European solidarity with the US—"We all are Americans," declared the French newspaper *Le Monde* two days after the attack. European solidarity came in the form of invocation of NATO's Article 5 for the first time in the history of NATO. Despite the European's unprecedented support to the US in their fight against terrorism, Washington choose to go alone, because it had learned the lessons from Kosovo and had no intention of allowing the American war against terrorism and Taliban to be held up by ill-equipped and politically fractious Europeans (Howorth 2003: 20). But this solidarity evaporated soon, as the US's decision to go to war in Iraq became imminent, (as highlighted in President Bush' State of Union address on

29 January 2002 by levelling Iraq, Iran, and North Korea as the 'axis of evil') provoked general condemnation in Europe. Bush's preparation for Iraq war further got attention in Europe when in summer 2002, a new doctrine of 'pre-emptive strike' emerged which found prominent place in the US National Security Strategy (NSS) came in September 2002. In NSS it was mentioned that 'to forestall or prevent hostile acts by our adversaries, the United States will, if necessary, act pre-emptively'. European's rejected this doctrine by highlighting the broader implications of flouting international law and that US unilateral action would destabilize the entire Gulf and Middle East region. But the US choose to ignored the apprehensions outlined by its European partners regarding the implication of the 'pre-emptive doctrine' and finally with the support of its 'coalition of willing' launched its war in Iraq on 19 March 2003, which provoked the most severe crisis since the end of the Cold War. It brought crisis at several levels. First, it severely affected the legitimacy and authority of the international institution and law as it constituted a major blow to the authority of the UN (Howorth 2003: 23). Apart from the UN, The Bush's policy of ignoring the multilateral way to deal with the Saddam Hussain regime through UN and ignoring its European allies and unilateralist policy resulted in the waning importance of NATO (a traditional institutional bedrock of transatlantic unity and instrument of American leadership in Europe) (Sedivy and Zabarowsky 2004: 190). Secondly, it divided the world into two camp, one of 'pro-war' and another of 'pro-peace' and even member of the European Union could not remain immune to the division. Pro-US EU member like UK, Spain, Italy, Portugal, Poland, Denmark, the Czech Republic and Hungary supported US on Iraq and provided necessary support for operation, while, France Germany, Belgium refused to endorse American move. The Iraq crisis badly affected the NATO, whose legitimacy and role got new lease of life after the 2002 Prague Summit in which the alliance member pledged to create a new 'response force' with a global reach. German Chancellor Schroeder, given the overwhelming popular opposition of US policy on Iraq, and due election process, decided to oppose the US Iraq invasion (Howorth 2003: 24).

The action of the US brought into light profound cultural differences across the Atlantic as well as within Europe itself, relating to the use of force. As international institutions were swept aside and America pursued unilateral policies, the Europeans

responded in a way that reflected their diverse historically rooted perceptions of the outside world. However, soon after the ousting of the Saddam regime in Iraq, both sides engaged in repairing the rupture that the Iraq crisis caused to the Atlantic alliance. Soon, this crisis attracted the policymakers and academia of the world for their wide variety of speculations, out of that mostly predicted the end of the long standing transatlantic ties. But the issues remained to be investigated that, such type of pessimistic views holds any merit? Whether Iraq crisis will really cause the end of the long standing Transatlantic alliance?

Before progressing ahead with the what types of differences does exist among the Transatlantic allies in the wake of structural transformation following the end of the Cold War, or, does it is the result of differences in perceptions and culture across the Atlantic, it is necessary to define what constitutes a 'threat' and what 'means' should be used to deal with the emerging threat, We need to examine the dichotomy and debate thrown into air following the then US Secretary of Defence Donald Rumsfeld dictum of 'old Europe' and 'new Europe' over the French and German opposition of the US pre-emptive policy on Iraq. Rumsfeld at a press conference on 22 January 2003 following the French and German opposition of US plan said (Rumsfeld 2003)

".....German has been a problem and France has been a problem....you're thinking of Europe as Germany and France. I don't. I think that's old Europe. If you look at the entire NATO Europe today, the center of gravity is shifting to the east.

He further said that

"...you look at the vast numbers of other countries in Europe. They're not with France and Germany on this, they're with the United States."

Rumsfeld's remark attracted angry reactions from European sides and the French and German leaders reiterated their opposition to the war. But it is also the underlying fact that it has not been the first time when this type of dichotomy developed and used for the political purposes. This remark of Rumsfeld was seen in many quarters as evidence of a Washington-led policy to divide Europe for her own political and material gains. Moreover, the already existing division in Europe were deepened and a new reality in terms of a group of allies in Europe emerged extending unconditional support to US adventurism in Iraq. But the so called 'new Europe' had their own national interest behind their pro-US stance. A number of reasons were into play

behind their being staunch Atlanticist. First, bandwagoning for profit, secondly, balancing against threats to their “voice opportunism” within Europe, and third, bridging divisions among their other partners in order to preserve the viability of their membership within NATO and broader Euroatlantic community that they have worked so hard to join over the past decade (Sedivy and Zabbarawosky 2004: 206).

Actually, first of all the political-strategic motive behind the pro-Atlanticist stance was to save NATO as the vehicle of US presence in Europe, be it as a guarantee against fears of potential revival of Russia’ imperial behaviour or against re-nationalization of European security. Balancing the Franco-German dominance or monster was another reason. Actually, the revival of French-German axis in the wake of Iraq crisis following their insistence for multipolarity and balancing the *hyperpuissance* raised fear in Europe, which was seen by the post-communist Atlanticist as a neo-Gaullist plot aimed at driving the US from the Europe. This apprehension of CEEC countries strengthened when Russia joined the Franco-German chorus (Sedivy and Zabbarawosky 2004: 207). Economically, the CEEC countries thought that the pro-stance will help them to recover their old debts that Iraq owed to some of them such as Poland, Hungary, Czechs, as well as they will get privileged access to the funds and contracts for the post-war reconstruction. Therefore, keeping in mind the above benefits for their participation, they joined the US-led coalition, despite the fact that vast majority of population in the respective states were against the war in Iraq (Sedivy and Zabbarawosky 2004). But soon their expectations faded, when the prospects of economic benefits resulting from their participation in the reconstruction of Iraq proved elusive. Instead, the so called new Europeans found themselves under pressure from the US to write off the debts owed to them by the pre-war Iraq. Furthermore, instead of assisting military reform in Central and Eastern Europe (CEE) the US suspended military aid to six of the seven future NATO members (except Romania), who refused to sign bilateral agreements exempting US military serving abroad from the jurisdiction of the international criminal court. Even further, likewise France and Germany, and all new Europeans continued to be subject to stringent migration rules and visa requirements when travelling to the US despite the Polish president’s request to make the migration rules soft (Sedivy and Zabbarawosky 2004: 208). Moreover, the pro-Americanism of the

CEE countries had eroded since the end of the Iraq war, but at the same one must not forget that their Americanist predisposition is predominantly historically and culturally motivated and it is like to endure in the longer term (Sedivy and Zabarawosky 2004: 209).

Now, after examining the merits of the Rumsfeld's remark of so called 'old Europe, new Europe', it is important to know why does such type of debates, arguments and counterarguments amongst the academia and government establishment highlighting that the Transatlantic relationship almost dead dominated the world in the post-Iraq period. As rightly pointed out by Jolyon Howorth, "While transatlantic problems continues to multiply—thereby aggravating perceptions of drift---so, too, do the solutions, which invariable attract less comment. While the world scenario is changing so rapidly, deep down at the level of core structures and values, much remain permanent. Even here, differences, not only of perceptions but also of interests have a long pedigree (Howorth 2003: 13)." Therefore, preceding Chapter Chapter III on 'Significance of Transatlantic Solidarity' will be totally focussed on why despite such types of pessimistic arguments regarding the future of the Transatlantic relationship does not holds merits given the numbers of issues, where they have more in common than the differences and acting together on those issues will not only enhance their gains in long run, but also for a stable, secure and peaceful world.

Moreover, the reasons cited by the American for their Iraq adventurism could not be proved, when Saddam's regime was overthrown. The following reasons have been cited for the Iraq operation: a) Saddam's link with the al-Qaeda and Osama Bin Laden, who was the kingpin of 9/11 b) Saddam's endeavour to develop Weapons of Mass Destruction (WMD), and being the part of the so called 'axis of evil or rogue regime' (levelled by the US) and their link with the terrorist organization such as al-Qaeda, may transfer the nuclear know-how to the terrorists and thereby undermining not only the non-proliferation regime but also making the world a more dangerous place to live, and c) Saddam being a tyrant is the cause of suffering of Iraqi people. Therefore, it is the moral responsibility of US to liberate Iraqi people from the tyranny of the Saddam. All the reasons cited above could not be proved after the

toppling of Saddam' regime, however, as far as democracy promotion is concerned, instead of imposing democracy and in the name of democracy promotion the sovereign principles and rights of a nations cannot be attacked.

Bitter U.S.-European differences on matters of policy and global strategy are nothing new, of course. Episodes such as the 1956 Suez crisis, the French expulsion of American troops in 1966, the 1973 Arab-Israeli War, the debate over the "Euromissiles" or Central America in the early 1980s, are all reminders that the Atlantic alliance has always had to confront deeply divisive issues. Apart from above issues, in the post-Cold War era, US differences over Kyoto protocol on global warming, the ICC, refusal to sign or ratify arms control agreements and proceed with national missile defense (NMD) and later withdrawal from the Anti Ballistic Missile Treaty (ABM) have been a major concern. What is striking today, however, is the growing sense among serious observers—clear even before the Iraq crisis broke out—that the very basis for a Transatlantic alliance is eroding (Gordon and Shapiro 2004: 4). Actually, Iraq is the country that has been able to both unite and divide the Transatlantic partners. But, the major hype of Transatlantic divide has been made by Robert Kagan's article 'Power and Weakness' published in Summer 2002 *Policy Review*. In this article he argued about the cultural differences as well as the difference in the capability to embrace coercive means for their power projection. He argued

Europe is turning away from power...moving into self-contained world of laws and rules and transnational negotiations and cooperation...It is entering into a post-historical paradise peace and relative prosperity...Meanwhile, the United States remains mired in history, exercise power in an anarchic Hobbesian World where international laws and rules are unreliable and where true security and the defense and promotion of a liberal order still depend on the possession and use of military might. That is why on major strategic and international questions today, Americans are from Mars and Europeans are from Venus (Kagan 2002: 1).

For Kagan, the Transatlantic divide remains essentially material in nature. He further argued that Europeans embrace multilateralism and the rule of international law because they are militarily weak. At the same time, the US with its unrivalled power resents being bound by rules. In his view it is not the states' specific experiences, their histories, and their identities that determine their actions but, instead, their military power, which determine their behaviour (Sedivy and Zabarowsky 2004:

195). The whole argument of Kagan is based on the idea that there is a gap between the 'strategic cultures' of the Europe and the United States. Therefore, in order to examine the Kagan's dictum of Martian and Venutian, we need to look at the two recent key documents of the United States and the Europe, namely the National Security Strategy (NSS) of 2002 and the European Security Strategy (ESS) adopted by the European Council in 2003. Actually, The NSS shows an assertive US government making a case for its 'war on terror', while the ESS part of a long-term process of building up a Common European Foreign and Security Policy, shows an EU attempting to increase its position as a credible global player and thus open the debate among member-states to clarify the EU's security identity (Berenskotter 2005: 3).

Actually, Kagan's thesis of 'power and weaknesses' ignores the way both sides experienced the two World Wars. It is not the military weakness that forced Europe to embrace multilateralism. In fact the Europeans adherence to multilateralism and international law can be located in the how Europe overcame the catastrophe of the two World Wars Europeans fought on their own soil. As rightly observed by Dominic Goh, "from the ruins of the last War, Europe has rebuilt itself into an economic superpower, not with arms, but with rules disavowing the use of arms (Goh 2003: 12)." He further argues that "the collapse of the Soviet Union and the extension of the west into Central and Eastern Europe was seen by Europe more as a triumph of economic power, rather than military might. The dream of a united Europe is nearing fulfilment, and ironically, the dream of dictators and conquerors since Roman times, is being achieved with the pen – not the sword (Goh 2003)." He stressed that, "In its own way, Europe sees itself as the "city upon a hill", and sees its mission in terms of building an international order based on the rule of law. On the other hand, the United States which had established the international order following the Second World War emerged from the Cold War as the world's only superpower and now wants to preserve its freedom of action without being constrained by international law. It is this fundamental difference in approach, and the growing divergence in attitudes between the United States and Europe, which has led some to question the continued relevance of the transatlantic relationship (Goh 2003: 13). Actually the power and weakness argument is the result of over generalization. It is this overgeneralization of

Transatlantic relations, Kagan ignores the fact that the very same German Foreign Minister whom he places squarely in the European postmodernist/pacifist camp, argued ardently in favour of deploying German forces in combat offensive missions in Kosovo. It also ignores the fact that a majority of Europeans (60 percent) are in favour of America using force to disarm Iraq if the use of such force was sanctioned by the UN (Goh 2003: 14). Addicted with the paradox of military power, the United States ignored the overriding very legitimate French concerns – i.e. a fear of instability in a strategic area of the world, a fear of increased global terrorism, a fear of what would come after Saddam. France was also concerned with the fact that European's close proximity with the Arab world on the one hand, and having sizeable Muslim populations at their home. The countries that opposed the US were wary of the implications the Iraq war will have on Europe. This apprehension proved true when the Madrid and London terrorist attack killed hundreds of innocent lives. This was probably one of the main reasons why France decided to oppose a United States attack on Iraq. Furthermore, it is also not true that only Europeans are interested in establishing an international order based on international law. Such a statement negates the great vision and achievements of great Americans like Woodrow Wilson, Franklin Delano Roosevelt and Harry Truman, and ignores the continuing contribution of America. The Bush administration simply ignored the contributions made by their predecessors in order to establish a secure and peaceful world by establishing multilateral institutions such as the UN, NATO etc.(Goh 2003: 15). The flaws of Kagan 'power and weakness' argument has been further analysed by Felix Sebastian Berenskoeter in his article "Mapping the Mind Gap: A Comparison of US and European Security Strategies". Berenskoeter argues that the two strategies reveal a division that not only is more nuanced, but also contradicts one of Kagan's overarching claims: that Europeans live in utopia and Americans in reality. He argues The NSS's claim to responsibility for championing demands of individual freedom worldwide portrays a strong idealistic current that does not conform to 'realist' behaviour.....The opposite is the case. Declaring it possible to overcome 'Hobbesian' anarchy among great powers and to strive towards a liberal world order goes against the grain of all 'realist' thinking and, ironically, locates the dream of a Kantian paradise in the prose of the NSS..... the ESS's overarching concerns of maintaining regional stability and a multilateral order cannot be labelled 'utopian' (Berenskoetter 2005: 88). On the basis of the two strategies on threat perceptions he highlights that the NSS shows understandably more concern for international terrorism, the dangers stressed

in the European document – proliferation of WMDs, failed states and transnational crime – cannot be categorized as ‘soft’. Whereas, for the NSS, threat ultimately arises out of what it considers misguided beliefs leading to ‘deviant’ behaviour, the prime danger for the ESS derives from instability and conflict as such. Where the NSS frames disorder in moral terms and locates threat in the ‘evil’ intentions of other actors, the ESS is more concerned about the breakdown of political processes in an interdependent world. In order to deal with the new threats of the post Cold War era, that is diffused in nature, military tools and coalition of willing has been the primary instrument of the NSS, whilst the ESS emphasized on civilian tools as well as the international legal order. It does not mean that the ESS outrightly rejects the importance of the military tools (Berenskoetter 2005: 89). Here Susan E.Penska is right by making it clear that

“The ESS is quite clear that preventive engagement using all of the different soft tools of the Union is as important as the coercive tools. Favouring a ‘stronger international society, well functioning international institutions and rule based international order’, the ESS vaguely alludes to the possible use of coercive action when the rules of international organizations, regimes and treaties are violated (Penska 2005: 24).”

Therefore, Penska is quiet right in her analysis about ESS as she says

“strong European opposition to waging war in Iraq does not mean that force is eliminated as a viable option to addressing the triple threat, but it does suggest that there is need for greater clarity about the use of force as an option of last resort. Unlike in Afghanistan, there was no international consensus that the use of force against Iraq was warranted or justifiable (Penska 2005).”

Even Kagan’s resort to history in order to prove his argument has been rejected by Berenskoetter, as he says that the Kaganesque view of Americans being trapped in and Europeans having moved beyond ‘history’ is unsustainable. The NSS, taking 1990 as the benchmark, views history as a linear, progressive enterprise leading towards ‘national greatness’ for those civilizations that organize their society around the idea of liberalism. By comparison, placing the reference point at the end of World War II, the ESS draws on the European continent’s conflictual past as a source of critical self-reflection that has made Europeans ‘wary of ideology’. Hence, Kagan’s observation that historical experience has left Europe hesitant about the use of military force should also take into account the other side of the coin, a loss of faith in the existence of a universal truth (Berenskoetter 2005: 90). Based on the above inherent weakness in Kagan’s thesis of ‘power and weaknesses’, the realist idea of

Kagan does not explain the deep rooted aspects of Transatlantic relations. Kagan in his thesis also ignored the fact about the closer cooperation between the two side in the Kosovo and Yugoslav crisis as well as the NATO mission in Afghanistan, where still the substantial European force are playing critical role in keeping Afghanistan safe and secure from the mounting Taliban militia threats. Apart from these the European countries have also joined America for reconstruction efforts in Afghanistan by committing millions of euro. However, soon after the end of the active engagement after toppling of Saddam regime in Iraq, the insurgency broke out, where even the American military might was not able to achieve any substantial result. America trapped in the Iraqi quagmire eagerly sought European help for post-war reconstruction as well as establishment of democracy. In addition to its economic power, Europe has proven expertise in rebuilding failed states. Without European aid and reconstruction efforts in Afghanistan, the United States would be bogged down and would not be able to project power into other parts of the world. Even the weak European militaries provide an important peacekeeping role freeing up American power for use elsewhere. To a substantial extent, American military power and its ability to project force is underpinned by European power. Even the Bush administration has started to back down from its unilateral moment. The high cost of the military occupation of Iraq, the mounting budget deficit, the daily “drip-drip” of casualties, the need for international legitimacy, and domestic dissatisfaction, have all combined to push the Bush administration back to the UN. The effort to reinvigorate the damaged relations was better reflected in Romano Prodi in June 2003 EU-US Summit. As he noted saying:

Nobody doubts America can achieve many things on its own -- militarily. But effective actions and military force have always been accompanied by a determination to generate confidence and trust, which are highly valuable assets in international affairs. The value of trust -- politically, economically and socially... Without trust you cannot inspire hope. And without hope, there will always be hatred.....your European partners -- help restore trust and inspire hope among people throughout the world -- and make the world a safer place for all. As President Bush said recently in Krakow: "Americans know that terrorism is not defeated by military power alone. We believe that the ultimate answer to hatred is hope (Prodi 2003).

It was in this backdrop that the Bush administration submitted a draft UN resolution on Iraq, which was approved on 16 October 2003 as Resolution 1511. In doing so, the

United States has unlocked European financial support for Iraq's reconstruction. Senior administration officials have started to recognise the importance of European cooperation, and have started to float the idea of a NATO mission for Iraq along the lines of the Afghanistan mission (Goh 2003: 16-7). Soon after the UN mandate, the EU has agreed to a medium-term strategy for its relations with Iraq following the transfer of sovereignty to an interim Iraqi government as outlined in UN Security Council Resolution 1546. The strategy provides a framework within which the EU can continue to assist the Iraqi people as they enter a new era in the history of their country. The European Commission has committed around € 200 million until the end of 2004 for humanitarian and reconstruction programmes. And a similar total is envisaged in 2005. This is in addition to funds committed by individual Member States (EU-US Summit 2004).

Moreover, both EU and the US share a common focus on triple threat. Like the ESS, the NSS acknowledges the panoply of economic, political and military sources of global insecurity which threaten to destabilize not only the American way of life, but also international peace and security. There is unanimous agreement amongst Transatlantic partners that terrorism and proliferation of weapons of mass destruction represent a primary threat to Transatlantic and international security. However, Europeans are more apt to include the interrelated security concerns of political and ethnic conflict, poverty and state failure and terrorism than the US. European perceptions and strategies confirms a wide approach to security and a blurred distinction between civil and military forms of security, where none of the new security threats is purely military; nor can any be tackled by purely military means (Penska 2005: 27).

Already during the three summits of June 2003, the working atmosphere had been characterized by a noticeable change of tone. From its very start, the second Bush Administration (after Bush re-election in 2004) signaled an end to its tactics of polarization, in particular with regard to the European Union, as the traditional 'indispensable partner' of the 'indispensable nation'. US military overstretch, soaring financial cost and budgetary deficits, moral discreditation and a crisis of legitimacy of US international action relying on the use of military power with no solution to the

new threats in sight became the driving force in favor of the search for New Realism. President Bush's visit to the European institutions in Brussels in February 2005, President Barroso's early invitation to the White House on 18 October 2005, and the EU-US June 2005 Washington and June 2006 Vienna Summits, have put the broad EU-US agenda with its strategy, foreign policy, economic cooperation and global issues chapters back on track (Burghardt 2006: 6-7).

NATO and EU: Partners in Complementarities

The end of the Cold War, establishment of a generally more peaceful military, political and economic order in Europe, the emergence of nascent liberal regimes in Eastern Europe and the climate of cooperation between the Soviet Union (now Russia) brought about a shift from a Cold War to a post-Cold War international order. The impact of the post-Cold War world order on the Transatlantic relations has been catalytic. Now that both sides accept the end to the cold war and the need to rethink the military and political ties that once bound them together to face the common enemy, the whole gamut of Transatlantic relations has been thrown open to question and to change (Featherstone and Ginsberg 1996: 29).

In this backdrop, where any identifiable threats to the west ceased to exist, the questions were raised by various government establishments and the academic scholars regarding the upholding the alliance such as NATO, which was bedrock of the Transatlantic relations. For the Europeans, alliance with the United States provided the required security guarantee that could protect Europe from any aggression from the communist Soviet Union by which they could be able to regain their past glory if not as a superpower than at least a respectable position in the world politics after the recovery from the devastation followed by two World Wars. But, the people opposing for the dissolution of long-standing Transatlantic alliance was clearly a sign of short-sightedness as the post-1990 scenario uphold the relevance and legitimacy of the western alliance (Transatlantic Declaration 1990).

Given the situation and its implication on global politics, both sides by realizing their combined potential as a powerful bloc that has the capability to change the course of

international politics, agreed to strengthen their bond not only in security matters but also in other aspects. It was in this context, in 1990, the Transatlantic Declaration² signed by the two partners to reinvigorate their relations which besides highlighting the common task established a mechanism for regular political dialogue at the highest levels including the institution of bi-annual Summits (Krenzler and Wiegand 1999: 153). As we have seen in Chapter I how NATO had both political and military functions and that linkage was used in the 1990s to justify the further existence of the NATO in the post-Cold War political and security environment. In the post-Cold War era, the traditional security threats was replaced by more dangerous, diffused threats such as terrorism, ethnic conflict, failed states, drug trafficking as well as last but not most important proliferation of weapons of mass destruction (WMD). Europe and the US faced most challenging task of stabilization of Central and Eastern Europe as well as the ethnic conflict that erupted in former Yugoslavia. Europe preoccupied with the criticism labelled against it by its partner of being militarily weak as well as accusation of its free riding on its partner for security, felt the urgency to develop its own military capability, which could be applied for European security. This urgency was reinforced when the some quarters in US administration raised the relevance of the United States security umbrella extended to Europe when any credible threat to European security ceased to exist. However, in Europe itself some countries (especially France) were opposed of the US hegemonic presence through NATO. Apart from it, the EC members realised the importance of military tool in the first gulf crisis and further the conflict emerged in its periphery in Balkans. Europeans realized that in such changed geopolitical conditions, the United States may no longer be interested in providing a security umbrella over Europe and that they were now responsible for their own security. Therefore, the member states of the European Union (EU), in order to manage all these challenges a new approach was necessary as more coordination in the field of foreign policy was needed. The old framework of European Political Cooperation (EPC)³ was no longer sufficient (Lewandowski 2004: 6).

² Further details of the agenda and aspirations agreed for cooperation between two partner in the Transatlantic Declaration can be obtained from

http://ec.europa.eu/external_relations/us/economic_partnership/declaration_1990.htm

³ The EPC process, by which the member countries of the EC seek to coordinate their foreign policies, contains special provisions which are relevant to transatlantic relations. Moreover, EPC developed gradually after 1970, initially as a process separate from other EC mechanism. It was

The CFSP pillar of the Maastricht Treaty gave the EU defence identity for the first time as the European Security and Defence Initiative (ESDI). However, initially the US was hesitant to support ESDI based on their apprehension that it would undermine NATO and thereby US role and influence in Europe (Featherstone and Ginsberg 1996: 88-9). With the rising stature of EU in international affairs, the Bush administration and the successive Clinton administration realised the implication of an integrated Europe emerging out of the Maastricht Treaty. Therefore, in order to maintain its influence in Europe US supported ESDI and later the ESDP. In fact, both the organization namely the West European Union (WEU) and NATO were seen complementary to each other in the security arena. In the 1994 NATO Summit, NATO gave its full support to ESDI by proclaiming that such an identity would strengthen the European pillar of the Atlantic alliance while reinforcing the Transatlantic link, and it would enable the European allies to take greater responsibility for their common security and defence. NATO further committed itself to adapting the alliance to reflect the emerging ESDI and to endorse the concept of combined joint Task Force (CJTF) to facilitate contingency operations and the dual use of collective assets. NATO also welcomed the EU proposal for a pact on stability in Europe and stated its willingness to contribute to its elaboration. Finally, NATO also supported the effort of the UN and the EU to secure a negotiated settlement to the conflict in Bosnia and commended the EU action plan of November 1993 to secure such a negotiated settlement (Featherstone and Ginsberg 1996: 283). This was a clear sign of abatement of apprehension of the US and other members of the NATO regarding European CFSP and ESDI. Moreover, most significant development in the direction of developing Europe's own security and defense identity took place in 1998 when both the heavyweight of the EU agreed to give Europe a meaningful defense role. Earlier due to the difference between the two was the main hurdle for European defense identity role. This change took place in the St. Malo Summit in France in December 1998 that gave fresh impetus to the evolution of a credible European defense identity. The St. Malo declaration emphasized that "the Europe must have the capacity for autonomous actions, backed up by credible military forces,

also the result of various instances of the US unilateral actions that prompted the EC to develop its own mechanism to deal with international actors including United States in foreign and security affairs matters. With the time EPC became a major instrument for cooperation in foreign and security policies with its partner countries around the globe.

the means to use them and a readiness to do so, in order to respond to international crisis. This does not mean that the NATO was rejected outrightly, but in fact called for a complimentary role. Apart from complimentary role they also did not deny the possibility of European military action outside the NATO command structure. Further the EDSP got a boost in the Helsinki summit of the EU in 1999 when in order to give teeth to the declaration of St. Malo agreed to create a rapid reaction force with a strength of 40,000-60000 troops for effective participation in peacekeeping, peacemaking and conflict prevention also known as Petersberg's task. These initiatives, by providing the EU with both the institutional structure as well as military capacity, have the potential to enable Europe to develop political and security identity across the world. The attempt to develop its own political weight in international politics was reaffirmed and got clear cut affirmation by member states of the European Union when Javier Solana's drafted European Security Strategy was adopted by the EU in 2003 (Kurian 2001: 286-8).

This was an important step toward European defence independence. This was also important in the direction of increasing European integration as well as developing Europe's own military and defence identity. Most important development of this Declaration was that the two competing and contending members for the first time agreed to a step which seemed essential to outlaw the American criticism of free riding. Another landmark in this direction came in at the Cologne European Council in June 1999 where a security and defence policy was defined as an EU objective. ESDP embodied the old European Security and Defence Identity (ESDI) concept discussed in NATO since 1994. Another important event was the naming of Javier Solana as WEU Secretary-General in order to better coordinate the processes within CFSP. Additionally, at Cologne more governments decided to join Eurocorps and cooperation between defence institutions of the member states was tightened. In December 1999 at the Helsinki European Council EU leaders decided to achieve a "headline goal" which created the ability of the EU to deploy and sustain forces capable of fulfilling Petersburg's Tasks up to corps level. Together with the military "headline goal" a "non-military" headline goal" for crisis management was likewise formulated. It included "the deployment of civilian police to a trouble-zone (Lewandowski 2004: 9). In the post-Cold War scenario, crisis management emerged

as central field of activity for both the security organizations of Europe. Therefore, it had lot in complementarities than the inter-blocking aspect. However, the various realists' scholar argument of NATO losing its relevance in the new security environment proved mere gossip as various test cases justified NATO' continued relevance.

Apart from this, there was also questions being raised on whether the ESDP led WEU and NATO will interlock or interblock each other. According to Hannah Ojanen there are more to converge than diverge. She argued that the defence organizations, NATO and WEU, had to find new, broader activities after their traditional defence function ceased; but so had the EU, which was looking for ways to act and to give credibility to its common foreign policy. From two opposite directions, therefore, the organizations' tasks and fields of competences started to converge and increasingly overlap. Scholar like Moravcsik and Anand Menon highlighting the functional specificity see no divergence as the new roles of the organizations are based on comparative advantage, the EU being more competent in non-military questions would take care of crisis prevention and reconstruction after crises, while NATO would take care of military crisis management proper (Ojanen 2006: 68). Moreover, the EU's need for a military capacity to back up its security and defence policy makes it necessary to build working relations with NATO. Earlier, the problem was solved by having recourse to the WEU, which in turn would have particular relations with NATO to get the necessary capacities together. The EU is now, after the almost total merger of WEU, its own military arm, but really autonomous EU capacities are seen by many as either impossible or undesirable (Ojanen 2006). The apprehension of divergence between the two sets of institution on European soil and thereby undermining not only the NATO but also the Transatlantic relation does not make any point. Those who had apprehensions might correct their knowledge by looking into the 'Berlin Plus' agreement on EU–NATO relations, finalized in spring 2003, which contains the principles for practical co-operation, but has also been seen as a way of tying the EU and its action closely to NATO. The EU's crisis management capacity, and thereby the ESDP, would depend on systematic and formal co-operation with NATO, and NATO would constitute the military 'head' of the EU. As observed by the then NATO Secretary General Lord Robertson that the Berlin Plus

arrangements set the stage for NATO to support EU-led operations. They will allow the EU gradually to do more, including in the Balkans, and to become an 'effective security actor' (Robertson 2003). The development of the ESDP in fact seen as reducing the burden of NATO and thereby giving the NATO a free hand in dealing with the crisis situation out of the Transatlantic area. Any attempt to develop ESDP a supranational institution will not get any support either from the US or from within the Europe. Because of the catastrophic memory of World War keep haunting the policy makers of Europe that any attempt of re-nationalization of military and security policy as well as developing military potential may drag Europe in traditional power balance rivalry and thereby to catastrophe is always present. Even the United States will not in any way allow this to happen as this will not only challenge the US hegemony in Europe but also balance the United States. Apart from that this will also undermine the influence of the US in European foreign policy making.

However, the Iraq crisis and differences among member states of NATO and within the EU almost shattered the NATO. But soon, both sides realized the consequences of their divergence on the transatlantic relations as a whole and efforts were made to repair the damage occurred due to Iraq crisis. Lord Robertson, Secretary General of NATO in a speech just after the Iraq war on 24 June 2003 said

"There were deep differences over Iraq earlier in the year, within Europe and across the Atlantic. There are still differences on Iraq and a host of other security issues. That is neither new or news. It is also true that the transatlantic Alliance, NATO, was damaged, along with every other multilateral institution. But NATO's damage was superficial, above the waterline, and that damage was repaired quickly as capitals recognised that what united them far outweighed their temporary divisions over Saddam Hussein (Robertson 2003)."

Robertson further rejected any collision between the ESDP and NATO by referring to cooperation in crisis ridden former Yugoslav Republic, as some section raised apprehension on compatibility of ESDP and NATO. He said that the transfer of responsibility for this small operation from NATO to the EU was the consequence of another 'common Transatlantic strategy', the development of 'a European Security and Defence Policy compatible with and reinforcing, NATO' (Robertson 2003). The recently held NATO's Riga Summit of 28-29 November 2006 was significant for continued relevance of NATO. Allied leaders agreed to strengthen their commitment to NATO's Afghanistan mission and called for broader international engagement.

They took measures to further improve NATO's military capabilities and endorsed initiatives to deepen and extend relations with partners. In this way, the Alliance showed its ability to adapt to meet the new security challenges of the 21st century. At Riga, NATO leaders endorsed the 'Comprehensive Political Guidance', a major policy document that sets out the priorities for all Alliance capability issues, planning disciplines and intelligence for the next ten years and beyond. This document recognises that for the foreseeable future, the principal threats to the Alliance are international terrorism and the proliferation of weapons of mass destruction and their delivery systems, as well as instability caused by failed or failing states; regional crises; misuse of new technologies; and the disruption of the flow of vital resources. Against this background, the Guidance sets out the kinds of operations that the Alliance must be able to perform and the kinds of capabilities it will need: NATO's forces must remain balanced, flexible and agile, able to conduct the full range of missions, from low to high intensity. The Guidance also emphasizes the likelihood that NATO will need to carry out a greater number and range of smaller operations. At the time of the Riga Summit, the Alliance was involved in six missions and operations on three continents: the International Security Assistance Force in Afghanistan; the Kosovo Force (KFOR); Operation Active Endeavour in the Mediterranean; NATO Headquarters – Sarajevo; the NATO Training Mission in Iraq; and support to the African Union Mission in Sudan (NATO Riga Summit 2007).

Transatlantic Complementarity in Action: Afghanistan, Balkan, and Iraq

Eastern Europe - The first case of active transatlantic cooperation is that of aid to Eastern Europe in 1989-90. A common interest led to joint action with respect to another region. In 1989, the US and the EC were the major actors in establishing a coordinated western response to the collapse of communism in Eastern Europe. The July 1989 West European Summit held in Paris chiefly concentrated on aid to be granted to Poland and Hungary under the leadership of EC as the chief coordinator. For this purpose, the European Bank for Reconstruction and Development (EBRD) were put in service for the programme designated in which the EC (2nd largest contributor with 6 percent of total aid) and the US (with 10 percent contribution largest contributor) were the main contributor. Later this programme was extended to

cover Bulgaria, Czechoslovakia, East Germany (prior to German reunification in December 1990), Yugoslavia and Romania (Featherstone and Ginsberg 1996: 106).

First Gulf Crisis - Another case of mutual cooperation is that of the Gulf crisis in 1990-91. In this case the issue of military action was involved and despite involving common interests at stake, the EC as an entity was not able to act fully due to the military nature of conflict. Sharing a common understanding of international law, principle of non-intervention of the UN charter and the rights of a sovereign nation state as well as mutual economic interests, both the transatlantic partners supported economic sanctions against Iraq for its invasion of Kuwait. It was in the interests of both the partners that Iraq should not be allowed to annex Kuwait. As long as joint action involved economic sanctions the EC had a significant role to play and all the members of the EC supported the United States in their effort to broker peace in the Middle East by imposing full scale sanction against Iraq. Apart from the economic sanctions against the Iraq, the EC also provided direct emergency aid to countries adversely affected by the Persian Gulf conflict which included Egypt, Jordan and Turkey. But once the economic sanction failed to change the Iraqi behaviour and free Kuwait, only military intervention as a choice to restrain the Iraqi occupation of Kuwait as a choice left, individual member nations became important and the EC became less relevant as it was involving the foreign and security matters in which individual member had the final say. Finally, despite the overlapping of interests among Transatlantic nations in freeing Kuwait from Iraq, some member states of the EC were unable or unwilling to participate in action. Meanwhile, the countries that did not participate in the military action made significant economic contribution by providing billions of dollars for the action. For instance, Germany, a non participant country of the EC paid \$11.4 billion to allied nations and to Israel, as well as also provided economic assistance to neighbouring Arab states. This mutual effort and support amongst the Transatlantic partners stemmed from shared interests and belief that joint action was more appropriate and effective. This led to the realisation that even in a post-Cold War scenario, where the direct threat to west ceased to exist they need each other in maintaining peace across the globe and thereby protecting their mutual interests in a globalized world (Featherstone and Ginsberg 1996: 107).

Bosnia - The Balkan Wars of the 1990s began when Croatia and Slovenia declared their independence from Yugoslavia in 1991. In February 1992, Bosnia followed suit. Supported by Serb dominated Yugoslavia, Bosnian Serbs rebelled and set up a separate state and an armed struggle broke out to determine which ethnic group would control the country. The Serbs justified their aggression by claiming that Bosnian President Alija Izetbegovic wanted to turn Bosnia into a fundamentalist Islamic nation (CNN Report on Bosnia 1997). Reports of rape and “ethnic cleansing” of Muslims in Serb areas started to come out of Bosnia. Fighting in and around Sarajevo caused many civilian casualties. The EU could not manage to control the crisis and sought US help. UN sanctions and peacekeepers were unable to bring an end to the fighting. A combination of US reluctance to put troops on the ground, a weak UN mandate, and European governments’ fear for the safety of their peacekeepers resulted in a weak response to Serb aggression. Division among members of NATO and the UN to use coercive means to end the violence emboldened the Serbs. Serbs even surrounded the UN safe haven of Srebrenica in July 1995 and massacred over 7000 Bosnian Muslims while Dutch peacekeepers looked on. The Srebrenica massacre galvanized the US and its European allies into action (Goh, 2003: 32). Convinced that only force would deter further Serb aggression, the US persuaded its allies that a military strategy was required to bring the Serbs to the negotiating table. On 30 August 1995, NATO launched a prolonged campaign of air strikes on Serb military positions. The combined pressure of NATO air strikes and a successful Croatian-Bosnian offensive which reversed a forced the Serbs to the negotiating table and on 21 November 1995 the Dayton Peace Accords were concluded. In December 1995, the peace was implemented by 60,000 US and NATO peacekeepers under the IFOR (Implementation Force) mandate. Since December 1995, the EU’s High Representative for Bosnia has had overall responsibility for implementing the Dayton Peace Accords, and for coordinating the EU’s reconstruction effort. Between 1996 and 2001, more than €2.6 billion in reconstruction and humanitarian aid has been spent by the EU and its member countries in Bosnia. This intense peace building effort by transatlantic cooperation has provided the necessary framework for peaceful elections to be held in October 2002. The success of the NATO peacekeeping effort (now named SFOR – Stabilization Force) has allowed a reduction of the number of peacekeepers to 12,000

troops by end-2002 (Goh 2003: 33). However, from that point on, Bosnia can be cited as a classic success story for Transatlantic complementarity.

Kosovo – For generations, Kosovo has been a territory disputed between Serbs and Albanians. Problems had been simmering in Kosovo since the 1991 referendum for independence and the election of Ibrahim Rugova as Kosovo's shadow President. Moreover, Josip Broz Tito remained successful in suppressing the ethnic conflict between Kosovar Albanian and Serbian till 1989. But the death of Tito in 1980 exacerbated the problem as it ushered in a long period of political instability, worsened by growing economic crisis and nationalist unrest. Slobodan Milošević autocratic functioning and reducing autonomy of Kosovo further deepened the ethnic divide. Milosevic sought constitutional change in order to protect Serbian in Kosovo by curtailing Kosovo autonomy as well as curfew and emergency were imposed on Kosovo, which was strongly opposed by Kosovar Albanian. Result was attack on Albanian autonomy, institutions as well as culture. Rugova led political party opposed peacefully the autocratic functioning of Milosevic government. In September 1991, the shadow Kosovo Assembly organized a referendum on independence for Kosovo. Despite widespread harassment and violence by Serbian security forces, the referendum achieved a reported 90% turnout among the province's Albanians, and a 98 percent vote—nearly a million votes in all—which approved the creation of an independent "Republic of Kosovo". But Serbia refused to recognise the referendum and Rugova's election. In a continuous state of repression and failure to get UN peacekeepers due to opposition of Russia in UNSC against Serbs led to the formation of the Kosovo Liberation Army (KLA).⁴ By February 1998, the violence had escalated into a full civil war with atrocities committed on both sides. A NATO-brokered ceasefire negotiated in October 1998, broke down in December. Another attempt by NATO to broker a peace settlement between the warring factions (the Rambouillet talks) broke down on 19 March 1999 because Serbia was unwilling to accept the deployment of NATO peacekeepers in Kosovo. Finally, the United States and its NATO allies agreed on the use of force in Kosovo even though the use of force was not expressly mandated by the UN. NATO countries nevertheless felt their actions justified as they were intervening to prevent another massacre by Serbian

⁴ More basic information on Kosovo Crisis is available on http://en.wikipedia.org/wiki/Kosovo_War

troops. March 1999, NATO began an intensive bombing campaign against Serbian military targets in Kosovo. Finally, Serbia came to the negotiating table and signed an agreement on the withdrawal of Serb troops from Kosovo. With this the crisis came to an end. NATO then deployed Kosovo Force (KFOR) on 12 June 1999 to keep the peace in Kosovo pursuant to UNSC Resolution 1244. The bulk of the 50,000-strong KFOR are European, while the US provided 7000 troops. The EU also provides the bulk of financial aid to Kosovo totalling some €350 million annually. As with Bosnia, United Nations Mission in Kosovo (UNMIK's) is to maintain law and order, revive the economy, rebuild infrastructure and institutions, and promote democratization. Like Bosnia, the Kosovo episode demonstrates how United States-European complementarity has succeeded to bring about peace, and to rebuild a ravaged land (Goh 2003: 36). The nature of NATO's engagement in the former Yugoslavia is changing, though its commitment to long-term stability throughout South-eastern Europe remains as strong as ever. The Alliance is bringing its mission in Bosnia and Herzegovina – the first peacekeeping operation in its history – to a conclusion at the end of 2004. KFOR's presence remains crucial to guarantee security and stability in Kosovo as the diplomatic process led by the United Nations to define its future status moves forward. This follows a nine-year military deployment in the country, during which time the numbers of troops deployed were progressively reduced as Bosnia and Herzegovina emerged from conflict and a peace process gradually took root. Some 60,000 troops were deployed in December 1995. At present, NATO has approximately 16 000 troops deployed in Kosovo (NATO Document 2007).

Afghanistan –The 9/11 terrorist attacks on the United States shattered the world. For the first time in the history of NATO, the allies invoked Article 5 of the NATO Treaty declaring that an attack on one was an attack on them all. Shortly thereafter, the United States identified Osama bin Laden and Al Qaeda as the mastermind behind the attacks. Bin Laden was sheltered by the Taliban regime in Afghanistan, from where he coordinated global terrorist operations. Soon after the attack America announced its 'war on terror' against the Taliban regime in Afghanistan who was giving shelter to *al-Qaeda* leaders and Osama. But United States announcement of go it alone shocked the European NATO allies. But despite all that, European allies of the US vowed to support the war on terrorism, including providing force to keep Afghanistan free from militants. Soon after the abolition of Taliban in Afghanistan,

reconstruction as well as security of Afghanistan was taken over by NATO. NATO – in its first mission outside the Euro-Atlantic area - took over command of the International Security Assistance Force (ISAF) in Afghanistan on 11 August 2003. However, for some time differences over Iraq not only shattered the Afghanistan reconstruction plan but also the war on terror. The differences that arose between the transatlantic partners over the legitimacy and multilateral solution of Iraq had impacted the European involvement in Afghanistan. But soon after the Iraq war came to end, both the partners engaged in reinvigorating the alliances following the damage that occurred due to Iraq crisis.

In June 2003 EU-US Summit, both the partners agreed to cooperate not only in Afghanistan but also in Iraq under the multilateral umbrella of the UN. Currently as Daniel Fried, Assistant Secretary for European and Eurasian Affairs in a speech said “NATO is taking over security responsibility in Afghanistan. Ten years ago, this would have been considered too ludicrous a concept even to write an academic paper on. This is not just the Americans; it’s the Germans, it’s the Dutchthere (Fried 2006).” Following the swift victory over the Taliban regime, European countries have now taken the lead in keeping the peace and rebuilding the country. The EU and its member states collectively accounted for about 30 percent of the \$12.5 billion in grants pledged by the international community for Afghan reconstruction at international conferences in Tokyo (2002) and Berlin (2004). Of this, the European Commission is responsible for managing €1 billion to be delivered over the 5-year period 2002-2006 (i.e. an average of €200m per year). The Commission is on track to meet this commitment. This funding for reconstruction and development is in addition to more than €200m in humanitarian assistance delivered since 2001. Almost all of the EU’s member states are contributing to the UN-mandated and NATO-commanded International Security Assistance Force (ISAF), which was established by UN Security Council Resolution following the Bonn Accords to assist the Afghan authorities in maintaining security. As of December 2005, twenty-three EU member states were involved and accounted for around two-thirds of ISAF’s total deployment. EU member states are commanding a number of civil-military Provincial Reconstruction Teams (PRTs) in the north, north-east and west of the country (ECDOC). In this way both sides contributing immensely in both military and

financially to transform a conflict ridden region into stable, peaceful and secure region and thereby to the to transatlantic complementarity and interdependence.

Middle East and Iran

EU relations with United States on Iran can be traced back to 1979 in the backdrop of 1979 Iranian Revolution and seizure of the US embassy and the holding the hostages of embassy staff by militant students. European Union despite its low profile in political and foreign policy affairs extended necessary support to end the crisis situation. Economic sanction was also levelled following the US seeking cooperation by the EU. In the post-Cold War era, the Iran-Libya Sanction Act of 1996 was for some time led to stand off between the two partners given the extra-territorial effect of the act and thereby undermining the European interest in the region. But soon it was lifted and standoff cleared. Actually, the alleged involvement of Iran in clandestine nuclear development programme, support to terrorist as well as low human rights was the major concern for both the partners (Denza 2005: 302). United States with the European Union started their effort to persuade Iran to give up its nuclear weapon programme by both carrot and stick policy. European Union also known as 'EU-3' (France, Germany, and the United Kingdom), supported by the High Representative/ Secretary General (HR/SG) Javier Solana was given leading role to get any breakthrough to prevent Iran from acquiring nuclear weapon. However, EU recognizes Iran's right to develop, produce and use of nuclear energy for peaceful purpose, but the way Iran is perusing its nuclear uranium enrichment programme and not allowing IAEA inspectors to its nuclear sites is a cause of worry, which got further setback when Hardliner Ahmedinjad became Iranian president and vowed to resume enrichment activity ignoring the international community call to stop resuming activity. Iran cites threat from Israel and United states on their sovereignty. Moreover, Iran has the backing of Russia and China, who in the UNSC do not to take any hardline approach. Though EU succeeded in persuading Iran to accept IAEA safeguard agreement, but till now any breakthrough could not be achieved. Washington's world policeman attitude likewise Iraq will met failure as it will again led to sharp differences among not only its allies but also its major partner. China and Russia are actively engaged in Iran, and military solution will not be easy. United States already engaged in the expensive Iraqi quagmire, could not afford to

take on Iran, when its own economic deficit is increasing. Moreover, the dominance of democrats in Congress will halt any coercive move and the Bush administration is already finding difficult to get sanctioned defence budget for Iraqi reconstruction and development. In these circumstances, the only option left for US is cooperate multilaterally with the UN and EU-3 to persuade the Iran to stop enrichment process in which European carrot and stick have the great potential to bring amicable solution.

Middle East Peace Process

Historically, the Middle East has been the source of some of the bitterest transatlantic disputes as it is a region where major European powers have longstanding ties and commercial interests. Israel and Palestine both has been fighting for their homeland since 1948 or we can say 1967 Arab-Israeli War. Since then the region has been the area of intense conflict, terrorist activities, and Israeli occupation and so on. Both the United States and the European Union has been involved in brokering peace between two parties, but yet they have not arrived to an amicable solution that could transform the region into a stable and peaceful world. The major concern of both the partner is that it is the major cause of terrorism not only in the region but also in whole world including Europe and America. American domestic political situation where the strong Jewish lobby plays critical role in adopting US pro-Israel policy has been seen with suspicion among Arabs. However, Europe is very cautious while playing a role in the Arab-Israeli conflict because Europe is having substantial Muslim population and any pro-Israel policy has the potential to give rise to radical Islam and disturbing the peace and security in Europe. Europe strongly believes that nothing of significance can be achieved until the Israel-Palestine issue was resolved (Lebl 2005: 124). Although the United States and Europe have reached a common position on ways to find a solution to the Israeli-Palestinian conflict, the Transatlantic gap on attitudes toward Israel remains wide, especially in terms of public opinion. The fact that Americans are far more supportive and protective of Israel than Europeans has far-reaching ramifications and is a clear obstacle to better cooperation (Kemp 2003: 168). Despite the fact that the EU is Israel's largest trading partner, political relations between the two are bad—a relatively recent phenomenon. Europe is not able to persuade Israel to agree on peace as long as terrorist attack continues to kill Israeli. In

this situation, Israel and US do not trust the Europeans. Even though Europe is Israel largest economic partners but it has very less influence on Israel compare to the United States. Though in order to broker peace between Israel and Palestine, the Oslo Peace Process was launched in 1990s but it failed due to Israeli settlements in occupied territories continues to grow. However, when Ehud Barak came to power in Israel in 1999, the peace process resumed again but nothing substantial could be achieved as the Israel-Palestine issue was overshadowed by crisis over Iraq (Masu and Wallace 2003: 108).

Although the Middle East Road Map launched on 30 April 2003 by the Quartet (US, EU, Russia and the UN) is thought to have been derailed by escalating violence on both sides, the impetus behind the Road Map can be attributed to EU intervention to the extent of persuading the United States to focus on the Middle East problem despite its preoccupation with Iraq. The EU also had a role in the drafting of the Road Map to ensure that it was not too skewed to any particular party. As the largest non-military aid donor to the Middle East Peace Process (about \$180 million per year has been given to support the Palestinian Authority, and bilateral aid of more than \$630 million annually has been given to the four countries directly neighboring Israel), the EU would also have a major role in implementation of the Road Map, which envisaged the eventual establishment of an independent Palestinian state. Despite the apparent failure of the Middle East Road Map, any future plans for Middle East peace would require active EU participation (Goh 2003: 38). However it is an accepted fact that only the US has the leverage to persuade both sides to compromise. But, the EU is also well-placed to support political and economic stability in the Middle East. Military security is just one part of the problem. If the countries of the Middle East can be persuaded to see real benefit in cooperating with each other, they may be persuaded to turn from violence and to concentrate their efforts on economic development and competition (Goh 2003: 39). Moreover, a double division of labour as the US controls political negotiations, while the Europeans promoted economic development; the US provide financial support to Israel, European governments to Palestine has been contributing in economic prosperity and development of the region and also to the contribution to the long lasting peace.

The immediate issue for European governments and the EU concerns is the Sharon plan to withdraw from Gaza between now and the end of 2005. But almost all accept that it has become the inevitable first step toward a revival of the peace process. Their primary concern, therefore, is to ensure that what many suspect is Sharon's true intention — Gaza first and nothing more — does not become a reality and that the withdrawal from Gaza is done in a way that makes it a door to the next stage in the process, rather than a roadblock in the path. But Europeans believe that the United States, with European support, has the power to ensure that Gaza first is not also Gaza last (Drozdiak 2004).

Transatlantic Economic Relations

The post-Cold War international outlook has been characterized by the change in international power structure as the bipolar world has been replaced by unipolarity, which is dominated by the single most powerful nation, the United States (also termed as 'hyper-power' for its unprecedented economic and military capabilities). Although Europe lacked its power projection capability in terms of its military strength, but since its recovery from the massive destruction of the World wars, the Europe emerged as the most powerful trading bloc, which further became evident when the Maastricht Treaty gave boost to the previous integration measures outlined in the 1987 Single European Act. By this the, the United States hegemony subsided down (came to end) to its lower level, and Europe got the capability to influence the outcome of international economic relations. However, the past about four decades of close interaction between the two economy, left no scope for divorce and this trend was again reinforced by the process of globalization by which the world economy and in particularly the Transatlantic economy become so intertwined and interdependent that any attempt to break apart would prove fatal to the stability and prosperity of the Atlantic community as a whole. It was in this context, by realising their combined potential as a powerful bloc that has the capability to change the course of international politics, the leaders of the both sides agreed to strengthen their bond beyond the security arena and signed the Transatlantic Declarations in 1990, which was the first attempt by the two partners to reinvigorate their relations in the post-Cold War era. The Transatlantic Declaration (TD) laid down the principles for greater EU-US Cooperation and consultation in the field of economic, education, science and technology.

The EU and the US are by far the biggest players in the global economic system and are each other's main trading partners. When the world's two largest economies account for a combined total of 57 percent of world GDP, there is much to gain from more trade and investment and less barriers between them. The EU and US are responsible together for about two fifths of world trade. Trade flows across the Atlantic are running at around €1.7 billion a day. In the year 2003, the total amount of two-way investment was over €1.5 trillion, composed of €731 billion of EU Foreign Direct Investment (FDI) in the US and around €772 billion of US FDI in Europe. The overall "transatlantic workforce" is estimated at 12 to 14 million, of which roughly half are Americans who owe their jobs directly or indirectly to EU companies. In the year 2005, exports of EU goods to the US amounted to €250 billion, while imports from the US amounted to €234 billion. Concerning trade in services, EU exports to the US amounted to €108.6 billion in 2004 while EU imports from the US amounted to €93.0 billion (EU-US Trade Relation Document). The high trade and investment pattern across the Atlantic resulted in a staggering degree of interdependence between the two economies, not least because the fabled US and European multinationals are now so thoroughly intertwined by mergers and cross-fertilization. Moreover, the two economies exert tremendous strength outside the relationship. Each is other's largest trade and investment partner, but one or the other is also the largest trade and investment partner of nearly every other country. The EU and the US, acting both individually and together, play a leading role in global economic governance – agreeing rules to control or steer globalization – but least within the WTO. There is much common ground to be found even in areas of traditional disagreement. On agriculture, public support systems are slightly different, and each side accuses the other of distorting markets to the detriment of their own farmers, and those of developing countries. But the reality is that both the US and the EU support agriculture to a roughly similar extent. The enormity of bilateral economic relationship effectively bind the US and EU to work together. Nonetheless, Transatlantic tensions over trade and other issues or trade disputes are often forcefully pursued. Moreover, Transatlantic economic interdependence generates huge wealth, but it is also a source of bitter conflict. And while the US and Europe can accomplish a lot together, their economic fortunes are ever more dependent on their ability to contribute to the governance of an increasingly globalised economy.

But it is important to note that any relations can not be studied in vacuum. The surrounding environment enormously affects the status of a relation. In a globalised economy, no one country can keep herself isolated from the event occurring throughout the world. In the same way, the Transatlantic economy being a part of the global economy is not immune to change taking place at international level. Increased trade and international investment have spurred fabulous levels of wealth creation in both the US and Europe, but at the same time inequality rates are also growing and that not just between rich and poor but also within them. In that circumstances, the growing unemployment rate and trade deficit in the transatlantic countries affecting their policy of trade liberalization. Moreover, the declining influence and impact of globalisation can be better seen in the case of WTO negotiations on further trade liberalization. With the increase of WTO members, the WTO ceased to exist as a reach man's club, dominated by the US and EU. Now the new economy is rising in the form of China, Russia, Brazil and India. Brazil and India leading the developing countries, led to the failure of many trade talks which they understood as the detrimental to their (developing countries) economic interests. In this way both globalization and the emergence of a more pluralistic group of players have consequences for global economic governance. But, still for a stronger, rule based, multilateral trading system in which bilateral conflict are mitigated or curtailed, the role of the US and EU is still critical despite the fact that their dominance is on decline (Baldwin 2003: 32-3).

In the post-Cold War era, globalization emerged as a force affecting every nation of the world, and Transatlantic partners were not immune to it, even though the force of globalization is said to be the brain child of the United States and EU for their own interests. It was in this context, when Clinton succeeded the George Bush senior, he knew what Europe meant for America, and what slow down of European economy meant. This was a result of pragmatic approach and interdependent nature of Transatlantic economies, where slowdown of European economy naturally hurt the overall growth of Europe and thereby will heart the US export to Europe and slowing down American economic growth. It is an important fact that even a powerful nation like the United States cannot afford a decline of its economy, as the robust economic growth determines the power of a country. How the robust economy of a country

plays role in sustaining power whether it could be economic, political or military, can be better understood in what happened with Soviet Union. Even the western nations including the United States know better that the failure on economic front led to the fall of the Soviet Union. Clinton administration knew the importance of the economy and thereby the importance of Europe for sustaining American power in international politics. Here the Kagan's notion of military capability gap argument proves inconsistent, as he gave prominence to military capability over economic capability in which the Europe is equal to the United States and has the capability to inflict blow to American hegemony and in this term world is multilateral not unilateral and the United States can't impose or intervene its wish as it choose to. All these changes were definitely the result of globalization and therefore in structural shift of power from states to global markets. However, with the declining hegemony of the US since the recovery of Europe in 1970 and emergence of other economies like Japan in the international economic system, some section in the United States started opposing globalization and liberalization and supporting inward looking policy of protectionism. This trend gained momentum in post-Cold War period when the US hegemony came to end and Europe Union emerged as an equal partner of the US. Apart from these countries like China, India, Brazil and Russia with its policy of liberalization emerged as an important player in global economic governance and started to assert and oppose the policy of the West of ignoring their interests in WTO negotiations and demanded preferential treatment. These countries specially G-20 of developing countries made it difficult for the West (North) to reach on any conclusion in various WTO meetings since the 1999 Seattle Round. This situation highlighted the importance of Transatlantic solidarity on getting breakthrough in WTO discussion (Baldwin 2003).

Given the importance of both sides for each other, in 1995 the New Transatlantic Agenda (NTA) signed between the two partners highlighted the areas of cooperation including the closer economic cooperation. The NTA invigorated existing consultation that had been launched by the 1990 Transatlantic Declaration. Apart from NTA, in order to give fresh purpose to regular consultation at Summit level, both the partners also launched a Transatlantic Business Dialogue (TABD) aimed to create a transatlantic lobby that would push for further opening of transatlantic

markets (Baldwin 2003: 35). Both the partner adopted a building block approach on the basis of 1995 NTA and its action plan and thereby gradual step to facilitate the development of trade and investment, mainly through negotiations on removal of technical barriers. In this context the first Mutual Recognition Agreement (MRA) of December 1998 in six sectors was a way forward for deeper cooperation. All these steps were part and parcel of the commitment outlined as goal under the 1995 NTA to create 'a new Transatlantic Marketplace by progressively reducing or eliminating barriers that hinders the flow of goods, services and capital across the Atlantic. it was in this background the European Commission launched a proposal of a New Transatlantic Marketplace Agreement (NTMA) in March 1998, which aimed at removing technical barriers to trade in goods; a free trade area in services; improved market access in IPR areas, and to eliminate industrial tariffs by 2010 on MFN basis (Krenzler and Wiegand 1999: 157). But, this initiative failed to garner support from member countries (especially France, Belgium, Spain and Netherlands) due to risk of undermining the multilateral liberalization FTA seen as ill-timed, and risk of undermining the WTO dispute settlement mechanism due to its bilateral dispute settlement mechanism. There were also fears that the EU could not shoulder such an important new project while its internal reform and upcoming enlargement are in queue (Krenzler and Wiegand 1999).

As the bilateral economic relationship becomes more important and integrated, more issues are bound to arise. Soon the banana dispute and ban of beef treated with hormones took the centre stage. There are many reasons for this dispute according to Horst G. Krenzler and Gunnar Wiegand, first, an ever greater number of these disputes have their origin in domestic legislation or regulations which have been designed in order to respond to domestic needs or political demands, even without full consideration of their external impact. One off the underlying motivations for TEP is precisely to tackle this root cause of modern trade disputes. Secondly, the EU-US bilateral relationship is developing at a time of rapid technological development, which leads to an unprecedented stream of highly complex technical regulations. Thirdly, disputes are also the result of the different cultural environment and thereby different business practices or different preferences and sensitivities lead to diverging rules and mutually opposing political pressure (for ex. Disputes on hormones, GMOs

and SRMs). Fourthly, the EU and the USA have different foreign policy approaches in dealing with countries of concern. While the US favours some forms of isolation or unilateralism, the EU is in favour of constructive engagement, which sometimes led to unilateral economic trade sanctions by the US with extraterritorial effect (for ex. The Helms Burton, Iran-Libya Sanction Act (ILSA), the Missile Technology Control Regime (MTCR) etc.). This policy of unilateralism, which has detrimental effect on EU's interests, has been targeted by the partners (Krenzler and Wiegand 1999: 163). Apart from above reason, the growing role of the US Congress in the conduct of trade policy was contributing considerably to the disputes Notwithstanding, NTMA failure, the Transatlantic Economic Partnership (TEP) was launched at the EU-US London Summit on 8 May 1998, which was consisted of a range of cooperative actions to intensify and extend multilateral and bilateral cooperation and common actions in the field of trade and investment (EU-US TEP 1998). Following are the important components of TEP:

- The widespread removal of technical barriers to trade in goods,
- The negotiations of improved market access in the areas of intellectual property and procurement;
- Increased regulatory dialogue and cooperation in the areas of biotechnology, environment, plant and animal health and food safety.
- Regular dialogue to ensure closer cooperation in WTO and other multilateral for a (Krenzler 1999).

The prospects for implementation of objectives underlined in the TEP appeared good, since TEP framework was aimed at highly integrated markets within a rapidly globalised economy, by tackling technical barriers to trade which most hinder Transatlantic business. TEP approach was meant to avoid downward harmonization, which generally makes the issues political, and also TEP aim was to become a model for further multilateral rule-setting in the development of a globalised economy. Moreover, the mechanism of twice yearly EU-US Summits provide the necessary political level impulse, and cabinet level meetings are held regularly to resolve problems requiring deliberation at the political level. A separate TEP Steering Group had been set up under the TEP Action Plan, with the task of monitoring the implementation of the TEP Action Plan as well as providing a permanent forum for

bilateral consultations on TEP with a view to preventing or resolving trade frictions. the TEP also aimed to deal with the deadlock at the WTO level talk, which covered all subjects on the WTO agenda such as negotiations on the further liberalization of services and the continuation of the reform process in agriculture, industrial tariffs and trade facilitation and the development of common approach to issues like investment, competition, trade and environment, trade and labour etc. all these issues were part and parcel of the 1999 Seattle WTO Ministerial conference (Krenzler and Wiegand 1999: 159-60).

The EU nowadays is spearheading efforts for further trade liberalization. Major multilateral and Transatlantic trade policy initiatives of recent year, such as the NTMA, TEP, and the Millennium Round and the WTO Agreement on financial services have all stemmed from the EU's initiative. But all the efforts of the EU in trade liberalization was covering all those ideas that had been cause for trade distortion and also including broader aspects of multilateral and bilateral economic and trade issues. EU's initiative was also broadly covering the issues concerning those countries affected by the negative impact of globalisation. United States instead wanted only those issues on negotiation table that was affecting their trade negatively such as agriculture and services. But the reason behind the US insistence to negotiate only agriculture and services was the mounting trade deficit as well as slowing down of its economy. This could be also the reason behind the US gradual turning to protectionism from trade liberalisation (Krenzler and Wiegand 1999: 161).

But it is an underlying fact that the EU becomes more multilateral as a result of Union's greater economic self-confidence and political cohesiveness following the completion of single market in 1992. In contrast, the United States following the rise of EU and other countries like Brazil, India, China and Russia, became more inward looking by narrowly defining their own its own interests. This led to the failure of the Seattle WTO Round in 1999. However, in Seattle, the difference between the Transatlantic partners came to fore but the rise of developing nation under the leadership of India and Brazil blocked the discussion, and therefore, leading to the failure of the round. This deadlock in WTO negotiation is generally termed as North (representing West) and South (representing developing and underdeveloped countries) split (Baldwin 2004: 36). Although, the Clinton administration vowed to

support trade liberalization or open market access in principle but the US refused to open their market for developing countries as well as refusal of discussion over US Trade Remedy Law. In contrast, the EU more concerned with the developing countries pushed the agenda for trade liberalization and criticized the American protectionist measures, which was criticised by the US and Cairn group of countries (comprised of Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay). The Common Agricultural Policy (CAP) of the EU was the centre of criticism and agriculture subsidies issues dominated the negotiation. On agriculture both the partners were reluctant to reduce or eliminate existing protectionist policy. Both the partners blamed each other of distorting the market. And this blame game is still going on. Instead of reducing farm support (for decades it has been a contentious issue because of its market distorting nature in farm export), United States further increased support for farmers in 2002 by enacting the US Farm Bill (Baldwin 2004: 37).

After Clinton, when Bush came to power, his government sent a positive signal to reenergize the Transatlantic economic relationship after the bitterness of the banana and beef hormones dispute. An old friend of European Union's trade representative Pascal Lamy, Robert Zoellick was appointed as the US Trade Representative. But, soon the enthusiasm of reenergizing Transatlantic economic relations evaporated, when the Bush administration unveiled its protectionist tendency by endorsing the measures assisting its steel industry and agriculture through new duties on foreign steel and US Farm Bill 2002. These policies of the Bush administration were viewed in Europe as anti-European (Peterson and Pollack 2003: 6).

However, the terrorist attack of 9/11 for some time let the partners to put aside all differences. All the allies condemned the attack and extended all support necessary to come out of the crisis that engulfed the west after the attack. But bush announcement of pursuing its own agenda by declining any support of their allies and their policy of 'with us or against us', for war against Taliban seemed disgusting and humiliating. In the post 9/11 climate of pro-US world, Robert Zoellick advocating for the Doha Round, sought to achieve the unachievable that has been failed in Seattle Round by

arguing that the launch of a new trade round was one of the best ways to fight back the terrorists, since one of the aims of the 9/11 attacks was to disrupt cross border trade and plunge the world economy into recession (Peterson and Pollack 2003: 7). But, the European optimism of US inspiring favour for Doha Round dissipated again on agriculture and other issues including pricing of AIDS drugs. This got a further setback when George W. Bush in his speech addressing State of Union to a Joint Congress session on 29 January 2002 conjured up the idea of an 'axis of evil' equating Iraq, Iran and North Korea. The speech clearly showed the intension of the Bush administration and thereby leading to a shockwave that not only shook the Europe but also the world. This finally led to the failure of the Doha Round. Soon, the Bush administration plan to invade Iraq acquired centre stage in global politics and finally it came in 2003, when US with its coalition partners invaded Iraq on the ground of possession of illegal weapons of mass destruction (WMD) and Saddam alleged link with *al-Qaeda* who was key architect of 9/11 incident. Iraq crisis once again led to the origin of debate on the future of Transatlantic relations as France, Germany, Belgium with Russia criticized the US unilateral act and refused to provide any support for the attack. This debate also overshadowed the economic aspects of Transatlantic relation. Many in the academic circle and government establishment of both sides raised the relevance of the Atlantic alliance. But the questions remained to be answer that does this characterization is ill suited or holds any merit. Does the Iraq crisis also affect the long standing interdependent economic relations or it remained unaffected and the commercial business was running as usual despite the hype of Transatlantic divorce?

In fact we find very powerful path dependencies in the US-EU economic relationship of two different types. The first arises from the self-perpetuating dynamic of the intense mutual penetration of each side's economy by the other in the early 21st century. We have reached the point where 'trade' *per se* has become only the third most important measure of Transatlantic economic interdependence, trailing far behind foreign direct investment and affiliate sales. The second type of path dependency is institutional. On the US side, the main institutional guardian of economic relations with Europe, and the wider world beyond, remains (arguably) the Office of the US Trade Representative. It is a weak bureaucratic player in

Washington, and has little clout when trade, regulatory or monetary disputes need to be reconciled with broader US foreign policy objectives. On the European side, the EU Trade Commissioner is, superficially at least, one of the most formidable institutional actors in the entire European Union: they wield the genuine, hard power that comes from being guardian of the EU's massive market as well as the unusually supple, serviceable system (compared to other areas of policy) for decision-making on trade matters. It is not an exaggeration to view the Trade Commissioner as more powerful than the heads of state or government of around 20 of the EU's member states (Peterson : 3-4).

The EU and US clearly share systemic interests: as the biggest commercial players, both have the most at stake in multilateral/rule based system. It is in neither side's interests to fight. Because, both hold the unprecedented capacity to hurt each other, therefore it is more powerful disincentive to often indulge in disputes. However, the swirling tentacles of globalization complicate matters, but EU-US interests are often intertwined and are difficult to separate. , which complicate internal decision making on both sides. Despite such an interdependent nature of relation, differences in basic economic interests remain, and the WTO dispute settlement system provides clear leverage to those with grievances if the other party has violated the rules. Strong domestic constituencies push both sides to use the WTO for their dispute settlement. The very good example lies in how much disputes headed to the WTO, and out of the cases brought to WTO most are solved informally outside the WTO and only few left with WTO dispute settlement board. In this way WTO works as a safety valve for Transatlantic partners and do let the dispute disrupt the normal business. The most problematic dispute so far is the differences on agriculture, steel and Genetically Modified Organism (GMO), but that did not hurt the overall Transatlantic trade and economic relations and the volume and percentage of FDI, trade continues to increase. Even, political dispute like Iraq could not make any disrupting affect on Transatlantic relations (Baldwin 2004: 39-40).

Although recent years have been among the worst of times for Transatlantic political relations, they have been the best of times for the Transatlantic economy, the enlargement of the European Union, coupled with micro reform in various key

nations such as Germany, has been a windfall for US multinationals, many of which have enjoyed record profits growth over the past three years. Despite all the Transatlantic political bickering, the hype associated with the rise of China and India, and constant warnings of a Transatlantic divorce, the bilateral economic bonds of the United States and Europe have only grown stronger since the beginning of this decade. Professor Hamilton and Quinlan estimates that

the Transatlantic economy continues to generate roughly \$3 trillion in total commercial sales a year and employs up to 14 million workers in mutually 'insourced' jobs on both sides of the Atlantic who enjoy high wages, high labour and environmental standards, and open, largely non-discriminatory access to each others' markets. The Transatlantic economy remains at the forefront of globalisation: trade and investment ties between the United States and Europe are deeper and thicker than between any other two continents (Hamilton and Quinlan 2006).

Professor Hamilton and Quinlan argued that the years since the end of the Cold War—the years when the fading “glue” of the Cold War partnership supposedly loosened Transatlantic ties have marked in fact one of the most intense periods of Transatlantic integration ever. Despite the hype about the significance of NAFTA and the stunning economic rise of Asia, Transatlantic investment flows remain quite strong (Hamilton and Quinlan 2006: 5).

After the Iraq crisis the media and academia predicted the end of the Atlanticism affecting all the areas of the EU-US relations, but, the study done by scholars Daniel S.Hamilton and Joseph Quinlan negate the prediction and the very idea of Transatlantic drift by scholars like Kagan. Here is the data presented by Hamilton and Quinlan---

- In 2005, European investment inflows to the US totalled \$66.1 billion, an increase of more than \$13 billion over 2004 levels. Europe accounted for roughly two-thirds of total global investment flows into the United States in 2005, slightly less as a percentage of the overall total than in 2004, but still far and away the most significant source of foreign investment in the US economy. European FDI to the US remained strong in the first half of 2006, with inflows of \$61 billion - roughly

three times the level of the same period for 2005. 2005 was an unusual year for US investment flows to the world, including to Europe, due to the passage of the American Jobs Creation Act of 2004. This act offered a one-time incentive to US multinationals to repatriate earnings back to the United States. For a variety of reasons, many American firms did just that. Rather than reinvesting their earnings in European operations, as is often the case, many US firms repatriated capital back home. Because reinvested earnings are one of three key components of foreign direct investment, a decline in reinvested earnings is typically associated with a decline in total FDI. Indeed, in 2005 there was a net outflow of US FDI from Europe of \$37.5 billion, in contrast to a net inflow of \$93 billion in 2004. As discussed, 2005 was an atypical year due to this one-off legislative provision of tax incentives.

- In 2006 strong US FDI flows to Europe quickly resumed their normal pattern, totaling \$51 billion in the first half of the year alone, up 53% from the same period in 2005. Europe accounted for 47% of total US FDI in the first half of 2006. Even with the 2005 anomaly, US investment flows to Europe considerably outweighed US investment elsewhere. Europe is not only a critical source of revenue for US multinationals, it is also a key supplier of capital or liquidity for the debt-stretched United States. In 2005, European purchases of US assets (US treasuries, government agency bonds, corporate bonds and US equities) soared to a record \$470.4 billion. Europe is the most important commercial market in the world for corporate America by a wide yet unappreciated margin.
- In 2005, for instance, US foreign affiliate income from Europe surged to a record \$106 billion, a figure equivalent to just over 46% of total US foreign affiliate income. US foreign affiliate earnings of \$106 billion in Europe in 2005 were more than double affiliate earnings derived from all of Asia (\$50.4 billion). Just as Europe is the most important foreign market in the world for American firms, the US is the top overseas market for European multinationals. Indeed, strong sales and profits in the United States have been a catalyst behind Europe's booming equity markets of the past few years. In fact, to an important degree Corporate Europe's earnings boom has been "Made in America," with annual earnings of

European affiliates in the US soaring to a record high in 2005. Between 2001 and 2005 European affiliate earnings in the US rose more than five-fold, from a cyclical low of \$14 billion in 2001 to \$77 billion in 2005. Last year, the combination of strong US economic growth and a weak euro versus the dollar helped boost affiliate income of European affiliates to record highs.

- The service economies of the United States and Europe have never been as intertwined as they are today, notably in such activities as financial services, telecommunications, utilities, insurance, advertising, computer services, and other related activities. Foreign affiliate sales of services on both sides of the Atlantic have exploded over the past decade. In fact, affiliate sales of services have not only supplemented trade in services to become a viable second channel of delivery for US and European multinationals, they have become the overwhelming mode of delivery in a rather short period of time. Sales of services of US foreign affiliates in Europe soared again in 2005, rising to a record \$265 billion. US affiliate sales of services were 81% larger than US service exports to Europe last year. On a global basis, Europe accounted for 53% of total US affiliate sales of services last year (Hamilton and Quinlan 2006: 6).

It is in this backdrop, given the degree of interdependence Gunter Burghard rightly pointed out that

“All in all, the EU-US economic relationship holds important lessons for both the European Union's policy aspirations and a well functioning transatlantic partnership. European and American economies have become more intertwined and interdependent after the end of the Cold War. The years since the Cold War – when the 'glue' of the Cold War partnership supposedly loosened transatlantic relations – marked actually one of the most intense periods of transatlantic integration ever. The economic relationship became a stabilizer of the overall relationship. Particularly in the areas of trade and competition policies, and regulatory cooperation, EU-US interaction reached an unprecedented level of intensity that has earned the EU collective respect as an equal partner by Administration, Congress and the business community. In a nutshell, it is widely recognized that the transatlantic economy constitutes the most globalised part of the global economy (Burghardt 2006: 14).”

CHAPTER - III

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*The Significance of
the Transatlantic Relationship*

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CHAPTER III

THE SIGNIFICANCE OF THE TRANSATLANTIC SOLIDARITY

Overview

The profound structural change that heralded the post-Cold War world had a huge impact on international relations. The Cold War bipolar international structure has been replaced by a unipolar power structure. In security arena, the traditional sense of security threat has been replaced by more dangerous and complex security environment. Now the greatest security threats to the nations of the world including the Transatlantic allies do not stem from the state but from the problems that defy borders and are diffuse in nature. Terrorism, proliferation of weapons of mass destruction, regional conflicts, and failed states are most prominent. Apart from these the rising states such as Russia and China have the potential to disrupt the current status quo. In fact the energy crunch and competition for the energy resources has brought the rising states and the Transatlantic partners face to face and the trend of a new Cold War seems looming as various authors has pronounced. Tackling these challenges is a major task of Transatlantic partners as a weaker Transatlantic bond would render Americans and Europeans less safe, less prosperous, less free and less able to advance the ideals and values as well as interest that Transatlantic partners believes necessary for the interests of the wider world. It is important, therefore, that the Transatlantic solidarity is not only desirable but also necessary. Here Daniel Hamilton seems right when he argues that “few great goals in this world can be reached without America, but few can be reached by America alone.” (Hamilton 2004: 543).

The Transatlantic partnership remains the most important diplomatic relationship in the world, and so the allies have much to protect. Together, the United States and Europe account for 70 percent of world trade. The success of Doha round of global trade negotiations-which promises much for the developing world-could contribute greatly to long-term global security. Ongoing cooperation on intelligence and law enforcement is indispensable to successful counterterrorism. An expanded NATO is

now widely recognized as a force for democracy and stability (dozen humanitarian interventions under NATO). They work together on many issues, including human rights, environmental policy, disease control, and financial regulation (Moravcsik 2003: 80-81].

When we study the Transatlantic relations within the theoretical framework in the wake of the end of the Cold War, the realist (Waltz and Mearsheimer) notion that alliances are partnership of convenience and shared interest of balance the power of an adversary, claimed that the end of bipolar system would lead to decline of western alliance proved wrong when NATO and Atlantic alliances continues to exist even after almost two decade of end of Cold War and more importantly after the bitterest dispute among partners on Iraq war. In this respects, realist notion of international relations proved inadequate as a framework for Transatlantic relations study. It is true that after the end of the Cold War, the US emerged as the single superpower of the international system, but it is wrong that the single remaining superpower no longer need allies in order to pursue its goal and can go it alone. In fact, the post-Cold War scenario of intense globalization and with the rise of non-state actor has limited the military capacity to win or wage war and increased the interdependence among countries. Iraq is one of the major examples of how military power has become inadequate to ensure victory even in a war with a weak nation. The new security threats that particularly emanates from non-state actor like terrorist groups, proliferation of WMD, drug trafficking, etc which realist do not consider important, have become more dangerous to world peace and security and require global effort to deal with. In this case the complex interdependence model of Keohane by recognizing the role of non-state actors gives the adequate framework through which this new threats could be considered. In fact these threats have increased the interdependence among nation as these threats can't be dealt with by any single country, even though it is superpower. In the new environment, even the single remaining superpower can't afford to break away with its allies and pursue its goal alone even though the US is far more ahead in terms of military might. It must be noted that in the age of globalization, economic interest has reduced the scope of states to indulge in war. The days of old power rivalry has become the thing of past as now economic and commerce matter more than politics in international relations.

Therefore when we try to explain the Transatlantic relation in the post-Cold War era on theoretical paradigm, the realist school became inadequate, given the structural and other changes brought out by the globalization. The complex interdependence school in contrast to the realist proved to be more adequate framework for not explaining only the Transatlantic relationship but also for entire gamut of bilateral or multilateral relations that is shaping the world politics. Realist notion also defies the role of multilateral institution in bilateral relations, however, the institutional linkages and contacts are bedrock of the Transatlantic relationship. More than that the Transatlantic relations is based on the idea of democracy, freedom and open markets, and as most accepted fact that the democracies do not fight, if explain through realist prism, deny the very basis that both the Europeans and the Americans advocating as a essential value that will transform the world into a peaceful, prosperous, free and secure world. Complex interdependent theorist by focussing on the interdependence aspects and transaction of ideas, values, trade and commerce not only through government channels but also through non-governmental and non-state actors, argues that in this anarchical world, peace and prosperity is achievable. Therefore the occasional disputes are nothing but a symbol of highly interdependent society very sensitive to each others interest. More importantly all the disputes are solved by cooperation, consultation and compromise in the Transatlantic community. In this context it can be argued that, the 21st century with its unique type of challenges has left very limited scope for divergence and either of partners if chose to isolate, may prove suicidal to the overall health of whole Transatlantic community and will be exposed to more danger than they are facing together. So the proceeding paragraph will deal with the major challenge that the Transatlantic partners are facing, which have more converging force than the diverging force.

Major Challenges before the Transatlantic Partners

Combating Terrorism:

After the twin tower terrorist attack of 9/11, terrorism emerged as the most prominent threat to the West that need to be collectively addressed. In fact the fear that if terrorists acquire WMD, will be disastrous for not only west but also for whole world. Therefore, realising the gravity whole world rallied behind the US

including its European allies. For the first time in the history of the NATO, members of NATO unanimously invoked the NATO's mutual defence clause (Article 5), calling attack on the United States is attack on all. Given the nature, organizational structure and functioning of terrorism, it is unthinkable that a successful effort to combat terrorism and protecting homeland can be conducted alone by a single state, even the only remaining superpower of the post-Cold War era cannot do that. In fact the, globalization and its tool provided a sophisticated tool for terrorist to carry out its activities across the globe more easily, that made this enemy more dangerous. In order to deal with this menace, a global strategy and a global coalition is necessary and in that the role of European allies could not be undermined. In fact in the post-Afghanistan scenario, where the prominent terrorist organization like *al-Qaeda* decentralized its structure, functioning, training and recruitment and expanded its network from Afghanistan to whole world including Europe and America. That can be better seen in the terrorist attack carried out in Europe (Spain in 2004, in London in 2005) to Indonesia and elsewhere. This highlights the gravity of danger posed by the terrorist.

In the aftermath of 9/11, it has become very clear that controlling borders, operating ports, or managing airports and train stations in the age of globalization involves a delicate balance of identifying and intercepting weapons and terrorists without excessively hindering trade, legal migration, travel and tourism upon which American and European prosperity increasingly depends. In the age of information technology revolution, protection against cyber-terrorism can hardly be conducted in isolation from key allies whose economies and information networks are highly interdependent (Hamilton 2003: 552). However, Europeans and Americans approach this issue fundamentally from different perspectives. Firstly, differences in risk perception; secondly, the US tendency to treat the issue as one of the war and peace, while European treat this issue as one of crime and justice. This difference is the result of European experiences of domestic terrorism that Europe has confronted for the past three decades, whilst United States homeland for the first time has been targeted causing death of about 3000 people (Hamilton, 2006). Moreover, it is important to note that European government in the aftermath of 9/11 promptly rejected Osama bin Laden's offer of immunity to any country that would pull its

troops out of the Middle East and both Europe and America are working closely to deal with terrorism.

Despite the differences over perspective regarding how this menace could be tackled, it is important fact that this war is not primarily military in character, rather it is a matter for quiet police and intelligence work, an arena in which European has considerable experience and expertise (Treverton 2006:52). Unless, there is systematic trans-European and Transatlantic coordination in the area of societal preparedness and protection, each side of the Atlantic is at greater risk of attack. Uneven efforts within Europe render North America more vulnerable to attack, particularly since North American security is inherently linked to Europe's vulnerability to terrorist infiltration. Similarly, if the US and Canadian efforts render the north American homeland less vulnerable to terrorist attack, terrorists may find European countries more appealing targets. Just because the Cold War has ended does not mean that European and North American are less dependent on one another (Hamilton 2004: 552-3). There is a great need for complementary, sustained, and well institutionalized efforts in area ranging from intelligence, financial coordination and law enforcement to customs, air and seaport security, and other activities. (Hamilton 2004: 553). Bioterrorism is another dangerous terrorist threat that may have consequential for whole Transatlantic community. Actually deeper political and economic integration within North American and within Europe mean that epidemics can spread quickly across borders, and there are limited tools to close borders or control movements of people. This requires a different set of national and international responses and Transatlantic community is still ill prepared for such attack and require concerted efforts. Bio-security is a major challenge demanding coordinated and complementary US and European initiatives in both prevention and preparedness and any country alone cannot deal with this even though that is military superpower America. Military tool will in fact be ineffective and inadequate to deal with this issue and require soft power in which Europe is and will remain indispensable partner to the United States (Hamilton 2004: 554). Despite the various hurdles in cooperation due to the intergovernmental character of EU decision making as well as differences in perspective cooperation in the fight against terrorism between the USA and individual EU member states, and in particular

between the USA, French and German authorities remains good despite the dispute over Iraq. The September 11, 2001, terrorist attacks on the United States and the subsequent revelation of Al Qaeda cells in Europe gave new momentum to EU initiatives to combat terrorism and other cross-border crimes. As part of the EU's efforts to combat terrorism since September 11, the EU has made improving law enforcement cooperation with the United States a top priority. Contacts between U.S. and EU officials — from the cabinet level to the working level — on police, judicial, and border control policy matters have increased substantially since September 11, 2001, and have played a crucial role in developing closer U.S.-EU ties (Archick 2006). The USA and its key European allies have been working closely to combat terrorist financing, for instance, but those efforts are still inadequate.

WMD Proliferation

As mentioned earlier, the U.S. government also views WMD proliferation as a dominant contemporary threat, believing that “rogue” state and non-state actors will show no mercy when and if they have WMD at their disposal. It was precisely according to this rationale that the United States justified the preemptive war against Iraq. There was no concrete evidence, however, that Iraq was in possession of WMD prior to the war. Contrary to the U.S. government's belief that Iraqi acquisition of WMD had posed an imminent threat and justified a preemptive strike, no such weaponry has been found (Shen 2004: 169). Moreover, the National Security Strategy (NSS) of the United States and European Security Strategy (ESS)¹ highlights the common concern of the Transatlantic partners regarding the gravity of danger posed by the proliferation of WMD. Both partners agree that proliferation of WMD is a serious and global threat, especially in combination with terrorism. In 2003, the EU and the U.S. had agreed, “to use all means available to avert WMD proliferation and the calamities that would follow” all means including strengthening the international regimes, conducting inspections, ensuring

¹ For more detail on the issues and strategy of the Europe and the United states one may refer to NSS of the US and ESS of the European Union. Both documents are available online. NSS on <http://www.whitehouse.gov/nsc/nss.pdf> and ESS on <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>.

compliance and also “other measures in accordance with international law”. Their possible coercive character is not mentioned, leaving both a way out for EU and a way in for the U.S. The EU agrees with the U.S. in principle with the danger of proliferation and the need to stop it, but prefers long-term engagement, with force being the last resort. The EU-U.S. joint program on the non-proliferation, adopted at the EU-U.S. summit in Washington in 2005 was only the continuation of old commitment both partners made earlier in order to curb the proliferation of WMD (Zakharchenko 2007: 26). Despite the commonality over the gravity of proliferation of WMD and its possible use by rogue states and terrorists, both partners differ on how this threat could be averted and what means put in use to end the crisis. The U.S. strategy does not emphasises on regional instability that is a major reason for the states to strive for WMD and does not have any instruments, which would allow addressing this aspect of nonproliferation while for the EU the regional element is the most important one in its strategy. Apart from this, The EU strategy is more about effective non-proliferation (means preventive engagement) whereas counter-proliferation (means the pre-emptive means like use of force) is the main aspect of the U.S. Strategy to combat the WMD of 2002. The difference between these two terms lies in the coercive element of counter-proliferation (essentially using all options, including force, to counteract possible acquisition, possession and use of WMD by states, terrorists and/or their organizations) while non-proliferation is more about upholding existing treaties and diplomatic approaches. It was this differences that led to the differences between the two partners during the Iraq war. European insistence on constructive preventive engagement does not mean that EU outrightly rejects the role of hard power in order to ensure compliance with the state violating international rules and norms. But EU prefers the coercive tools only when all peaceful means have been exhausted and have the backing of the multilateral institutions like UN. In fact, the EU agrees with the U.S. in principle with the danger of proliferation and the need to stop it, but prefers long-term engagement, with force being the last resort (Zakharchenko 2007: 27). It was these differences and lack of US regard for international institutions and norms, the EU criticizes U.S. counter proliferation policy and opposes the American reluctance to strengthen the Biological Weapons Convention and to ratify the CTBT, and its weak support for international organizations such as the UN and global norms in general.

Currently, the Europe and the United states is facing the danger of possible acquisition of WMD by Iran and North Korea. North Korea already acquired this capability in the end of the 2006 leaving no scope for diplomatic solution. Now the Europe and US with China, Russia are engaged in diplomatic activity to convince the North Korean Government to behave rationally given the danger of north Korea may hand over nuclear arms to non-state actors, which may cause massive destruction in the world and thereby disturbing international peace and security. In this circumstance, the responsibility of both the partners is how to prevent Iran from acquiring WMD. Fear of the Western encircling strategy especially of the United States in and around the Middle East and North Korea set the urgency for these countries to go nuclear if they want to protect their sovereign right. These wider security concerns are important elements in the current formulation of Iranian foreign policy. Iran is hemmed in by intersecting conflicts and transnational threats – a regional arc of crisis. It is the only non-Arab, Shiite Islamist state in the Middle East. Flashpoints in Azerbaijan, Tajikistan, Afghanistan and Iraq threaten its security. A nuclear Russia resides to the north, holding together unstable southern regions. To its west an expanding EU may one day appear on its doorstep with Turkey's accession, a country already mistrusted as a US 'proxy'. East is a weak nuclear Pakistan clashing with India over Kashmir while trying to contain a large number of militant Sunni fundamentalists. To its south-west is the US army in Iraq, while a nuclear Israel has openly declared a first-strike policy against Iran. Besides this America's pre-emptive strategy, which fuses counter-terrorism and counter-proliferation is seen as the greatest threat. Iran has also observed that the North Korean regime, which has declared that it possesses nuclear weapons, has avoided US military attention (Foster and Owen 2006). Iran clandestine nuclear development activities has been reported in 2002 and since then Iran has been engaged in enriching Uranium, which was highly objectionable to the international community including the America and Europe because of the Tehran past records and hostility towards west. However, Iran claims that under nuclear Non Proliferation Treaty (NPT), it has the right to develop and enrich uranium for peaceful nuclear energy. But the international community is more concerned with Iran to develop highly enriched uranium (HEU), which could be used for weapon development purpose (RFPC UK 2007). This has been more problematic for the US and Europe since

Iran's support for terrorists organizations like Hezbollah and other militant organization in the Middle East causing instability along with its main (and possibly only) regional ally Syria, is well documented. There is fear that Iran might transfer nuclear know-how to these terrorist organization, which will not only be dangerous for the United States but also for the Europe who is the champion of the liberal ideas and values in the world and thereby lead to disastrous consequences for not only the regional security of the region but also for the whole world. This fear gets heightened when Hezbollah rhetoric calling Israel an 'evil and cancerous being' while Ahmadinejad said Israel should be 'wiped off the map'. Till now the 'carrot and stick' policy of the EU-3 (led by UK, France and Germany) with the backing of the US has failed to change the behaviour of the Iran. Even the US and EU led UNSC Resolution to stop enrichment of Uranium could not bring any solution or change in behaviour of Iranian government (Bigam 2006). Now, given the rigidity of the Iranian government to continue with enrichment process left the United States and the EU in lurch and US is thinking about military option to stop the Iran from acquiring WMD. But the Foreign Policy Center of the UK report titled "Time for Talk"² highlights the danger of the military option in case of Iran and favours diplomatic efforts should be strengthened. This report says that

"Report does not dispute the seriousness of the Iranian nuclear issue, nor the gravity of local, regional and global implications should Iran develop a nuclear weapon capability. It looks at the possible consequences of military action against Iran. As this report demonstrates, those consequences are potentially so serious that complacency about the possible outcomes of a military strike could be perilous."

Report seriously objects the consequences of coercive tools if applied in case of Iran in following terms-

"The consequences could be devastating not only for millions of Iranians, many of whom do not share the hard-line views of their current government, but also for the prospects of peace in the Middle East; for hopes of stability finally taking root in Iraq; for people living in developing country economies, who could be disproportionately affected by the likely increase in oil prices; for the already

² Full Report of Foreign Policy Center, UK on "Time to Talk: the Case for Diplomatic Solution of Iran" is available on <http://fpc.org.uk/fsblob/710.pdf> for further detail.

strained ecosystem in the Persian Gulf; and for the UK, US and European economies.”

Given the gravity of military option and its consequences for the Middle East, West and the World stressed the role of diplomatic efforts. They believe that there is still time to explore these options, methodically and meticulously. Therefore, when it comes to diplomatic solution of the questions like, who is indispensable power to the US. The answer is no other than EU. The EU with its constructive ‘soft power’ at its disposal with the backing and full support of the US has the capability to play significant role in breaking the deadlock on Iran issue.

Transforming the Middle East

Another immediate challenge for the EU and US is transforming the Middle East. In fact both Europe and the US have broader interest in establishing peace and stability in the region. These include a powerful interest in assuring stable, affordable supplies of energy from the region, and a common stake in the economic and political reforms that are needed to reduce the region’s role as an importer of WMD and exporter of terror. While European concerns about Arab emigration, particularly from Maghreb, are more immediate than similar American concerns, both have an interest in providing economic opportunities to ease the pressure of burgeoning population. (Steinberg 2005: 93). Transformation of the Middle East requires a long term efforts and concerted actions from both sides. It will be premature thinking that the turbulent region like Middle East could be transformed into an area of political stability and prosperity immediately. It will require persistent pressure on states in the region to support political and civil rights, religious tolerance, independent media, and institutional, legal, economic, political and constitutional modernization. It means there is need of external assistance in the form of bilateral or regional trade agreements that could promote investments in health, education, good governance, human rights, and the rule of law along with the support of local people. All this cannot be done alone even though one is a superpower. Here the United States need the support of its European allies and any sort of ‘coalition of willing’ can’t assume such type of responsibility (Hamilton 2004: 551).

After the war in Iraq in 2003, the US led coalition announced the victory of liberal idea and values over the authoritarian regime. But soon after the end of active occupation, insurgency broke out in the region. However, by late 2006 it is clear that neither the emergence of an Iraqi government of national unity nor coalition has succeeded in halting the Iraq slide towards civil war. In fact the US did not realized the depth of the fault lines in Iraqi society between Kurds and Arabs, Sunnis and Shiites and the members of different tribes and local religious groups. However, the deep division among these groups were under control during Ottoman Empire, but aggravated following the Shiites took over power after 2003 war. With Sunni control of Iraq removed, Shiites Iraq is no longer checked from extending its influence westwards. And by allowing the emergence of the first Shiite dominated Arab state, the US has stirred the political aspirations of the 150 million or so Shiites living in Sunni countries elsewhere in the region (Yew, 2007: 2). The US has relied on its Sunni Arab allies, such as Egypt, Jordan, and Saudi Arabia to keep the Arab- Israeli conflict check. Now the power of the Sunni bloc may no longer be able to counter Iran that supports militants such as Hezbollah, hams against Israel. Even new Iraqi PM Malliki supported the Shiite Hezbollah in Lebanon airing the recent Hezbollah-Israel war. If the US leaves Iraq prematurely, Jihadist everywhere will be emboldened to take the battle to Washington and its friends and allies. Having defeated the Russian in Afghanistan and the US in Iraq, they believe that, they can change the world. And if civil war breaks out in Iraq, the conflict will destabilize the whole Middle East as it will draw Egypt, Iran, Jordan, Lebanon, Saudi Arabia and Syria and Turkey. Perception of US unilateralism has triggered an informal counter coalition of necessity among those countries that oppose the coalition of willing (Yew 2007: 3). In addition to this the disturbing trend in Iraq is that the Jihadist is not only getting inspiration from Hezbollah but also appears to be gaining ideological support from *al-Qaeda*. According to Herd “Iraq became: “the land of Jihad in the country of the Tigris and the Euphrates.” Iraq is now playing the role of Afghanistan in the 1980s and, albeit to a lesser extent, Chechnya in the 1990s – it is a recruiting, training and breeding ground for Jihadists” (Herd 2006: 10). Apart from above disturbing things, countries around Iraq especially Iran and Saudi Arabia want a weak Iraqi regime, which has multiple benefits for these two states, if not for the US. It reduces pressure on the reform process, weakens the prospect of Iraq

emerging as a united strategic competitor, keeps the US engaged in the region but with reduced leverage and not focused primarily on Iran, Saudi reform or Syria and it limits the power of Jihadist to upset these regimes (Herd 2006: 15). Recent Israel-Lebanon war and support of the US and UK for Israel increased and radicalized the support for Hezbollah in Lebanon and the wider Middle East, including among Sunni Arabs. At the same time, Shia Iran and Syria, manipulated the situation by locking out of diplomatic negotiations, received greater legitimacy and support from their populations. In fact Iran and Syria through the transfer of weapons, finance, training and ideology to Hezbollah strengthened its position. Herd in this Occasional Paper argues that US attempts to assume the role of mid-wife in the “new Middle East” have strengthened the position and power of Hezbollah and Iran and exacerbated tensions between elites and society in the Sunni Arab centre. US-UK policy in the region has failed (Herd 2006: 6). The situation in the Middle East is so grave that the United States can’t pull out in the middle. . In fact, the US has a moral obligation to support democratic forces in Iraq, as well as safeguard the population from violence, and a strategic responsibility not to allow Iran or international terrorists to be strengthened and the US weakened. The current insurgency problems suggests that the coercive means to impose democracy in the Middle East most probably meet failure because of the ignoring the culture as well as historical tradition of the region and any effort of democratization can’t be sustained without taking into confidence of international community and most importantly the local population. In this circumstance, in order to isolate the Jihadist groups, therefore, the US must be more multilateral in its approach and rally Europe, Russia, China and all non-Muslim governments to its cause along with many moderate Muslims. A world wide coalition is necessary to fight the fire of hatred that Islamic fanatics are fanning. When the moderate Muslim government of Indonesia, Malaysia, the Persian Gulf, Egypt and Jordan feel comfortable associating themselves openly with a multilateral coalition against Islamic terrorism, the tide of battle will turn against extremists (Yew 2007: 3).

A free and fair election moreover is not the first step towards democracy in country that has no history or tradition of self-government. Without adequate preparations, elections simply allow people to vent their frustration against the corruption and

inadequacies of the incumbents and vote in the opposition regardless of its characters. For ex. Hamas getting power in Palestine. A better start would be to concentrate on education, the emancipation of women, and the creation of economic opportunity. Next should come as a focus on implementing the rule of law, strengthening the independence of the courts and building up the civil-society institution necessary for democracy. To think that Iraq will go from dictatorship to democracy via two elections is to expect too much. The world is too diverse. Different races, cultures, religions, languages and histories require different paths to democracy and the free markets society in a globalised world will influence and affect one another. And what social system best meet the needs of the people at a particular stage in their development will be settled internally (Yew 2007: 4-5).

After Iraq another major vexing challenge for the Transatlantic partners in this region is the resolution of Israel-Palestine conflict. However, on this issue both Europe and United States agree not only on the nature of a final settlement but also on means to achieve it. In reality the resolution of the Israeli-Palestinian conflict would clearly produce real benefits for democratic development in the region. Ending the conflict would remove a painful issue that hinders the region's political development and absorbs energies that otherwise could be devoted to internal reform, and terrorists across the region could no longer exploit the situation for their recruitment efforts. Israel certainly has its own interest in the transformation of the region into a set of more democratic societies in which the forces of radicalism and terrorism are marginalized. For these reasons, the United States and the EU should actively explore new opportunities for peace in the post-Arafat's Arab. It would be a mistake, though, to suggest that a resolution of this conflict is somehow a precondition for a democracy strategy in the region (Asmus 2005: 14). The United States and the EU agrees that peace with neighbours and democratic reforms are both worthy efforts and should be parallel pursuits. Settling this conflict based on the vision of two states living side-by-side in peace and security requires the creation of a viable and democratic Palestinian state, but also one committed to maintaining peace with Israel and preventing acts of terrorism. To sustain peace over time, Israel and an independent Palestine should be embedded in a broader multilateral security framework, which may include the United States and its European partners (Asmus

2005: 15). However, there have been differences over the seriousness and solution to the problem added by pressure from either' domestic constituencies, like US perspectives have been shaped above all by the security partnership with Israel as well domestic Jewish lobby pressure on government, while at the same time, Europe pro-Arab stance is shaped by historical ties with the Arab region along with the Arab Muslim population residing in Europe and Europe's geographical proximity with the Middle East (Hamilton 2004: 550). But, continued violence in the region has forced the partners to forge a common ground for cooperation. Even before the Iraq war, the deteriorating situation on the ground in Israel and the Palestinian territories in the aftermath of the outbreak of the second Intifada in September 2000 and the unwillingness of the United States fully to engage in the peacemaking process between Arabs and Israelis at the start of the Bush administration led to the formation of the Middle East Quartet (comprising the United States, the EU, the UN, and Russia) in the summer of 2002 and its subsequent road map for Middle East peace. The United States and Europe have never before coordinated so closely on the Middle East peace process, even if the United States is still the pivotal player. Considering the historical rifts across the Atlantic on peace process issues, the development of the Quartet is notable. The Europeans have finally obtained a political, not just economic, place at the peace process table while the gap appears to be narrowing between the two sides' visions of a final settlement to the Arab-Israeli conflict. Both sides have moved closer to the other's positions: the United States now supports a peace outcome (a two-state solution), not just a peace process (although many Europeans would like the United States to specify the contours of a final-status agreement, as occurred in the Clinton administration), while Europe has actively moved toward U.S. positions on Palestinian reform (Kaye 2003-4: 183). The Quartet has also served to coordinate European positions, helping to avoid the inclination for unilateral initiatives from major European powers that have tended to erode Washington's confidence in a European partner in the past (Kaye 2003-04: 184).

Actually it is the region posing the most dangerous terrorist threat for the West today. This is an explosive mix of humiliation, hatred, intolerance, and intense anti-U.S. and anti-Western sentiment that is crystallizing into a set of extremist

ideologies that twists and mobilizes religion and uses terrorism to pursue its goals. It is brewing amid a context of political oppression, economic stagnation, population booms, and pervasive inequality and injustice. The United States and Europe will not be safe from the terrorism, political instability, illegal migration, or organized crime this region is spawning unless each shifts its policies to attempt to get to the root of these ills. This endeavor will simultaneously require both political freedom and human development—the kind that generates broad, sustainable improvements in people’s livelihoods, skills, dignity, and opportunities (Asmus 2005: 7]. The conflict in the Middle East must be addressed and any such strategy must also include promoting democratic reform in the region. And for that United States and the EU will have to cooperate on issues where they have heretofore disagreed, at times deeply, and where Transatlantic cooperation has not been a priority. Both sides will now need to make overcoming those differences a priority.

Therefore, given the situation in the Middle East, effective and serious coordination and cooperation especially after the war in Iraq, it is necessary for both sides to increase the measures for reconstruction of Iraq and strengthening the democracy so that a stable and peaceful Iraq can be established. Apart from involvement in Iraq both partners are also engaged in brokering a solution to the Israeli-Palestinian problem. This will help in transformation of conflict ridden Middle East region. Here comes the role of international community including the UN and EU, which the United States will need more. Both America and Europe have long term and shared interest in winning the peace in the region despite their differences over the rationality of war. The effort Bush administration made in order to get the support of the international community including the allies in Europe shows the seriousness of the administration towards conflict resolution in the region. The attempt to ensure the participation of allies in the reconstruction and conflict resolution in the region is also the sign of American realization that America alone cannot achieve substantial in the region. This is a new beginning in the Transatlantic relation setting aside the debate of divorce outlined by various author across the world over the future of the Transatlantic relations following the Iraq crisis 2003.

Challenges from Rising States: A New Cold War in Emergence

One of the most important challenges to the west is emerging in the form of rising states such as Russia, China, and India that could potentially affect the international status quo. Dangerous trend is that Russia and China began its strategic maneuver through its engagement all around the globe. China seems more prominent as it is actively engaged in strengthening relations with those countries, where anti-West/anti-American feeling is very strong and some of these states are regarded as pariah states such as Iran, North Korea, African countries as well as in Latin America. This new development suggests that a new Cold War is looming. The next section explores the events unfolding in the 21st century that strengthens this idea.

Russia: By the beginning of the 21st century, a new Russia had emerged: no longer communist, but quasi-democratic, with a new president Vladimir Putin with major energy resources and revenues at their disposal. More recently, it has become a nation that is again showing signs of confidence, strength and power (Denne 2007). It is important to note that in post-Cold War era, while the threat from the Soviet Union has vanished, the potential threat from nationalistic and expansion-minded Russian state remains. The fear of a resurgent Russia particularly in the Central and Eastern Europe and in the former Soviet Republic as well as in Western Europe is stronger. Many of the CEEC in order to overcome the threat from resurgent Russia either already got NATO membership or is on the verge of getting membership (Ilgean 2006: 15). United States after the end of the Cold War saw great opportunity in increase its influence in and around Russia by extending NATO membership to these countries. By bolstering the independence and stability of the former Soviet republics through security partnerships with them, Washington also aims to reduce the chances that Russia could act assertively again. The NATO-Russia Council is another U.S.-led effort to prevent this challenge through strengthening security relations between Russia and NATO members. But, from Russia's perspective, NATO fundamentally serves both as a check to Moscow's power on the continent and a centre of gravity for balance of power in the Euro-Atlantic community more generally. This is a cause of concern for Russia as it deprives Moscow of the sphere of influence that it may aspire to regain after economic recovery (Shen 2004: 171). However, Russia despite its inability to stop expansion of NATO, opposed NATO

expansion since Yeltsin era. But, under Putin, Russia's tone became sharper when Russia started to regain and reassert its position by bringing back Russia on path of economic development. In the recently held Munich Security Conference on 9-10 February 2007 the spectre of a new military rivalry between Moscow and Washington has been looming since Vladimir Putin delivered a speech highly critical of the United States. President Putin heavily attacked the unilateral approach the U.S. was taking. The increasing disdain of fundamental principles of international law was provoking a new arms race in the world. Oliver Rolofs quoted him saying, "The U.S. have trespassed the limits in almost all concerns," the President stated on Saturday. In his opinion the Eastward expansion of NATO was a "provocation" for Russia (Rolofs 2007). Russian president also rejected the Western move to deploy anti-missile defence shield in Eastern Europe (in Poland and Czech Republic). He also warned the Europe by stating that the U.S. plans to deploy an anti-missile defense shield in East Europe would equal an arms race not beneficial for Europe. He rejected the reason US cited for such move and called it as it represents threat to 'security of its country (Rolofs 2007). However, despite Bush assurance that the purpose of the missile shield is to defend Europe against "irresponsible states" and the "growing threat from the Middle East" and not against Russia, Russian believes that it is directed against her. The Russian president while criticising the current state of arms control accused the West that the West has blocked the Treaty on Conventional Armed Forces in Europe (CFE) and, in clear violation of existing agreements, is positioning its armies close to Russia's borders. The major concern for Washington and its allies in Europe is not only from the military threat coming from Russian side but Moscow is also seeking allies among the US's enemies. Russia's delivery of advanced surface-to-air missile defense systems to Iran is seen as an especially serious offence. In addition to this Russia's offer to help the Saudi Royal family develop a nuclear programme indicates that the conflict between two former arch-rival is unavoidable (Rolofs 2007). This is a sign of new rivalry that might lead to a new Cold War.

Russia is also using its vast energy resources as a leverage to deal with Europe and America. This became evident in January 2006, when Russia brought Europe to a winter energy crisis when it threatened to cut natural gas deliveries to Ukraine, the primary route to the West. Moscow "turned off the tap" after Ukraine refused to sign

a contract with Gazprom, Russia's state-owned energy monopoly, in response to quadrupled prices. Some experts believe the price hike was punishment for the 2004 Orange Revolution. Russian attempt to assert its position became very clear to the west when, Russia-Belarus energy dispute began blocking the transit of Russian oil through its pipeline to European countries. This raised alarm in Europe (Denne 2007).

Having used his prior bully tactics – gas attacks, political assassinations, obstruction in the Middle-East, etc. – to demonstrate his brutality, resolve and fearlessness in the face of the New Cold War, Putin set the European Union on a crossroads: either Russia or America, either gas and Europe's readiness for deals or confrontation over economy and security issues with obvious consequences. Russian confidence increased since the Asian countries became the major market of Russian energy that reduced the dependence of Russia on the west in particularly Europe and gives it trump cards for political extortion. Moscow gets added confidence with the creation of Shanghai Association founded in 2001 that led to the close relations between Russia, China, Kazakhstan, Uzbekistan, and Kyrgyzstan. This alliance, not just Russia, is the main challenger to the block of the United States and its allies. This is a force that Washington and its allies do not have the luxury of ignoring (Helme 2007). Militarily, despite the unprecedented military budget the US is spending on defence, Russia can still destroy the U.S. in about 15 minutes. After more than ten years of inactivity, Russia has started to develop advanced weaponry, including new missile and nuclear technology (Helme 2007). Military spending, especially on conventional forces, has increased rapidly. The 2006 defense budget authorizes an increase of 22 percent over 2005 levels, which were already 27 percent higher than those of 2004. This additional spending is going toward not only increasing pay for troops, but especially for the research and development of new weapons systems. Putin's focus on rebuilding the foundations of Russian strength signifies great circumspection in dealing with Washington over NATO expansion, the Orange Revolution in Ukraine, and even the war in Iraq (Mankoff 2007: 131).

At a January 2006 news conference, President Putin stated, "Russia...has tested missile systems that no one in the world has." He added, "These missile systems don't represent a response to a missile defense system, but they are immune to that.

They are hypersonic and capable of changing their flight path (Helme 2007).” Not only is Russia still a major military power, developing and producing superior weapons, but the nation also exports its products to a select few. Historically, Russia and Iran have maintained a strategic relationship, along with Syria. Although Russia and China endured their difficulties during the 1960s and 70s, now both are cooperating closely and very recently both held their first joint military exercise and China has become Russia’s largest customer for military technology and products. This underlines their governments’ determination to strengthen and solidify their alliance. All this seems that, the former Cold War rivals driven in part by a joint desire to counter-balance U.S. global dominance started to strengthen their alliance with countries across the world even with the enemy of West. For example on Iran’s progressing nuclear program, Russia and China issued warnings not to antagonize Iran. Both countries have increasing economic and strategic ties with Tehran. These developments indicate that the new Cold War is not very far and once again the US and Europe needs each other to deal with the threat emanating from upcoming Cold War.

China: The rise of China after Russia is another major threat to the western interests globally. China poses a challenge not only to the United States but also to the Europe from economic, diplomatic, and military standpoints. Beijing has adopted a strategy that focuses on the accumulation of strategic resources and the development of a productive capacity that attracts vast amounts of foreign capital, modernizes its industry, leaps its technological base forward, and strengthens its military. China’s diplomacy, especially around Asia, but also in Africa, Latin America and Europe, has been a counterweight to American influence. Also, membership in the Permanent Five of the United Nations Security Council gives China’s economic and diplomatic efforts extra leverage (Wortzel 2007). Andrew Small of Foreign Policy Centre, UK in his paper ‘Preventing the Next Cold War: A View from Beijing’ rightly pointed out –

“It is time to stop trusting that economic interdependence and deft diplomacy are going to be sufficient to keep Sino-US relations on track. Virtually every conflictive factor, from the battle over East Asia’s long-term future to the status of Taiwan, from divisions over democracy to global energy competition, is likely to intensify in

the years ahead and freedom of manoeuvre for both sides will be reduced sharply (Small 2005: 2).”

The mutual suspicion and differences between China and United States can be traced back to 1950s following the outbreak of the Korean War and the U.S. bombing of Chinese territory. Thereafter, the U.S.-Japan Security Treaty of September 1951, the 1954 the US-Taiwan Mutual Defense Treaty, designed to prevent mainland China from attacking Taiwan. The Chinese response came in the form of forming an alliance relationship with the government of the Democratic People’s Republic of Korea (DPRK) July 1961 through the China-DPRK Treaty on Friendship, Cooperation and Mutual Assistance. After the Cold War, Washington attempt to continue to strengthen its old ties with its Cold War time allies not only in Europe but also in Asia especially with Japan in 1997 has been seen by China as that all these efforts are motivated by a desire to check China’s rise in the region. Given China’s concern about this agreement’s security implications for the Taiwan issue, the U.S. commitment to Taiwan’s defense, China sees the U.S.-Japanese relationship as one designed to deter China’s freedom of action to implement its claim of sovereignty over Taiwan (Shen 2004:173).

Beyond Taiwan, historical evidence suggests that China’s rise could challenge U.S. global hegemony more broadly. Past experiences, such as the rise of Germany and Japan in the early twentieth century, illustrate that a rising power tends not to be content with the status quo and will eventually seek to alter the balance of power. This reflects in the two countries’ disparate threat assessments. From Beijing’s perspective, economic development and national reunification are its supreme interests, and anything that harms them poses a major threat (Shen 2004). Instead, a variety of factors—foreign interference on the Taiwan question, encirclement on China’s periphery, steady acquisition of overseas petroleum, fluctuation of foreign investment, and access to overseas markets—all rank higher on Beijing’s list of external threats to Chinese national interests. Thus, although some overlapping security interests have fostered a certain degree of cooperation between China and the United States, the two countries’ disparate threat assessments and foreign policy priorities as well as their ongoing mutual suspicion all rule out cooperation on a more fundamental level. Therefore, China is even suspicious of Washington’s

strategic intentions as the U.S. military gains access to China's neighboring states under the banner of antiterrorist operations (Shen 2004: 175). Discussion about a 'rising China' has been active in the US since at least 1996, when the first Taiwanese Presidential elections took place and Bill Clinton sent two aircraft carrier battle groups to the waters near Taiwan in response to Chinese missile exercises, making war between the two countries seem like a conceivable possibility. One reason is simple: that a large economy growing at a rapid rate becomes an increasingly weighty change-element in the system: as double digit growth rates in a \$1.7 trillion economy with imports and exports running at 75 per cent of GDP – and the prospect of a \$3.9 trillion economy barely 10 years away – sends ripples round the world. Andrew Small mentioned Joshua Ramo arguing that

“China is in the process of building the greatest asymmetric superpower the world has ever seen, a nation that relies less on traditional tools of power projection than any in history....While the US is pursuing unilateral policies designed to protect United States interests, China is assembling the resources to eclipse the US in many essential areas of international affairs and constructing an environment that will make US hegemonic action more difficult...when measured in terms of comprehensive national power, China is already a rival of the United States in many important areas (Small 2005: 12).”

The 'colour' revolutions in Georgia, Ukraine and Kyrgyzstan, which invited the harshest reaction from the Kremlin, were watched with even greater concern in China. Especially, the US hand in these developments was seen to be a heavy one (Small 2005: 22). Apart from these the US policy of exporting democracy (methodology used to promote democracy ignores the ground situation of the region where US sought to promote democracy) since 2002 has been seen with great suspicion in China, as it is not a democratic country, which prompted concerted Chinese efforts to ensure that any such attempt of the US will fail. It was this concern of China which forced the Chinese leadership in the last few years to enthusiastically embrace clubs such as the Shanghai Cooperation Organisation, which has changed the whole complexion of Central Asia, not least for the US, which has suddenly found the organization demanding that it sets a timetable for the closing of recently established American military bases (Small 2005: 20). Most of

the developments in China's international relationships in the last couple of years have added up to a near comprehensive upgrading of China's global partnerships, reflecting China's growing economic and political influence putting pressure on US relationships with even its closest allies, establishing new power blocs through which China's power could be felt. This trend in China's endeavour to establish relations with like-minded countries that are even characterized by the US and its allies as 'rogue/failed' states is a disturbing factor for the West, which ranges from Alexander Lukashenko and Hugo Chavez to Fidel Castro and to add to a prior list that ran from the Nyunt junta to Kim Jong II (Small 2005: 39).

In fact China concern of getting its energy security in order to make China a superpower of 21st century by maintaining its current two digit economic growth rate forcing her to look beyond its sphere of influence and thereby contributing to China and transatlantic allies on forefront. Keeping in mind the energy need with so many of the principal fields in the hands of the Western oil majors, SINOPEC and CNPC, China's largest state-owned oil companies, have been forced to establish many of their new operations in areas with serious political or practical obstacles for American and European investors. With these obstacles ranging from serious political instability and security risks to countries under sanction for internal repression, WMD proliferation, and other misdemeanors, the Chinese government's understandable determination not to react passively to the growing risk of supply disruptions is increasingly creating collisions with American interests as its need to define national security at a distance from Chinese borders evolves into a stronger interest in supporting 'rogue' regimes. A foretaste of this came in September 2004 over the response to the genocide in Darfur, where Chinese threats to veto any UN Security Council resolution on Sudan – China's fourth largest supplier of oil, and following China's massive deal with Iran last year, there has been great apprehension among US and European policymakers about what role China will play in the nuclear dispute. Given the increasing demand of energy resources in US led west, China's attempts are seen as a warning (Small 2005: 20). However, in immediate aftermath of the 9/11, china promptly provided necessary help to the US in war on terrorism, but the Chinese endeavour to make itself a superpower reduce both sides cooperation and confrontation seems inevitable. This confrontationalist and

suspicion better reflected in Condoleezza Rice's Foreign Affairs article published 2000, mentioned by Small that China is still a potential threat to stability in the Asia-Pacific region. Its military power is currently no match for that of the United States. But that condition is not necessarily permanent. What we do know is that China is a great power with unresolved vital interests, particularly concerning Taiwan and the South China Sea. China resents the role of the United States in the Asia-Pacific region. This means that China is not a "status quo" power but one that would like to alter Asia's balance of power in its own favor. That alone makes it a strategic competitor, not the "strategic partner" the Clinton administration once called it. Add to this China's record of cooperation with Iran and Pakistan in the proliferation of ballistic-missile technology, and the security problem is obvious. China will do what it can to enhance its position and this will definitely led to confrontation with the West (Small 2005: 30).

Emerging Economic Challenges to EU-US Relations

Post-Cold War is characterized by the intense process of globalization, in which whole world became so intertwined that scholars started to talk about the idea of global village. Globalization, in fact has given rise to complex interdependent world in which the certain event in one part of world have the capacity to affect the overall economic growth of a country in another part of world. In this interdependent world, even the worlds' two economic giants are not immune to the positive and negative trend that rolled up at a particular time. Globalization, on the one hand provided the environment in which Transatlantic partners in cooperation with each other can enhance and in fact enhanced their gains by following the policy of trade liberalization, and on the other hand has given rise to new challenges in the form of rising economic powers like India, China, Brazil and Russia as well as various transnational problems that has the potential to affect the current dominating status of Europe and the US. Therefore the urgencies lies in that both partners closely cooperate not only with each other but also at the multilateral for a in the direction of further trade liberalization as well as eradicating transnational challenges. Under these circumstances Gunter Verheugen, the Vice-President of the European

Commission Responsible for Enterprise and Industry in a speech on 5th July 2007 rightly pointed out that ----

America needs Europe and Europe needs America. But not only that I believe that the strategic partnership that we are now forging between the world's two greatest trading powers will provide important leadership in the way the rest of the world tackles the challenges it now faces (Verheugen 2007).

Together Europe and the US account for: 60 percent of world GDP, 40 percent of world trade, 3 billion dollars a day in trade, services and investment. Given the degree of interdependence and economic weight, Verheugen further argued that Transatlantic economic partnership is crucial in facing the 'challenges of energy security and provision', 'the challenges of environmental and climate change', 'the challenge of retaining our competitiveness position in global context' (Verheugen 2007). These challenges became acute in the post-Cold War world, when the world turned out to be multipolar economically. Especially when the EU achieved parity with the US and now China and India's high economic growth pushing the US further to accept multipolarity. Rise of India and China and other countries made the negotiation difficult for the trade liberalization at WTO Round. It is expected that, by 2015 China's economy will be about the size of the EU economy, and only about 15 percent below that of the US. India's economy will be about the size of Japan. Asia's superior future economic weight is reflected in the fact that the combined economies of China, India and Japan in 2015 will exceed that of the US by 50 percent and that of the EU by 90 percent (Linn 2004: 6). Moreover many of the current trade issues and conflicts are not principally among the industrial countries, but are more pressing and conflictual between the industrial and the developing countries as the Doha Round, and especially the failure to reach agreement in Cancun have shown intractable conflicts (Linn 2004: 8). At the same time, the Cancun failure signals that a solid EU/US relationship is not enough for truly global trade and development policy. Diamantopolou argues that "we misunderstood the preferences of developing countries like India and Brazil, and underestimated their willingness to set up blocks within the developed world and reject cooperation with the broader WTO membership to pursue their agenda (Diamantopolou, 2003: 8)."

Demographic trend in the Transatlantic area is another challenge both Europe and the US is facing these days. The US population is currently growing at about 1 percent per year, while India's growth rate is about 1.5 percent and China's 0.75 percent. In contrast, Europe's population is growing only at about 0.20 percent per year, and Japan's is virtually stagnant at this time. Besides affecting the aggregates of economic growth and size, the stagnation in population for Europe and Japan has well known serious implications for economic management of aging populations will put increasing burdens on the pension and health systems and hence will cause significant fiscal, structural and political stress for these economies (Linn 2004: 6). These domestic policy challenges understandably tend to be the principal occupation of the economic leadership on both sides of the Atlantic. Given the heavy economic interdependence, whether in the foreign exchange and capital markets, or at the firm level, the domestic concerns of one side are of course a Transatlantic concern for the other side. Successful management of the domestic economic policy requirements has significant benefits for the Transatlantic partner, while domestic policy failure has substantial negative implications (Linn 2004: 8). Currently, the US economy has been witnessing slowing down. Numerous factors including high defense cost and depreciation of dollar are some of those responsible for slowing down. The slowing down of US economy has the potential to affect badly not only to the Europe but also to the whole world. Apart from those above the differences over the agriculture subsidies and non-tariff barriers has been the biggest hurdle for successful completion of Doha Round. Recently, the group of developing countries under the banner of G-20 had made the way difficult for the Transatlantic partners ahead. Very recently developing countries blamed the US and Europe for their adamant position on agriculture subsidies and other trade distorting measures that led to the failure of the recent Doha Round. However, under the Bush administration policies, the US economy already in deficit showed some protectionist trend that is detrimental to long term interests of the US and Europe together. More importantly, there is the risk that a serious recession on either side of the Atlantic, most likely brought about by poor macroeconomic management, would lead to political backlash and protectionism. Particularly in the U.S., where welfare system reforms in recent years have significantly reduced the social safety net and increased American's dependence on holding jobs, any serious and protracted spike in the unemployment

rate might well cause the kind of political conflagration that would make it attractive for political leaders to seek redress in protectionist responses. Aside from the need to manage the risks of possible commercial conflicts, there is an important agenda for the two sides in assuring that progress is made in fully integrating the Transatlantic market, that trade regimes are further reformed and regulatory regimes are harmonized across the board (Linn 2004: 8-9). Finally, the U.S. and EU have many common interests when it comes to the rest of the world. At the most general level, assuring a prosperous and peaceful world for all is an important shared objective. This includes the constructive and productive integration of the major emerging market economies to the international economic system. The successful accession of China to the WTO was a major step in this direction. Other countries, such as Russia and Ukraine remain on the doorstep. Bringing the Doha Round to a peaceful conclusion is another one of them as it would result in substantial benefits to the world (estimated \$ 400-500 billion per annum) and to the Transatlantic partners. Beyond the emerging market economies, the U.S. and the EU share a common interest in helping the poorer developing countries advance. These traditional development concerns are linked to a number of newer issues of common interest for the Transatlantic partnership: how to prevent conflicts, failed states, drug trade, money laundering and terrorism; how to address global environmental issues; and how to manage the world's energy supply (and demand) in responsible manner that fairly balances the interests of producers and consumers as well as those of today's and future generations. In some of these areas, there has been progress (Linn 2004: 10).

Climate change is another major challenge for the Transatlantic allies as it has the potential to affect the development and growth not only in Transatlantic areas but also outside world and thereby undermining the growth and prosperity of the Western society. The already depleted resources add another dimension to it and in new circumstances; it is the responsibility of the countries of the world especially the Transatlantic allies to focus on sustainable economic development so that the coming generation could not be deprived of their basic needs at least. In this context, notably the Kyoto Protocol to the Framework Convention on Climate Change is currently on hold, due to a U.S. refusal to support it has been a major concern for the

world. Much remains to be done on the other areas, where global challenges remain and joint leadership by the U.S. and the EU are called for (Linn 2004).

Given the above economic challenges that the Transatlantic allies are facing together rejects the skeptics views that the days have gone when both had common interest to cooperate. In fact the new environment has reduced the scope for drifting apart and could be suicidal to the economic prosperity of the not only the Transatlantic partners but also the countries of the world. European Trade Commissioner Mandelson in a speech outlined how important is Transatlantic cooperation and interdependence

“Our societies and economies remain ever more closely intertwined. Our top priority in trade on both sides of the Atlantic has to be to put our weight behind the current multilateral negotiations and to encourage others to demonstrate a similar commitment. Bringing to a successful conclusion a Doha Development Agenda that lives up to its name, and matches the bold ambitions of those who launched, it will bring enormous benefits to both developed and developing countries (Mandelson 2004).”

Apart from the above commonalities, the Transatlantic economic relationship is not immune to the problems. Subsidies, non-tariff barriers, violation of IPR law and environmental concern have been the reasons that led to cropping up of problems in Transatlantic trade relations. Mandelson pointed out that the disputes reflect two things. First the sheer size and importance of trade and investment flows between us. In such volume problems are inevitable. Second, our readiness to use the agreed international dispute settlement procedures of the WTO. Both are good signs, in different ways, of the maturity of the Transatlantic economy and the international system of governance (Mandelson 2004).

There is other evidence relevant to answering the question how serious is the risk of Transatlantic trade wars and commercial conflicts: First, experts have observed that with trade only about 20 percent of all Transatlantic commercial relations and only maximally 5 percent of Transatlantic trade affected by trade disputes in recent years, at most 1 percent of all Transatlantic commercial relations has been affected by trade

disputes (Linn 2004: 5). Therefore, the Transatlantic relationship is characterized by multi-polarity, a high degree of interdependence, many trade and commercial disputes. Economic multipolarity will dramatically increase in the next ten years and beyond. These structural changes will require a flexible, fresh and coordinated approach from both sides. The 21st century is the period of economics. The days have gone when political issues dominating the world politics. Now, the economic issues acquired the predominant position in not only bilateral international relations but also multilateral relations. It is believed that if the new Cold War arises or Third World War took place, it will take place due to economic rivalries among states in their endeavour to economic development. Therefore, in order to avoid any such development, the Transatlantic allies have the prime responsibility to accommodate (the new rising power), exchange (ideas and technologies) and cooperate with each other but also with countries around the world that includes both developing and underdeveloped. Above mentioned challenging task in fact work as glue for Transatlantic convergence not divergence. Here it will be appropriate to quote Brooking Institution scholar Johannes F Linn

“Transatlantic economic relations will be the glue that holds the partnership of America and Europe together even as conflicting interests in other areas may push them apart. With the combination of an effective G-2 and G-20 structure, transatlantic economic relations not only have the potential to be the glue that holds the transatlantic alliance together, but they also have the potential to be the glue that bonds the emerging market economies, the new leaders of the world in decades to come, into a constructive global partnership (Linn 2004: 13).”

CONCLUSION

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*The Future of
the Transatlantic Relationship*

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CHAPTER-IV

CONCLUSION

THE FUTURE OF THE TRANSATLANTIC RELATIONSHIP

“Today, security and justice and prosperity for our world depend on America and Europe working in common purpose. That makes our transatlantic ties as vital as they have ever been.”

-----George W. Bush,
US President, Brussels, 19 February 2005.

In the post-9/11 world especially due to differences among Transatlantic partners over the Iraq issue has attracted the scholastic community to put forward the idea that the Transatlantic allies are drifting apart. This scepticism has acquired wide attention when some section in the US administration talked about the ‘old Europe’ and ‘new Europe’. Chapter II examined the merits of the division between ‘old and new Europe’ and therefore it need not be further elaborated here. Most importantly, before reaching any conclusion on the future of the Transatlantic relations, one must not ignore the development following the Iraq crisis as well as past experiences in dealing with such differences, the values they think are important to uphold, to be followed and to be promoted for a wider peaceful world free from any war and last not the least what are new challenges that need concerted actions. It is in this backdrop this chapter will focus on the things that make the Transatlantic partnership – ‘a partnership of endurance’. It is also important to study the importance of alliance formation.

According to Henry Kissinger and Lawrence H. Summers, Co-Chairs of the Independent Task Force of Council on Foreign Relations on ‘Renewing the Atlantic Partnership’, argue that the three important compatible interests that led to the creation of the Atlantic alliance. First, to maintain and support our shared traditions and the community that has formed around them. Age of exploration saw European ideas and values transplanted to North America; the age of revolution saw constitutional democracy spread from the United States to Europe. Twice during the twentieth century, without any pre-existing alliance, Europeans and Americans

elected to fight alongside one another to preserve their democratic values against authoritarian challenges. A third such challenge that was posed by the Soviet Union required no global war, but it did produce the alliance that survives to this day. The fundamental purpose of that alliance, hence, reflects interests that preceded the Cold War, and that remain no less vital now that the Cold War is over. Second, follows from the first is to remove or at least neutralize whatever might place shared security and prosperity at risk. At NATO's founding, the Soviet Union presented the clearest and most present danger to the Atlantic community. Today, the most pressing threats come from beyond Europe. And third grows out of the first two: to help other parts of the world, including the Arab and Islamic world, share in the benefits of democratic institutions and market economies. Democracy and markets have brought peace and prosperity to the Atlantic community—and hold out promise to do the same elsewhere. Europe and the United States can both set important standards and provide concrete assistance as different peoples follow their own pathways to democratic institutions and free markets. While mentioning the above three compatible interests that lead to the creation of Atlantic alliance Kissinger and Summers state that “these are the fundamentals...and neither 11/9 nor 9/11 has altered them (Kissinger and Summers 2004: 4-5).”

In the post-Cold War complex globalised interdependent world, the West is facing new kinds of challenge such as terrorism, proliferation of WMD, transforming the Middle East, rising states and economic challenges, which has already been mentioned in Chapter III in great length. There is agreement between the two partners over necessity of addressing these problems, but they differ on how and what means should be applied to address these problems. It was these differences that led to Transatlantic divergence during Iraq crisis. But, we must note that this was not the first case in transatlantic alliance histories that the partners differed and put whole relations under strain. From the Suez crisis in the 1950s, the balance of payment disputes and France's withdrawal from the NATO' military command in 1960s; the conflict over burden sharing and Vietnam in the 1970s to the INF debates, SDI and anxieties about decoupling in the 1980s and trade frictions in 1990s, the alliance has been declared critically ill (Steinberg 2004: 90). Despite all these odds in the past alliance continued to exist and evolved itself with the time. Dynamicity lies in the Atlantic alliance that it engages in evolving itself with every

problem it faces in course of time. In the post-9/11 world terrorism emerged as the most credible threat to the West. The urgency to address this has been recognised given their likely with failed states and WMD. But how these threats can be addressed is a major question for the two sides. The US in utter frustration resorted to military means to defeat terrorism along with failed states and their combined effort to acquire WMD. But, recent development in Iraq suggests that military force cannot bring victory in every case especially when the threat is widely rooted in poverty, state failure, and ethnic conflict. There is also question that how many states United States can attack to eliminate these threats. Given the US failure to bring peace in Iraq, military power is said to be limited.

Power is the common currency of traditional international relations. The United States in post-9/11 wars secured rapid battlefield dominance in both Afghanistan and Iraq and even more convincingly than in the Gulf War of 1991. In terms of manpower, personnel and expenditure levels of the US military vis-à-vis allies or adversaries seems unequivocal, and American primacy is taken as a fact. But questions remain to be answered is that; does military power/supremacy ensure victory in post-Cold War world where the nature of threats facing America and Europe changed from its traditional forms? In fact defeat is not the number of dead and wounded, unless political will evaporates. Failure to consummate battlefield success with the capture or death of enemy leaders has little to do with long term prognoses if resistance is based on broad and deep antagonism. Defeat is not an event pinpointed in time, and cannot be reduced to a singular military disaster. Defeats don't happen; they develop. Defeat is being compelled to alter behaviour to own's detriment. Rather than imposed by others' strength, defeat can occur without war or an opponent. Defeat ultimately is self-failure-the symptoms of which are an irreparable imbalance between perceived or real threats and socio-economic, political and military capacities. In this regard, defeat is utter breakdown of security. Ignorance is a precursor of gross policy errors that enlarge threats and squander capacities. Lack of knowledge of other cultures, their socio-economic environments is a guarantee of failure. America either ignored the implications of her Iraq adventurism or had lack of knowledge before going for war, which is now proving fatal to US ambitions in Iraq. Same policy errors were the result of American Vietnam debacle. Actually the defeat comes through arrogance. Powerful states due to the arrogance resulting out of their capacity to impose its will since the

dawn of nation states have often been engaged in imposing their own vision of a settled order, which generally lead to defeat (Nelson 2005: 119). This arrogance was reflected in post-9/11 American policy of fighting terrorism by their policy of 'us' and 'them', and this policy arrogance was one of the reason why the so called 'old Europeans' opposed American adventurism in Iraq. Apart from this, arrogance conceals fundamental weakness. Every utterance of arrogant power generates fear, alienation and, ultimately the development of countervailing and often asymmetric force. This arrogance was resulted in resentment from allies who not only opposed the US but also refused to provide necessary assistance at a time of need as well as engaged in act that could weaken the hegemonic tendency of the US. This type of events not only is detrimental to trust among allies abut also the legitimacy of the use of just force. Though, America, the indispensable power, the salvation of democracies and the righteously vengeful nation after 9/11 has, in Afghanistan and Iraq, found that creating post-war peace and reconstruction depends on far more than a US army of occupation. Far beyond occupation and nation building in the Middle East and south Asia, the United States alone cannot ensure outcomes it wants on a wide range of economic or trans-national issues, where there is neither American hegemony nor empire (Nelson 2005: 120).

Greed is also a quick route to self-defeat. War to end a regime of one leader or party, to resources, or to shift a strategic balance, while ignoring justice and other paramount values is a harbinger of defeat. To the degree that ignorance, arrogance, paranoia and greed are all present, those who make decisions about war and peace will pursue a capacity driven strategy, conflate discourses of war and peace, and incessantly strive for security through strength. Such decision makers will, thereby, create enemies from friends, replacing mutual trust with endemic suspicion and fear. With each preemptive step towards global unilateralism, enemies multiply, friendship wane, and the imbalance between threats and capacities approaches to critical (Nelson 2005:121). Therefore, it is the responsibility of big brother of Atlantic alliance to avoid any such conditions that instead of reducing the enemy increase the number of enemy even the allies may turn hostile given the arrogance of the sole superpower, because humiliation sometimes becomes intolerable and despite the commonality of culture, values they may diverge.

It was clear from the outset that Europe would never match America military capabilities or their ability to deploy their forces on a global scale. Instead the Europeans focused on economic reconstruction, integration, and consolidating the benefits these provided. By the end of the Cold War, they had assumed a heavier burden than the United States in providing aid to developing countries, assuming international policing and peacekeeping responsibilities, and supporting international organizations. These asymmetries are now embedded on both sides of the Atlantic, and any revitalization of the alliance will have to respect them. If the United States is the indispensable nation in terms of its military power, then surely the Europeans are indispensable allies in most of the other categories of power upon which statecraft depends. Whether the issues are countering terrorism, liberalizing trade, preventing international crime, containing weapons of mass destruction, rebuilding post-conflict states, combating poverty, fighting disease, or spreading democracy and human rights, European and American priorities and capabilities complement one another far more often than they compete with one another (Kissinger and Summers 2004: 11). If the United States is to succeed in achieving its primary objectives in the world, whether those objectives be the successful confrontation of terror, ensuring the preservation of peace and prosperity, or the spreading of democracy, Americans must recognize that they cannot succeed alone. Without the leverage provided by protection from the communist threat, the United States must find other means of influence over nations. Legitimacy matters over time and it depends on international support. And without European support, it is not possible to imagine the United States assembling meaningful coalitions of other nations (Kissinger and Summers 2004: 13).

Economically, the transatlantic economic cooperation reinforces political cooperation. The U.S.-European relationship has been grounded in economic cooperation since the earliest days of the Cold War. Today the American and European economies are the world's largest, and they are likely to remain so for the foreseeable future. Transatlantic commerce approaches \$3 trillion per year and employs directly or indirectly some 14 million workers in Europe and the United States. Although there have been frequent disputes over tariffs and subsidies through the years, the Task Force notes that the Iraqi crisis had little discernible effect on patterns of European-American trade and investment. Professor Daniel Hamilton's study has shown that even the Iraq war could not disrupt the economic relationship between the two

countries. This highlights that the EU-US economies are highly dependent on each other. The rise of new economies is pressing hard to assert herself and thereby challenging the Transatlantic economic hegemony in world economic realm. With the globalization and advancement in technology, the world is day by day moving towards more integration. In order to sustain economic development countries including the Transatlantic nations and the emerging power have been intensely competing with one another. The Transatlantic allies being the advocator of trade liberalization has the greater opportunities in further trade liberalization. This also includes cooperation between the two sides in helping the developing countries tap into the global systems of trade and commerce. This means effective, coordinated strategies of development assistance to help build strong governance, vibrant civil societies and healthy, educated populations in countries that lack them today. It also means a new commitment to successful completion of Doha Round as well as the execution of commitment required to be met under Doha Agreement. This will provide important benefits to the world's poorer countries, while sustaining the global trading system which is important to whole transatlantic prosperity (Steinberg 2004: 100). The US will also have to abandon its unilateral policy to acquire energy security while even ignoring the interests of its ally's interest. It will in long term not only give rise to terrorism but also will attract hostility of its allies. It was one of the reasons some countries in Europe differed with US Iraq adventurism. In fact Iraq is turning into a region of instability that has spill over effect not only in the Middle East region but also to the Europe. More so Iraq also became the breeding ground of terrorism coupled with the ideological boost and material support of al-Qaeda.

As far as dealing with the challenge that a resurgent Russia and rising China can pose to the West, both are bound to cooperate with each other. In stead of giving boost to old balance of power rivalry of the Cold War, there is a need to focus on soft power. Recent US led development in CEEC has attracted severe criticism and annoyance from Russia. Globalization is the effective system in which Russia and China could be integrated into the world community effectively. Trade and other soft power tool have the capability to reduce the hostile behaviour of these rising countries that could disturb the current political landscape of the world. The example of how the economic integration has transformed a war mongering European nations into a peaceful,

prosperous region in the world can be multiplied globally and for that they need to create trust. In this aspect, Europe is an indispensable partner of the US.

In the post-Cold War world, using hard power cannot guarantee that the success is inevitable in war. Better example before us is Iraq, where the US involvement outweighs the gain US expected to achieve. It does not mean that hard power has lost its relevance. Still there are various regions where military intervention is necessary to bring the two warring parties to peace. But, that must have multilateral legitimacy means the international community must not be ignored. In that case the coalition involvements not only develop the image of a liberator and peacemaker but also get wider financial assistance in post-war reconstruction. If the US would have got the international legitimacy before going for war in Iraq, the US would have been saved from financial burden that it is now pouring in Iraq and also would have avoided the backlash of the Islamic world. This in another way would have minimized the gain Russia and China are getting in the Middle East and Latin America.

Policy Option for Transatlantic Partners: Hard Power vs Soft Power

After outlining the challenges the Transatlantic partners are facing after the end of the Cold War and the structural change heralded, it is argued that it will not affect the cohesion among the Transatlantic allies. The Transatlantic security community used to rest on a) collective identity based on common values, b) (economic) interdependence grounded in common material interests, and c) common institutions based on norms regulating the relationship. The current conflicts stem from domestic developments on both sides of the Atlantic leading to different perceptions of contemporary security threats including transnational terrorism and, more importantly, different prescriptions on how to handle them. Such differences have existed before and they have been dealt with through the institutions that transatlantic community created in the backdrop of Second World War (Risse 2005: 1-2). Following the Iraq crisis, the way both sides engaged in repairing the damage occurred due to differences over Iraq war, suggests that how much both are serious about each other. This urgency was reinforced when the Western world is facing the most complex challenges such as terrorism, proliferation of WMD and failed states, besides conflict in the Middle East that has spill over affect for both with challenges

from rising state that has the potential to give birth to new Cold War of 21st century. To put it differently, the most severe and global legitimacy crisis of U.S. foreign policy in recent decades affects the Transatlantic relationship directly. The pictures of Abu Gharib and Guantanamo Bay are not only destroying what is left of a positive image of the United States in the Islamic world; they also challenge the Western community of values (Risse 2005:3).

It is wrong to argue that policy disagreements between Europeans and North Americans dominate the Transatlantic agenda. There is still quite some variation across policy areas concerning the extent to which the U.S. and European governments disagree among each other. In Transatlantic economic affairs, for example, things are fundamentally intact. The two main powers in the world economy – the U.S. and the European Union (EU) – still cooperate in managing international economic relations through multilateral institutions, particularly the World Trade Organization (WTO). Even when the Transatlantic relations were at worst during the Iraq crisis, the business communities were doing their business as usual. There is no need of much deliberation here over Transatlantic economic relations as it has been examined in Chapter Two. Even in security issues, it would be hard to argue that disagreements prevail. As to the top priority on the current international security agenda – the fight against transnational terrorism – both sides have established a rather smooth cooperative relationship concerning transnational law enforcement and intelligence sharing. Military and political security cooperation on the Balkans, in Afghanistan, and elsewhere has not been affected by the crisis in the Transatlantic relationship. Thus, not all is bad in the Transatlantic relationship. Yet, policy disagreements between the U.S. and Europe extend over a wide range of issues these days. During the Cold War, such conflicts were rather normal, but they were mostly confined to specific questions.

In the post-Cold War era, the war in Iraq produced the bitterest moment in Transatlantic relations. However it is important to note that both sides agree on the basic western values like freedom, democracy, human rights, rule of law and open market and they also agrees that these values are vital if world has to be a peaceful place to live. But they differ on how these values should be promoted. It was this differences that led to the opposition from some Europeans states of the US led Iraq

war. Actually, these differences is the result of inferences they draw regarding the Cold War and most importantly from the changes took place in the central and eastern European countries that led to the end of the Cold War (Kopestein 2006: 86-87).

The forceful removal of Saddam Hussain in Iraq was likely to aggravate problems in Iraq and Middle East, not resolve them. A plural and decent, if not democratic, regime in Iraq was the desirable outcome but that would come with time and patience; to risk imposing it by force risked producing a much more ominous outcome. Most importantly, the terrorist threat that all Atlantic nations opposed might be expanded rather than contained or eliminated (Treverton 2006: 50-51). Moreover, Iraq quite clearly demonstrated the limits of an American 'hard power'¹. The cost in lives and treasure of both defeating and pacifying Iraq makes it unlikely that the United States will enter in such venture any time soon. Military unilateralism even for the most powerful country "in the history of world", is not a viable strategy in contemporary environment. American experience in Iraq and rise of warlords in Afghanistan is proving a nail in the nostrils of American. U.S. fire and forget policy in Afghanistan is proving counterproductive and in a situation like Iraq, America is not able to pull out of Iraq. In a situation like Iraq, the importance of allies like EU who have greater experience in dealing with such type of situation by peacekeeping and providing assistance as well as by reconstruction is very useful. Democracy, reconstruction, and development will be self fulfilling, self financing, self-legitimizing process and imposing democracy from outside by waging war, overthrowing native government, providing aid is not viable. European with its 'soft power'² tool has been successful in bringing democratic system in its neighbours.

¹ Hard power, the ability to coerce, grows out of a country's military and economic might. Soft power arises from arises from the attractiveness of a country's culture, political ideals, and policies. Hard power remains crucial in a world of states trying to guard their independence, and non-state groups such as terrorist organizations willing to turn to violence. For more on 'hard power and soft power' see Nye, Joseph S., Jr. (2002). *The Paradox of American Power: Why the World's Only Superpower Cannot Go It Alone*. New York: Oxford University Press. Nye, Joseph S. Jr., (2006), "Soft Power and European-American Affairs", in Thomas L. Ilgean (ed.), *Hard Power. Soft Power and the Future of Transatlantic Relations*. Hampshire: Ashgate, p. 25-35

² According to Joseph S. Nye, Jr, 'soft power' It is the ability to get what you want through attraction rather than coercion or payment. When you can get others to want what you want. you do not have to spend as much on sticks and carrots to move them in your direction. Seduction is always more effective than coercion, and many values like democracy, human rights, and individual opportunities are deeply seductive. But attraction can turn to repulsion if we appear arrogant or hypocritical. It arises from the attractiveness of a country's culture, political ideals, and policies. When our policies are seen as legitimate in the eyes of others, our soft power is enhanced.

Here Europe superseded America, which is the new age ways to deal with the problem of autocratic type of system. Here it is in this context, where al Qaeda is again resurfacing in Afghanistan as well as the problem of Iraq and Iran issue, according to Moravcsik, “the best way to buck those odds would be for the Bush administration to reverse course and encourage far greater European participation. Because with regard to each of the key policy instruments that could make a difference –trade, aid, peacekeeping, monitoring, and multilateral legitimation – Europeans are better prepared than Americans to do what has to be done. Here the central institution is the EU as much as NATO (Moravcsik 2003: 85).” Moravcsik continues with it that arguably the single most powerful policy instrument for promoting peace and security in the world today, for example, is the ultimate in market access: admission to or association with the EU trading bloc. New EU applicants and associated nations perform well economically, and in country, authoritarian, ethnically intolerant, or corrupt government have lost elections to democratic, market-oriented coalitions held together by the promise of EU membership. Many countries like Russia, much of the rest of the former Soviet union, Israel, and many Arab states in the Middle East and North Africa, through Association Agreement trade more with Europe than the United States. Holding out such a carrot to post-war Iraq would create a strong incentive for good behaviour. Foreign assistance, meanwhile-whether in the form of humanitarian aid, technical expertise, or support for nation building-reducing immediate human suffering and bolster peaceful development. Here, too, Europe is the civilian superpower, dispensing 70 percent of global foreign aid and spreading its largess far more widely than the United States. This is one of the reasons, why is important to bring in Europeans as well as UN into process (Moravcsik 2003: 85-86).

Maintaining order and internal security will be a crucial challenge in Iraq, and here again Europe is the dominant player. Current and prospective members contribute ten times as many soldiers to peacekeeping and policing operations as does the United States. In trouble spots around the globe, European nations take the lead, as did the United Kingdom in Sierra Leone, France in Cote d’Ivoire, Italy in Albania, and Germany in Afghanistan and very recent EU involvement in Aceh in Indonesia. In Kosovo, 84 percent of peacekeepers are non-American, as are over half of those in Afghanistan (Moravcsik 2003: 87). Post-conflict monitoring under appropriate

multilateral auspices will be equally important, since American credibility has been undermined by pre-war errors and exaggerations. Most important of all, the Transatlantic commitment to strict controls over the use of nuclear, biological, and chemical materials might be harnessed to promote a stronger peacetime counter proliferation regime focuses particularly on trafficking in WMD materials. In gathering international legitimacy for confrontations with rogue states, European involvement is crucial. The second Gulf War was opposed by large majorities throughout the world and that is because of the lack of explicit UN authorization. In absence of such an approval, the allies offered no financial contributions. [Movarssik 2003: 88].

Even in a unipolar world, the sole superpower needs friends and allies. Still because the United States needs partners with some capacity, Europe remains the only viable choice. European role in Iraq is crucial because Iraq's post-war fate is crucial for the entire region with which Europe has long and close ties. Democracy in Iraq is likely to be the work of generations, and a European presence, both political and economic, is likely to be work critical to a successful outcome. In the short term, success in Iraq requires diminishing Iraqi and Muslim resentment of the United States. That can be facilitated by restoring Iraqi control over matter of governance, sharply reducing US military presence, and encouraging European involvement through trade, investment, and peacekeeping (Treverton 2006: 53). United States unilateral move to attack Iraq made the US the most unpopular country in the world. However, it is not new that all countries in the world pursue their national interest in foreign policy, but there are choices to be made about how broadly or narrowly we define our interest, as well as the means by which we pursue it. After all soft power is about mobilizing from others without threats or payments. Policies based on broadly inclusive and far sighted definitions of national interest are easier to make attractive to others than policies that take a narrow and myopic perspective (Nye 2006: 27). Here it is important to note that it was the American soft power approach that Europe invited America in the post-Second World War scenario along with the common values and culture like freedom, democracy, and open markets. Supporting democracy and human rights can help make US policies more attractive to others when these values appear genuine and are pursued in a fair minded way (Nye 2006).

Bush administration has emphasized the importance of spreading democracy promotion in the Middle East. But the way the Bush administration pursued its policies by ignoring the multilateral institutions and its allies that downgraded the legitimacy that comes from institutional processes where others are consulted. Europeans were not totally against the US policy on Iraq, but wanted the role of UN so that a broader legitimacy could be achieved. Europe's embrace for multilateralism is also a reflection of their experiences in the development of the European Union (EU), and in part a reflection of their self-interest in seeking multilateral constraints on the world's only superpower. This would have helped the US free from backlash US is facing today (Nye 2006: 30). In fact, while going with multilateral legitimacy, even if the operation would have failed, any single country could not be blamed as the said policies would have been approved by global community. By embracing multilateralism they would have got necessary support from most of the countries around the world. Even the reconstruction work and other have been pursued in concert of global community backed by the UN. This would have left no scope for the countries that are contrary to the western values and are looking for opportunities to defame the West and its value globally. Europeans are not fools, while insisting on multilateral legitimacy. In fact they are also very much guided by their national interests. In a globalised world, where the crunch of natural resources especially energy resources brought face to face each nation endeavouring for their economic development especially when the rising states like China, Russia and Japan and India already are competing hard to ensure energy supply, resorting to unilateral measures provides the scope for these countries to pursue their national interests with those countries, which West considers failed or autocratic or where Western presence is weak. In fact, EU opposition of US unilateral invasion of Iraq was seen as a threat to their interest in the region. European countries are more aware of the culture, tradition and history of the Middle East than the US, and choose to oppose US policies in the region because they fear that the already volatile crises due to Israel and Palestine conflict and hatred of the Muslim world towards West particularly against US, the US unilateral move will not only harm the security of the Europe but also to the supply of oil they need to run their economy, if they participate.

Since democracy can't be imposed by force and requires a considerable time to take root. The most likely way to achieve our long term goals is through international legitimacy and burden sharing with allies and institution. The US unilateral move and ignoring the role of soft power will in long term may go contrary to US interest. It is true that no single European state can hope to compete with the United States in terms of size and military capability, but Europe as a whole has a market of equivalent size, and somewhat larger population. Apart from the symbol of a united Europe itself carries a good deal of soft power. The idea that war is now unthinkable among countries that fought bitterly for centuries, and that Europe has become an island of peace and prosperity creates a positive image in much of the world. EU's emerging soft power is viewed in the sense that it is a positive source of solving global problems. It is this image that is popular in the volatile Middle East region as well not the American unilateral hard power (Nye 2006: 31]. Apart from attractive cultural and domestic policies, Europe's also derives soft power from its foreign policies, which often contribute to global public goods. It does not mean that Europe's every policies are far sighted and not unilateral. For example its protectionist Common Agricultural Policy (CAP), which damages farmers in poor countries- but Europe gain's its credibility from its advocacy for multilateralism, international law and human rights. According to Doninique Moisi, in our complex interdependent world, "hard" and "soft" powers are increasingly intertwined. Learning from the past European empires is also vital to the success of the American imperial enterprise today. One of the first those lessons-is that no power should ever define what is good for others without those people being involved. With today's diverse threats, Europe needs the United States as much. Trying to match American hard power with European soft power is also likely to provoke American ire and thereby damage European interests (Moisi 2003: 69-70]. The United States badly needs Europe's post-modern instincts about the limits of power and its reflections on the imperial experience if it wants to avoid getting stuck in quagmires abroad (Moisi 2003: 73).

European soft power if consulted properly before any action that require multilateral support, can also be a source of assistance and reinforcement for American soft power and increase the likelihood of the US achieving its objectives. In fact European promotion of democracy helps advance shared values that are consistent

with American objectives. The extent to which European soft power is an asset or liability for the US depends upon American policies and rests very much on America's own choices. European soft power can be used to help or hurt the US, depending on how America behaves. Here Nye seems right while pointing out that

the paradox of American power in 21st century is that world politics is changing in a way that makes it impossible for the strongest world power since Rome to achieve some of its most crucial international goals alone. On many of today's key issues-terrorism, proliferation of weapons of mass destruction, international financial stability, drug trafficking – military power alone simply cannot produce success, and its use can sometimes be counterproductive. Instead, the United States must cooperate with Europe and other to address these shared threats and challenges. America's continued success will depend on developing a better balance of hard and soft power in its foreign policy (Nye 2006: 34).

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