

Renewing Transatlantic Partnership: Why and How

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Mr. Chairman, it is a pleasure to appear before you and your colleagues today to discuss the transatlantic relationship after Iraq.

It is important that we do so, because the transatlantic partnership was a key casualty of the Iraqi war, and most of the wounds were self-inflicted. It is not an exaggeration to say that differences over Iraq produced the gravest crisis in transatlantic relations since the birth of the Atlantic Alliance. Of course, we have experienced many transatlantic squabbles over past decades. But our not-so-friendly fire over Iraq contained new and troubling elements.

First, the degree of transatlantic recrimination and bitterness was unprecedented. Second, our disunity was unparalleled, both across the Atlantic and throughout Europe itself. Third, for the first time since the end of World War II an American administration actively, even eagerly, encouraged and exploited divisions that set Europeans against one another. Fourth, for the first time since the founding of the Federal Republic of Germany, a German Chancellor abandoned his traditional role of mediating between Paris and Washington, tied German fortunes to Gallic ambition, and in fact went beyond specific policy differences with Washington to encourage deeper currents of criticism in Germany – and elsewhere – that consider the United States to be a greater threat to world peace than those who would threaten the Atlantic community.

Policy differences over a host of other issues beyond Iraq have exacerbated matters. European concerns have been fueled by the Bush Administration's refusal to participate in international agreements ranging from the International Criminal Court and the Kyoto Protocol on climate change to a worldwide ban on antipersonnel land mines, a global treaty to protect biodiversity, a verification mechanism for the Biological Weapons Control Treaty, and the Comprehensive Test Ban Treaty. Europeans have been critical of the Bush Administration's treatment of suspected individuals in the United States and suspected terrorist fighters being held at Guantanamo Bay naval station in Cuba, its pullout from the Antiballistic Missile Treaty, its neglect of the Arab-Israeli peace process, and its embrace of preemptive military action as a foreign policy doctrine.

Americans often retort that their European friends seem eager to lecture Americans about U.S. failings but unwilling to spend the money necessary to make European troops

effective, are too absorbed with the details of deeper and wider European integration to recognize the dangers posed by terrorists wielding weapons of mass destruction, are eager to trumpet "noble" multilateralist instincts in contrast to America's "retrograde" unilateralism (except when it comes to international rules that do not support EU preferences), and have failed to advance economic reforms that could sustain European prosperity or anchor world growth in the New Economy. Some accuse Europeans of using antagonism towards the United States as a way of defining their own identity.

These quarrels on international issues are exacerbated by a series of transatlantic spats over such traditionally domestic issues as food safety, corporate governance, the death penalty, data privacy, freedom of speech and religion, and a range of other civil liberties.

In short, Iraq was a real transatlantic brawl, but differences on that issue alone do not explain the emotional or broad-based nature of transatlantic recrimination and bitterness. That is because much of the debate both within and between Europe and America has been less about Iraq itself and more about what our approaches to Iraq may say about how Europeans and Americans may be approaching international relations in the 21st century, and the nature of our future partnership. Transatlantic squabbles are nothing new. But they are taking place in a new context. And in this debate, personalities, policies, catalytic events, and deeper structural changes of world politics all play a role.

The November 9 and September 11 Views of the World

Europeans and Americans are each presently engaged in a rather fluid debate about the future direction of their roles in the world, and increasingly appear to be viewing international issues through different foreign policy lenses. Each view is framed by a separate catalytic event, and, depending on the outcome of our respective debates, each of us may come to view the other in a new light.

For most Europeans the catalytic event framing much of their foreign and security policy remains the fall of the Berlin Wall on November 9, 1989 and the accompanying collapse of the Soviet Union and European communism. When the people on the streets of Central and Eastern Europe brought down the Iron Curtain with their collective cry, "We want to return to Europe," they unleashed an earthquake that is still shaking the continent and its institutions. Europeans are engaged in a period of fundamental transformation of their continent, marked by the introduction of a single currency, the Euro; enlargement to 10 new members within the next year; serious debates about reforming post-communist economies and retooling social welfare economies that have been the mainstay of Europe for half a century; and a "constitutional convention" and an intergovernmental conference intended to transform Europe's basic institutions and to define a role for Europe in this new century. Together, these developments represent an historic opportunity to build a continent that is truly whole, free and at peace with itself. It is a goal that Americans share, and to which the United States has contributed significantly. But it continues to absorb -- almost overwhelm -- European energy and attention.

For most Americans, November 9 also played a catalytic role, and informed much of U.S. foreign policy in the ensuing decade. But in American public consciousness the horrific events of September 11, 2001 have transformed November 9, 1989 into a bookend to an era of transition to a new and newly dangerous century. September 11 has unleashed a very fundamental debate in this country about the nature and purpose of America's role in the world.

In many ways, the current debate is analogous to the period of the late 1940s and early 1950s, when America had won a war but not yet found a role. In that period, the notion of "containment" emerged as an organizing principle for American foreign policy. In many ways, the events of November 9, 1989 represented the logical conclusion -- and triumph -- of that policy.

Today, the debate is how the threat of terrorism, joined to the proliferation of weapons of mass destruction, should lead the U.S. to reframe its foreign and security policy.

As Americans engage in this debate, some differences with the containment debate of the late 1940s are instructive for transatlantic relations. Then, Americans believed that one part of Europe was the front line and another part of Europe posed grave dangers. As a consequence, the central premise and preoccupation of U.S. foreign policy was the need for European stability. Today, Americans believe they themselves are on the front line, and the danger no longer emanates from Europe, but from beyond it. Europe, as a consequence, having already been "won," is seen increasingly by some in the Bush Administration more as a platform than a partner in its new global campaign.

These lenses explain somewhat differing American and European approaches to current issues. The November 9 world is one of promise, of new possibilities. The September 11 world is one of tragedy, of new dangers. The November 9th perspective says the worst is over. The September 11 perspective says the worst is yet to come. November 9th tells Europeans that if they work together, they may be able together to manage the security of their continent for the first time in their history. September 11 tells Americans that, by ourselves, we may not be able to ensure the security of our homeland for the first time in our history. The November 9th view says the management of global dangers, while important, is a less immediate priority than the historic opportunity to transform European relations. The September 11 view says that in its basic contours a Europe whole and free is already here; the priority challenge now is to transform global relations to meet new threats.

As each of our debates proceeds, there is a lazy temptation to use the other -- or more typically, a caricature of the other -- as an instrument with which to bash one's domestic opponents and to advance one's own political agenda. I don't want to spend much time on the gratuitous insults and cartoon images, the self-righteous triumphalism or the hollow posturing of recent months, except to say that style and tone matter, and it should give us pause to see the eagerness with which so many on each side of the Atlantic have been willing to sweep away facts and interests for the sake of a good stereotype.

These differing perspectives are serious, and should be taken seriously. But are these views irreconcilable? Is transatlantic divorce inevitable?

The short answer is no, and for a simple reason: we can't afford it.

America's Stake in Europe's Future

Mr. Chairman, a weaker transatlantic bond would render Americans and Europeans less prosperous, less secure, and less able to advance either our ideals or our interests in the wider world.

We will be less prosperous. It is fashionable to suggest that Europeans and Americans are drifting apart. Yet our citizens tell us a different story. Every single indicator of societal interaction - whether flows of money, services, investments, people or ideas - underscores a startling fact: our societies are not drifting apart, they are growing closer together. The years since the Cold War—the years when the fading “glue” of the Cold War partnership supposedly loosened transatlantic ties—marked in fact one of the most intense periods of transatlantic integration ever.

One of the most dangerous deficits affecting transatlantic relations today is not one of trade, payments or military capabilities but rather a deficit in understanding by opinion leaders—in and out of government—of the vital stake Americans and Europeans have developed in the health of our respective economies. The political, economic and media errors that result from this deficit are shortchanging American and European consumers, producers, workers and their families.

The facts are straight forward yet rarely acknowledged. Despite the perennial hype about the significance of Nafta, the “rise of Asia” or “big emerging markets,” the United States and Europe remain by far each other's most important commercial partners. The \$2.5 trillion transatlantic economy employs over 12 million workers on both sides of the Atlantic who enjoy high wages, high labor and environmental standards, and open, largely non-discriminatory access to each other's markets. The economic relationship between the United States and Europe is by a wide margin the deepest and broadest between any two continents in history—and those ties are accelerating.¹

Lost in headline stories about banana, beef or steel disputes are two critical facts. First, these squabbles represent less than 1% of overall transatlantic economic activity. Second, trade rows themselves are a misleading benchmark of transatlantic economic interaction, since trade itself accounts for less than 20% of transatlantic commerce. Foreign investment is the backbone of the transatlantic economy, not trade, and contrary to common wisdom, most U.S. and European investments flow to each other, rather than to lower-wage developing nations. Our companies invest more in each other's economies than they do in the entire rest of the world put together. Such investments are creating

¹ For details on deeper transatlantic integration, see Joseph Quinlan, *Drifting Apart or Growing Together? The Primacy of the Transatlantic Economy* (Washington, DC: Center for Transatlantic Relations, Johns Hopkins SAIS, 2003).

jobs for American and European workers, profits for American companies, and better choices for American consumers. They fusing our societies together far more tightly than the shallow form of integration represented by trade flows.

Over the past eight years alone American investment in the tiny Netherlands alone was twice what it was in Mexico and 10 times what it was in China. Europe, not Asia or Latin America, is the most profitable place in the world for American companies: U.S. companies rely on Europe for over **half** their total annual foreign profits. America's asset base in the United Kingdom alone is roughly equivalent to the combined overseas affiliate asset base of Asia, Latin America, Africa and the Middle East. Two-thirds of American corporate international R&D is in Europe, and two-thirds of the world's industrial R&D is concentrated in Europe and the United States. Moreover, European companies account for a significant percent of all US portfolio inflows – not insignificant for the world's largest debtor nation, which has to borrow more than \$1 billion a day to finance its record current account deficits.

By the same token, Europeans have never been as dependent on American prosperity as they are today. In fact, Europe's investment stake in America is one-quarter larger than America's stake in Europe. There is more European investment in Texas than all American investment in Japan. German affiliate sales in the U.S. are more than four times greater than German exports to the U.S. – a dramatic comparison given that Germany traditionally has been considered a classic "trading" nation. The bulk of corporate America's overseas workforce does not toil in low-wage nations like Mexico and China. Rather, they are employed in relatively well-paying jobs in Europe. The manufacturing workforce of U.S. affiliates in Germany is double the number of manufacturing workers employed by U.S. foreign affiliates in China. The number in the UK is five times what it is in China.

Of course our companies are economic rivals. But so many have fused it is difficult to tell whether they are "European" or "American." If the Congress wants to punish "German" or "French" companies these days because of their government's policies toward Iraq, they are likely to put American workers in Illinois, Texas, South Carolina or California out of a job.

For workers and consumers, economics is not a zero-sum game. If Europe grows, Americans prosper. If Europe builds a larger single market without barriers to commerce, Americans profit. Since the European market is so large, a 2% growth rate there would create a new world market bigger than Taiwan itself. Unfortunately, the Congress and the Bush Administration, together with their EU counterparts, have become trapped by mercantilist trade rhetoric. Our trade competition with Europe is not war by other means, but officials and politicians on both sides of the Atlantic find it politically attractive to portray the other as a relentless foe in a struggle for global market share. This makes it increasingly difficult to focus on our much more fundamental common interests in advancing multilateral trade liberalization through the Doha Round, or to build policies that address our growing interdependence. Over time such posturing creates the

impression among our publics and our media that our relationship is more adversarial than complementary, and we are all poorer for it.

If one uses Tom Friedman's definition of globalization as farther, faster, deeper and cheaper integration at inter-continental distances, then globalization is advancing farthest, fastest, deepest and cheapest between the continents of Europe and North America. The networks of interdependence that are being created across the Atlantic have become so dense, in fact, that they have attained a quality far different than those either continent has with any other. Many transatlantic tensions result less from the fashionable notion that our societies are drifting apart, and more from the growing evidence that they are in fact drawing closer together. Often these frictions are so severe precisely because they are not traditional "at-the-border" trade disputes, but reach beyond the border and affect such fundamental domestic issues as the ways Americans and Europeans are taxed, how our societies are governed, or how our economies are regulated.

These issues go to the heart of globalization. If globalization is going to proceed in ways that make Americans, Europeans, and others more prosperous and secure, the U.S. and Europe will have to show that they can deal with the challenges generated by the deep integration of our economies. If the U.S. cannot resolve such differences with Europe, it is unlikely to resolve them with economies much less like its own. The possibilities—and potential limits—of globalization are likely to be defined first and foremost by the successes or failures of the transatlantic relationship.

We will be less secure. In the post-post Cold War world, Americans share a strange sense that we are uniquely powerful and uniquely vulnerable at the same time, and that the fact of our power may not help us to cope with our vulnerabilities, which may derive as much from whom we are as a society as from what we do as a government. On September 11, in fact, we learned that perhaps our greatest strength – our free society – could be used against us. The attack on the World Trade Center was not only an attack on freedom, it was, as *The Economist* noted, "an attack through freedom." Al-Qaeda used the very instruments of a free society to achieve their murderous aims.

In short, power is relative to influence. The mere fact of power does not necessarily mean it can be wielded effectively to maintain order or to enhance stability. This is why the prevailing caricature of "American power and European weakness" is so fatally flawed.

First, by any standard, Europeans are powerful: they boast a multi-trillion Euro economy, generate a tremendous amount of innovation and technology to the world, possess the second largest concentration of sophisticated military power on earth, are leagues ahead of all others except the United States in their ability to project and deploy their military capacity, are the largest source of humanitarian aid and economic assistance in the world, are represented strongly in international organizations, and are the only other grouping of nations with a history of leadership, a tradition of advocating universal values based on democracy and the rule of law, and a sense of global responsibility.² Together with the

² For a detailed view of Europe's potential as a global partner, see David Gompert and F. Stephen Larrabee, ed., *America and Europe: A Partnership for a New Era* (Cambridge: Cambridge University Press, 1996)

United States Europe is the core of a robust, largely democratic, market-oriented zone of peace and prosperity that encompasses more than two-thirds of the world economy.

Second, those who advance the proposition of American power and European weakness reduce the concept of power to its purely military component – a simplistic, unidimensional view of power in a complex, multidimensional world. It's like being forced to watch a black and white, reel-to-reel movie on the wall of your basement when you know the full-color, digital SurroundSound version is playing in the theatre next door. Of course there is no substitute for effective military power when it comes to certain dangers. But in the post-September 11 world, power is distributed differently on different issues and, as Joseph Nye reminds us, resembles a three dimensional chessboard. On military issues, the world certainly is unipolar. But on economic issues, as I described above, the world is multipolar, and on the third level of play -- transnational issues outside the control of governments -- power is chaotically organized and it makes no sense to speak of a unipolar moment. "Those who focus on only one board in a three-dimensional game are likely to lose in the long run,"³ Nye cautions. Inordinate attention to one dimension of power deprives you of other tools in your tool box and blinds you to problems for which military power may not be the answer – WMD terrorism, or the peaceful reconstruction and rehabilitation of failed or rogue states such as Afghanistan or Iraq, for example.

Few great goals in this world can be reached without America, but few can be reached by America alone. The American people are unlikely to support an approach to the world that makes every problem our problem and then sends our warriors to conduct our foreign policy. In this era of shadowy networks and bioterrorists, failed states and recession, the only way we can share our burdens, extend our influence, and achieve our goals will often be by banding together with others, particularly our core allies.

U.S. military capabilities are vast. But fire power is not staying power. We can win wars without allies, but we can only secure peace with allies. And the most essential allies for winning the peace are our European partners, because the tools of peace-winning – trade, aid, peacekeeping, monitoring and policing – are European strengths. Europe delivers 70 percent of global civilian development assistance -- four times more than the United States. 90 percent of international aid to Afghanistan flows from Europe. European troops are keeping the peace in trouble spots ranging from Afghanistan to Cyprus to Macedonia to Guatemala to Eritrea to the Congo. In fact, EU members and applicants contribute 10 times as many police forces and peacekeeping troops as the United States.

Third, we are most likely both to win the wars and secure the peace if our power is perceived to be legitimate. The genius of the American-led system constructed after the collapse of Europe, following two world wars, was that it was perceived to be legitimate by those within its ambit. We have not enjoyed the West's sixty-year peace just because

³ "Europe is too powerful to be ignored," *Financial Times*, March 11, 2003, p. 13.

our countries are democracies (although democracy is a major contributor!), but because we built our success on a dense network of security, economy and society, and because those who are our partners have come to believe that, by and large, they have had a voice in the overall direction of this community. This American-led framework has enabled us to avoid older, more tragic approaches to international relations, such as balancing or containing latent rivals within our community, by giving others a stake in our success and thus undercutting any motive or opportunity for confrontation by other powers.

The effective use of power includes the ability not just to twist arms but to shape preferences and frame choices – to get others to conceive of their interests and goals in ways compatible with ours. As the EU’s foreign policy representative (and former NATO Secretary General) Javier Solana has recently reminded us, “Getting others to want what you want can be much more efficient than getting others to do what you want.”

In short, the widely perceived legitimacy of American leadership was essential to American success in the past century. It remains essential if we are to wield our unprecedented power effectively today. Legitimacy, in turn, depends on creating a wide international consensus on controversial issues. Previous U.S. engagement on difficult issues --from the Persian Gulf war to Bosnia, Kosovo and Afghanistan -- enjoyed enormous international support. U.S. engagement in Iraq did not. In a matter of only eighteen months the Bush Administration squandered the tremendous political capital it had amassed following the September 11 attacks, and the huge resentments generated by the U.S.-led preemptive war, including in such allied countries as Britain, Spain and Italy, is acting as a cancer on the relationship.

As a result, the global legitimacy of American leadership has become a defining issue for transatlantic relations and the measure of the Bush presidency well beyond Iraq. The U.S. cannot lead unless others choose to follow, and they will not make that choice over and over again unless they perceive it to be in their own best interests to do so. This depends on the degree of confidence they have in Washington’s capacity to cope with core challenges, and whether the way in which we do so is perceived to be legitimate. The best evidence is North Korea, where we are stymied. We cannot antagonize the international community on one issue and then expect it to accommodate us on another.

“If American relinquishes respect and affection in favor of fear and coercion, the world will be a colder and more frightening place,” John F. Kennedy reminded us at American University thirty years ago. A U.S. without the umbilical links to its core partners in Europe provided through a revamped NATO Alliance and more effective US-EU channels is an isolated America adrift in a hostile world, a power without peers but also a power without reliable partners.

Poses may be a last resort if the sheriff is desperate and alone. But they tend to be rather motley, unreliable affairs. Outlaws armed with weapons of mass destruction are more likely to be subdued by organized forces of law and order that employ their power through the consent and prescription of their communities. Any approach that willfully seeks to disparage or diminish those forces in favor of whatever international posse we

can rustle up shortchanges American security, American prosperity, and American freedom.

Similarly, U.S. efforts to pit some parts of Europe against others is a reversal of American support, over six decades, of an ever closer European union, and threaten to return that continent to the very pattern of history that in the last century brought untold tragedy, not only to Europe but to America and the wider world. Such efforts are as inept as they are dangerous, and must be rejected.

A New Atlanticism

A new Atlanticism begins by resisting the easy temptation to cast one's partner as the Ugly Other. It also means rejecting lazy "division of labor" arguments. These come in two guises. The first says that we should simply stop trying to reconcile our efforts: Europeans should manage European security and Americans should manage global security. This would be a disaster of the first magnitude, for it would leave the U.S. with the more demanding and dangerous assignment by far, relieve Europeans of any broader sense of responsibility, and place Europe's broader global security interests in Washington's hands. It would reinforce European inwardness, diminish U.S. influence in Europe, generate new resentments, and corrode our partnership.

The second version says, since Europe will never catch up to the U.S. in terms of military capabilities, it shouldn't even try. Likewise, since the U.S. will never allocate the resources or develop the inclination for post-conflict civilian peacekeeping, monitoring, or rehabilitation, it shouldn't pretend that it could. Instead of each partner working fruitlessly on its relative weakness, let each partner play to its strength: the Americans do the dirty military work and the Europeans do the post-conflict cleanup. This is a seductive idea, but again puts U.S. soldiers primarily in harm's way, generating resentment in America; and forces Europeans to clean up interventions about which they had little voice, thus reinforcing European resentments. Ultimately, such a division of labor would lead to a division of perspective and ultimately divorce, by reinforcing European tendencies to think all conflicts can be managed through civilian power and reinforcing American tendencies to apply military solutions to non-military problems.

These are false choices. Our real choice must be a complementary sense of risk and responsibility that aligns our respective strengths (and minimizes our respective weaknesses) to respond to the challenges that face our community. This means, as matters of priority, greater European efforts to build more effective military capabilities, and greater American support for more effective and sustainable U.S. capabilities in post-conflict reconstruction and rehabilitation.

Viewing the world primarily through a November 9 or a September 11 perspective is like trying to see through prescription glasses with one lens missing. Much is sharp, much is blurred, and the result is a headache. Our common challenge is to see through both lenses, to reconcile the promise offered by November 9 with the challenges posed by September 11 – to reconcile Europe's grand experiment of integration with a

reorientation and strategic transformation of transatlantic relations to create a new model, and a new focus, for our partnership.

Taken together, November 9 and September 11 convey a single message. We should trade in our old transatlantic barometer, which measured the health of our partnership by the degree of U.S. engagement on the European continent, for a new measuring stick, which gauges the ability of the United States and Europe to cope - together -- with the promises and dangers of globalization. If the fall of the Berlin Wall was the triumph of globalization's positive elements, the fall of the World Trade Tower was the shuddering response by its darker forces. Seen in this way, November 9 and September 11 convey both opportunity and obligation to recast our partnership, and with it the international system. In fact, two major results of the post-November 9 world – peace among the Great Powers and the potential for a strong, united Europe at peace with itself – can be major assets in the campaign to confront the challenges of the post-September 11 world.

The greatest security threats to the United States and Europe today stem from problems that defy borders: terrorism and proliferation of weapons of mass destruction, pandemics and environmental scarcities. They stem from challenges that have traditionally been marginal but contentious in the transatlantic security dialogue: peacekeeping outside the traditional NATO area; post-conflict reconstruction and rehabilitation; rogue states, failed states and states hijacked by groups or networks. And they come from places, such as Africa or Southwest and Central Asia, that the transatlantic agenda has often ignored.

On many of these issues, there is often disagreement within as well as between Europe and America. But unless Europeans and Americans find a way to focus together on these challenges, they will surely drive us apart.

A first step in this direction is to remind ourselves of a simple fact. Our relationship remains distinctive from any other relationship either of us have in the world in one sense. When we agree, we are the core of any effective global coalition. When we disagree, no global coalition is likely to be effective. More than with any other part of the world, America's relationship with Europe is what one might call an enabling or empowering relationship. When it works it enables each of us to achieve goals together that neither of us could alone. The Bush Administration put this premise to the test in Iraq, and the post-Iraq situation is a mess. The EU put this premise to the test on climate change, and the result is a climate regime in disarray.

A new Atlanticism must build on this fact through a new set of strategic bargains.

First bargain: Americans must be clear that they support a strong, coherent Europe; Europeans must be clear that they are building Europe as a partner, not a rival, to the United States.

Second bargain: Together we will supplement our traditional focus on European stability with more effective ways to engage together on the global stage. That means, as a matter of priority, a Europe that can act and an America that can listen.

Third bargain: Europeans who believe that robust international norms and enforcement mechanisms are needed to tackle these challenges must focus equally on the effective enforcement of such regimes, and be more forthright about the necessity to act when these regimes fail. Americans who see these treaties and regimes at best as ineffective and at worst as an unacceptable constraint on U.S. freedom of action should heed the costs of unilateral action in terms of less legitimacy, greater burdens, and ultimately the ability to achieve one's goals.

Taken together, these bargains promise to underpin a new Atlanticism. The old Atlanticism was equated with the institution of NATO. The new Atlanticism must include a stronger, larger NATO able to engage wherever Alliance interests are threatened. NATO's roles in Afghanistan and Iraq, together with the NATO Response Force initiative, are important beginnings. But given the nature of our world, such a NATO must be seen as perhaps the densest weave in a larger, multidimensional fabric of inner-European and transatlantic mechanisms and networks that can enhance our ability to work better together in fast-breaking crises; manage our differences before they impair our ability to cooperate; and improve joint efforts to address emerging threats and global issues.

The real question, in fact, is less that of institutions than of complementary perspective and determination. Are we prepared to work together on the broader challenges our community faces in this new century as we did during the last century? If we are not, our common future is diminished. Life without the other will be less prosperous, less safe, and less free.

The post-November 9th world offers us an unprecedented strategic window to use America's preeminent position to harness positive forces of integration with our key partners, lock in the gains offered by Great Power Peace, and use these to address the challenges posed by the post-September 11 challenges of WMD terrorism and its causes. It is decidedly in American interests to seek a more effective global partnership with a Europe that can act in real-time on pressing international matters.

Four priorities deserve our attention.

First Priority: Transforming the Greater Middle East

Our most immediate task, of course, is reaching agreement on post-conflict reconstruction and rehabilitation in Iraq, and the role of the international community. This remains difficult and contentious. But we must also frame our continuing debate over Iraq with a wider perspective if we are to pick up the pieces of our broader relationship.

The second area of past European-American tension in this region has been the Israeli-Palestinian conflict. Here our governments have been working together through the Quartet and do agree on the fundamentals of a road map to peace. President Bush's recent

efforts in this area could go far to diminish transatlantic tensions. But in the end, both parties must decide that they want a solution.

If our efforts in these areas are ultimately to be successful, however, they must be part of more comprehensive transatlantic strategies aimed at the modernization and transformation of the Greater Middle East itself. A circle – with its center in Tehran – that has a diameter roughly matching the length of the continental United States covers a region that encompasses 75 percent of the world’s population, 60 percent of its GNP, and 75 percent of its energy resources. The Greater Middle East is the region of the world where unsettled relationships, religious and territorial conflicts, fragile and failed regimes, and deadly combinations of technology and terror brew and bubble on top of one vast, relatively contiguous energy field upon which Western prosperity depends. Transformation of this region is the strategic challenge of our time and a key to winning the campaign against terrorism. Choices made there could determine the shape of the 21st century – whether weapons of mass destruction will be unleashed upon mass populations; whether the oil and gas fields of the Caucasus and Central Asia will become reliable sources of energy; whether the Arab world will meet the challenges of modernization and globalization; whether Russia’s borderlands will become stable and secure democracies; whether Israel and its neighbors can live together in peace; and whether the great religions of the world can work together.

This is a long term effort. We cannot hope to transform this turbulent region into an area of democratic stability and prosperity soon. But we can act more successfully together to defend common interests, to dampen the negative trends that are gaining momentum, and to work with those in the region who seek to carve out areas of civil society where the state does not intrude. Such an effort is far more likely to succeed if America and Europe were to pool our energies and resources and pursue it together.

Second Priority: New Approaches to Strategic Stability

A second, related priority is to generate a new understanding of strategic stability. During the Cold War the two superpowers preserved stability despite their animosity because they felt equally at risk. They shared the view that the prospect of suicide would deter anyone from actually using weapons of mass destruction, and they were willing to negotiate certain rules of the road together and with other nations. Today, all three of these premises have vanished. Other nuclear powers have emerged - and their rules of the road are unclear. Terrorists are not deterred by suicide, and they are not at the negotiating table. They have nothing to protect and nothing to lose. In short, Cold War deterrence will not work as it once did, and in some cases it will not work at all.

A new conception of strategic stability must weave what have been separate strands - the fight against terrorism, nuclear force posture, non-proliferation and defense efforts - into a comprehensive defense against weapons of mass destruction. These strands must be considered jointly, and discussion of the Bush Administration's doctrine of preemption should be incorporated into a broader discussion of what is likely to constitute security and stability in the new century.

Third Priority: Transatlantic Homeland Security

Third, we must develop "transatlantic" approaches to homeland security and societal protection. When the United States was attacked, our allies immediately invoked the North Atlantic Treaty's mutual defense clause, in essence stating that the September 11 attack was an attack on a common security space - a common "homeland." It is unlikely that a successful effort to strengthen homeland security can be conducted in isolation from one's allies. The U.S. may be a primary target for Al-Qaeda, but we know it has also planned major operations in Europe.

A terrorist WMD attack on Europe would immediately affect American civilians, American forces, and American interests. If such an attack involved contagious disease, it could threaten the American homeland itself in a matter of hours. The SARS epidemic, while deadly, is simply a "mild" portent of what may be to come. Bioterrorism in particular is a first-order strategic threat to the Euro-Atlantic community. A bioterrorist attack in Europe or North America is more likely and could be as consequential as a nuclear attack, but requires a different set of national and international responses. Europeans and Americans alike are woefully ill-prepared for such challenges.

In the aftermath of the September 11 attacks, 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 European and American prosperity increasingly depends. Efforts to protect the U.S. homeland against cyberattack, for example, can hardly be conducted in isolation from key allies whose economies and information networks are so intertwined with ours.

Unless there is systematic trans-European and trans-Atlantic coordination in the area of preparedness, each side of the Atlantic is at greater risk of attack. Uneven "homeland security" coordination and preparedness within Europe renders North America more vulnerable, particularly since North America's security is organically linked to Europe's vulnerability to terrorist infiltration. Similarly, if U.S. and Canadian efforts render the North American homeland less vulnerable to terrorist attack, terrorists may target Europe. Just because the Cold War has faded does not mean that Europeans and North Americans are less dependent on one another.

Current efforts are a good start, but still tend to be ad hoc and uneven. Complementary, sustained, and well-institutionalized efforts are needed in areas ranging from intelligence, counterterrorism, financial coordination and law enforcement to customs, air and seaport security, and other activities.

Fourth Priority: New Models of Transatlantic Governance

A fourth priority is to develop new models of transatlantic governance. Among the nations of the European Union the policies of European integration reach so deep that it

is common to hear that European policies have become domestic policies, and that EU countries have entered a new realm of "European domestic policy." This is very true, but it does not begin to capture the real dynamic of what is happening. A similar, if largely unnoticed, process has been underway for some time across the Atlantic. Our economies and societies have become so intertwined that in a number of specific areas Europeans and Americans have transcended "foreign" relations.

We have moved into a new arena of "transatlantic domestic policy" - a new frontier in which specific social and economic concerns and transnational actors often jump formal borders, override national policies, and challenge traditional forms of governance throughout the Atlantic world. Many of the issues confronting European and American policy makers today are those of "deep integration," a new closeness that strikes at core issues of domestic governance, and that is of a qualitatively different nature than the "shallow integration" model of the Bretton Woods-GATT system established at the end of World War II. Deep integration is generating new transatlantic networks and connections. But because it reaches into traditionally domestic areas it can also generate social dislocation, anxiety and friction, as on such issues as food safety or competition policy. At the same time, European and American scientists and entrepreneurs are pushing the frontiers of human discovery in such fields as genetics, nanotechnology and electronic commerce where there are neither global rules nor transatlantic mechanisms to sort out the complex legal, ethical and commercial tradeoffs posed by such innovation.

Neither the framework for our relationship nor the way our governments are currently organized adequately captures these new realities. Across the Atlantic such quasi-domestic issues need to be managed through new and more effective forms of transatlantic regulatory and parliamentary consultation and coordination, and more innovative diplomacy that takes account of the growing role of private actors. If we are serious about a Transatlantic Marketplace, then the U.S. and the European Union must work systematically together to develop joint or complementary approaches to such areas as financial services and capital markets, aviation, the digital economy, competition policy, or performance of our regulatory systems.

Mr. Chairman, Iraq has been a loud wake-up call to transatlantic partnership. The question is whether in the wake of this episode Europeans and Americans will be led astray by false choices or the lazy temptation of casting blame and pointing fingers at an Ugly Other, or whether we will assume the global obligations our partnership demands -- for history will ultimately judge us not only in terms of how well or badly we managed a particular crisis, but also how well we used such crises to shape our relationship for the future. Thank you.