



Jana Grittersová

The Redefinition of the Transatlantic Partnership

Studies on International Issues **B 04**

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**THE REDEFINITION OF THE
TRANSATLANTIC PARTNERSHIP**

RESEARCH CENTER OF THE SLOVAK FOREIGN POLICY ASSOCIATION





This publication appears thanks to generous support from the Ford Foundation

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Reviewer: PhDr. Ivo Samson, PhD.

Linguistic corrector: Martin Styan

ISBN 80-89041-03-5

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Introduction

While particular aspects of transatlantic relations can be viewed from the realist perspective, “the totality of their interactions” can best be understood using the concept of interdependence (Featherstone and Ginsberg 1996). These interactions comprise traditional bilateral intergovernmental links, institutions of the EU¹ and international regimes which go beyond the US-EU relationship. The post-war US-EU relationship took on an institutional framework and was committed to political, ideological, and security objectives (anticommunism, liberalism, multilateralism, collective self-defence) and thus to international stability.²

Traditionally, the dominant agenda in *transatlantic* relations has been military security governed by the US and its nuclear preponderance. The “balance of threat” resulted in the primacy of the military sphere over the economic sphere. Since 1985 the US-EU agenda has changed fundamentally due to the disappearance of the Soviet-American security agenda, structural developments in the world economy, and the attempt on both sides to re-examine their respective roles in the international system with respect to the economic and security spheres. The US has largely ceased to behave as a political and economic hegemon vis-à-vis the EU on account of its own hegemonic decline, the rise in EU abilities and influence, and the changes in Europe and in the international system that have been taking place since the mid-1980s.

These changes are radical and structural rather than marginal or conjunctural (Smith and Woolcock 1993). First, the framework of US/EU economic relations is affected by the strengthening of the EU’s economic power relative to that of the US and by a continued growth in economic interdependence without adequate policy convergence between the two parties. These problems raise questions about the respective roles of the EU and US in the world economy, and about how to deal with the linkages between domestic structures and the demands of ever more integrated economies. Second, responding to changed security realities, the changing role of NATO in a transformed Europe is to be considered, with regard to the specific challenges to the international order ranging from the collapse of the Soviet Union to the prospect of an independent European security identity.

¹ The term European Union (EU) reflects currently accepted terminology for the post-Maastricht actor known previously as the European Community (EC), and it is also used to refer to integration terminology before 1993.

² Featherstone and Ginsberg (1996) identify three historical periods in the US-EU relations: hegemonic (1945-circa 1965), hegemonic decline (1966-circa 1985), and post-hegemony (circa 1986 and after). This periodization is to a certain extent also used in this text.

Contemporary transatlantic relations are characterized by many adjectives: “post-hegemonic”, “complex interdependent” (Featherstone and Ginsberg 1996) “multilateral” and “highly institutionalized” (Nye and Keohane 1993: 106). Featherstone and Ginsberg (1996) claim that one of the key problems in US-EU relations is the question of how to manage complex interdependence in a post-hegemonic world. While the *security imperative* and US hegemony during the Cold War helped to appease commercial disputes in transatlantic relations, the end of «the Cold War has been marked by the feeling of both partners that they can afford to hold divergent views of international security, pursue their own foreign policy agendas, focus on other nations and regions, or reduce foreign commitments and redirect attention and resources towards domestic needs and priorities (ch. 2). The question is now: Can cooperation occur “after hegemony” (Keohane 1984) and, if so, how? (ch. 3).

The good news is that regimes may well survive after hegemony, as neoliberal institutionalists claim. According to them, the Western order has become a stable and expansive political order because the rules and institutions have become more firmly embedded in the political structures of society and they consequently reduce the returns to power. Furthermore, the institutions have an “increasing returns” character which makes it increasingly difficult for alternative institutions, orders or hegemonies to compete against and replace the existing order (Ikenberry 1998/99). Neoliberal institutionalism³ has come to represent the mainstream approach to analyzing international regimes. In examining the relevance of neoliberal institutionalism and interdependence theories⁴ for the post-Cold War transatlantic relations, I have used their main assumptions as the theoretical and conceptual framework for my analysis (ch. 1): first, the post-Cold War international system can be viewed as multipolar and post-hegemonic, second, there is the increasing political interpenetration of economic and security domains, and third, expanded foreign policy agendas (embracing trade, foreign direct investment, environmental issues, etc.) have become subject to domestic pressures.

³ An interesting critique of Keohane’s neoliberal institutionalism, labelling it as the “Harvard School of Liberal International Theory”, offers David Long. He described this theoretical approach as “an emasculated liberalism, shorn of its normative concerns with the liberty and well-being of individuals” where “ethical values” central to liberalism, disappeared and thus it is “fundamentally misguided” (David Long 1995:489-505).

⁴ The interdependence theories (the term used in the 1 chapter) and neo-liberal institutionalist theories (3 chapter) are parts of the same theoretical perspective labelled as *pluralism*. Both theories are results of the historical evolution and diversification of pluralism, however, the principal unifying feature is their assertion that realism cannot provide an adequate account of contemporary international relations (even if neo-liberalism shares some neo-realist assumptions).

Nevertheless, I maintain that radical changes in the nature of the European political and economic framework have created a need for the redefinition of the US-EU relationship in the light of the reasoning that the end of the Cold War is perhaps not “a turning point” but rather a “vacuum”, and that the institutions of the transatlantic partnership, “born of American hegemony, and driven by the imperatives of post-Second World War security and economic reconstruction”, are no longer adequate for the post-Cold War international realm (Wiener and Hiester 1996: 4-5). This suggests also the existence of a whole range of new problematic issues and tensions in the transatlantic relationship, demonstrated in chapter 2.

Moreover, I suggest that in the process of the adaptation of the multilateral framework to a new environment, the optics where two competing accounts of institutionalism in international relations - rationalist (neorealist/neoliberals) and “cognitivist”, stressing ideas and knowledge as explanatory principles (Hasenclever, Mayer, Rittberger 1997)) - coexist fruitfully should be taken into consideration in future evaluation of transatlantic relations (in contrast with the large amount of existing literature dealing with the *problématique* of the US-EU relationship using predominantly rationalist approaches). Thus, the examination of institutionalized behavior should not be based purely on the rationalist practices of treating egoistic identities and interests of states as exogenously given and fixed starting points for the explanation of institutionalization, but also on the *normative* meanings of multilateral organizing principles, on the cognitive basis of institutionalization rooted in epistemic communities and “intersubjective” understandings in sustaining international regimes in order to create inclusive and emancipatory regimes.

Having said all that, I nevertheless conclude that this paper aims to provide a general picture of the post-Cold war transatlantic partnership, to reveal the major challenges and problems affecting the very existence of this privileged partnership in the new contractual post-Cold War environment, rather than to present a detailed examination of all historical happenings in chronological order. Besides, the purpose of this paper is not to offer prolific scenarios or “grand designs” of the transatlantic relationship in the style of American think tanks. Instead, it should be conceived as an attempt to help understand the empirical development and theoretical conceptualization of the “new” US-EU relationship.

1. Post-Cold War transformations: diffusion of power

As the Cold War began to ease in the 1960s and 1970s and the international system moved from a bipolar to a multipolar configuration, the nature of national power and influence has changed: we can speak about the “diffusion of power” (Keohane 1993: 43-59). Power has become more complex and difficult to exercise and involves ambiguity of the concept of security and increasing interdependence. Moreover, there has been a diffusion of power resources in the international system due to the decline in the economic domination of the United States. US hegemony in Europe significantly lessened and was accompanied by the rise of the EU as an independent actor, enhanced by the developments such as the completion of the customs union in 1968, establishment of European Political Cooperation in 1970, EMS in 1979, its foreign policy actions in the Middle East and in Eastern Europe, etc. The EU has become a new centre of power in a more multipolar world.

1. 1. Holistic dimension of security

Traditional realists assumed that international relations is a “Hobbesian” struggle for power (Peterson and Ward 1995: 133). National security was viewed in a narrow sense as military security. Realism as a doctrine originated in the perplexing years of the 1930s and was a dominant theory at the height of the Cold War. However, the key assumptions of realism seemed less plausible after the Cuban Missile Crisis of 1962, associated with the danger of a possible nuclear war, and leading to the process of *détente*, when relations between the superpowers became considerably less tense. These changes are accurately characterized by Chris Brown (1997:41): “International diplomatic-strategic relations are of central importance when the stakes really are matters of life and death, but as the possibility of the Cold War turning into a Hot War declined, so the significance of international social, and especially, economic relations increased.” The importance of nonmilitary issues has been enhanced by increasing interdependence.

Interdependence theory has paid attention to these significant features in the contemporary international system, defining them as the growing importance of the global “commons” and the increasing “interconnectedness” between states (Ibid: 76). Unparalleled interconnectedness⁵ was, according to Holsti (1991) the result of the dramatic growth of “means of transportation, communication and exchange of goods,

money, and ideas”. The research agenda of interdependence theorists attempted to undermine the realist assumptions: first that states are unitary and the dominant actors, second, that force is a usable and effective policy instrument, and third that there is a hierarchy of issues in world politics, headed by questions of military security.

Their new concept of “complex interdependence”⁶ embraces three principal elements: First, there are “multiple channels” that connect societies including interstate (between governmental elites and foreign offices), transgovernmental (among non-governmental actors) and transnational (international organizations) relations. Second, “the absence of hierarchy among issues” means that military issues are not always predominant and therefore that differences between domestic and foreign policy are obfuscated. Third, in the world of complex interdependence, force appears as an irrelevant or insignificant political instrument and inappropriate way of achieving more important economic and ecological objectives. Moreover, the use of military force is costly and uncertain in the era of nuclear weapons.

Problems arising from different issue-areas demonstrating different forms of mutual dependence and increased sensitivities are balanced by the possibility for actors to apply strengths in one area to compensate for deficiencies in another. Therefore, “the increasing need for coordination of policy, created by interdependence, should have led to more cooperation” (Keohane 1984: 9). With the rise of interdependence the opportunity costs of the policy of non-coordination increase compared with “the costs of sacrificing autonomy” arising from “binding agreements” (Keohane 1990: 742).

Empirically speaking, with the appearance of Mikhail Gorbachev in early 1985, *détente*, arms control, and the “new thinking” in security began to replace deterrence and balance of power. New norms of behaviour in the international system were established (Peterson and Ward 1995: 136-137, Peterson 1996: 156-158).

First, wars are not seen as a rational method of solving the “security dilemma” as the economic, diplomatic and moral costs of using military power increase. Military competition and large defence budgets are increasingly viewed as a waste of national resources. Walker (quoted in Peterson 1996: 156) speaks about “great shifts in power”⁷ in the international system which are rooted in economic performance and not in the possession of weapons of mass destruction.

⁵ Keohane and Nye draw attention to the difference between “interdependence” and “interconnectedness”. They point out that while the first is characterized by reciprocal costly effects of transactions, the latter do not involve significant costly effects. (Keohane and Nye 1977).

⁶ The concept of “complex interdependence” was introduced by Keohane and Nye (1977: 23-27).

⁷ Grieco (1988) speaks about the “social century” which means that the advanced democracies are less concerned about power and prestige and more about economic growth and social security in their efforts to build the welfare state.

A second, and related norm is that market economies have been regarded as imperatives for secure and stable inter-state relations. National economic security cannot be delivered by autarchy but through economic cooperation between states in the framework of economic institutions.

A third norm represents the need for an international solution to protect the planet from environmental degradation which does not respect national boundaries and thus endangers the security of world population.

Finally, the Western governments are facing the dilemmas regarding military intervention for humanitarian or peace-keeping purposes. The danger of massive global conflict has disappeared, but the risk of degeneration of regional tensions and conflicts into armed conflicts has increased. The debate here is about the ethics of intervention reflecting the different views (universalism versus particularism) on the sovereignty of states and human rights.⁸ To intervene or not? But when, where and how? And at what cost?⁹

In sum, a *holistic* approach to security recognizes linkages between its different dimensions. It has two main features: first, military power is just one basis of international security and can be achieved only through mutual political accommodation and second, a state cannot enhance its own security unilaterally.

Following this logic, for the US, the crucial problem is the necessity to redefine the balance between prosperity and security and include into the security sphere issues of competitiveness and industrial policy. The Clinton administration tried to refocus foreign policy on the goal of economic security but the US continued to spend almost as much on its military sector as the rest of the world combined, and thus it might still be argued that the US conception of security today still preserves “the cold-war overtones of military priorities” (Ibid: 7).

⁸ For the cosmopolitan (universalist)/communitarian (particularist) debate regarding some important normative issues facing international relations, such as the autonomy of states, human rights, the ethics of intervention, distributive justice, and environmental degradation, see Hoffman in Groom and Light (1994: 27-44).

⁹ Shea (1993: 364-6) for the cosmopolitan position argues that security problems can no longer be “compartmentalized” into national, regional and international categories since individual states’ solutions are not adequate for such problems as mass migration, nuclear proliferation, the shearing of water resources or conventional arms transfers. He defends the principle of intervention explaining that democracies cannot apply liberal values and international law everywhere and that they must “draw a collective response” to such acts as the threatening of or attack on one state, collapses of governments leaving chaos and violence, human rights violations on the scale of genocide, rogue behaviour of states sponsoring terrorism or proliferation of weapons of mass destruction. These acts are “morally reprehensible” and threaten international peace.

From the EU perspective, the problem has been almost the opposite: how to insert traditional security issues into the “civilian power-base”¹⁰ accomplished through the success of European economic integration. The EU’s concept of security has encompassed political stability and thus the economic and social development of neighbouring countries, (especially in Central and Eastern Europe, but it has also extended to the North/South dimension) and global environmental issues with the aim promoting regional integration internationally as a means for peaceful settlements of disputes.

1. 2. The decline of American hegemony

The theory of “hegemonic stability” applied to the world political economy, defines hegemony as “preponderance of material resources ... a control over access to raw materials, control over sources of capital, control over markets, and competitive advantages in the production of highly valued goods” (Keohane 1984: 32). It asserts that an international economic order to be stable needs a hegemonic power - “stabilizer” (Kindleberger 1986: 304) - creating and enforcing the rules of order and openness.

Both neorealists and neoliberalists underline the necessity of a hegemon for the provision of “international public goods” (Higgott 1994: 160) - a free, open trading system and good centre-periphery relations - and they attach enormous significance to US hegemony in this role.

After 1945, the US was the strongest financial and productive power and had the capacity to provide hegemonic leadership and acted as a kind of substitute for international government. During this hegemonic period, the basis for a close political, military and economic alliance between the US and Western European countries was established in the form of the creation of a rich institutional framework to facilitate cooperation. Palmers maintains that the Europeans, constrained by their post-war poverty, the threat of the massive Soviet power and the uncertainty of Germany, had to accept American hegemony and protection. They had only two options: accept domination by the US or conquest by Russia.¹¹

¹⁰ Hazel Smith reveals that the first protagonist of the concept of EU as a civilian power was Francois Duchene. He used it to define and explain the EU’s international status and role. See: Hazel Smith (1995). For the concept of “civilian power” of the EU see also: Hazel Smith (1997), Smith and Woolcock (1993), C.J. Smith (1996).

¹¹ Palmers points out that the US-European relations in the late in the late 1940s has been developed within an ideological framework defined as “*Pax Americana*”. Palmer quoted in Featherstone and Ginsberg (1996: 20).

According to the theory of hegemonic stability hegemonic powers are alike in their mission to *construct* an international order. Ruggie (1992: 584-593) tries to disprove these conformities by comparing the Nazi scheme of “bilateral, discriminatory and state-controlled arrangements”, British imperial colonialism and American “multilateralism” as a “foundational architectural principle” for the reconstruction of the postwar order, however, admitting the rational egoism and self-interest of all hegemons in organizing the international system. In order to discover the motives for the particular multilateral agenda, one must inevitably examine more closely the particular hegemon’s international role and also its domestic sphere. The US post-war multilateral agenda is usually explained in two ways: “structural” explanations use the concepts of US hegemony or strategic bipolarity and “functional” theories focus on the minimalization of transaction costs, information costs and other institutional deficiencies. Ruggie’s explanation stresses the US endeavor to project the experience of the successful domestic reform program (New Deal program) into the international sphere and thus to apply the institutional means tried domestically at the international level.

Since hegemony depends on some kind of asymmetrical cooperation, hegemonic power creates the conditions for its own failure. For example, in the trade regime established by the hegemon, their rivals will take full advantage of access to the hegemon’s market in combination with measures to prevent its access to their markets. Gradually, the material basis upon which hegemony rests will be destroyed and the hegemonic power will lose the capacity and legitimacy to act as hegemon (Brown 1997: 173-177).

There are arguments that the US in the hegemon’s role accepted “unconditional leadership” (Keohane 1993: 54) in the trans-Atlantic partnership (for example, the trade discrimination that followed the establishment of a European customs union and the inconvertibility of European currencies at that time). The economic partnership helped to contain Soviet influence by strengthening the economic and political foundations of post-war Western Europe. However, Featherstone and Ginsberg (1996: 115-118 and 24) maintain that Europeans’ quest for unity, enabling them to regain their pre-war international stance, was in part a response to American dominance and their effort to become independent of the US. On the other side, the highly contested question about the US commitment to European unification can be seen as the US interest in rebuilding the European market according to its own liberal model to promote growth, counter communism and bring Western Europe into a liberal, multilateral world economic order, rather than American interest in supporting European integration.¹²

¹² Presentation of Michael Hogan’s explanation about the role of the US in the European integration process is provided in Featherstone and Ginsberg (1996: 22).

The shift from American *guardianship* of the international system to the ambivalence towards it can be traced to the early 1970s. Paul Kennedy (1987) in examining the American decline maintains that the fundamental strategic dilemma of the US is that of “imperial overstretch”: the US global interests and obligations are larger than the country’s potential to maintain all of them simultaneously. There is a growing disjuncture between the power of the US and its ability to exercise international influence, complicated by budgetary constraints, the variety of military contingencies, the country’s relative industrial and technological decline masked by the country’s military and nuclear capacity and its success in “internationalizing” the American capitalist system and culture. He stresses that *the durée* of every world leader depends on its capacity to preserve a balance between the nation’s perceived defense commitments and the resources to maintain them, and simultaneously to prevent the decline of its technological and economic potential.

Keohane (1984: 34-35) has a different view and defines “hegemony” as “a situation in which one state is powerful enough to maintain the essential rules governing interstate relations, and willing to do so” and there is not an automatic link between power and leadership. On the basis of the analysis of the relationship between perceptible power resources and actual influence of the US on the international scene, he claims that the declinist thesis has been “overdramatized” (Keohane 1993: 48-51). There are four main reasons for this assertion: First, US preponderance was never global but only within the capitalist economic system; second, US dominance over its partners was limited by its strategy of creation of regimes of independent, democratic states; third, decline can be accepted only by use of the definition of hegemony as “preponderance of material resources”; and finally, the erosion of American material preponderance is a combination of factors, such as domestic political and economic problems, the unification of Europe and the economic boom in East Asia. While he asserts that the US remains the strongest actor in world politics, he also admits that its dominance over Europe and Japan has diminished.

Higgot (1994) reveals the insufficiencies of rationalist analyses of hegemony, because they did not explain how a hegemon promoted international order, and their understanding of power was “relational” rather than “structural”. Moreover, hegemonic stability theory was “unicentric” international economic history presenting the US as willing and capable to construct an international order to promote its own interests, but also to contribute to the public good.

The inadequacies of relational approaches to power analysis were shown by Susan Strange.¹³ She draws attention to the “structural power” embracing the security, production, financial and knowledge structures, in the examination of the

¹³ For Strange’s concept of “structural power” and her views on US hegemony see: Brown (1997: 178-181).

modern world economy. In applying the concept of structural power to the analysis of the US economy, she asserts that while regime theorists accentuate the “inability” of the US to act as hegemon, the emphasis should be put on the “unwillingness” of the US to take a leadership role, allowing the emergence of so called “*casino capitalism*”.

In the light of these claims, the elements of US hegemony persist: the US still dominates the security issues of the world which are still an important source of power, given the general post-Cold War instability, the world’s output structure is still dominated by American corporations, the US dollar is still the premier world reserve currency, and the most advanced information technologies are American. Apparently, no other country has the ability to replace the US in its hegemonic position. The possible challenger, such as Japan, lack not only the elements of structural power but also legitimacy. Above all, “one of the advantages of the ‘American Empire’ is that it is remarkably accessible to those with a degree of power or knowledge in the way that more traditional societies never can be” (Brown 1997: 181).

In contrast, critical theory sees hegemony as based on the “configuration of material power, the prevalent collective image of world order (including certain norms) and a set of institutions”(Cox 1994: 454). This conception of hegemony, meaning a link between power, ideas and institutions (in a Gramscian sense), suggests that state power is not the only explanatory factor and material dominance not the sufficient condition of hegemony. International institutions function as the process through which the institutions of hegemony and its ideology are generated (Cox 1983: 172-173).¹⁴

¹⁴ Cox (1983: 172) lists the features of institutions supporting a “world hegemony”: (1) they embody the rules facilitating the expansion of the hegemonic world order,(2) they are themselves the product of this order, (3) they have an ideological role in legitimizing certain norms of the world system,(4) they “co-opt” the élites from “peripheral” countries, and (5) they absorb counter-hegemonic ideas.

2. Redesigning of transatlantic relations

Transatlantic relations include all multilateral links across different spheres: military (NATO, OSCE), economic (OECD, G7), trade (GATT/WTO) and monetary (IMF, World Bank) involving the countries and institutions of the US and EU (representing the dual level of political activity at the level of national governments and EU institutions). This “institutional overcrowding” (Smith and Woolcock 1993: 96), created by overlapping and competing institutions, induces inter-institutional tensions which are intermixed with divergent national or sectional interests on both sides.

2. 1. Economic diplomacy: trade and monetary interdependence

In the post-Cold war realm the linkage between economic (trade and monetary) and security relations is complicated by the persisting lack of symmetry. In international security the US retains a clear leadership role, at least as long as Europe has only a weak common foreign policy and no defence identity. The EU remains more powerful as “a process than as an actor” (Ibid: 64-65).

In economic terms, the EU and US are profoundly interdependent. Both depend on access to the other’s market.¹⁵ US trade dependence is already on par with that of the EU as a whole, and domestic constituencies may become as sensitive to monetary policy decisions taken elsewhere as they are now to trade policy. It is unclear how these US constituencies and industrial lobbies will respond to such increased dependence on other countries’ macroeconomic policy. Will they seek to protect the US economy, or call for greater cooperation with Europe?¹⁶

¹⁵ The US accounts for 20 per cent of total EU imports and exports. EU accounts for 18 per cent of US imports and 20 per cent of exports. 50 per cent of all EU investment comes from the US and 59 per cent of US foreign investment comes from Europe. The relationship is advanced and not traditional and one-sided because 35 per cent of overall trade is made of exchange services and 25 per cent of high-tech products. Source: European Commission, colloquium on “Transatlantic Economic Diplomacy” at London School of Economics, London, November 1998.

¹⁶ Wiener and Hiester (1996: 9) envisage three possible directions of US economic policy: first, “isolationism”, or the prioritization of domestic affairs, second, so-called “regional supremacy” resulting in creation of zones of influence or trade blocks, and third, turning of US attentiveness away from Europe to the Pacific region (e.g. Japan, China). However, Peterson (1994: 411-427) reveals that Clinton’s initiative in 1993 for an “Asia-Pacific Economic Community” disclosed the limitation of a Pacific Rim alliance as a cohesive political or expanded economic grouping.

The mutual dependence between the US and the EU in the economic field acts as a constraint on the policies pursued by each partner and give rise to numerous bilateral disputes, especially sector-specific disputes (e.g. steel industry, aircraft, telecommunications,), disputes over tariffs, standards, intellectual property and over agricultural export subsidies.¹⁷

Trade disputes were on the top of the trans-Atlantic agenda in the 1970s because the US was less willing to accept the negative effects of EU policies on their exports, its trade deficit and export markets were conceived as national (economic) security concerns and finally, the spectre of the Soviet threat to Western Europe diminished and thus exposed commercial disputes.

During the period of the Nixon administration the gold standard and fixed exchange rates were abolished (1973) as a response to US internal (growing budget and trade deficits) and external pressures. This led to the formal dissolution of the Bretton Woods system and to the retreat of the US from a hegemonic role. Macroeconomic and monetary policy coordination broke down and was accompanied by trade imbalances.

While the post-hegemonic transatlantic cooperation in commercial policy (trade, investment) is characterized by free market co-operation through institutionalized trade structures (GATT/WTO), in monetary and exchange rate policy the cooperation has been irregular and non-rule based. International monetary co-ordination has been undertaken *ad hoc* through the G7,¹⁸ structurally confirming the ending of US hegemony in macropolitical economics. In both trade and monetary affairs the EU has become important and, together with other countries, such as Japan, now shares in the shaping of “the rules of the game”. European efforts to limit the exchange rate fluctuations, whether in the shape of the currency snake, the EMS or EMU were also, in part, in response to the US monetary policy of *benign neglect*.

¹⁷ Featherstone notes that Common Agricultural Policy of the EU integrates single market support to ensure “food security” with protection against cheap imports and subsidies for exports. It means more difficult access of American farmers to the EU market and the application of non-American values: market intervention and protection to produce not only economic profits but also social benefits. By contrast, American agricultural policy is based on different principles and is designed to support farmers to meet production costs through price supports, storage and export enhancement programmes. (Featherstone 1993: 274).

¹⁸ G7 as the acronym for the Group of Seven (USA, Germany, Japan, France, UK, Canada and Italy) was established in 1975 as an informal regime of finance ministers and central bank governors from major industrial countries to discuss major issue areas in world politics. (Evans and Newnham 1998: 213-214). The management of monetary affairs in the new post-hegemonic order represents the 1985 Plaza Accord and the 1987 Louvre Accord. (Featherstone 1993: p.275).

The Euro and the United States

The EMU and the creation of euro is the biggest change in the international monetary system since the dissolution of the Bretton Woods system of fixed exchange rates in 1971. Successful EMU offers the prospect of the euro in the role of a major reserve currency.

The big advantage of the dollar's role as an international reserve and exchange currency lies in the fact that many imports, like oil, are priced in dollars and many of the US trading partners tie their currencies to the dollar. Therefore, in periods of domestic economic decline, the Federal Reserve Bank can run monetary policy more easily without worrying about the inflationary consequences of the exchange rate fluctuations of the US dollar and can use the dollar's comparative advantage in currency devaluation. A successful EMU would constrain the ability of the USA to find "cheap money" to cover its huge deficits. US trade and current account deficits will probably reach \$ 300 billion in 1999 (Bergsten 1999: 22). From Bretton Woods to the present, it has been quite easy for the US to find the money abroad to cover its deficits (external and domestic).¹⁹ The US, the world's richest country became controversially the biggest borrower of the world's free capital: today, its foreign debt reaches \$ 2 trillion (Bergsten 1999:26). This was allowed because the dollar was the most important international reserve currency.

In sum, the single European currency might reduce the role of the US dollar as the international exchange and reserve currency, further curtail the autonomy of US monetary policy and increase market pressures on the more efficient management of US fiscal and monetary policies, not allowing the US to use the "dollar weapon" (Featherstone 1993: 276) to elicit support from its partners.

Bergsten (1997) argues that the euro is likely to challenge the dollar in its role as the international currency, as it fulfils most of the criteria necessary to qualify a currency for international status: the size of the underlying economy and its global trade; the economy's independence from external constraints; avoidance of exchange controls; the breadth, depth and liquidity of its capital markets; and the strength and stability of the economy and its external position. The Eurozone constitutes a large and relatively closed economic entity with a size comparable to the US in terms of their respective GDP (and the zone will grow considerably when all fifteen EU member countries join). It thus offers a good economic basis for its currency and for the "economics of scale and scope". The EU has larger trade flows and monetary reserves than the US, and a balanced international position. The euro

¹⁹ David Calleo (1999: 12) explains that US external and fiscal deficits were caused by the heavy "geopolitical burden" linked to a "benevolent hegemony" of the US. It means that the US has provided common defence for the Europeans and Japanese, who were unwilling, or unable, to provide for their own defence.

can further improve the external financial position of the EU as an important world creditor. The only remaining criterion is the ability of Europe to establish a single capital and financial market, which will be capable of challenging the supremacy of the US market. Therefore, the extent and timing of the shift from dollars to euros depends largely on the fulfilment of this criterion.²⁰

Following this logic, the EMU can either intensify international monetary coordination and increase stability of the world economic system, or lead to the consolidation of “monetary blocs”. Calleo (1999: 13) claims that a successful euro, which pressures the US to balance its trade deficit, has a potential to become another contentious trans-Atlantic issue, so long as, “US trade strategy is to run its large deficits with Asia and hope to make them up at Europe’s expense”. As consequence, the US can react defensively to its loss of monetary hegemony by creating a formal “dollar zone” in the same way as the United Kingdom did in the 1930s. Europeans, participating in a single currency area might, for their part, as the US did in the past, choose to focus on domestic policy objectives and neglect calls for policy adjustments to facilitate trans-Atlantic and international economic coordination.

The optimistic scenario, on the other hand, envisages a new era of emerging “symmetry”(Featherstone 1993: 155 and 161-162). According to some scholars (Bergsten 1997 and 1999), the euro brings the prospect of a new “bipolar international economic order” (with Japanese yen in the role of a “junior partner”, having 10-15 % market share) that could substitute America’s monetary hegemony since World War II. Others (Bénassy, Italianer, Pisani-Ferry 1993) speak about a “tripolar regime”, characterized by the shared responsibility between the US, EU and Japan in constructing international financial order.

US-EU relations since EMU will affect the EU’s role in the international monetary system and the US-EU monetary interdependence. EMU is likely to improve the EU’s economic performance²¹, to strengthen the EU’s identity in the international economy and to make the relationship among the major international

²⁰ Bergsten (1999) envisages a total shift from dollars to euros of between US\$ 500 billion and US\$ 1 trillion.

²¹ Declaration on Stability and Sustainable Growth adopted by the ECOFIN Council in May 1998 asserts that the move to the single currency enhances further the conditions for “strong, sustained and non-inflationary growth conducive to more jobs and rising living standards”. Monetary and fiscal rules in EMU will probably have a favourable effect on growth and employment through the creation of a stable macro-economic framework, resulting in lower interest rates with positive effects on investment and consumption and through price stability which will give rise to “employment-compatible” wage policies. Sound budgetary policies can facilitate the needed restructuring of government spending towards more productive uses and lowering of taxes and social security contributions, while making the taxation system more “employment friendly” (Economic Paper No. 124

currencies more balanced and equal. The Bretton Woods system, the IMF and the G7 as fora for international monetary management were not satisfactory because the US was a dominant force and the EU lacked the unity to speak with one voice on monetary issues. Moreover, there has been neither a bilateral nor a satisfactory multilateral framework for the management of international exchange rate fluctuations.

EMU is a highly political project and it has a potential to launch the development of a political union.²² It stipulates a single monetary policy, a European central bank and an EU which speaks with one voice in international monetary diplomacy. The new symmetry in monetary relations could enhance the broader international monetary stability and impeach “benign neglect” monetary strategies.

However, the possibilities of frictions still exist if the independent EU monetary policy produces adverse effects on the US. American reactions to the European

1997). However, Duisenberg stresses that the EMU is “neither the cause nor the solution for the still unacceptably high level of unemployment in Europe”. Unemployment is a particularly painful problem for the EU. The problem of high unemployment is also serious due to fact that it could weaken the position of the ECB and lead to pressures for the adoption of a looser monetary policy. The situation further aggravates the loss of exchange rate flexibility and the constraints on the flexibility of national fiscal policies by the Stability and Growth Pact. This can result in higher inflation and could be destructive for the stability of the EU. Therefore, appropriate reform of fiscal, welfare and labour market arrangements within EU to introduce greater flexibility in European economies are indispensable.(Currie 1997). Nevertheless, EMU can act as “a catalyst” for structural change. There is some evidence, that this is true already. Italy and Spain have partially deregulated their labour markets and in all European economies (even in France) the privatization of state-owned industries, enhancing competitiveness of European industries, has been continuing progressively.

²² Padoa-Schioppa reveals that the creation of a monetary union is a political decision of the greatest importance because it “touches fundamental questions of sovereignty and modifies the economic constitution of member countries.” Therefore, a “new order” needs to be created by “an act of political will” which provides for a pertinent relationship between “the technical and political levels of responsibility” (Padoa-Schioppa 1994: 131)). He stresses that the present EU can be considered to be political union not only because of the political character of the affairs falling under its judicature. Its institutional structure has many more analogies with a “national” constitutional system than with “international fora for consultation and co-operation”(Padoa-Schioppa 1994: 186). The treaty on European Union has made the existing Community closer to a federal construction by increasing the number of decisions taken by a supranational authority. However, the competences of the member states are defined on the basis of the principle of subsidiarity and according to the principles of “liberal democracy”, which evokes the claim that the Union is presently developing toward “a Community of states and not a federation”(Minkkinen and Patomaki 1997).

single currency have been cyclical: the periods of inattention were followed by the claims that it could succeed, and then by warning of danger when success was probable (Wallace and Zielonka 1998: 67).

In order to precede the negative impacts of the euro on the US dollar and the international monetary system, some authors suggest a strengthened US-EU coordination in monetary affairs. For example, Bergsten (1999: 28-29, 32-33) calls for some kind of agreement between the US and the EU on a “dollar-euro range” (10-15 per cent), which would reflect their respective domestic economic fundamentals and limit dollar-euro fluctuations. The next step will be to design a new mechanism to protect the agreed range, such as clear official statements, direct intervention in markets, and monetary policy coordination. These measures would help to stabilize private capital flows by imposing the tolerable limits of exchange rate fluctuations and reduce contagion and the destabilization of capital flows in cases of the speculative attacks on either currency. The stabilization of the euro-dollar exchange rate would be beneficial for other countries too, especially for the countries which peg their currency to the euro or dollar, because it would diminish the risk of prolonged misalignments.

Systemic differences: trade blocs?

The existence of “systemic differences” (Smith and Woolcock 1993: 33-66) between the EU and the US regarding the dominant model of the market economy, together with differences in the decision-making processes in the US and the EU, result in different approaches of both partners to problems arising from increasing economic interdependence. These differences reflect “the empirical structures” and performance of both economies, but they also reflect ideological distinctiveness. The European “social market economy” model consists of extensive social policies, such as unemployment benefits, national health care and social security systems, which result in higher public expenditures on social programmes and thus in a higher proportion of taxes on GDP.²³ Despite the heterogeneity of the EU which means that there is no single model of capitalism and that the European model embraces quite different “Anglo-Saxon” and “Rheinland” models, and a specific Italian model (with its public enterprise and closed capital market), there are policies to promote economic cohesion (i.e. redistribution of resources among EU member states), the social dimension of European integration (an EU-wide agreement on the level of social provisions), and a social dialogue between labour and employers at an EU level. On the other side, the US “free market model” sees the social programmes as a cost burden on competitiveness and long-term economic growth and stresses the forces of the private sector.

²³ In the EU the proportion of taxes on GDP is about 35 per cent compared with 22 per cent in the US (Smith and Woolcock 1993: 41).

These differences entail the competition between the two models influencing economic relations between both countries. American proponents of free markets and welfare cuts criticize Europe's costly welfare systems, extensive social regulation, and sluggish labor mobility. Strong unions and strong "social safety nets" both make wages downwardly inelastic. However, a robust safety net also brings tangible benefits in higher life expectancy, lower infant mortality, narrower gap between rich and poor, creation of jobs for communities, and noticeably lower crime rates than in the US (Wallace and Zielonka 1998: 70).

The EU's disposition to accommodate systemic differences through "mutual recognition" offers better prospects for international economic interdependence than the traditional "harmonization-based" US approach (Smith and Woolcock 1993: 65). The US has, on the other hand, the advantage in articulating and launching policy initiatives because there is a single powerful executive body. However, policy coordination in the US involves complicated inter-agency coordination issues among the numerous departments of government active in the field of international economic policy. The difficulties are further complicated by the fact that individual states play an increasingly important role in trade and investment matters. Despite still extensive powers concentrated in hands of national governments, the European Commission is subject to far less legislative scrutiny or industrial lobbying than the US Trade Representative.

In the hegemonic post-1945 trading system, the US provided the leadership required to maintain a multilateral order. It is questionable whether in the post-hegemonic system the EU can fill the vacuum, given the lack of agreement on EU competence on some of the new commercial issues, such as trade and investment, the environment, or some aspects of services. The vacuum may be filled by regional agreements and structures (NAFTA, Enterprise for the Americas Initiative, and the wider Europe) in which US and EU each still retain, or are establishing, hegemonic roles. Regional agreements could then become the source of strategic commercial competition, rather than a means to promote greater multilateral liberalization.

In both cases much of the pressure for regional arrangements has come from smaller neighbouring countries seeking guarantees against protectionist policies of either the US or EU. By extension of its membership and competence the EU is internalizing parts of the multilateral process. The Europe Agreements between the EU and the Central and Eastern European countries *de facto* mean exporting the "European model", i.e. the *acquis communautaire*, as these countries use EU legislation in establishing their institutional structure of market economies. As in the case of the Single European Act and EMU, the enlargement of the EU will result in an increasing role of the EU in the international economy.

On the other side, NAFTA²⁴ is very different from the EU, which has a common commercial policy, distinct supranational legal order and aspirations of monetary

and political union. In terms of the world economy, therefore, it may be more relevant to consider the USA itself “the bloc” as it independently fulfils all of the criteria of a bloc:²⁵ the USA, despite some relative decline, is still a major force in the world economy, domestic interests (although individual US states may have divergent interests) overrule those of the US’s trading partners, and the US has a distinct view of the *fair trade* rules in international economic relations (Smith and Woolcock 1993: 46-47).

An interesting justification of regionalism is provided by Steve Weber (2000). According to Weber, “new regionalism” does not aim at the creation of “separate clubs”. Instead, because “the world’s major powers are engaged, their ideological and economic influence is pushing regionalism to continue the transition from being inward looking and protectionist toward being outwardly directed, export-driven, and focused on attracting investment and technology”. He demonstrates this new *phenomenon* on the case of the EU, which by expanding to the East will internalize the classical “North-South” dichotomy into its cultural, political and economic structures. For Weber, NAFTA has similar economic characteristics, but it does not have the political dimension.

Neo-mercantilism (the equivalent of realism in the political sphere) posits that the economic self-interests of governments lead to the “trade wars” (Featherstone and Ginsberg 1996: 242). Institutionalists agree that interdependence, economic integration and competition in the world political economy give rise to conflicts. Nevertheless, the growing economic interdependence provides a disincentive against trade wars as it promotes a convergence of interests. The explanation for trade clashes must take into consideration the fact that decisions of governments are affected by a complex policy process involving various actors operating inside and outside their administrative structures (producer groups, sectional interests). In the atmosphere of complex interdependence, the political action of governments in the economic sphere has created international regimes. Stronger regimes promote stability in the international economy as they act as a kind of international management (eg. G7). The Uruguay Round of the GATT trade regime (1987) is an example of how governments push for stronger regimes to

²⁴ The North American Free Trade Agreement is a free trade area among the USA, Canada and Mexico established in August 1992. Its aims are to abolish all tariffs on on products and to authorize free movements of services and investment capital. (Evans and Newnham 1998:342).

²⁵ Smith and Woolcock cite three characteristics of what forms a “bloc”: first, it must have economic potency, second, the interests of the constituent states of the area predominate over those outside the area, and third, it must have a “discrete” identity. (Smith and Woolcock 1993: 46-47).

tackle disturbances and to avoid the growth of economic regionalism in the world economic system.²⁶

Despite these tendencies towards “regionalism” in mutual relationship, there were some efforts to create a concrete common agenda, achievable and beneficial to both partners and also contributing to stability and openness in the world economy in the form of the Trans-Atlantic Declaration of 1990, a New Transatlantic Agenda of 1995 with its “transatlantic marketplace” and a recent Transatlantic Economic Partnership’s Action Plan of May 1998, identifying a series of elements for an initiative to intensify and extend multilateral and bilateral cooperation and common actions in the field of trade and investment. The tone of the New Transatlantic Agenda shows confidence and a real sense of pride “Together, we helped transform adversaries into allies and dictatorships into democracies. Together, we built institutions and patterns of cooperation that ensured our security and economic strength. These are epic achievements.”²⁷

In the light of previous arguments one can pose the question: What does experience in economic diplomacy tell us of the relative influence and objectives of the US and EU? Does the inability of the US to coerce the EU to support its use of commercial relations in support of foreign policy objectives (Helms-Burton anti-Cuba law, Iran-Libya) point to the absence of any clear link between transatlantic security and commercial relations? Is transatlantic economic co-operation used by the EU to tie the US to a commitment to European security? Or will the future transatlantic relationship develop in the direction of Woolcock’s (1996: 169-183) “drift scenario”?²⁸ This scenario, while assuming the importance of the mutual

²⁶ The Uruguay round was the most ambitious in the GATT’s history because it tried to develop “rules-based, mandatory regimes for resolving trade disputes across a far wider range of sectors than had ever been subject to international rules before”. The EU’s primary objective was to stop the US unilateralism in trade policy and therefore it pushed for agreements to subject far more sectors (services, public procurement, intellectual property rights and public subsidies to domestic industries) to stricter GATT rules. For the US, the importance of the negotiations lay in the fact that their results could either reinforce the EU’s commitment to liberalization or encourage “Fortress Europe” in the context of the Single Market project. It should be stressed that no settlement to the Uruguay Round was possible without “a complex package deal” between the EU and US which contained many compromises across a wide range of issues. The successor of GATT - the World Trade Organization - offered extended trade rules and stronger and more efficient dispute settlement procedures. (Peterson 1996: 112-114).

²⁷ Quotations from the first paragraph of the preface of the New Transatlantic Agenda (1995).

²⁸ Woolcock envisages three possible scenarios: continuation of status quo, drift scenario and deepening of economic links. He refuses the scenarios of trade wars and a “transatlantic economic community” as highly improbable. (Woolcock 1996:169-183).

economic relationship, envisages its decline due to increased growth in US intra-regional trade and investment (and closer economic ties with the dynamic Asian economies) on one hand, and similar growth in intra-European trade, on the other.

2. 2. The transatlantic security community

The *military* aspects of Western European security during the Cold War have often been seen as the coordination of national defence policies under US leadership to deter Soviet aggression. However, according to Wendt (1998: 231), it is difficult to prioritize some of the numerous factors which have influenced the formation of the transatlantic security community, such as the Soviet threat, transatlantic security commitments, West European economic integration, and common bonds of civil society, market economy, and constitutional democracy, even if in the creation of NATO the communist threat played the primary role.

In *political* terms, the loss of sovereignty required by NATO's integrated military structure and different perceptions of the nature of the Soviet threat caused frictions within the Alliance, leading for example to the withdrawal of French forces from NATO's integrated military structure (Peterson 1996: 129).

Since 1986, and particularly since 1989, the collapse of the communist system in Eastern Europe has profoundly changed the security environment in Europe. There is less concern about self-defence but new threats²⁹ have arisen: the collapse of the Soviet Union,³⁰ German unification, the new state systems in Central and Eastern Europe, characterized by lack of a settled structure and fragility, the new "arc of crisis" spreading from the eastern Mediterranean through the Gulf to central Asia, accompanied by a number of new pressing problems, such as voluntary or forced mass migration (with the pivotal role of the Germany as a target of the influx of migrants), diffusion of military technology and nuclear weapons proliferation, and environmental degradation.

In this new security framework, the security debate has focused on four main issues (Smith and Woolcock 1993: 97-98, Van Beveren 1993: 138, Wiener and

²⁹ For post-Cold War political challenges and threats, see, for example Smith and Woolcock (1993: 67-98), Peterson (1996: 166-172), René Van Beveren (1993:123-145), and others.

³⁰ The break-up of the USSR has raised a series of issues and demands, such as recognition of the Baltics, massive increases in aid and assistance, urgent measures to deal with the military and especially the nuclear consequences of the disintegration. The responses of the EU and US to the collapse of the Soviet Union were considerably different. While, the EU emphasizes aid and assistance, with Germany in the lead, the Americans were concerned about the control of the massive Soviet nuclear arsenal (admittedly, only the US had the technical and military capacity in this area). (Smith and Woolcock 1993: 68-74).

Hiester 1996: 1-23): First, the American military engagement and the role of NATO in European politics and institutions. Traditionally, the “Western debate” was conducted in the form of a dialogue between the US and Western Europe focusing on NATO. Given the new concept of security, where trade has become a core security issue, one could question the relevance of this relationship, based on the “security requirements” of a divided Europe. The dissolution of the Warsaw Pact and of the Soviet Union seemed to terminate NATO’s *raison d’etre*. Harold van Buren Cleveland (quotation in Holmes 1997: 32) sceptically points out that the Atlantic Community (not being a “community” in a proper sense, meaning based on history and culture as the EU, but rather a coalition) is cohesive only because of the defensive role of American nuclear power. What role shall NATO play “when the enemy has left the field” (Kaplan 1996: 27)? Europeans no longer feel a need for US protection and try to embrace a military component, while Americans refuse to support a large US military presence in prosperous Europe without the existence of a danger of large-scale conflict, for political (rather than defensive) purposes. This process could lead to US neo-isolationism and preoccupation with domestic problems. On the other hand, most analysts and policy-makers maintain that the problems NATO faces do not threaten its liquidation but may require a radical transformation of its purpose and the scope of its activities. Moreover, American military withdrawal from Europe is not unrealistic given the disillusionment of US with the incapability of the EU members to speak with a single voice. A second and related issue is that of European autonomy and a European security identity which is complicated by the still existing ambiguity of many EU member countries towards the unilateral vision of the EU’s internal functioning and its international role. Third, there is the problem of a formally structuralized and politically symbolic institutional framework which is “crowded and its boundaries ill-defined” (Smith and Woolcock 1993: 98). From the whole range of institutions in transatlantic security cooperation four could be involved: the UN, OSCE, NATO and WEU. And finally, there are problems regarding the involvement of the countries of Central and Eastern Europe in Western economic and security arrangements: emphasis is put on the enlargement of NATO as creating discord over NATO’s new mission.

NATO durability

NATO played a critical role in the transformation of traditional European “power-politics” in the same way as the continuing process of European unification has been critical for the prevention of the return of Western Europe to “a pre-1914 balance-of-power system”. NATO was defined as a “collective self-defense scheme of indefinite duration”, *de jure* against any potential aggressor though *de facto* against one and its main principles are “the indivisibility of threats to the collectivity” and “an unconditional collective response” (Ruggie 1992: 570).

Since the 1960s, NATO as the centrepiece of the Western alliance experienced a tension between, “the demands of defence” and “the promises of *détente*” (Smith and Woolcock 1993:91) i.e. between military and political concepts of alliance in the security field. It resulted in the efforts to engage NATO in military affairs outside the North Atlantic treaty area and also in non-military areas, such as the economy, the environment, etc.

Considerations regarding the extension of NATO’s political role were included in NATO’s New Strategic Concept (1991). The document reflects the new security environment and focuses on new potential risks but at the same time, it underlines the unchanged primary military (defensive) role of the institution, aiming at assurance of the territorial integrity and political independence of its members, and thus contributing to peace and stability in Europe. It stresses that the presence of North American conventional and US nuclear weapons in Europe remains vital for the security of Europe but it also recognizes the importance of the development of European defence structures.³¹ The development of a European security identity and defence role through the further strengthening of the European pillar within the Alliance was viewed as reinforcing the integrity and effectiveness of the Alliance.

NATO’s Berlin meeting in June 1996 empowered the European members with more responsibility and visibility within the Alliance through the formation of Combined Joint Task Forces, as part of NATO’s integrated command structure. The US proposed the CJTF concept as a result of a dispute following the 1991 Franco-German proposal to establish a Eurocorps independent of NATO. The objective of this initiative was to provide flexible arrangements to give NATO sufficient flexibility to respond to Alliance security requirements and new missions; to facilitate the dual use of NATO forces and command structures for NATO and WEU operations; and furthermore, former Warsaw Pact members were invited to associate with NATO and to join NATO’s Partnership for Peace.³² France, for example, considered CJTF as the possibility of participation in specific peace-keeping

³¹ The conventional forces of the Russia and other republics of the CIS, the ethnic rivalries and territorial disputes in Central and Eastern Europe, threats to peace in the Middle East and the proliferation of weapons of mass destruction and ballistic missiles were identified as new potential risks. See: The Alliance’s New Strategic Concept (agreed by the Heads of State and Government participating in the meeting of the North Atlantic Council in Rome on 7-8 November 1991).

³² The Clinton administration formulated the Partnership for Peace in 1993 to provide a perspective for NATO membership and impetus for the former Warsaw Pact members. The Partnership provides for a broad range of direct cooperation without granting the collective defence guarantee of NATO (Article 5 of the NATO treaty). This policy was designed to accelerate the process of cooperation but to delay NATO expansion because of a lack of unanimity within NATO and Russian opposition. (Sean Kay 1996: 45-46).

missions without having to accept the “diplomatic bloody nose” (Peterson 1994: 422) of NATO’s integrated command.

There are three preconditions that NATO must meet in order to promote or establish peace in the world (Barschdoff 1998:201- 203). First, a sufficient national interest for action on the part of the individual member countries; second a strategic allied consensus for NATO involvement; and third, “cultural interoperability” with other international institutions. However, the fulfillment of these prerequisites will be constrained by the following aspects of the current NATO debate: further enlargement; adaptation of the military forces to new security needs and reduction of the transatlantic gap in military technology; and NATO’s “new” mission. The allies hold divergent views regarding NATO’s mission (which are reflected in their policies), including NATO’s responsibilities to keep the peace in Europe, beyond Europe’s borders; and as a security guarantee against Russia.

The issue of NATO expansion seems to be a big puzzle for the international relations theorists. Robert McCalla (1996: 445-477) triumphantly claims the victory of the institutionalist arguments regarding the durability of NATO’s structures after the end of the Cold War. He draws attention to the inability of neorealism to explain the flexibility of NATO to function and even expand in its efforts to embed itself further into the European or transatlantic institutional framework. Going beyond the realists explanations and predictions of the disappearance of NATO in the absence of the Soviet threat (Mearsheimer, Waltz) entails going beyond an excessively narrow perspective on NATO’s historical military functions and its geographical scope. This suggests the following arguments: First, a high level of organizational and institutional development would mitigate the impact of the loss of a threat on an alliance. Second, the centrality of the alliance in the regime and its well developed norms, procedures and wide range of functions enables the change of its purpose according to the external conditions and this capacity is heightened by the longevity of the organization as its benefits and interests are deeply embedded in the actors’ perceptions. Third, in an environment of increasing political and economic integration and interdependence, future security efforts can be seen from a multilateral and multilevel perspective (with economic, social, and domestic dimensions) and thus the probability of endurance of alliances like NATO is high considering their sensitivity to changes in threat perceptions and power balances of *ad hoc* cooperative security arrangements or costly unilateral security measures.

The idea of NATO expansion has been strongly supported by US governmental circles driven by the view that expansion is the most effective way to maintain NATO and thus the US role in European security arrangements, to avoid the existence of a “security vacuum” between Germany and Russia, to reduce the security anxieties of the Central and East European countries by including them in a broader security framework, to contain ethnic conflicts and promote

democratization, transparency and economic reforms by the promises of NATO and EU membership (Ruggie 1998: 230, 235-238).³³ Given these objectives, NATO has produced a list of basic criteria for new membership, including an established democracy, respect for human rights, a market economy, armed forces under civilian control and good relations with neighbouring countries.

Critics point out that the discourse about NATO enlargement is a typical American realist debate about “power, principles and morality” (Peterson 1996: 145) taking little account of the risk of creating new political divisions or aggravating ethnic tensions in the unstable region, by isolating Ukraine or offering membership to one group of countries instead of to others (even if they stress NATO’s commitment to keep its door open to additional members), or of the fact that the armies of East European countries are poorly trained and equipped. The debate relies to a great extent on the conservative Republicans’ perception of Russia as an enemy. The NATO-Russia relationship remains very uncertain and shows lack of a clear direction in US foreign policy and divergent views of the European security between US and EU (which itself consist of divergent opinions of member countries). It is also argued that the US-Russia relationship is affected by the insecurity of both states in their new identities and interests in the absence of the threat typical of the cold war’s period. The critical point is also the fact that NATO has shown it lacks concrete leverage to resolve the serious ethnic conflict among its members (Cyprus and Turkey) and that against its proclaimed principles offered membership to states that were non-democratic at the time (Greece, Portugal).

NATO’s expansion has proved controversial in at least three ways: the question of which states to admit as new members, the attitude of existing members, and above all, the likely reaction of Russia. Given these problematic circumstances, Ruggie (1998: 230) suggests that the relations between NATO and the EU are more critical to the long-term discussions of the transatlantic security community than immediate NATO expansion. He warns that “pushing ahead with expansion prior to deepening, far from sustaining the transatlantic security community, potentially undermines it ...” and that “a US-led NATO expansion permits EU members to get off the hook of adjusting their own institutions and practices to accommodate their

³³ Madeleine Albright summarized the US administration’s view of NATO enlargement. As positive effects she mentioned prevention of ethnic conflicts, strengthening of democratic institutions and improvement of respect for minority rights in new democracies, a stronger and more cohesive NATO and thus enhanced European security. As potential risks she mentioned possible diminishing of the effectiveness and a harder decision-making process of the Alliance. Moreover, the isolated and insecure Eastern European countries might create their own mutual security arrangements, possibly with an anti-Russian character. See: Secretary of State Madeleine K. Albright. Statement on NATO Enlargement before the Senate Foreign Relations Committee (24 February 1998).

Eastern neighbors...,” He recommends “a European-led eastward expansion” which “delivers greater promise, poses few risks...”

In 1999 NATO formally adopted a “New Strategic Concept”. The concept recognizes “new missions” such as power projection, crisis management, acting against weapons of mass destruction and countering terrorism. However, in this context, one could pose following questions: How these new NATO missions will be expressed in terms of concrete Alliance’s responsibilities, actions and military capabilities? Where are the boundaries between the matters that are the business of NATO and those that can be resolved by unilateral action or by *ad hoc* coalitions? How should the US military presence in Europe be adjusted in light of future challenges? (Ochmanek 2000). Sloan (2000) suggests that in the process of the transformation of NATO, it is necessary to secure that the Alliance will have the military effectiveness and ability to carry out its traditional mission of collective defence as well as its new military functions. Moreover, it is important to preserve the transatlantic links, by enforcing NATO’s role as a forum for political consultation and military cooperation; and simultaneously to support the development of a European Security and Defence Identity .

New European security architecture: NATO, WEU or OSCE?

The expansion of NATO’s political mission is accompanied by the EU’s endeavor to to embrace the military aspects of security, and thus go beyond the economic and political aspects. The EU’s approach to the question of security is characterized by the tensions between the “Atlanticists” (represented particularly by the United Kingdom and the Netherlands) emphasising the strong transatlantic connection through NATO and the “Europeans” or “federalists” (represented mainly by France) pushing for a strong European identity and military cooperation. The institutional focus of both of them is the role of the WEU, representing at the same time the potential European pillar of a new Atlantic alliance and the institutional solution of a European defence capability. Germany, under international pressure but also domestic tensions, is espousing the European framework and thus its political union and common foreign and security policy (for example, Germany joined France in its proposals for a European Defense Identity on the foundation of the expanded Franco-German brigade)³⁴, while at the same time supporting the Atlantic framework and the role of NATO and the OSCE. The “new Germany” admits its strong concern with the establishment of a new order in Eastern Europe but simultaneously its commitment to operate within the established institutional channels of the EU and NATO. How can these ambiguous German foreign policy

³⁴ Franco-German brigade served as the basis for the Eurocorps (the founding states were joined by Belgium, Luxembourg, and Spain).

objectives be conceived? Are they expressions of the German efforts to dominate the EU or are they simply expressions of the “paradox of power without purpose” as a result of German domestic uncertainties?³⁵

An institutional compromise between these two poles in the EU delivered the Maastricht treaty provisions on CFSP and political union,³⁶ defining WEU as the fundamental part of the integration process but also as the European pillar of the Alliance. The Treaty contained provisions ensuring the compatibility of WEU policies with NATO, in a clear attempt to allay US anxieties. The WEU members consequently agreed in Petersberg (1992) that they would use military forces of the WEU for joint operations in humanitarian and rescue missions, peacekeeping, crisis management and peace enforcement – the so-called “Petersberg Tasks.”³⁷

The foreign and security pillar of the Maastricht treaty with its intergovernmental structure, majority voting on Commission proposals and the EU major policy instrument - its economic power - displayed its insufficiencies in such crises, as the Yugoslav conflicts, where states did not behave like “economically rational decision-makers” but their behaviour was dictated by culture, tradition and nationalism (Holmes 1997: 28). The Treaty of Amsterdam (1997), updated and strengthened the Maastricht Treaty - in the area of common defence policy included

³⁵ The position and status of Germany has always been central to transatlantic relations. European integration has been a means for containing not only a resurgent Germany but also appeasing the apprehension of the European nations, of France in particular. The reunification of Germany provoked new fears of German aggressiveness or dominance because the German position (whether affirmative or ambiguous) regarding the Soviet Union (Kohl-Gorbachev pact of November 1990, containing German agreement not to joint any attack on the Soviet Union and thus implying the fear of the creation of a German-Soviet alliance), on the Gulf, on conflict in Yugoslavia (Germany’s pressure on the EU to recognize Slovenia and Croatia evoked concerns about the re-creation German’s hegemony in Mitteleuropa). Given these circumstances, the American presence in of NATO is a counterbalance to the supremacy of Germany in Europe. On the issue of Germany see: Hoffman (1993), Smith and Woolcock (1993), Peterson (1996), Nye and Keohane (1993), Kaplan (1996).

³⁶ A Common Foreign and Security Policy, according to the Treaty on EU (Maastricht Treaty) is to be pursued “by establishing systematic cooperation between Member States in the conduct of policy ... implementing ... joint action in the areas in which Member States have important interests in common”. And “CFSP shall include all questions related to the security of the Union, including the eventual framing of a common defence policy, which might in time lead to a common defence.” See: Treaty on the European Union (Luxemburg, 1992).

³⁷ Full range of Petersberg Tasks include peacetime security; defence diplomacy; promotion of wider European interests; peace enforcement and humanitarian operations; and control of regional conflicts outside the EU. (Lindley-French 2000).

a reference to the Petersberg tasks and authorized the adoption of EU common strategies. Moreover, it created the position of “High Representative for Common Foreign and Security Policy”. Former NATO Secretary-General Javier Solana. was appointed Mr. Common Foreign and Security Policy.

The multiplicity of influences affecting the EU foreign policy decision-making process results in a strong tendency towards political passivity and inaction (Peterson 1994: 414). The Community was unable to produce a collective military position, in contrast to its ability to co-ordinate diplomatic and economic measures. It still possesses only three “weapons” to deal with conflicts: public opinion, the threat of withdrawing diplomatic recognition and economic sanctions (Peterson 1996: 143). Ole Waever (quoted in Ibid) argues that the EU’s principal problem in discourse about its military capability lies in its lack of an actual “*security identity*”. He puts stress on the “political community side” of the security identity, rather than on its “ethno-cultural” element as necessary to “back up the institutions required to stabilize the new Europe” (Waever, Buzan, Kelstrup and Lemaitre 1993:194). Lodge (quoted in Wiener and Hiester 1986: 8) argues that EU member states had been constrained by circumstances (especially in the Yugoslav crisis) to betray their image of a “civilian power” and to act “credibly” on the international scene.

Hazel Smith (1995: 45-48) reveals that to understand EU foreign policy it is necessary to take into consideration its relationship with the US, as EU foreign policy has largely defined itself *vis-à-vis* US foreign policy with the same strategic objectives (anti-Communism, democracy and market economy). However, the “European” way is based on different perceptions reflecting the historical development of member states of the EU, which results in the way the EU deals with the crisis situations: prioritizing diplomatic and economic measures rather than purely military measures.

Other authors point to the so-called “insecurity-reassurance-resentment syndrome” (Wiener and Hiester 1996: 4) of Europe, meaning its search for reassurance in times of perceptions of lessened US engagement, and discontent with US negligence and unilaterally made decisions. A major problem that renders it difficult to reinforce EU foreign policy capabilities is the issue of how to deal with the security leadership of the US in the framework of transatlantic relations and at the same time to have an independent foreign policy (Hazel Smith 1995: 18).

The US governmental policy towards European integration has always been ambivalent because of fear that it could produce a dangerous rival, especially in the economic realm, but also insofar that the EU could challenge NATO’s supremacy. At other times, it was not West European unity but its inability to speak with a single voice that annoyed Americans (Hoffman 1993: 67-68). Sloan (2000) identifies three schools, reflecting the variety of tendencies in the US attitude toward the European integration process: First approach, called the “traditionalist” school”, supports the

European integration and a stronger EU as a part of a “transatlantic community of shared interests and cooperation”. The second attitude represents “domestic interests” school, stressing the importance for the US to focus more on its domestic agenda. This implies that Europeans should take full responsibility for their own security, which will result in a more balanced defence burden sharing and in the reduction of US leadership responsibilities in the international realm. The representatives of a third, so-called ‘US security interests’ school, are sceptical of the benefits of European integration for the US. According to this approach, the process of European integration, especially in the absence of a Soviet communist threat, may have negative consequences for US economic and political interests. In the early 1990s, US policy reflected the influence of all these attitudes. The traditional approach still dominated the rhetoric of US policy, but the desire to share security burdens became a much more important factor influencing the decisions in the US politics. The tendency to look more sceptically at the quest for European unity became more important in the absence of the strong geopolitical necessity to support European integration which was present during the Cold War.

The first effort to develop partnership (rather than rivalry or indifference) in economic, political and diplomatic areas with the EU was Kennedy’s approach, called “grand design” or “twin pillars” and suggesting the replacement of US dominance by mutual burden-sharing and cooperation within the NATO structure. Another, much later, attempt was represented by the Transatlantic Declaration (1990) which can be seen as the expression of the Bush administration’s acceptance of the EU’s increased legislative authority over new security issues such as trade, foreign direct investment, protection of the environment and aid to Eastern Europe. The Clinton administration offers new opportunities for enhanced US-EU cooperation, and it expressed US support for the integrated Eurocorps, the principle of stronger WEU links to Central and Eastern Europe, and even the possible use of NATO resources by the WEU (Peterson 1994: 422).

The US vision of the issue of the economic recovery of new democracies in Central and Eastern Europe is that these are within the sphere of influence of the EU (especially Germany), while the US role lies in the economic development of Latin America. The EU can help these countries through direct economic assistance and association agreements promising eventual EU membership. The Europeans consider this policy short-sighted since “trade follows aid” (Collester 1994) and thus the US is depriving itself of future prospective markets in this region. However, by deferring to EU leadership in the co-ordination of Western aid to Eastern Europe the US *de facto* recognizes the EU as an important player in international affairs. The EU’s role in the reconstruction of Central and Eastern Europe has not only an economic but also a security dimension as it conditions economic assistance to and association with these countries not only on economic terms, but also on concrete

progress toward democratization. For these countries the EU serves as a model of “political reconciliation” and “economic rebirth” through integration (Featherstone and Ginsberg 1996: 6).

Peterson (1994: 423) characterizes these initiatives as the emergence of convergent US and EU visions of a new European security design based on a chain of assumptions showing that it is difficult to conceptualize “an effective CFSP without an effective WEU, and an effective WEU without strong links to NATO, or, ultimately, membership of the EU, WEU and the European pillar of NATO which are not broadly similar.”

Nevertheless, there are some suggestions regarding the desirability of fundamental changes in the American attitude towards the new Europe (Walker 1991: 128-143, Kelleher 1993: 147-165). Besides the coordination and consultation on important global issues, the US has no further right to participate in the EU decision-making process. The US should learn “decision sharing” which will be accompanied by burden sharing, but not in a classical American sense that others should pay more for policies decided on in Washington. The US needs a different concept of security centred on economic and political tools and on the promotion of the role of the OSCE which can give the US recognized participation in European political, economic, social and security affairs regardless of the destiny of NATO.

Can European security be based on the OSCE?³⁸ The OSCE was born of Soviet pressure for legitimacy during the period of East-West *détente* (1975) as the basis for new security structures. The OSCE consists of a broad range of states and regimes – in include all countries of Europe, except Albania, plus the USA and Canada. It can highlight moral and political issues, provide a forum for debate, for monitoring human rights and force reductions, and act as a facilitator of common actions, but the institution has often been criticized for having no capacity to give them concrete expression in the form of military action, enforcement of sanctions, or provision of humanitarian aid. However, in 1992 the OSCE established “missions of long duration” with mandates, which include mediation, conflict prevention, crisis management, reconstruction aid and monitoring of human rights. Since 1992 a total of thirteen such missions have been deployed in, for example, Bosnia-Herzegovina, Croatia, Kosovo, Sarajevo, etc. (Flynn and Farrell 1999). The greatest strength of the OSCE is its inclusiveness: it is the only European security

³⁸ Following the agreement on the Charter of Paris in November 1990 the Conference on Security and Cooperation in Europe structurally has become the Organization for Security and Cooperation in Europe. OSCE declared itself a regional organization under Chapter Eight of the UN Charter with the aim of prevention, management and settlement of conflicts. The organizational structure of the OSCE includes a Committee of Senior Officials, a High Commissioner on National Minorities, a forum for security cooperation (dealing with arms control) and a Conflict Prevention Centre. (Evans and Newman 1998: 108-110).

organization in which Russia has full membership and this gives it an advantage over NATO and the WEU. However, it has two great deficiencies in dealing with conflicts: the unanimity principle and the lack of military forces.³⁹ While NATO showed support for the OSCE's role in dealing with crises in Europe, it also duplicated this institution by the creation of the NACC which includes the former members of the Warsaw Treaty Organisation and the former republics of the Soviet Union, together with the members of NATO and serves as a forum for consultation and joint projects.⁴⁰

In sum, the principal topic of the realist-empirical policy debate in the political and security realm is US proto-isolationism vis-à-vis European security and the possible rise of violent nationalism in Eastern Europe linked with the question of whether and how the EU will handle political and economic instability in this region. Efforts to manage these problems are hindered by the lack of the agreed rules and the existence of competing security frameworks in Western Europe: NATO, the WEU, EU, OSCE and UN.

Peterson (1996: 165-172) reveals that the discourse on reformulating the European security framework is mostly about institutions, or different "means" to maintain peace. He underlines "ends" rather than means and the necessity to elaborate "a vision of a stable peace" on which transatlantic cooperation within the multilateral framework can be based. This vision should focus on new security issues such as the promotion of democracy in Eastern Europe, environmental protection (e.g. clean technologies), control of the proliferation of nuclear weapons, and joint actions ensuring sustainable development of less developed countries.

³⁹ Holmes (1997: 43) suggests the possible directions to improve the OSCE's security role in Europe. The first possibility might be the evolution of OSCE in the direction of becoming a European Security Organization, a true collective security organization, which will be complicated by the necessity to modify the roles of existing organizations and include Russia in the security framework. This could be a substantial problem because of Russia's massive nuclear power, a troubling past, and an unpredictable future. Another path is to accept the existing pluralist organizational structure but to make OSCE a more effective forum for discussion and decision-making concerning European security issues. This alternative would necessitate the abandonment of consensus rule and the creation of some kind of "steering committee" or council of great powers. The role of NATO as a "mutual defence pact" with its deterrent and enforcement function would remain unchanged. OSCE might call upon NATO or the WEU as the "secular arm" of the OSCE, to provide military expertise or force to implement its decisions.

⁴⁰ Wiener and Hiester (1996: 6) state that the Euro-Atlantic Council and North Atlantic Cooperation Council collaborate in the domain of regional conflicts, peacekeeping actions, economic development and conversion of defence industries, in scientific and environmental matters.

Kosovo and beyond

Kaplan (In Wiener 1996: 42) reminds us that the in the post-Cold war environment, there is no longer the balance of threat, but today NATO balances “the threat of disorder” of post-communist Europe resulting from ethnic and religious animosities in the region. This statement is perfectly applicable to the Balkans, representing a crucial test for the North Atlantic Alliance.

What lessons do the Bosnian and Kosovo conflicts have for the future crises and for transatlantic relationship? We should start the analysis by asking if the war in Yugoslavia could have been prevented or at least contained. According to Grant (2000), the answer is “no”. Only NATO could have provided a credible deterrent to Milošević regime, but the Yugoslav wars showed the limits of both NATO and the WEU with regard to crisis and conflict management “out-of-area”. NATO had first to undergo “a political and doctrinal metamorphosis” (Tanner 1999) before any involvement in the Balkans. The Balkans conflicts showed the divergent interests and leverages of transatlantic partners: American interest in the security domain and European in the political domain (humanitarian and economic aid)⁴¹. In spite of the strong criticism of the EU, the Americans did not bring a “magic solution” to the Bosnian conflict either. There was no political will on the US side to provide political and military leadership in Yugoslavia. And consequently, as Holbrooke (quoted in Grant 2000) points out, the record of Dayton was flawed by “insufficient follow-up, poor coordination between the military and civilian sides, a lack of US financing and the deferral of some key issues”. Although the EU was only marginally involved in Dayton, it became a key provider of financial and economic assistance in the reconstruction of the region. Unlike in Bosnia, the EU and US successfully coordinated their response to the Kosovo crisis. In the course of the war, the alliance maintained strong solidarity, despite the fact that the UK, France, Germany and Italy were governed by social democrats and Greeks have strong affinities with Serbs. The NATO air campaign underlined the importance of the transatlantic links that are at heart of NATO’s successful mission. But was it really successful?

The conflict set a new precedent in international relations: a right of humanitarian intervention within a sovereign country without an explicit mandate from the United Nations Security Council (this new approach was labelled as “a Clinton doctrine” in Daalder and O’Hanlon 1999). Hodge criticizes (quoted in Coll 2000) NATO intervention in Kosovo and explains that it served “neither human

⁴¹ In their analysis of the Balkan conflict, Wiener and Hiester conclude that the conflict was about moral rather than strategic decisions and that it was a failure of both the US and European governments who “lacked the courage to ... say to an understandably concerned public that there are situations where intervention, beyond the humanitarian, is unlikely to work” because this may be an unacceptable sign of the crisis of the future role of NATO, transatlantic relations, and the so-called “New World Order” (Wiener and Hiester 1996:12-13).

rights nor peace and security particularly well.” For him, there was an anomalous moral contrast between the rhetoric of NATO leaders about the “noble” objectives of the mission and the risk their governments and public opinion were prepared to take to achieve these objectives. The advanced military technologies allowed NATO to fight the war solely from the air without using combat troops on the ground, and therefore to fight without casualties. Hodge’s concern is that in future crises, the use of air forces may be seen as useful “sanitized instrument”, which requires few moral barriers and no international sanctioning.

Leaving the question of morality and justice of the Kosovo war aside, the key lesson from the Yugoslav conflicts for Europe is that it needs to develop a credible and effective common foreign and security policy and defence capability. The Yugoslav conflicts illustrated that the EU still remained dependent on the US for resolving conflicts on its borders. Critics (especially American) accused the EU of wishful thinking expressed in its lack of political unity, and inability to translate its substantial economic power into international influence, since its individual member states - as a result of domestic pressures and problems, historical and other links - hold different views on the feasibility and appropriateness of the use of force. The Kosovo crisis represents a turning point for the Europeans in security terms. Ulrich Beck optimistically claims: “Kosovo could be our military euro” and could create “a political and defense identity for the EU in the same way as the euro is the expression of economic and financial integration.” (Beck quoted in Dale 1999: 25).

The approach to European defence was changed profoundly by the British Prime Minister Tony Blair, who blamed the EU for its limited autonomous military capabilities and called for major institutional and resource changes to make Europe a more equal partner in the transatlantic Alliance.⁴² This initiative was followed up by an Anglo-French agreement on *European Security and Defence Policy* from the St-Malo United Kingdom-France Summit (December 1998). The St-Malo Declaration included the following principal elements: first, the EU needs to be in a position to play its full role on the international stage; second, on the basis of intergovernmental decisions, the Union must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them and a readiness to do so, in order to respond to international crises; third, the NATO and WEU collective defence commitments of the EU members must be maintained, obligations to NATO honoured, and the various positions of European states in relation to NATO and otherwise must be respected; forth, the Union must be given

⁴² The WEU Audit in 1999 identified only five types of limited operation that European military forces could undertake today: the separation of belligerent parties, conflict prevention, humanitarian aid in the aftermath of natural disaster and support for refugees in a conflict zone and evacuation from a conflict zone of WEU citizens. (Linley-French, 2000).

appropriate structures and a capacity for analysis of situations, sources of intelligence and a capability for relevant strategic planning, without unnecessary duplication; and fifth, Europe needs strengthened armed forces that can react rapidly to the new risks, and which are supported by a strong and competitive European defence industry and technology.⁴³

St-Mallo declaration was approved by all EU member countries at meetings in Cologne (June 1999) and Helsinki (December 1999). In Helsinki, the EU members declared their determination “to develop an autonomous capacity to take decisions and, where NATO as a whole is not engaged, to launch and conduct EU-led military operations in response to international crises.” They stressed that the process “will avoid unnecessary duplication and does not imply the creation of a European army.” However, they committed themselves to establish a reaction force of 50,000 to 60,000 men by 2003. In addition, the EU member countries agreed on the creation of new political and military bodies to allow the European Council to provide political and strategic directions to joint military operations. Finally, they agreed on the development of the procedures for consultation, cooperation and transparency between the EU and NATO, taking into consideration the needs of all EU members, particularly to allow non-European NATO members to participate in EU military crisis management. The members of the EU have thus committed themselves to create an autonomous European military capability, including military forces, decision-making processes and institutions.

While the US has always embraced the potential of a stronger “European pillar” in the transatlantic Alliance, the EU’s military ambitions have caused anxiety in the US. Sloan (2000) calls the US approach towards an autonomous European defence a “*yes, but policy*”, supporting the European efforts but warning of its potential negative consequences. Their principal questions Americans ask when they evaluate whether the ESDP will enhance or complicate the unity of the Alliance are: First, will it strengthen security in Europe? Second, will it help build a stronger and healthier transatlantic relationship? Third, will it strengthen NATO’s ability to deal more effectively with crises in Europe and beyond its borders? (Larrabee 2000)

The US expects that implementation of ESDP will allow the Europeans to shoulder a larger share of the transatlantic defence burden; provide additional capabilities to deal with security problems in the regions adjoining “greater Europe”⁴⁴ – in the Caucasus, Central Asia, the Balkans, and the Mediterranean

⁴³ Joint declaration on European defence, issued at the British-French summit, St-Malo, France, 4 December 1998.

⁴⁴ There is a general view among some American security experts that the US has a global security vision, while Europe has a regional perspective. While France and the United Kingdom have security interests beyond Europe’s borders, Germany and some other EU

region, including North Africa and the Middle East - and finally, it will strengthen NATO, both politically and militarily (Sloan 2000). Their are arguments in the US that the NATO is endangered more by weak European defence capabilities than by strengthened ones and that enhanced military capabilities will contribute to the development of a greater coherence in the area of defence and to the strengthening of the transatlantic partnership.

The Clinton administration has officially approved and support the EU's goal of developing defence policy, but cautioned that the process should not "decouple" or "de-link" the US from Europe and produce new transatlantic divisions; duplicate NATO's capabilities or discriminate against NATO countries that are not EU members (Turkey, Norway, Iceland and the new Central European members of NATO). The "*three D's*" – duplication, de-coupling and discrimination – summarize the Administration main concerns regarding the ESDP, which are perfectly compatible with the Bush administration's earlier warning in reaction to the Franco-German initiative to develop EUROCORPS. (Sloan 2000, Larrabee 2000).

The US underlined that NATO should retain its integrated military structure and NATO should continue to be the essential forum for consultations and for agreements in all policies involving the security and defence commitments of its members under the North Atlantic Treaty. The US calls for clearly defined links and transparency in decision-making process between NATO and the EU in order to avoid conflicting guidance that military forces could face from EU and NATO command structures. Americans warn that the ESDP, if not properly managed, could undercut the Defence Capability Initiative. The main objective of DCI, adopted at the Washington summit (1999) was to enhance defence capabilities of the Alliance to ensure effectiveness of its multinational operations with a special focus on improving interoperability among Alliance forces. It was designed to help the European military forces to catch up with the US advanced military technology. The US are worried that ESDP will be a distraction from the DCI' objective of improvement of capabilities, and that the development of new institutions and processes will substitute the political efforts needed to get domestic support for new defence expenses. (Sloan 2000).

The American "schizophrenic" attitude towards CFSP and European defence initiative is motivated by the perception that they are a direct challenge to US policy goals and America's leadership role. Americans hope that the enhanced European defence capabilities will diminish European resentment of US dominance in NATO

members do not, or they prefer the use of only non-military means. Larrabee (2000) suggests a new "Transatlantic Bargain" based on the continuous American military presence in Europe and encouragement of Europe's allies to assume more responsibility for security in Europe, but also outside European borders.

and help the reintegration of French forces into NATO's command structure. An important factor in the US approach towards European defence cooperation is its persistent suspicion of French motivations. The fact that the British government is taking a lead on ESDP is both tranquilizing and worrying for the Americans. It is tranquilizing because the United Kingdom is a very loyal ally and British interests have always been compatible with American interests. It is worrying because the US fears that the ESDP will subsequently acquire "neo-Gaullist character". The US position of "superpuissance" evokes mixed feelings among Europeans, especially in France. France's President Jacques Chirac supports "ever closer union" in order to oppose America's "attempt at domination in international affairs."⁴⁵ For French foreign minister Vedrine "atlantisme veut dire suvisme". He point out that Europeans are not willing to simply "follow" Washington's policies, as is evidenced by their different views on issues such as the use of sanctions as a foreign policy tool in the case of Cuba or Iraq. (Marcus 2000: 88).

Another American concern is that the ESDP will again produce rhetoric, proclamations, and institutions but no military capabilities, especially in the light of the further reduction of defence budgets in Europe. For any radical improvement, the Europeans must either spend more money or use the existing money more efficiently, by large-scale mergers of separate national armies into a pan-European army. Both options are very problematic, however. According to some recent estimates, all EU member countries will have to increase their defence expenditures to a minimum average of 2 percent of GDP. According to Lindley-French (2000), this target can be achieved by 2007-2008 (with the incremental increases of 0.1 or 0.2 percent per annum), with regard to affordability and capability; and the lack of a strategic threat at present.

In this context is also important to mention the burden-sharing element featuring in the US-EU debate on the future development of European security. The Kosovo conflict resuscitated an old debate about burden sharing between the US and its European allies. The US Congress blamed the European allies for their "political micromanagement" (Daalder and O' Hanlon 2000: 158) of the war prolonging the fighting and their refusal to provide more financial resources, materiel, and manpower for the current Kosovo operation. The critique of the US Congress of the continued US presence in Kosovo infers from the conviction that, *de facto* division of labor was established, with the US carrying the military burden of the air campaign and Europeans financing the subsequent reconstruction efforts. However, Daalder and O' Hanlon (2000: 165-168) reveal that the economic and military contribution of the EU to preserve the peace and stability in the Balkans is more important than that of the US. As for nonmilitary assistance, including development

⁴⁵ "Weathering the storm" The Economist, September 9, 2000: 23-26.

and humanitarian assistance, Europe has spent three times what the US has (nearly \$17 billion versus \$5.5 billion). In terms of the military contribution, the percentage of US ground forces in the Balkans was zero from 1992 through 1995 (the EU's contribution increased from 7,500 in 1993 to 16,000 by late 1995). The most important presence of US ground forces was during the Implementation Force operation in Bosnia in 1996, when they reached 35 percent of NATO's total. Today, the share of the US ground forces in Bosnia and Kosovo is just under 20 percent of the NATO forces. The EU is the largest donor of humanitarian and reconstruction assistance to Kosovo, providing more than \$ 3 billion for civilian programs in 1999 and 2000, compared to \$900 million for the US over the same period. Moreover, the EU has been doing very important work by pushing individual countries to democratization, respect for human and minority rights, and market economy in return for the EU membership. This "principle of conditionality" used by the EU has worked very well, and the countries of the region can see the progress made by, for example, Slovenia towards full membership of the EU. (Grant 2000)

The decisions taken in St-Malo and Helsinki were designed to take into account the anxieties of the US and other non-EU Allies. In response to the US concerns, the Helsinki agreement stipulates that non-EU members would be able to participate fully in the EU-led operations and that formal links would be established between the EU and NATO. Through its leadership in the Alliance, the US enjoys a precious influence in Europe, which helps the Americans to guarantee the compatibility of European strategic policies with the US interests and policies (Gordon 1997: 35-36). Sloan teaches us that the only way the European defence pillar can successfully exist within the NATO structure is, that future decisions regarding the ESDI would take the US interests and attitudes into consideration.

On the other side, Europeans are anxious with regard to the prospects of the US *unilateral* policy of pursuing its interests and policies alone without seeking Western or worldwide consensus. The US has become increasingly reluctant to commit itself to international treaties, conventions and organizations. There have been some examples of this attitude, such as the US intention to proceed with the plans for the national missile system, its refusal to adhere to the International Criminal Court and to the convention limiting the use of land mines, its refusal to ratify Comprehensive Test Ban Treaty or the Kyoto Protocol on climate change, or to pay the UN dues.

Particularly the subject of missile defence creates difficult dilemmas for the Europeans. The *National Missile Defence* system is designed to protect the country from limited attacks by intercontinental ballistic missiles armed with nuclear, biological, or chemical warheads. Three attacks are considered by the system: a small accidental or unauthorized launch from Russia, a deliberate or unauthorized attack from China, or a deliberate attack from a hostile emerging missile state, such as Iran, Iraq and North Korea. The missile defence system is supported by

Republicans and Democrats alike, despite the objections of European allies and Russia, or the prospect of breaching the Anti-Ballistic Missile treaty.⁴⁶ The critics of the NMD (Lewis, Gronlund and Wright 1999-2000: 95-120) warn us that rather than discouraging proliferation, its deployment may encourage the emerging missile states to deploy more ballistic missiles to maintain their deterrent and coercive potential. The NMD would also provoke distrust of China and Russia, leading to possible deterioration of relations with these countries. This might further undercut US nonproliferation goals and continuing arms reductions by the nuclear weapons states, expressed in the Nuclear Non-Proliferation Treaty. Finally, the US decision to deploy a national missile defence system would undermine the concept of “shared risk” of the Alliance and therefore, would have negative consequences on the transatlantic relationship.

The Clinton administration has struggled to provide clear principles for its foreign policy decisions and unambiguous definition of the US interests. The most important critique of the Clinton administration’s conduct of foreign policy concerns its short attention scope. The Balkans are good examples of how the US consistently failed to develop a wider plan for the region. (Marcus 2000: 93). The future scenario for the transatlantic relationship should, however, consider the implications of the coming US Presidential elections for US policy towards Europe. With regard to foreign and defence policies, Republicans are inclined to look with scepticism on any policies developed by the Clinton administration. Their presidential nominee, George Bush Jr. would in his foreign policy prioritize the withdrawal of US peace keepers from the Balkans and their replacement by European troops. He sees Russia and China as strategic competitors, rather than strategic partners. Finally, he is determined to push ahead with the national missile defence system, even if it means the nullification of the Antiballistic Missiles treaty. Democratic candidate Al Gore’s foreign policy objectives include a strong military capability, strengthening of key alliances, further NATO enlargement, bolstering of transatlantic ties and building stronger relations with the EU. However, Sloan (2000) assures us that neither Republican nor Democratic administrations will be able to neglect the national interest’s for a healthy transatlantic Alliance.

Following this logic, let us contemplate the role of the US in the 21st century in world affairs? Sloan (2000) speaks about three approaches that characterize the major American political parties’ vision of the US role. Political centrists in the US believe that the global leadership of the US is essential to the stability of the

⁴⁶ The US signed the Anti-Ballistic Missile Treaty with the former Soviet Union in 1972. This treaty bans deployment of a nationwide missile defence, therefore the US recently initiated negotiations with Russia to modify the treaty. Nevertheless, Russian has been very critical of changing the treaty. (Lewis, Gronlund and Wright 1999-2000: 122).

international system. However, they admit the importance of effective allies and alliance to the US interests. Therefore, this approach can be called “US leads with allies”. According to the second, predominantly Republican right’s “do it our way” school, the US should play its leadership role with only minimal reference to the views of other countries or the role of international organizations. The third, so-called “you do it” view, supported by the Democratic left, calls for a minimalist US leadership role and focus on domestic problems.

3. Cooperation after hegemony: theoretical considerations

In his book *After Hegemony* (1984) Robert Keohane identifies ways in which states can cooperate in the absence of a hegemonial power: “intergovernmental cooperation” emerges when “the policies actually followed by one government are regarded by its partners as facilitating realization of their own objectives, as the result of a process of policy coordination” (Ibid: 51-52). Therefore, cooperation develops on the basis of “complementary interests, and ... institutions, broadly defined,⁴⁷ affect patterns of [that] cooperation” (Ibid: 9) and “facilitate self-interested cooperation by reducing uncertainty, thus stabilizing expectations”. Inasmuch as “states follow the rules and standards of international institutions, they signal their willingness to continue patterns of cooperation and therefore reinforce expectations of stability” (Keohane 1993: 52).

Furthermore, increasing interdependence, accompanied by the increase in “issue density” and the successful performance of existing institutions (with clear rules and standards of behaviour) will lead to a growth in the number of international institutions and to an expansion of the agendas of functioning institutions. Besides interdependence, there are other factors influencing the demand for institutions, such as changes in domestic political institutions and coalitions and in the “contractual environment”, created by externalities, insecurity, informational asymmetries. (Keohane 1990: 744-745)

Keohane’s work is most closely associated with neoliberal institutionalism (Axelrod, Lipson, Martin, Oye and others), which represents the mainstream approach to analyzing international institutions. Hasenclever, Mayer and Rittberger (1997: 1-7) distinguish three theoretical approaches within the study of international

⁴⁷ Keohane (1990: 732) defines institutions as “persistent and connected sets of rules, formal and informal, that prescribe behavioural roles, constrain activity, and shape expectations.” Another definition of institution is offered by Wendt (1992: 399). For him institution is a “relatively stable set or structure of identities and interests”, ... “cognitive entities” not existing apart from “actors’ ideas about how the world works. And finally, Ruggie (1992: 572-573) defines three institutional forms of interstate relations: “*international orders*” as “the constitutive rules that order relations in given domains of international life”, “*international regimes*” embracing “principles, norms, rules, and decision-making procedures around which actor’s expectations converge” and “*international organizations*” representing “formal entities with headquarters and letterheads, voting procedures and generous pension plans”.

regimes.⁴⁸ In addition to the neoliberal “school of thought” - “interest based” - focusing on common interests, we may speak about another two: (neo)realists’ “power-based” theories focusing on power relations and cognitivists’ “knowledge-based” theories stressing knowledge, communication, and identities. These three approaches are differentiated by the degree of “institutionalism” they embrace, that is the importance they ascribe to international institutions. In the evaluation of the influence of institutions on the cooperative behaviour of states, the focus is on “regime effectiveness”. It comprises firstly, “regime strength”, meaning the extent to which its members adhere to the regime’s norms and rules, and secondly, it implies that the regime achieves certain objectives, mainly the improvement of the ability of states to cooperate in the issue-area. Another factor determining the importance of institutions is “regime robustness”. It refers to the “staying power” of institutions in the environment of exogenous changes, and to the extent to which previous institutional arrangements curb collective decisions and behaviour in the periods of shifts of power among their members.

According to Griffiths, (1997: 282-308) both, (neo)realists and neoliberal institutionalists (in the role of the main challengers of neorealists) would expect the institutionalization to reflect the interests of the dominant powers. (Neo)realists see the institutional cooperation as a means for maximizing state power. They prefer large memberships enabling the formation of “tactical” alliances, non-durable commitments and clearly and narrowly defined interests for better assessing gains and losses. The neoliberals’ account of international institutions is as follows. First, institutions shape the perceptions, shared norms and values. Griffiths claims that these were in Western discourse predominantly American, as the creation of regional multilateral institutions in Western Europe is the result of American influence and power. Second, states prefer institutions with few adherents to facilitate verification of compliance and sanctioning of cheaters. Moreover, states favour durable commitments to anticipate a “diffuse reciprocity” and a high “issue density” – a broad range of common political, security and economic interests - which enable the reaching of compromises in institutional bargaining.

The difference between the (neo)realist and neoliberal approaches to cooperation lies in their different interpretations of the basic meaning of international anarchy, as Grieco (1988: 485-507) explains. For neoliberal institutionalists, anarchy is “the lack of common government in world politics”. As a result, no agency can enforce rules and promises, which results in the problem of “cheating”.⁴⁹ For the the realists,

⁴⁸ Hasenclever, Mayer and Rittberger (1997) see international regimes as a special case of international institutions and use the generic term “institution” instead of “regime”.

⁴⁹ Mearshmeier (1994/95) defines “cheating” as a “breach of promise”. Defection is a synonym for cheating in the institutionalist literature.

the anarchy means the absence of an “overarching authority to prevent others from using violence, or the threat of violence, to destroy or enslave them”. This creates the ambiance of the danger of war, where the principal interest of states is survival. For that reason, the fundamental goal of states is relative gains and not absolute gains, as neoliberalists claim. For (neo)realists, the distribution of power resources among actors affects the prospects for the emergence, durability and nature of effective regimes in an issue-area. These considerations of relative power create obstacles for international cooperation.

Nevertheless, both (neo)realists (Waltz, Mearsheimer, Krasner, Snyder and others) and neoliberals share common assumptions in their analyses of institutionalization. First, rational choice theory takes the preferences, powers, and fundamental interests of states (rational atomistic actors) as exogenously given. Second, a static approach to the study of international relations, and third, positivist methodology.

In contrast, cognitive (knowledge-based) approaches to regimes focus on the origins of interests as perceived by states and have emphasized the role of “causal” and “normative” ideas. Hasenclever, Mayer and Rittberger (1997: 136-210) distinguish two branches of this approach. The first branch represents “weak cognitivism” (Peter Haas, Adler, and others), comfortable with a conceptualization of states as rational utility-maximizers. For that reason it is viewed as complementary to the rationalist neoliberal approach: it adds a “theory of preference formation” on the basis of ideas and learning and stresses the role of so-called “epistemic communities” (knowledge-based transnational networks). The second branch exhibits “strong cognitivists” (Franck, Kratochwil, Ruggie, Wendt, Cox, and others) who are seen as an alternative rather than a supplement to rational theorizing about regimes. They support the sociological perspective of international institutionalism instead of a rational choice perspective - the *homo sapiens* model rather than *homo oeconomicus* - in the light of reasoning that states are better conceived as “role-players” than as “utility-maximizers”. They stress the importance of the concept of knowledge that not only affects states’ interests but is constitutive of their identities, i.e. their self-perceptions in relation to other states.

Constructivists, in their role of strong cognitivists, argue that “self-help” and “power politics” do not arise from anarchy (logically or causally) but they are socially constructed under anarchy. They are institutions, not essential features of anarchy. “Anarchy is what states make of it.”(Ibid) There are, thus differences between the game-theoretic and constructivist analysis of cooperation and institutions, in spite of the fact that both pay attention to communication, scientific knowledge and habit-formation. The traditional game theory analysis of cooperation centres on the relationship between expectations and behavior and it is thus *behavioral*. The rules emerging from interaction are exogenous to the actors and do

not change because of the “transaction costs” of creating new ones. On the other side, constructivists define the process of institutionalization as one of “internalizing new identities and interests” and reconstructing the interests of actors, in terms of “shared commitments to social norms” which resist change because of these commitments. The constructivist analysis of cooperation is *cognitive* since it conceives the “intersubjective knowledge” in terms of endogenous identities and interests of actors. International organizations can improve the efficiency of informal ordering structures such as regimes through transparency creation, struggles for legitimacy and knowledge in as much as they are able to influence “intersubjective expectations” and “normatively stabilized meanings”. (Wendt 1992: 393-395, 399 and 416-417, Kratochwil and Ruggie 1986: 775).

Following this logic, Ruggie (1992: 594-595) optimistically claims that the major contemporary international institutions seem to be quite adaptive because of their multilateral character which can augment their durability and ability to change, even if this assumption varies across issue-areas. The durability and sustainability of the institutional arrangements as facilitators of cross-sectoral and other bargains will be enhanced, as long as they continue to exhibit expectations of “diffuse reciprocity” and the parties do not seek egalitarian rewards. In the same way, arrangements based on generalized organizing principles are expected to be more durable and flexible in changing conditions (such as international power shifts) than arrangements based on “particularistic” and “situational” interests and conditions. The continuity of multilateral arrangements is also a function of domestic conditions posing the most important constraints.⁵⁰

There is not an experimental research method to measure the impact of international institutions on state capabilities and the co-operation may reflect some “third set of forces” such as complementary interests and distributions of power (Keohane 1990:738-739). Kratochwil and Ruggie (1986: 763-764 and 769) state that regimes are “conceptual creations” and not concrete entities and as such they reflect actors’ preferences and objectives. The rules of persisting institutions may reflect the beliefs of dominant states at the time of their establishment and understanding of “variation in rules across issue-areas” may be facilitated by examining them retrospectively (Keohane 1990: 762).

Cooperation does not mean the non-existence of conflict. On the contrary, it demonstrates “partially successful efforts to overcome conflict, real or potential.” (Keohane, 1984: 53-54). Taking into consideration the conflicting interests and power capabilities of parties, Keohane (1990: 740) stresses the role of “coercion” in

⁵⁰ Ruggie defines multilateralism as “an institutional form which coordinates relations among three or more states on the basis of generalized principles of conduct”. Quotation of Ruggie in Jakobsen (1995: 366).

solving or reconciling the collective action problems in the process of “institutional bargaining” through institutional channels. On the other hand, Young draws attention to the critical importance of “leadership”⁵¹ in the formation of international regimes or other institutional arrangements in international society. Ruggie (1992: 596) adds that most major postwar multilateral arrangements were ruled by small groups of states (the “k-groups” or “multilateralist groupings”) helping to smooth collective action problems. They were not hegemonic and thus were legitimate nor did they function on the basis of egalitarian decision-making procedures.

The existing multilateral order is quite effective in reducing tensions among great powers, however, the crisis situation, such as conflict in Yugoslavia, puts strong pressure on the “multilateralist consensus principle” in conflict management (Jakobsen 1995: 365-398). In Yugoslavia, this principle often served as an excuse for inaction or for implementation of more effective policies. None of the great powers was willing to take the lead because for none of them was Yugoslavia a primordial issue. The policy they implemented can be characterized as “the least common denominator”. In contrast, the “effective multilateralism” means the willingness of a state to do more than its share. However, this behavior involves the risk of criticism for unilateralism and for the use of an international institution by such a state for its own purposes.

Transatlantic prospects: conflict or cooperation?

Given this theoretical framework, how do we conceptualize the prospects for the future US-EU relationship?⁵² Partially, the problem of the traditional theories of international relations in the conceptualization of the US-EU relations springs from the EU’s unique status as an unconventional international actor, a status that challenges traditional political science theory. (Featherstone and Ginsberg 1996: 39-40).

Wendt (1992: 398-399, 417-417) asserts that the debate over the future of the European security arrangements reflects the difference between the rationalists and constructivists. The rationalists underline the change of cost-benefit ratios of the current collaborative European institutional framework by new post-Cold war issues and they envisage the break-down of existing institutions. A constructivist analysis is based on the claim that the process of co-operation in the past may create “a collective European identity” as the basis for the definition of the self-interests of the European states.

⁵¹ Peterson and Ward (1995: 154) claim that the difference between “hegemony” and “leadership” is imperceptible. Hegemony entails the “guaranteed power to win”. Leadership involves “the effective deployment of positive or negative inducements” in the absence of this guarantee to win for their suppliers.

⁵² For a more detailed analysis of the accounts of traditional international theories for various aspects of US-EU relations, see: Peterson (1996).

(Neo)realists, stressing the intense economic competition between sovereign states, do not accept the changing notions of security, which give both partners stronger incentives to pool efforts and resources within international organizations. The only institutions that neorealists seriously study are traditional alliances. Otherwise, according to them, institutions are “mere emanations of state power” (Ruggie 1998:7).

Neoliberals claim that the US-EU interdependent relationship creates interests in deepening cooperation, but also reveals the risks of system frictions as a result of the mutual sensitivities of partners caused by their interdependence. For Keohane (quoted in Featherstone and Ginsberg 1996: 16, 29) there are three main reasons why international cooperation can take place in the contemporary post-hegemonic international order: first, hegemonic leadership is unlikely to be re-established by the US or any other state, second, world politics is not a constant state of war and third, states do have complementary interests. The importance of institutions in the post-Cold War era has increased. They provide a “point of common reference for leaders trying to struggle with turmoil and uncertainty” and “the rules of institutions constrain the bargaining strategies of states and therefore make their actions more predictable” (Keohane and Nye 1993: 3, 15).

Ruggie (1998: 202-228), from his constructivist stance, tries to resolve the dilemma of the US foreign policy in the post-cold war era when the Soviet Union and the bipolarity do not exist any more. For him, the combination of ideas and interests has framed the US policy toward “remaking” the world order in 1919, 1945 and post-1947. Following this logic, he is convinced that, sustaining American engagement in perpetuation of the international order will probably be more difficult in the future. According to him, the main reasons for this claim are: First, it is quite improbable that another overarching threat comparable to Soviet communism will emerge in the near future. Therefore, instead of the American “overcommitment”, typical for the the Cold War period, there is a risk of its “undercommitment”. Second, low public support for American international engagement will reinforce this inclination. He suggests that American policy-makers should build on the existing institutional basis by combining continued US engagement in Europe, East Asia and in third world regional disputes with strategies of transformation of existing institutional regimes, designed to achieve greater sustainability.

As for transatlantic economic relationship, the institutionalists underline that in spite of the disappearance of the Soviet threat and the new tensions accompanying the growing economic balance of the US and EU (the risk of the emergence of protectionist trade blocs), they continue to share important and far-reaching common economic, political and security interests and goals. Their solution for US-EU cooperation and post-Cold War stability in the conditions of multipolarity and hypernationalism is that existing regimes and international organizations need to be

restructured in order to be effective, which requires “entrepreneurial leadership”⁵³. Institutions help governments to deal with the fragmentation of relations caused by interdependence, they act as “shock-absorbers” of the outcomes of change and have an important role in the adaptation to the changed political and economic conditions.

Following this logic, the US-EU coalition can provide “joint leadership” (Peterson and Ward 1995: 131-156, Keohane 1993: 43-59) representing the most favorable basis for a creation of “a stable winning coalition” in the new multidimensional security framework (in comparison with other potential winning alliances, eg. APEC). The US-EU axis symbolizes exceptionally high concentrations of wealth, policy resources and positional advantages within the existing multilateral framework to promote broader multilateral cooperative arrangements. Critics, in the light of US-EU initiatives such as “economic space” or “free trade area”, point out that joint management might be undesirable because it could undermine the development of the WTO and give the impression of a newly divided world between poor and rich countries. However, to avoid the development of a “dangerous vacuum” they strongly recommend agreement on a “common agenda” and “common approach” to support the international economic and political order (Smith and Woolcock 1993: 110).

An alternative line of reasoning is provided by the critical theoretical approach. Using the concepts of “interpretivism” and “emancipation” for recognizing the “intersubjective quality” of regimes it can be stated that certain types of international regimes can be seen as potential sources of “international political community”⁵⁴ It does not mean the demise of the state but the institutionalization of universally agreed moral and ethical principles and the improvement of “*moral governance*” of states over their citizens. Interpretivist approaches, using discursive and symbolic methods of expression can explain the efforts of local and global actors to create “universal membership” promoting inclusive emancipatory principles instead of specific economic or political interests, and thus overcoming “exclusionary practices, insecurities and marginalizations” in the world order (Samhat 1997: 376-378).

⁵³ The entrepreneurial role can be assigned primarily to hegemonic powers but also to small group of states on the basis of Waltz’s “concentration of capability” (Keohane 1990: 741). For Young (1991: 293-298, 307). The “entrepreneurial leaders” use negotiating skills to frame the issues at stake in ways that foster bargaining. They operate as agenda setters, popularizers, inventors and brokers.

⁵⁴ According to Samhat (1997: 350), the criteria for conceiving regimes as forms of political community are (1) commitment to ethical principles, (2) non-state actor in international politics, and (3) universal inclusion.

Conclusions

In a simplified version the Cold-War US-EU relations can be viewed as a “static contract” or “bargain”: the US security commitment to Europe in return for European acceptance of US global leadership (Steinberg 1993: 105). The rise of European economic power, erosion of the US hegemonic role and dramatic changes after the fall of the Berlin Wall require a qualitative change in US-EU relations. Without the Soviet threat, i.e. “balance of threat” one must ask what links the EU and US beyond trade issues. The transatlantic relationship thus requires reconsideration not only of the *terms* of the relationship, but of its very *justification*.

In order to understand transatlantic relations in the changing international economic and political order, it is necessary to understand the domestic policy factors influencing the international behaviour of both actors in the conditions of growing economic and political interdependence.

On the EU side, the supranational challenge to the state, outlined by liberal institutionalism and the interdependence theories, creates the traditional EU model for pooling sovereignty for the common benefits recognizable in the social and economic policy field (agriculture, social policy, competition policy, the single market and EMU). In the foreign and security policy field the EU seems to be moving slowly beyond intergovernmentalism: the debates are focused on the relation between the ends of integration and the means of defence provision, and the moral and ethical bases of foreign policy included in the “concept of civilian power” (realist/critical theoretical debate). There are external pressures from the outside world for greater and more coherent “international personality” of the EU (through the Commission and European Political Cooperation) showing the disharmony between capabilities and expectations, resulting in the “capability-expectations gap” (C. J. Smiths 1996)⁵⁵ It is generally argued that within the EU many questions remain unanswered: the internal question of sovereignty, the question of identity, and of “inside/outside” in terms of the definition of “the concept Europe” and thus ultimate borders of the EU (C.J.Smith 1996: 15).

On the US side, there are some uncertainties about the capability of government to address principal domestic problems such as the growing budget deficit, the decline in the educational system and the progressive alienation of society (eg. Los Angeles riots in 1992). There are debates about the role of the military budget and defense expenditures in a time of cold peace and domestic social demand, and thus

⁵⁵ C.J. Smiths (1996) states that EPC was never designed to serve as the forum for the development of a “continental security system”.

about the redistributive role of the state in providing, for example, health and education. The confusion in competencies between state and federal governments is also questionable. (Smith and Woolcock 1993: 14-33).

The transatlantic *economic* relationship equipped with well-established institutions and channels for dealing with systemic differences, such as the WTO and different financial institutions. What now provoke sceptism about the future of US-EU economic relations “is not the mutual benefit of huge trade and investment flows, but the post-war commitments to multilateralism and liberalism which served as rubrics for those flows” (Featherstone and Ginsberg 1996: 118). The issue is not so much a question of multilateralism or regionalism, but how far each is prepared to go in supporting the multilateral trading system even when this does not always serve narrowly defined national interests. Does transatlantic economic co-operation support a wider multilateral global order providing a “pathfinder role” in liberalization and establishing international rules or undermine multilateralism by dominating multilateral negotiations and “coalition-building” (Woolcock 1996: 168) within the framework of multilateral negotiations, and thus by presenting “northern standards” as *faites accomplis* to other countries? What is at stake is the reform of the post-war institutions that affect international trade and economics (GATT/WTO, NATO, IMF, etc.) which provide the institutional structure of US-EU relations and the close cooperation of US and EU given the potential increase of trade disputes with increased interdependence.

For future transatlantic *security*, the reconsideration of division of responsibilities within NATO structures between the US and the EU to establish a more “balanced” relationship is important.⁵⁶ The post-Cold War US-EU alliance is viewed as consensus based on a “division of labour” with the US as military hegemon in the Alliance and the EU as a “civilian power” and “keeper of peace”. For the purpose of keeping the peace, the main instruments of the EU’s foreign policy are diplomatic and economic, as are the means to promote the “fundamentals”: rule of law, representative democracy, respect for human rights and open and free markets (Hazel Smith 1997 and 1995).

Following this logic, for the US, the crucial problem is the necessity to redefine the balance between prosperity and security and include into the security sphere issues of competitiveness and industrial policy. The Clinton administration tried to refocus foreign policy on the goal of economic security but the US continued to spend almost as much on its military sector as the rest of the world combined. Therefore, it might be argued that the US conception of

⁵⁶ Ruggie (1998: 231-235) maintains that the important step in the NATO move toward a desirable division of labor between the US and EU was the adoption by NATO’s foreign ministers of the Combined Joint Task Forces concept at their Berlin meeting in June 1996.

security today still preserves “the cold-war overtones of military priorities” (Peterson and Ward 1995: 7).

From the EU perspective, the problem has been almost the opposite: how to insert traditional security issues into the “civilian power-base”⁵⁷ accomplished through the success of European economic integration. The EU’s concept of security has encompassed political stability and thus economic and social development of neighbouring countries, (especially in the Central and Eastern Europe, but it has also extended to the North/South dimension) and global environmental issues, with the aim to promote regional integration internationally as a means for peaceful settlements of disputes.

Some possible scenarios for the future transatlantic relationship were envisaged. For example, according to Smith and Woolcock (1993: 99-111),⁵⁸ the most probable scenario would be “competitive cooperation” based on co-operation and competition among rules. Its objective should not be to reaffirm or rebuild the transatlantic relationship (“results-based” or “aspirational” approach) but to establish a stable framework for maintaining a stable economic and political order (“process approach”).

⁵⁷ Hazel Smith reveals that the first protagonist of the concept of the EU as a civilian power was Francois Duchene. He used it to define and explain the EU’s international status and role. See: Hazel Smith (1995). For the concept of “civilian power” of the EU see also: Hazel Smith (1997), Smith and Woolcock (1993), C.J. Smith (1996).

⁵⁸ The other two proposed scenarios, according to Smith and Woolcock (1993: 99-111) are, first, an extended policy integration, and second, a separate development or disengagement.

List of abbreviations

APEC	Asia-Pacific Economic Cooperation
CAP	Common Agricultural Policy
CFSP	Common Foreign and Security Policy
CJTF	Combined Joint Task Forces
DCI	Defence Capability Initiative
EMS	European Monetary System
EMU	European Monetary Union
EPC	European political cooperation
ESDI	European Security and Defence Initiative
ESDP	European Security and Defence Policy
EU	European Union
G7	Group of Seven (industrialised countries)
GATT	General Agreement on Tariffs and Trade
IMF	International Monetary Fund
NACC	North Atlantic Cooperation Council
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organisation
NMD	National Missile Defence
OSCE	Organisation for Security and Cooperation in Europe
UN	United Nations
US	United States
WEU	Western European Union
WTO	World Trade Organisation

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