



# The United States and Europe: Current Issues

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## Summary

Due to extensive cooperation on a wide range of issues, the relationship between the United States and Europe is often called the transatlantic partnership. In many areas, the two sides share common values and overlapping interests, and have grown increasingly interdependent in terms of security and prosperity.

The majority of Europeans warmly welcomed President Barack Obama to office, and his popularity suggested opportunities for the United States and Europe to address the common set of global challenges they face. In dealing with this difficult agenda, however, observers note that the constructive tone of the relationship does not necessarily translate into tangible foreign policy results. Overall, transatlantic cooperation is strong on many key issues, but some concerns and points of tension also persist. As the United States and Europe deal with changing geopolitical realities, some new anxieties are surfacing about the future of the transatlantic partnership.

The list of issues representing significant areas of shared interest is long. This report selects five major issues to illustrate the nature of the transatlantic relationship and cooperation:

- Despite the substantially increased commitment of troops and resources during 2009-2010, the likely outcome of the NATO-led mission in Afghanistan is a subject of debate. Afghanistan continues to pose a test of alliance cohesion, and Europe's commitment to maintaining its participation will be an important tone setter in transatlantic relations.
- Europe remains both a primary target of radical Islamist terrorists and a potential base for those seeking to carry out attacks against the United States. Transatlantic counterterrorism cooperation has been strong since the terrorist attacks of 9/11, but challenging differences exist over issues such as data privacy that could hinder or complicate efforts to jointly combat terrorism.
- The global financial crisis has affected the transatlantic economic relationship and challenged the political relationship. Promoting financial stability and restoring economic growth are major priorities for leaders on both sides. The United States and Europe have the largest trade and investment relationship in the world. While some disputes persist, most of the relationship is mutually beneficial, and efforts are ongoing to reduce non-tariff barriers and increase regulatory convergence.
- The United States and the European Union (EU) continue to seek a way to halt Iran's nuclear program. After the approval of U.N. Security Council Resolution 1929 in June 2010, the EU applied strict new sanctions against Iran. While the new measures bring U.S. and EU sanctions into broad alignment, differences remain over issues such as the sale of refined petroleum products.
- Lastly, relations between the West and Russia grew increasingly tense in recent years. While the Obama Administration's "reset" initiative appears to have contributed to an improved atmosphere, common approaches to Russia—among U.S. policymakers, within Europe, and across the Atlantic—have proven difficult to formulate.

This report examines the current state of the transatlantic relationship and discusses the key issues outlined above, which are likely to have implications for U.S. interests during the 112<sup>th</sup> Congress.

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# **The Current State of U.S.-European Relations**

## **The Ties That Bind**

Common values, overlapping interests, and shared goals are the foundation of what is often described as the transatlantic partnership between the United States and Europe. By almost any measure, the institutional pillars of the Euro-Atlantic community—NATO and the European Union (EU)—have proven successful in promoting prosperity, security, and stability in Europe. The U.S. Congress and successive U.S. Administrations have strongly supported both institutions as means to foster democratic states, reliable military allies, and strong trading partners.

Many observers stress that in terms of security and prosperity the United States and Europe have grown increasingly interdependent. Both sides of the Atlantic face a common set of challenges, including economic concerns, terrorism, weapons proliferation, energy security, climate change, environmental degradation, and the destabilizing effects of failing and rogue states. Both sides are proponents of democracy, open societies, human rights, and free markets. A full survey of global issues that are important for U.S. and European interests would also include relations with countries such as China, India, and Turkey; concerns about stability in the Balkans and the countries of the former Soviet Union; unrest in North Africa and the Middle East, including the NATO operation in Libya; the Middle East peace process; development assistance and humanitarian aid to the countries of Africa and elsewhere in the developing world; and many more. Supporters of close U.S.-European cooperation argue that neither the United States nor Europe can adequately address such an agenda alone, and that the track record shows the two sides can accomplish much more when they work together.

## **An Evolving Relationship**

Passionate differences over the invasion of Iraq pushed transatlantic and inter-European relations to an historic low point in 2003-2004. For many Europeans, Iraq was the unforgettable defining element in their perceptions of President George W. Bush—too unilateral, too reliant on military force, and too dismissive of international treaties and norms. With Iraq added to issues such as U.S. rejection of the Kyoto climate treaty and the International Criminal Court, as well as some of the controversial aspects of the U.S. “war on terror,” public opinion polls showed President Bush to be one of history’s least popular U.S. Presidents among Europeans. Nevertheless, analysts point out that President Bush’s second term in office featured a distinct emphasis on working with partners and allies. Between 2005 and 2008, this approach helped bring about a marked improvement in the tone of transatlantic relations, a number of important new U.S.-European agreements on issues such as counterterrorism, and close cooperation on many key issues.

As President Obama took office in January 2009, European expectations were high. Many looked for a U.S. foreign policy newly committed to multilateralism, consultation, and instruments of soft power. During President Obama’s first two years in office, the tone of transatlantic relations has been, on the whole, warm and friendly. Polls show that President Obama remains popular in Europe, and that European perceptions of U.S. foreign policy have improved compared to

previous years.<sup>1</sup> At the same time, in attempting to deal jointly with a daunting list of challenges including the global economic and financial crisis, Afghanistan, Iran, the Israeli-Palestinian conflict, and climate change, both sides have faced a reality check that echoes earlier warnings about the dangers of exaggerated expectations. On such difficult issues, some proponents of the transatlantic relationship continue to caution that the United States should be reasonable about what it can expect out of Europe, and that Europeans need to be realistic regarding what President Obama might deliver in terms of U.S. policy.

The transatlantic relationship encountered some notable problems of perception in 2010. After travelling to Europe six times between January 2009 and April 2010, President Obama declined to attend a planned U.S.-EU summit in Madrid in May 2010, causing the meeting to be postponed. This episode led some commentators to assert that Europe is less of a priority or interest for President Obama, with some arguing that he is the first U.S. President with no organic Atlantic ties, the first U.S. President whose worldview is truly oriented elsewhere in the world. Although other observers dispute this assertion, such thoughts link into a wider trend discerned by some as the two sides of the Atlantic grapple with a changing world in which the advent of the G-20 or the perceived rise of the “BRICs” foretells a future of declining Euro-Atlantic influence.<sup>2</sup> In an increasingly multipolar world, there is a perception that as the United States shifts focus to Asia and the Middle East, it is consequently pulling back from a Europe that is no longer a central preoccupation. Some argue that Europe needs to adjust to a new reality in which it may no longer be a primary U.S. focus in and of itself, but in which it is viewed by the United States mainly as a potential partner in addressing common threats and concerns. Some such observers assert, therefore, that the transatlantic relationship is an increasingly utilitarian one based more on function and less on sentiment. Others maintain that Europe is, firstly, an important U.S. ally due to the substance of the relationship, but also that Europe will continue to matter to the United States because, if nothing else, common values, shared history, and compatible worldviews still matter, too.

## **The EU and NATO**

Strong bilateral relationships between the United States and individual European countries remain a vital foundation for transatlantic relations. At the same time, the relationship between the United States and the European Union has been taking on a growing significance. The EU has become an increasingly important interlocutor for the United States because its 27 member countries now take common decisions and formulate common policies in a wide range of areas—including many economic and social issues and a growing number of law enforcement and judicial matters—at the level of the EU institutions.<sup>3</sup> The EU is also continuing efforts to develop a stronger Common Foreign and Security Policy (CFSP) and Common Security and Defense Policy (CSDP).

In December 2009, the EU adopted the Lisbon Treaty, introducing reforms intended to enhance the credibility and coherence of the EU’s foreign policy voice, and to streamline the EU’s institutional arrangements and decision-making procedures.<sup>4</sup> Members of Congress and officials

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<sup>1</sup> See, for example, The German Marshall Fund’s *Transatlantic Trends* poll, <http://www.gmfus.org/trends/2010/>.

<sup>2</sup> The acronym “BRIC” is commonly used to refer to Brazil, Russia, India, and China as a group.

<sup>3</sup> For more information, see CRS Report RS21372, *The European Union: Questions and Answers*, by Kristin Archick and Derek E. Mix.

<sup>4</sup> See CRS Report R41088, *The European Union: Leadership Changes Resulting from the Lisbon Treaty*, by Derek E. (continued...)

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

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

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

## **Selected Key Issues in U.S.-European Relations**

### **Afghanistan<sup>5</sup>**

Many observers argue that Afghanistan remains the most urgent and important international security issue for the transatlantic alliance. As of March 2011, the International Security Assistance Force (ISAF) consists of more than 132,000 troops from 48 countries, including all 28 members of NATO.<sup>6</sup> With considerable force increases in 2009-2010, these numbers represent a substantial commitment of alliance and partner country resources. In addition, following two U.S. strategic policy reviews in 2009 and a third in December 2010, the alliance and its partners have been pursuing a strategy that emphasizes the integration of civilian and military efforts, the promotion of governance capacity and economic development, and the training of Afghan army and police forces.

Despite this range of efforts, progress assessments continue to have a high level of uncertainty. Some officials and analysts have asserted that the international strategy is working, both in terms of state-building and combating the Taliban and other insurgents. On the other hand, insurgent violence continues to cause instability in many parts of the country and serious questions persist about corruption, the Afghan economy, and the self-sufficiency of Afghan institutions. Although precise definitions for success or failure in Afghanistan vary, the outcome has major ramifications

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Mix and CRS Report RS21618, *The European Union's Reform Process: The Lisbon Treaty*, by Kristin Archick and Derek E. Mix.

<sup>5</sup> For more information see CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*, by Kenneth Katzman.

<sup>6</sup> As of March 4, 2011, "International Security Assistance Force (ISAF): Key Facts and Figures," <http://www.isaf.nato.int/images/stories/File/Placemats/PLACEMAT.MARCH%2004..pdf>.

for the future of NATO—possibly either reaffirming NATO’s central role in addressing 21<sup>st</sup> century security threats or, alternately, raising difficult questions about the utility, and by extension the fundamental role and purpose, of the alliance.

With the death of Osama bin Laden in Pakistan in early May 2011, the allies may renew discussion about the role of NATO in Afghanistan and the timetable for withdrawal. The U.S. is set to begin drawing down military forces and transferring more responsibility to the Afghan authorities in July 2011, and leaders at NATO’s Lisbon Summit agreed to 2014 as the goal for ending the ISAF mission.

In the meantime, Afghanistan continues to represent a test of cohesion for the alliance. Considerable segments of the public in Europe have never been sold on their country’s participation in Afghanistan, and strong public opposition to the war in many European countries has been pressuring governments to define an exit strategy. On top of flat or shrinking European defense budgets and persistent shortfalls in military resources, an atmosphere of economic austerity in Europe presents an additional challenge to those seeking to justify their country’s deployments.

The debate about extending the Netherlands’ participation in ISAF brought down the Dutch government in early 2010, causing the country to end its combat mission in August 2010 and withdraw a large majority of its troop contingent. Although no immediate changes are foreseen by the other major contributors, additional strains are likely to be felt in 2011 and beyond. The continued commitment of European countries to the mission in Afghanistan is an important tone setter in transatlantic relations, and questions about alliance unity or the equality of burden-sharing in Afghanistan could affect the strength and cohesion of the transatlantic partnership.

## **Counterterrorism<sup>7</sup>**

Homeland security and counterterrorism also continue to rank at the forefront of transatlantic concerns. Following the attempted bombing of a transatlantic flight in December 2009, terrorism alerts and suspected terrorist plots in 2010 reinforced the assertion that Europe remains both a primary target of radical Islamist terrorists and a potential base for cells seeking to carry out attacks against the United States.

In the years since the 9/11 attacks, U.S.-EU cooperation on counterterrorism has been strong. Spurred on by 9/11, the March 2004 bombings in Madrid, and the July 2005 bombings in London, the EU has sought to strengthen and coordinate its internal counterterrorism capabilities. While the EU has thus been increasing its relevance in this area, bilateral intelligence sharing and cooperation between the United States and individual European countries also remains key for efforts to disrupt terrorist plots and apprehend those involved.

U.S. and EU officials from the cabinet level down maintain regular dialogues on issues related to homeland security and counterterrorism, and relevant U.S. and EU agencies have established cooperative relationships that include information sharing and, in some cases, an exchange of liaison officers. In early 2010, new U.S.-EU treaties on extradition and mutual legal assistance entered into force following their approval by the U.S. Senate in 2008.<sup>8</sup> The treaties, which were

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<sup>7</sup> For more information see CRS Report RS22030, *U.S.-EU Cooperation Against Terrorism*, by Kristin Archick.

<sup>8</sup> Treaty numbers 109-13 and 109-14.

negotiated in 2003, are largely intended to promote transatlantic cooperation that aids prosecutors dealing with terrorism cases. The treaties update and harmonize the bilateral agreements between the United States and EU member countries and streamline extradition and assistance procedures.

The United States and the EU also actively work together to track and counter the financing of terrorism, in forums such as the Financial Action Task Force and through information sharing deals such as the U.S.-EU “SWIFT agreement.” Under a 2004 U.S.-EU agreement on customs cooperation and the U.S. Container Security Initiative, U.S. customs officers stationed at a number of European ports help screen U.S.-bound cargo containers. Additionally, a U.S.-EU agreement on sharing the passenger name record (PNR) data of U.S.-bound air passengers has been provisionally in force since 2007.

Although overall counterterrorism cooperation is strong, numerous areas of tension exist. European concerns over data privacy have affected cooperation on the SWIFT and PNR agreements. The EU considers data privacy a basic right, and the EU has strict regulations protecting personal data. In early 2010, the European Parliament voted against final approval of the SWIFT agreement on the grounds that it did not sufficiently protect the privacy of citizens’ personal data. The United States and the EU subsequently re-negotiated the agreement with added safeguards, and the European Parliament approved the new version in July 2010. However, similar privacy concerns have been raised ahead of negotiations and an eventual Parliament vote on a new PNR agreement. Some observers assert that a broader U.S.-EU framework agreement on principles of privacy and data protection would help ease European concerns and promote closer cooperation.

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

## **Economic Relations<sup>9</sup>**

The global financial crisis and the ensuing recession of 2008-2009 have affected the transatlantic economic relationship and tested the political relationship. Promoting stability in financial markets and restoring strong economic growth are overriding priorities for leaders on both sides of the Atlantic.

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<sup>9</sup> For more information see CRS Report R41652, *U.S.-EU Trade and Economic Relations: Key Policy Issues for the 112th Congress*, by Raymond J. Ahearn, and CRS Report RL30608, *EU-U.S. Economic Ties: Framework, Scope, and Magnitude*, by William H. Cooper.



The United States and the European Union have the largest trade and investment relationship in the world. In 2009, the value of the two-way transatlantic flow of goods, services, and income receipts from investment totaled approximately \$1.25 trillion. U.S. and European companies are also the biggest investors in each other's markets—total stock of two-way direct investment came to about \$3.2 trillion at the end of 2009. Additionally, transatlantic economic activity provides an estimated 15 million jobs in the United States and Europe.<sup>10</sup> With the United States and the EU together comprising more than half of global gross domestic product (GDP), the transatlantic economic relationship is also the world's most influential in terms of shaping standards and regulations. U.S.-EU cooperation has been the key driving force behind efforts to liberalize world trade.

A coordinated response to the crisis has been outlined in a series of G-20 meetings since late 2008, and initially focused on avoiding protectionism. While numerous European countries undertook stimulus measures in 2009, however, European leaders have since resisted U.S. calls for greater stimulus spending, opting instead to introduce budgetary austerity programs.

A number of EU member states have been severely impacted by the crisis, with some facing highly problematic deficit and debt situations. Starting with Greece in spring 2010, followed by Ireland in November 2010 and Portugal in April 2011, a Eurozone debt crisis has been slowly playing out which could call into question the viability of the euro, the common currency shared by 17 EU member states.

As leaders finalize the details of proposed reforms to economic governance in the Eurozone, including more intrusive monitoring of national budgets by the European Commission, the EU has taken novel steps designed to reassure sovereign bond markets and head off further "contagion" to vulnerable member countries. Most prominently, EU leaders set up a €750 billion (approximately \$975 billion) assistance fund with the International Monetary Fund (IMF), which has been used to provide emergency loans to Greece and Ireland, and decided to establish a permanent "bail out fund" (the European Stability Mechanism) in 2013. Additionally, the European Central Bank (ECB) has broken with past policy by purchasing sovereign debt in the Eurozone in order to stabilize markets.<sup>11</sup> The EU is also undertaking reforms to the regulation and supervision of the financial sector across its member states, including the creation of new cross-border agencies to monitor stability and risk in financial markets.<sup>12</sup>

The United States has extensive export and investment interests in Europe that are affected by the Eurozone crisis. For the longer term, analysts are concerned that economic difficulties in Europe could act as a brake on U.S. growth and the world economy. A dawning age of austerity in Europe could also impact transatlantic cooperation on international issues including defense and development assistance. In addition, there is a wider debate between the United States and the EU and within the G-20 about how to deal with imbalances in competitiveness, consumption, and trade flows in the world economy. On a global scale, this discussion focuses largely on China, but

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<sup>10</sup> Daniel S. Hamilton and Joseph P. Quinlan, *The Transatlantic Economy 2011*, SAIS Center for Transatlantic Relations, Johns Hopkins University, [http://transatlantic.sais-jhu.edu/bin/s/s/te\\_2011.pdf](http://transatlantic.sais-jhu.edu/bin/s/s/te_2011.pdf).

<sup>11</sup> See CRS Report R41411, *The Future of the Eurozone and U.S. Interests*, coordinated by Raymond J. Ahearn and CRS Report R41167, *Greece's Debt Crisis: Overview, Policy Responses, and Implications*, coordinated by Rebecca M. Nelson.

<sup>12</sup> See CRS Report R40415, *The Financial Crisis: Impact on and Response by The European Union*, by James K. Jackson.

is also mirrored with regard to Germany's role within the Eurozone. Germany has strongly rebutted criticism of its national economic model, which is based on exports and wage restraint.

While the majority of the transatlantic economic relationship is smooth and mutually beneficial, trade disputes persist over issues such as poultry, subsidies to Boeing and Airbus, hormone-treated beef, and bio-engineered food products. Differences with countries in the developing world have been the primary reason why the Doha round of multilateral trade negotiations has stalled, but the inability of the United States and EU to agree to a common position on agricultural subsidies has not helped matters.

The United States and the EU have made a number of attempts to reduce remaining non-tariff and regulatory barriers to trade and investment. The Transatlantic Economic Council (TEC), headed on both sides by cabinet/ministerial-level appointees, was created in 2007 and tasked with advancing the process of regulatory cooperation and barrier reduction.<sup>13</sup> Numerous studies have concluded that reducing regulatory burdens and harmonizing standards in areas such as safety, health, environment, engineering, and labeling could provide a significant boost to GDP on both sides of the Atlantic. Reporting to the U.S.-EU Summit, the TEC was charged with building on existing sectoral dialogues in areas such as pharmaceuticals and food, automobile, and consumer product safety, as well as reviewing policies in priority areas such as innovation, technology, financial markets, and intellectual property.

## **Iran<sup>14</sup>**

Transatlantic cooperation regarding Iran's nuclear program has been close and extensive. Since the discovery of Iran's covert enrichment activities in 2002, the "EU-3" (France, Germany, and the United Kingdom) have led diplomatic efforts to curtail them. In 2006, China, Russia, and the United States joined the EU-3 to form the "Permanent Five Plus One" (P5+1) negotiating group, and EU High Representative Catherine Ashton has now been leading talks with Iran on behalf of the P5+1. Between 2006 and 2008, the EU-3 and the United States successfully pushed for United Nations Security Council (UNSC) approval of three rounds of limited sanctions on Iran (Resolutions 1737, 1747, and 1803).

Early in 2009, the Obama Administration indicated a willingness to increase direct U.S. engagement in talks with Iran. European leaders welcomed and encouraged this prospect, although emphasizing that it should be closely coordinated within the P5+1 framework. During direct negotiations between the P5+1 and Iran in October 2009, the United States, France, and Russia advanced a proposal to enrich Iranian uranium outside the country for use in an Iranian research reactor. Iran declined to formally accept this proposal, however, and would not agree to a date for continued negotiations, leading the United States and the EU to pursue further U.N. sanctions in early 2010. Despite a last minute attempt at mediation by Brazil and Turkey, the UNSC voted in June 2010 to authorize a tougher new round of sanctions (Resolution 1929) targeting the Iranian financial and energy sectors.

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<sup>13</sup> See CRS Report RL34717, *Transatlantic Regulatory Cooperation: Background and Analysis*, by Raymond J. Ahearn.

<sup>14</sup> For more information see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman, CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman, and CRS Report R40094, *Iran's Nuclear Program: Tehran's Compliance with International Obligations*, by Paul K. Kerr.

In July 2010, the EU announced it would apply these U.N. authorizations to implement its toughest sanctions yet: measures include a ban on new investment, equipment sales, technical assistance, and technology transfers to Iran's gas and oil industry; a ban on trade support measures such as export credit guarantees and on insurance contracts longer than two years; a ban on new relationships with Iranian financial institutions and on Iranian banks opening new branches or subsidiaries in the EU; a new requirement in which bank transfers over €10,000 (about \$13,000) to or from Iran must be reported to national authorities, and transfers over €40,000 (about \$52,000) must be authorized; a ban on insurance and reinsurance of Iranian government institutions; a ban on Iranian air cargo flights in and out of the EU; increased inspections of ships suspected of carrying prohibited articles; and an extension of travel bans and asset freezes to more than 40 additional Iranian companies and officials.

Many observers were surprised at how far these latest EU measures went, observing that they send a strong signal and bring U.S. and European sanctions policy on Iran into a broad alignment. Although the United States has strongly supported EU-3 efforts in this issue, in the past some Americans have pointed to European economic ties with Iran as a sign of European reluctance to press Tehran too hard, urging Europeans to adopt tighter sanctions. Some differences remain—observers note that the new EU measures do not ban the sale of refined petroleum products, leading critics to assert they still fall short of the restrictions imposed by recent U.S. legislation (Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, P.L. 111-195). The EU takes its cues on sanctions strictly from the U.N.—since Resolution 1929 did not specifically authorize banning sales of refined petroleum, the EU does not consider there to be a legal basis for such measures to be implemented as a common EU policy. Individual member states may take separate action and pressure their national firms not to do such business with Iran. Many European financial and energy firms have reportedly pulled out of Iran voluntarily, although some reportedly continue to do business there.<sup>15</sup> In addition, the EU has long opposed the U.S. Iran Sanctions Act as an extraterritorial application of U.S. law.

While most analysts believe that sanctions are having a substantial economic effect on Iran, and possibly significant political and social effects as well, it appears more doubtful that sanctions are influencing the country's commitment to its nuclear program and ambitions. No clear strategic consensus exists between U.S. and EU policymakers regarding next steps if sanctions fail to achieve the desired results, nor even on a specific timeline or criteria for judging the success or failure of sanctions. Iran has indicated an interest in including additional topics—such as broader questions of regional security and economic issues—in possible future negotiations, rather than limiting talks to its nuclear activities. Without a more cooperative Iranian approach to the nuclear issues, however, it appears unlikely that the United States and the EU are prepared to broaden the topics of discussion.

## **Russia<sup>16</sup>**

In the aftermath of its August 2008 conflict with Georgia, relations between Russia and the West reached what some observers consider their lowest point since the end of the Cold War. In fact, relations had already grown increasingly tense in recent years, with numerous issues—including

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<sup>15</sup> See CRS Report RS20871, *Iran Sanctions* for more details.

<sup>16</sup> For more information see CRS Report RL33407, *Russian Political, Economic, and Security Issues and U.S. Interests*, coordinated by Jim Nichol.

past and prospective NATO enlargement, and Western support for the independence of Kosovo—serving as points of irritation and contention. Against this backdrop, officials and observers in Europe and the United States have also expressed concern about what is perceived as the increasingly authoritarian character of the Russian government and its assertiveness and quest for influence in the Russian “Near Abroad” and beyond. Many European countries have complex and interdependent relationships with Russia in terms of energy and economics, and EU member states have had a difficult time formulating a common approach to their eastern neighbor.

The Obama Administration’s “reset” initiative appears to have helped alleviate some of the tension that had built up. In April 2009, following an initial meeting between President Obama and President Medvedev, leaders at NATO’s 60<sup>th</sup> Anniversary Summit decided to resume the meetings of the NATO-Russia Council, which had been suspended due to the Georgia conflict. President Obama traveled to Moscow for a summit in July 2009, and the two sides reached an agreement allowing the transit of U.S. military material through Russia to Afghanistan, among other areas of cooperation. The Administration’s September 2009 decision to alter U.S. plans for missile defense installations in Poland and the Czech Republic diminished a primary source of past friction, and negotiations continue about Russia’s potential role in a joint missile defense system. In March 2010, the United States and Russia concluded negotiations on the new START treaty, in June 2010 Russia backed UNSC 1929 authorizing tougher international sanctions against Iran, and in September 2010 Russia cancelled the sale of air defense missile systems to Iran. President Medvedev also accepted an invitation to attend the NATO summit that was held in Lisbon in November 2010.

At the same time, considerable U.S. and European concerns and objections remain regarding Russian policy on many issues, including Georgia and Russia’s recognition of the breakaway provinces Abkhazia and South Ossetia, Russia’s unilateral suspension of its obligations under the Conventional Armed Forces in Europe (CFE) Treaty, and matters of internal governance and human rights. Russian officials have been advocating for talks about a new European security architecture, a proposal that some analysts view as an attempt to undermine NATO.

Europe has for some time been divided between those who believe in a firm, vigilant stance toward Russia, and others inclined more toward pragmatism and engagement. Of the former, notably countries such as Poland and the Baltic states, some see in Russia a potential threat to the political independence and even territorial sovereignty of themselves and neighbors, and look to a U.S. approach that robustly guards against Russian assertiveness. Some officials and observers in the countries of Central and Eastern Europe and the former Soviet Union, concerned that U.S. dealings with Russia could have effects detrimental to their security interests and to the cohesion of NATO, were initially vocal in expressing their concerns about the U.S. “reset” policy. Some fear that improved relations with the United States could embolden Russia in its actions toward neighbors, leading in turn to regional instability. Advocates of engagement, on the other hand, notably countries such as Germany, France, and Italy, assert that the maintenance of extensive ties and constructive dialogue is the most effective way to influence Russia. They argue that Russia should be viewed as a strategic partner and observe that Russian cooperation is important on issues such as Iran, climate change, arms control, and energy.

A measure of Polish-Russian rapprochement appears to have helped diminish the sharpness of inter-European divisions about Russia. Relations were improved by the joint commemoration and recognition of the World War II Katyn massacre and by the sympathetic cooperation which followed the April 2010 airplane crash that killed the Polish President and high-ranking Polish officials on their way to the commemoration ceremony in Russia.

Regarding energy, the EU as a whole is dependent on Russia for more than one-quarter of its gas and oil supplies, a number expected to grow substantially over the next 20 years. For some individual countries, dependence on Russian gas is already much greater.<sup>17</sup> Thus, upstream gas cutoffs—as occurred most recently in the dispute between Russia and Ukraine in January 2009—have major implications for wider European energy security. Although that dispute was nominally about payment, some analysts have described a trend in recent years in which Moscow seems to use energy supplies as an instrument of foreign policy. Additionally, in recent years Russia has been actively engaging in bilateral energy deals with a number of European countries and acquiring large-scale ownership of European energy infrastructure, while not applying Western standards of transparency and market reciprocity regarding business practices and investment policy. There is concern in the United States over the influence that Russian energy dominance could have on the ability to present European—and, by consequence, transatlantic—unity when it comes to other issues related to Russia. For this reason, some have expressed the desirability of decreasing European reliance on Russian energy through diversification of supply, and supported European steps to develop alternative sources and increase energy efficiency. Analysts have also advocated the development of a common European energy policy that would push Russia to introduce more competition and transparency in its energy sector.

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## **Acknowledgments**

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<sup>17</sup> See CRS Report RL34261, *Russian Energy Policy Toward Neighboring Countries*, by Steven Woehrel and CRS Report RL33636, *The European Union's Energy Security Challenges*, by Paul Belkin.