

Chatham House Report

Xenia Wickett

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# Transatlantic Relations Converging or Diverging?



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The Royal Institute of  
International Affairs

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Xenia Wickett

US and the Americas Programme | January 2018

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Charity Registration No. 208223

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ISBN 978 1 78413 211 8

A catalogue record for this title is available from the British Library.

Printed and bound in Great Britain.



This publication is printed on recycled paper

Typeset by Soapbox, [soapbox.co.uk](http://soapbox.co.uk)

Cover image: Protesters critical of the recent election of Donald Trump as US president gather for a demonstration near the Brandenburg Gate in Berlin, Germany, on 12 November 2016.  
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# Executive Summary

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Published in an environment of significant political uncertainty in both the US and Europe, this report focuses on the long-standing and fundamental drivers behind US and European policymaking, and sets out recommendations to address key structural factors that threaten the durability of the transatlantic relationship. While these structural factors cannot be assessed wholly in isolation from the current, highly visible political context, it is nonetheless necessary to put the latter in proportion. How will the present political turmoil, evident on both sides of the Atlantic, affect the long-term health of the transatlantic relationship when considered alongside other developments?

The rhetoric of the 2016 US election campaign and the evidence of President Donald Trump's first year in office both point to the reality that, in the short term at least, European policymakers will need to take into consideration an uncertain, populist and conflictual US government that is focused on its narrow definition of America's national interests to the exclusion of those of its long-standing allies. It is also an administration that often appears to be at odds with the US government bureaucracy. Time and again over the past year, Trump has taken positions that are antithetical to those of most European powers, from signalling the withdrawal of the US from the Paris Agreement to questioning the viability of NATO, disavowing the Iran nuclear deal and, most recently, recognizing Jerusalem as Israel's capital.

In Europe, meanwhile, significant attention and political energy has been taken up with maintaining the credibility and coherence of the EU while managing the exit of the UK. This is driving policy interests as well as soaking up resources – human resources in particular – and risks diverting attention and capacity away from common global concerns. Compounding this has been the rise of populism and nationalism in many states, which has increasingly challenged the supranational and internationalist ethos of the EU, and has restricted the scope for political leaders to act in accordance with its principles.

These circumstances have elevated concerns among many Europeans and Americans over the future robustness of the transatlantic relationship. This report nonetheless makes the case that, while the path may be rocky in the short term, the longer-term fundamentals of the transatlantic relationship remain strong.

In a major project spanning 2015–17, the US and the Americas Programme at Chatham House explored the transatlantic relationship in depth, with the aim of understanding its underlying trends and, more specifically, assessing whether the partnership is at risk of a long-term and structural divergence or whether recent areas of apparent policy difference reflect more cyclical, temporary trends. While there are meaningful variances towards this relationship within Europe, the report focuses chiefly on France, Germany and the UK, given their role as the principal drivers of European policymaking when it comes to Europe's collective interactions with the US.

Drawing on insights from a series of scenario workshops and case studies, this report identifies 12 major influencing factors in recent US and European foreign policy decision-making.<sup>1</sup> Taking into consideration their current effects, how they influence policymaking, and their likely trajectory, these factors are sorted into groups based on whether they are causing convergence or divergence between the transatlantic partners, and whether this is long-term and structural or cyclical.

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<sup>1</sup> As shown in the summary table, one factor – resources – splits between divergence and convergence, with critical food and energy resources (and associated resilience and dependence) notably identified as potentially divergent elements.

**Summary table 1: Factors influencing convergence and divergence in US and European policymaking**

	Cyclical factors*	Long-term structural effects or trends
Transatlantic convergence		Geography Resources (minerals, water)
Status quo	External threats	History Great-power politics Influence of public opinion†
Transatlantic divergence	Capabilities Political polarization Leadership personalities Economics	<b>Demographics</b> <b>Resources (food, energy)</b> <b>International institutions</b>

\* Cyclical factors oscillate between divergence and convergence. They are categorized here based on the current trend.

† Public opinion, and its power to influence policymaking, is changing structurally. Its impact, in terms of divergence or convergence, is issue-specific.

While divergent cyclical factors can result in real but perhaps superficial fears regarding the transatlantic relationship, policy attention needs to focus on structural divergences, which can have long-term consequences.

This report shows that three main factors fall into the critical category of having long-term structural divergent impacts on the US and Europe: demographics, access to two critical sets of natural resources – energy and food – and the role of international institutions.

- **Demographics:** The increase in Latin American and Asian groups in the US, and to a lesser extent, Middle Eastern populations in Europe (especially following recent refugee flows) is likely to cause the US and Europe to continue to diverge in terms of their regional interests and attention. This divergence could be compounded by the ageing of the populations on both sides of the Atlantic.
- **Resources:** The ability of the US to withstand diminished international supply of some vital natural resources (in particular food and energy) will, in the medium term, continue to exceed that of most European countries. This difference in vulnerability and resilience has policy implications that are likely to increase as supplies of these resources tighten.
- **International institutions:** Institutions, treaties and norms – including NATO, the IAEA and the NPT – have traditionally played a significant role in bringing the US and Europe together and in bridging policy divides. Increasingly, however, most of these institutions are perceived as unable to meet today’s challenges. As their relevance declines, so they weaken as levers of transatlantic cooperation.

There are a number of additional factors that could cause divisions between the US and Europe – such as economics, differing capabilities (particularly military), leadership personalities and political polarization – on which much attention has latterly been focused. However, this report finds that although these factors may cause real and meaningful shorter-term disruptions, they pose less of a long-term threat to the relationship between the US and Europe, given their cyclical and thus transient nature. In democracies, leaders move on over time. Political polarization may look set to persist in the US and in Europe, but the underlying forces of populism and nationalism

are reinforced in part by domestic economic trends that are broadly cyclical, and will be constrained by the continued interdependence of nations.<sup>2</sup> While some could lead to temporary downswings in the relationship, they are more easily reversible with concrete – if difficult – steps such as increasing European defence spending.

Drawing on the analysis, the report concludes that, while the transatlantic relationship may currently be traversing a period of divergence, this need not necessarily lead to a structural split over the longer term. It will be important, however, that leaders on both sides of the Atlantic take steps to mitigate the risks of long-term divisions.

On this basis, the report makes a number of recommendations, chief among them:

- **Value transatlantic cooperation as a goal in and of itself:** A strong transatlantic relationship that is reinforced by common positions and rhetoric can deter potential adversaries and augment the power of both partners. It should neither be taken for granted nor put aside as valueless. Both partners need to invest in it at all levels of government and beyond (including at the level of cities and states as well as civic organizations and business).
- **Support transatlantic immigration:** Facilitating reciprocal US–European immigration will lead to better bilateral understanding and, in time, closer alignment of analysis and interests.
- **Reinforce transatlantic energy flows:** Current disparities in energy resilience could lead to divergent geopolitical and economic interests. Better integrating transatlantic energy flows, through the export of US energy to Europe, will help align these interests, as well as weakening the power of potential aggressors to use this current divergence to drive wedges between the US and Europe. Given that, despite its increasing energy independence the US will remain integrated in the global energy market, and working with Europe to maintain market stability, particularly with the larger energy providers such as Russia and the Gulf states, will continue to be vital.
- **Rebuild and strengthen institutions and norms:** Measures should be taken to reform, enhance the authority of, or more fully resource institutions such as NATO, the NPT and the IAEA that reflect structural areas of transatlantic common interest. By providing strong rhetorical support to such organizations and agreements, and their norms, governments also build domestic political support for them and reinforce, as needed, their deterrent effect on potential adversaries.
- **Better assess – and balance – US and European capabilities (particularly military):** The capability imbalance is likely to continue to raise tensions. Enhanced and, importantly, better coordinated European capabilities in the security, diplomatic and foreign assistance arenas will not only bring more resources to bear, but also improve joint operability.
- **Conduct joint analysis:** Divergence of policy positions often starts with differential situational analysis. Enhanced collaboration at the initial stage

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<sup>2</sup> This report takes as a starting assumption that while the current levels of interdependence between nations may not rise in the coming years, the intertwining of state interests, flows of people, capital, goods and services, and ideas is so great that it cannot be reversed except at the margins.

of data sharing and analysis will mitigate this challenge. While it may not ensure the same final policy choices, drawing from common information is likely to enable greater clarity of purpose and minimize the scope for damaging misunderstandings. Joint analysis should take place from its earliest stages, facilitated by continued intelligence and information sharing. Greater informal coordination will help reinforce formal intergovernmental meetings.

- **Promote transatlantic bridges between non-state actors:** More and stronger transatlantic links between NGOs, the private sector and other organizations will facilitate better understanding and build more common perspectives and interests, as well as develop more actors to support the transatlantic relationship. For example, non-state actors, such as the private sector, can encourage the development of common regulatory approaches or standards. During the current political uncertainty, these actors have a more important role than ever in maintaining transatlantic understanding and laying the groundwork for future collaboration.
- **Engage more often in transatlantic public debate:** Leaders must fully take into account that their rhetoric will always reach an international as well as a domestic audience. They can thus reinforce – or undermine – a counterpart’s ability to build public support for action. Working together, across legislatures as much as executive administrations, to reinforce common policy perspectives and positions can lay the political groundwork for tough decisions in the future.

*While in many respects it is imperfect to rely on non-governmental actors to drive progress, their actions could do much to preserve the best of the status quo*

Despite the distraction generated by some of the short-term cyclical areas of transatlantic disagreement, the enduring health of the transatlantic relationship depends on leaders on both sides of the Atlantic maintaining their focus on the long-term structural drivers of convergence and divergence.

In the short term, and especially during the current period of political uncertainty and flux, progress on specific transatlantic goals (from free trade to environmental protection) may halt or even go into reverse, particularly if these are dependent on senior government leadership. In some cases, there may still be room for manoeuvre through traditional bureaucratic channels. In others, however, transatlantic coordination will best be led by other actors, be they cities, regional state leaders or non-state actors (as is currently taking place in order to uphold the US’s responsibilities in line with the Paris Agreement). While in many respects it is imperfect to rely on non-governmental actors to drive progress, their actions could do much to preserve the best of the status quo, or even create initial advances in some cases, and thus prepare the ground for a new cycle of transatlantic convergence when the opportunity next arises.



# 1. Introduction

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Since the end of the Second World War, the ‘West’ – here meaning the US and (initially Western) Europe – has built, sustained and championed regional and global architectures that have provided a significant, if far from perfect, degree of stability and predictability in arenas ranging from security to economics and broader norm-setting. While it is certainly not the case that all countries have signed up to, or acted in accordance with, these institutions and their guidelines, these architectures have enabled a system through which international affairs can be managed and judged.

To many observers, however, the world is now becoming more uncertain and unpredictable. Recent developments – in particular the 2016 UK referendum result in favour of leaving the EU, and the election of Donald Trump as US president – have intensified this perception. Moreover, political leaders, policymakers and the public alike have become accustomed to seeing events and opinions amplified through an unprecedented volume of social and traditional news media. This environment has led some to question whether the global stewardship role associated with the US and European powers since 1945 can be upheld by the current leadership, with substantial consequences for the rest of the world, and has raised significant concerns over the state of health and the durability of transatlantic relationship.

## Long-term trends

In the post-war period the US and Western Europe led the creation of the UN and, in time, the World Bank, the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade, the forerunner of the World Trade Organization (WTO). The European project for greater unity was likewise encouraged and aided by the US. The creation of the European Coal and Steel Community in 1951, the Treaty of Rome establishing the European Economic Community in 1957, the Treaty on European Union (or Maastricht Treaty) in 1992, the entry into force of the European single market in 1993, and the adoption of the euro all came about with strong US backing.

But, while Europe and the US have a long history of working together, the strength of their relationship has oscillated between highs – such as at the end of the Second World War and immediately after 9/11 – and lows – such as during the Suez crisis in 1956, the final years of the Vietnam War, the post-Iraq War years of George W. Bush’s presidency, and, most recently, following the election of Donald Trump as US president.

Throughout this period, the US and Europe have coalesced against common threats, from Soviet expansionism to Islamist terrorism. Since the fall of the Soviet Union, Europe has added its military hard power to that of the US to conduct operations or deter potential aggressors. Through NATO, 27 European countries,<sup>3</sup> along with the US and Canada, are committed to guarantee each other’s security – a mandate expanded in 2003 to include out-of-area operations in Afghanistan.

The economies of the EU and the US together make up almost a third of global GDP.<sup>4</sup> The EU is the largest export market for the US, and second largest supplier of its

*The economies of the EU and the US together make up almost a third of global GDP*

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<sup>3</sup> Including Turkey in this context.

<sup>4</sup> 31.76 per cent of global GDP. IMF (2017), ‘GDP based on PPP, Percent of World’, <http://www.imf.org/external/datamapper/PPPSH@WEO/OEMDC/ADVEC/WEOWORLD/MAE/EU> (accessed 11 Oct. 2017).

imports. Trade in goods and services between the EU and the US amounted to an estimated \$1.1 trillion in 2015, or just over \$3 billion per day.<sup>5</sup> They are each other's most important trading partners, with trade with the EU representing 18.9 per cent of total US trade in 2016, and trade with the US accounting for 17.7 per cent of EU trade in that year.<sup>6</sup>

The 'Western ideal' – a concept embodied in the democratic processes and free-market economies of the West – has long been a powerful draw for others, including originally for the countries of the former Eastern bloc as the Cold War came to an end. The power and attraction of what this represents – democracy, leadership and economic prosperity – has proved itself many times over, not least in the continued ambition of other countries to join the EU and NATO.

### More recent developments

Latterly, however, many of the characteristics that have historically been regarded as underpinning the Western ideal – among them its stability, power, influence and economic vitality – are no longer perceived as being quite so inviolable. Democratic values are seemingly on the wane where previously they were seen as firmly established.<sup>7</sup> States such as Turkey that were believed to be growing closer to the West now seem to be moving away from it, led by a president whose apparent interest in, and patience with, the EU and the US has waned. Publics around the world are apparently turning inwards, while their governments seem more illiberal and restrictive. In its 2017 report, Freedom House reported a net decline in global freedom for an 11th consecutive year, with 67 countries recording a fall in its index score and 36 countries making gains.<sup>8</sup>

The integrity of some Western institutions and countries has increasingly been in question in recent years. The UK referendum vote in 2016 to leave the EU constitutes the first reversal of the union's expansion, and many fear this presages its further disintegration.<sup>9</sup> Scotland's First Minister, Nicola Sturgeon, has proposed to hold a second referendum on independence in 2019 (after a relatively close result against in 2014, and a majority Scottish vote in favour of continued EU membership at the 2016 referendum). In October 2017 the regional parliament of Catalonia voted to declare independence from Spain, following a referendum vote in favour,

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<sup>5</sup> US Census Bureau (2017), *U.S. International Trade in Goods and Services, February 2017*, 4 April 2017, pp. 27–28, <https://www.census.gov/foreign-trade/Press-Release/2017pr/02/ft900.pdf> (accessed 20 Apr. 2017).

<sup>6</sup> European Commission Directorate General for Trade (2017), 'European Union, Trade in goods with USA', 3 May 2017, [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113465.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113465.pdf) (accessed 20 Apr. 2017).

<sup>7</sup> This has been seen not only in Europe, with the governments of Viktor Orbán and the Fidesz party in Hungary since 2010, and of Beata Szydło and the Law and Justice party in Poland since 2015, but also in the US with the election in 2016 of Donald Trump, who won the electoral college but not the popular vote, and whose rhetoric is perceived by many as being contrary to the country's democratic values.

<sup>8</sup> Freedom House, *Freedom in the World 2017*, <https://freedomhouse.org/report/freedom-world/freedom-world-2017> (accessed 1 Dec. 2017).

<sup>9</sup> Eurosceptic and even openly anti-EU parties such as the 5 Star Movement in Italy, the Freedom Party in Austria or the Front National in France have latterly registered record levels of popular support in local and national elections, even if this has not in all cases translated into substantive levels of legislative representation. Rachman, G. (2017), 'Macron win earns Europe a reprieve from the forces of populism', *Financial Times*, 9 May 2017, <https://www.ft.com/content/38908faa-3403-11e7-bce4-9023f8c0fd2e> (accessed 12 May 2017). See also Soros, G. (2016), 'Brexit and the Future of Europe', Project Syndicate, 25 June 2016, <https://www.project-syndicate.org/commentary/brexit-eu-disintegration-inevitable-by-george-soros-2016-06?barrier=accessreg> (accessed 24 Apr. 2017); and Matthias, M. (2017), 'Europe After Brexit, A Less Perfect Union', *Foreign Affairs*, January 2017, 96(1), <https://www.foreignaffairs.com/articles/europe/2016-12-12/europe-after-brexit> (accessed 10 May 2017).

prompting the Spanish government to suspend Catalonia's regional autonomy.<sup>10</sup> Meanwhile, other regions, provinces or groups in Europe that have long coveted independence are seeing a renewed upswing in support (such as in the Basque region, and in Flanders and Wallonia).

The fragmentation of states and institutions would make building the will to act internationally harder than ever. The rising trend towards isolationism or relative disinterest in international engagement also raises the likelihood that states may be less willing or able to come together to address global challenges. Furthermore, globalization has become a dirty word for significant sections of many populations, with greater focus on the polarization between its perceived winners and losers.

Some have questioned the viability of globalization given the current trend towards protectionism and nationalism as espoused by, among others, Donald Trump and Bernie Sanders in the US, and Marine Le Pen, Nigel Farage and Geert Wilders in Europe. They have instead suggested that a retreat from globalization will be predominant in the coming years, resulting in, among other things, decreasing interdependence and diminishing collaboration, with profound effects for the transatlantic relationship. However, while there is little doubt that the some of the consequences of globalization – real or presumed – have been badly managed by Western political systems, the high degree of interdependency (of markets, resources, security, people, ideas, etc.) dictates that, while its trajectory may slow, it is unlikely to be reversed in any meaningful way. Over the longer term, the evolution of globalization will depend in large part on the ability of political forces to respond to and mitigate its negative repercussions, and to manage current anti-globalization sentiment.

Meanwhile, rising inequality and attendant populism are pushing national publics to more extreme positions and raising tensions within and between states. Populist leaders are gaining ground (and, in some cases, winning power), representing segments of society that have historically either been small, acquiescent to their situation or lacking the means to push for change. In the US, 2016 saw a fundamental shift towards a more insular, protectionist government, purporting to represent a section of the population that eschews globalization; and this could be replicated in the coming years in some parts of Europe.

The election of Donald Trump brought to the position of US president a number of aspects that are proving difficult for European leaders and publics – as well as for many in the US and beyond – to understand, manage and react to. Many facets of his behaviour – from his short-term perspective to his reactionary and divisive rhetoric, pandering of his support base, and willingness to criticize his senior leadership publicly and counteract their positions (and at times even to abruptly reverse his own) – have confounded many of Washington's traditional allies, and have led to questions over his competence and that of the US government under his leadership. Moreover, Trump's focus on 'America First' and his apparent intention to abdicate traditional US global stewardship responsibilities have given rise to considerable concern in Europe and more widely internationally. For many, the direction of – and the uncertainty inherent in – Trump's leadership make maintaining the close transatlantic relationship that has characterized the decades since the Second World War almost impossible.

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<sup>10</sup> Pro-independence parties won an absolute majority of seats at a fresh election to the regional parliament in December 2017.

*Europeans, for their part, hold generally favourable views of the US, but the Iraq War, Guantánamo Bay and US cyber surveillance, among other issues, have damaged its image*

Opinion polling shows that Europeans and Americans hold broadly positive views of each other, but also that there is reluctance on each side to be drawn into the domestic affairs of the other. According to polling conducted by Pew Research Center in April 2016, 57 per cent of Americans considered that their country should deal with its own problems and leave other countries to handle theirs;<sup>11</sup> and 70 per cent wanted the next president to focus primarily on domestic issues.<sup>12</sup> While the prioritization of domestic issues has remained popular since the 1960s, support for a specifically ‘nation-first’ approach was 11 per cent higher in 2016 than in 2010. Europeans, for their part, hold generally favourable views of the US, but the Iraq War, Guantánamo Bay and US cyber surveillance, among other issues, have damaged its image.<sup>13</sup> European publics have been antagonistic towards US policy and leadership in recent years, particularly during the presidency of George W. Bush.<sup>14</sup> Among Europeans, Barack Obama’s administration was viewed more favourably than that of his predecessor, resulting in an increase in positive attitudes and trust towards the US. This trend has not continued into the presidency of Donald Trump. According to Pew Research Center analysis published in mid-2017, in the final years of Obama’s second term a median of 77 per cent of Europeans expressed confidence in the then president to ‘do the right thing regarding world affairs’, compared with just 18 per cent for President Trump in the spring of 2017.<sup>15</sup> Particularly dramatic shifts have occurred in Germany (86 per cent falling, to 11 per cent), France (84 per cent to 14 per cent) and the UK (79 per cent to 22 per cent). However, these results should be distinguished from European publics’ long-term outlook on bilateral relations with the US. Pew Research Center concludes that despite dramatic shifts in attitudes towards the US presidency, the ‘prevailing view’ among the 37 countries surveyed is that the established dynamics of their own country’s relationship with the US will not be altered in the near future – albeit that a majority of those who foresee change predict that relations will worsen.<sup>16</sup>

### Broader challenges, and looking ahead

In addition to the internal dilemmas that Western societies are experiencing, there are multiple external tests of, and challenges to, established systems. The rise of China continues to pose a challenge to Western expectations of, *inter alia*, economic dominance and notions of democracy and governance.

<sup>11</sup> Wike, R. (2016), ‘Where Americans and Europeans agree, disagree on foreign policy’, Pew Research Center, 14 June 2016, <http://www.pewresearch.org/fact-tank/2016/06/14/where-americans-and-europeans-agree-disagree-on-foreign-policy/> (accessed 2 May 2017).

<sup>12</sup> Pew Research Center (2016), ‘Public Uncertain, Divided Over America’s Place in the World’, 5 May 2016, <http://www.people-press.org/2016/05/05/1-americas-global-role-u-s-superpower-status/> (accessed 2 May 2017).

<sup>13</sup> Ibid; Wike, R. (2016), ‘Where Americans and Europeans agree, disagree on foreign policy’; and Wike, R., Poushter, J. and Zainulbhai, H. (2016), ‘As Obama Years Draw to Close, President and U.S. Seen Favorably in Europe and Asia’, Pew Research Center, 29 June 2016, <http://www.pewglobal.org/2016/06/29/as-obama-years-draw-to-close-president-and-u-s-seen-favorably-in-europe-and-asia/> (accessed 2 May 2017). Also, Dormandy, X. and Webb, J. (2014), *Elite Perceptions of the US in Europe and Asia*, London, Royal Institute of International Affairs, <https://www.chathamhouse.org/publication/elite-perceptions-united-states-europe-and-asia> (accessed 19 Dec. 2017).

<sup>14</sup> Pew Research Center (2008), ‘Global Public Opinion in the Bush Years (2001–2008)’, 18 December 2008, <http://www.pewglobal.org/2008/12/18/global-public-opinion-in-the-bush-years-2001-2008/> (accessed 27 Jun. 2017).

<sup>15</sup> Author’s calculations, based on Wike, R., Poushter, J. and Zainulbhai, H. (2016), ‘As Obama Years Draw to Close, President and U.S. Seen Favorably in Europe and Asia’; and Wike, R., Stokes, B., Poushter, J. and Fetterolf, J. (2017), ‘U.S. Image Suffers as Publics Around World Question Trump’s Leadership’, Pew Research Center, 26 June 2017, <http://www.pewglobal.org/2017/06/26/u-s-image-suffers-as-publics-around-world-question-trumps-leadership/> (accessed 27 Jun. 2017).

<sup>16</sup> Wike, R., Poushter, J. and Zainulbhai, H. (2016), ‘As Obama Years Draw to Close, President and U.S. Seen Favorably in Europe and Asia’; and Wike, R., Stokes, B., Poushter, J. and Fetterolf, J. (2017), ‘U.S. Image Suffers as Publics Around World Question Trump’s Leadership’, Pew Research Center, 26 June 2017, <http://www.pewglobal.org/2017/06/26/u-s-image-suffers-as-publics-around-world-question-trumps-leadership/> (accessed 27 Jun. 2017).

The increasingly global nature of other threats, in addition to the proliferation of new actors – from emerging markets to multinational businesses and NGOs – makes taking action more complex. For example, the internet (arguably the most borderless and intendedly democratic of platforms) is principally coordinated and maintained by a global multi-stakeholder non-profit body, the Internet Corporation for Assigned Names and Numbers (ICANN), but risks to its users can emerge from any state or sector. It is only as strong as its weakest link. Environmental degradation requires a change in behaviour by all states, and collaboration on new technologies to mitigate its impact. The threat from terrorism demands cooperation among intelligence and law enforcement communities worldwide. The scale and interconnectedness of global challenges clearly demands that governments and institutions work together in the mutual interests of their citizens.

In this context, it is more important than ever that the transatlantic relationship remains robust. While the US and Europe cannot resolve the world's problems by themselves, their stewardship is critical in bringing together parties to address regional or global problems. Failing to rise to the challenge could either leave a vacuum or allow others – with different views interests and priorities – to fill the void. The consequences of the US and Europe becoming unable or unwilling to work together would be significant.

And yet several of their recent policy choices have thrown into relief areas of clear divergence between the US and Europe (and sometimes within Europe), such as decisions regarding membership of the Asian Infrastructure Investment Bank (AIIB) and conflicting attitudes concerning the privacy rights and security of citizens. Divisions also occurred over policy towards Iraq under the Bush administration, the 2011 military intervention in Libya, and, most recently, the 2017 decision of President Trump to withdraw the US from the Paris Agreement, his repudiation of the Iran nuclear deal, and his move to recognize Jerusalem as Israel's capital. And with growing populist and nationalist trends in the US and in some parts of Europe, the outcome of some recent elections has led some to argue that the situation is worsening considerably rather than improving.<sup>17</sup>

In this context, this report examines whether the strength and vitality of the transatlantic relationship is what it was in the past. It explores whether the situation today is different from previous peaks and troughs, and asks if there are fundamental and structural characteristics now driving Europe and the US apart. Whereas over the past year much attention has been focused on the implications of the election of Donald Trump in the US, and the UK's decision to leave the EU, this report drills into the underlying and more fundamental factors affecting policy decision-making in the US and Europe, and how these may be changing. While these recent, overt challenges – stemming at least in part from populist political movements – reduce the scope for the US and Europe to focus internationally and collaboratively, understanding the more entrenched, structural and at times institutional reasons behind actual, potential and perceived divisions is vital. This report analyses the

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<sup>17</sup> A number of politicians and parties across Europe have seen the success of Trump's populist agenda and style and have been motivated to emulate this. In the 2017 French presidential election, notably, the far-right candidate, Marine Le Pen, came a close second to the eventual winner, Emmanuel Macron, at the first round, and won just over a third of the vote in the second-round run-off; her father (and founder of the Front National), Jean-Marie Le Pen, had also reached the second round in 2002, to considerable national shock, but then secured a much smaller share of the vote (just under 18 per cent). In the 2017 legislative elections in Germany, the right-wing nationalist Alternative für Deutschland (AfD) won its first seats in the Bundestag, having won 12.6 per cent the vote.

divisive factors in the relationship, explores whether these are cyclical – and thus likely temporary – or the result of long-term structural changes, and where possible proposes strategies to bridge or manage those differences between the US and Europe that put the relationship at risk.

### Methodology

This report asks three critical questions:

- Are the US and Europe diverging or converging in policy terms?
- What are the principal factors underlying their policy divergences or convergences?
- Are these factors structural – i.e. long-term – or cyclical – i.e. temporary?

On this last question, if the dividing factors are cyclical, it is anticipated that transatlantic relations will, in time, revert to a relatively stable state, based on broadly shared values and interests. Cyclical factors are less likely to have long-term or permanent consequences, although their impact can have ongoing implications for some time as regards issues such as trust or reliability. By contrast, if the dividing factors are structural, then the implications for the relationship could be significant and long-standing.

Exploration of these questions is informed by four principal research methods:

- **Literature review:** The report draws on position and policy papers, articles and opinion pieces, together with available polling data and statistics, to establish broad national trends as well as the principal positions of governments and, where appropriate, publics regarding various policy choices.<sup>18</sup>
- **Interviews:** Interviews were conducted with current and former policymakers, as well as with leading thinkers in the media and academia in the US and some of the principal European powers.
- **Scenarios:** In 2015–16 the US and the Americas Programme at Chatham House conducted a set of scenario workshops to explore four different hypothetical crises and analyse what the US and European responses to them would be. The scenarios are briefly described in Chapter 2, with fuller information set out in the appendix to this report.<sup>19</sup>
- **Case studies:** Research was conducted on four recent developments in which the policy choices of the US and some of the principal European powers appeared to diverge, exploring when divergences occurred and what the main causal factors were. Brief synopses of the case studies are provided in Chapter 2.

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<sup>18</sup> The focus is on concrete policy choices and outcomes. Not least for want of space, it is beyond the scope of the report to delve into the large body of academic literature studying the transatlantic policy divergences, although some works are pointed to in the references.

<sup>19</sup> Detailed summaries of these discussions, their outcomes and implications can also be found at <https://www.chathamhouse.org/about/structure/americas-programme/transatlantic-rift-state-us-europe-relations-project>.

The report concludes by making recommendations, based on the analysis of the factors influencing the changes in US and European behaviour and interests, to address the divergences.

### Scope of the report: explanatory note on Europe

Definitions of Europe – geographic, political and geopolitical – are many and various. Often, the term is used in reference to the institution of the EU and its now 28 (soon to be 27) member states, but Europe's geographic boundaries stretch wider.

Given the number of states making up Europe, by any definition, there will always be differences of interests, opinion and position on various policy issues. For example, Eastern European states currently tend to be more focused on the challenge from Russia, while Southern European countries have latterly been primarily concerned with challenges from the Southern Mediterranean and the Middle East. And where there is division among European states on certain policy issues, it is perhaps a given that some will align with the US and others against it.

The remit of this study is the transatlantic relationship, rather than cases where the potential for divergence is more prominent within Europe than between Europe and the US. Rather than attempt the unwieldy task of assessing relations between the US and Europe writ large, this report focuses chiefly on foreign policy interactions and divergences between the US and the three principal European powers: France, Germany and the UK. Where specifically relevant, the views of other European powers are noted, but here, unless otherwise stated, the term 'Europe' broadly refers to these three main powers in the context of foreign policymaking. The assumption is that it is divergences in the relationship between the US and France, Germany and the UK that the greatest damage to the transatlantic relationship can be caused, and where the impact of an incoherent transatlantic policy is likely to be largest.

## 2. Scenarios and Case Studies

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During 2015–16, the US and the Americas Programme at Chatham House conducted four scenario workshops with principally European and American participants to explore how they would respond to hypothetical crisis events or, in the scenario on autonomous weapons, in a crisis-driven multilateral negotiation. Four recent case studies in which the responses to events by the US and major European powers were initially seen to, or appeared to, diverge were also explored for this report. Through these eight examples, some of the principal common underlying causes that either drew the US and European positions together or pushed them apart could be identified.

The scenarios explored were:<sup>20</sup>

- A conflict between China and Japan;
- The imminent failure of the Iran nuclear deal;
- A military crisis between Russia and Turkey; and
- The negotiation of rules of engagement for the use of autonomous weapons systems following their use by China.

The case studies considered:

- Sanctions against Russia following the annexation of Crimea in 2014;
- The establishment of the Asian Infrastructure Investment Bank;
- The Snowden leaks; and
- The 2011 intervention in Libya.

This chapter briefly sets out these scenarios and case studies, and summarizes the drivers informing US and European actions. Rather than list all causal factors involved, it highlights the most pertinent factors that drove, or allowed for the bridging of, divisions between the transatlantic partners.

### Scenario 1: Asia-Pacific crisis

This scenario, held in November 2015 and set in 2020, examined a hypothetical confrontation between China and Japan. The inciting factor was a clash between their coastguard forces near the disputed Senkaku/Diaoyu islands. The scenario assumed casualties on both sides and no clear indications of which side had fired first. The scenario covered four rounds (one of which represented a UN-sponsored summit) and simulated a period of approximately one week.

This scenario workshop began with a relatively slow escalation, with the Chinese, Japanese and US teams all hesitant to apply pressure. European-led efforts to mediate the situation in international forums were largely ignored by the two Asian powers and the US, and for the majority of the simulation the various actors took relatively modest steps. The US cautiously moved military forces into the area – an action criticized by China but not overtly responded to – but generally appealed for calm, while the Chinese and Japanese teams mostly tried to contain, rather than appeal to, their domestic hardliners. It was only late in the simulation, when the US Pacific Command was struck by an unattributed cyberattack and the US government became more confrontational, issuing a ‘final warning’ to the Chinese government and deploying

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<sup>20</sup> More detailed information on the scenarios can be found in the appendix to this report.



significant military forces, that the situation threatened to escalate towards open hostilities. The constraints of time meant that the scenario ended at that point, thus cutting off any other possible areas of divergence.

### Drivers of divergence or convergence

The US and the European actors in the workshop had differing assessments of their **interests** in – and of potential **threats** from – the Asia-Pacific region. Europeans deemed Asia to be important to their interests, but not critical enough to demand an urgent policy response beyond statements of concern. Other parts of the world, namely Russia and the Middle East, were greater priorities for Europe. The US, from its perspective **as a global power** as well as in terms of its security alliances in the region and economically, saw the Asia-Pacific region as being of enormous strategic importance. Broadly, while the Europeans and the US viewed themselves as having generally similar interests in Asia with regard to trade, cybersecurity, and democracy and the rule of law, their respective priorities diverged. The Europeans placed greater emphasis on values and economics in their relationships with Asian states, while the US focused first and foremost on security and geopolitics.

Differing **capabilities – and perceptions of capabilities** – also played an important part in assessing how the US and Europe would be likely to respond to a conflict in the Asia-Pacific region. US military capabilities in the region are significant, with some 47,000 troops in Japan and 28,500 in South Korea in addition to regular exercises involving other assets.<sup>21</sup> The US therefore has the ability to exert strong military pressure within a relatively short time frame, if required. It also wields significant diplomatic clout in the region, and is a major regional trading partner. (By value, around 27 per cent of US merchandise exports went to Asia in 2014, and a similar share of its imports came from the region.<sup>22</sup>)

By contrast, EU member states (with the partial exception of the UK and France) have relatively few military assets in the region.<sup>23</sup> While the EU is a significant trading partner for some Asian countries – such as Japan and South Korea<sup>24</sup> – the overwhelming majority of EU trade remains with China, which in 2016 accounted for 14.9 per cent of total EU trade by value (20.2 per cent of imports; 9.7 per cent of exports).<sup>25</sup> Given their prioritization of commercial interests, European actors appear to consider themselves vulnerable to Chinese **economic** leverage.<sup>26</sup> They also tend not to consider potential diplomatic leverage in any significant way. Thus, while

*While the Europeans and the US viewed themselves as having generally similar interests in Asia with regard to trade, cybersecurity, and democracy and the rule of law, their respective priorities diverged*

<sup>21</sup> International Institute for Strategic Studies (2017), *The Military Balance*, 14 February 2017, 117(1): pp. 237–350.

<sup>22</sup> World Trade Organization, *International Trade Statistics 2015*, p. 49, [https://www.wto.org/english/res\\_e/statistics\\_e/its2015\\_e/its2015\\_e.pdf](https://www.wto.org/english/res_e/statistics_e/its2015_e/its2015_e.pdf) (accessed 3 May 2017).

<sup>23</sup> The UK has four Royal Navy vessels permanently situated in Bahrain at a facility that opened in 2015. France has naval bases in Tahiti and New Caledonia. International Institute for Strategic Studies (2017), *The Military Balance*.

<sup>24</sup> Hussain, M. (2015), 'South Korea-EU – trade in goods', Eurostat, January 2015, [http://ec.europa.eu/eurostat/statistics-explained/index.php/South\\_Korea-EU\\_-\\_trade\\_in\\_goods](http://ec.europa.eu/eurostat/statistics-explained/index.php/South_Korea-EU_-_trade_in_goods) (accessed 4 May 2017); Ministry of Finance, Japan (2016), 'Trade Statistics: Value of Exports and Imports 2016', 13 March 2017, [http://www.customs.go.jp/toukei/shinbun/trade-st\\_e/2016/2016\\_117e.pdf](http://www.customs.go.jp/toukei/shinbun/trade-st_e/2016/2016_117e.pdf) (accessed 4 May 2017).

<sup>25</sup> Japan accounted for 3.6 per cent of EU trade in 2016 (imports 3.9 per cent; exports 3.3 per cent), and South Korea for 2.5 per cent (imports 2.4 per cent; exports 2.6 per cent). European Commission Directorate General for Trade (2017), 'Client and Supplier Countries of the EU28 in Merchandise Trade (value %) (2016, excluding intra-EU trade)', 14 February 2017, [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_122530.02.2017.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122530.02.2017.pdf) (accessed 2 May 2017).

<sup>26</sup> With the exception of Germany, European countries have relatively small trade flows with China and other large Asian economies compared with the US. Observatory of Economic Complexity (2015), 'China', <http://atlas.media.mit.edu/en/profile/country/chn/> (accessed 2 May 2017).

*The lack of a significant Asian diaspora in most European states led some participants to question whether this influenced how the US and Europe saw their roles in the Asia-Pacific*

capabilities between the US and Europe differ, particularly in the military sphere, their respective perceptions of their capabilities towards the region are even more different and cause divergence in policy.

European participants noted an absence of effective **regional institutions** or forums through which they could engage with the US and Asian powers on the Asia-Pacific region. While they recognized that there was a US–EU Strategic Dialogue that encompasses Asia-Pacific issues, without membership of the principal Asian regional organizations – the East Asia Summit (EAS), the Association of Southeast Asian Nations (ASEAN) and Asia-Pacific Economic Cooperation (APEC) – they considered that it was difficult to have an effective discussion of issues and interests in an appropriate format. The lack of appropriate forums was also seen to make it harder for the transatlantic partners to act jointly in the region.<sup>27</sup>

**Demographics** were a factor in the thinking of participants in defining the positions of their governments. One US participant noted that the significant population of Asian origin in the US (some 6 per cent in 2011) supported a more assertive response in the region.<sup>28</sup> The lack of such a significant Asian diaspora in most European states led some participants to question whether this influenced how the US and Europe (and their publics) saw their roles in the Asia-Pacific. There was consideration of whether these positions would have been reversed if the conflict had taken place in the Middle East.

### Scenario 2: Stress-testing the Iran nuclear deal

This scenario, held in February 2016 and set in 2018, discussed different visions of – and interests in – the 2015 Iran nuclear deal.<sup>29</sup> It was made up of five rounds, each representing the passage of one week. The starting assumptions were that a ceasefire had taken hold in Syria, although a more permanent solution to the conflict remained elusive; that Islamic State in Iraq and Syria (ISIS) remained in control of a smaller eastern portion of Syria; and that Saudi Arabia and Iran had resumed diplomatic relations but tensions between them remained high.

<sup>27</sup> This was a challenge under the Obama administration also. Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell tried to mitigate this by regular briefings with European embassies in Washington but found it hard to get traction.

<sup>28</sup> The Pew Research Center forecasts this to rise to 9 per cent by 2050. While the UK also has a high percentage of people of Asian origin (6.9 per cent, principally from South Asia), the percentage for France and Germany is 1.2 per cent and 1.3 per cent respectively. Wickett, X. and Parakilas, J. (2016), *Transatlantic Rifts: Asia-Pacific Scenario Case Study*, Research Paper, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/publication/transatlantic-rifts-asia-pacific-scenario-case-study>; Pew Research Center (2013), 'The Rise of Asian Americans', 4 April 2013, <http://www.pewsocialtrends.org/2012/06/19/the-rise-of-asianamericans/>; Passel, J. S. and Cohn, D. (2008), 'U.S. Population Projections: 2005-2050', Pew Research Center, 11 February 2008, <http://www.pewhispanic.org/2008/02/11/us-population-projections-2005-2050/>; UK Office for National Statistics (2013), '2011 Census: Ethnic group, local authorities in the United Kingdom', in *2011 Census: Key Statistics and Quick Statistics for local authorities in the United Kingdom*, 11 October 2013, <http://www.ons.gov.uk/ons/rel/census/2011-census/keystatistics-and-quick-statistics-for-local-authorities-in-the-united-kingdom---part-1/rft-ks201uk.xls>; Federal Statistical Office, Germany, 'Foreign population', <https://www.destatis.de/EN/FactsFigures/SocietyState/Population/MigrationIntegration/ForeignPopulation/Tables/PlaceOfBirth.html>; Institut national de la statistique et des études économiques, France (2015), 'Fiches thématiques: Population', in *France, portrait social, édition 2015*, [http://www.insee.fr/fr/ffc/docs\\_ffc/FPORSOC15j\\_FTL02pop.pdf](http://www.insee.fr/fr/ffc/docs_ffc/FPORSOC15j_FTL02pop.pdf) (accessed 19 Jan. 2016).

<sup>29</sup> The Joint Comprehensive Plan of Action (JCPOA) had been agreed in July 2015 by the E3/EU+3 – China, France, Germany, Russia, the United Kingdom and the US, with the High Representative of the European Union for Foreign Affairs and Security Policy – and Iran.

The scenario began with the leak of a US intelligence report indicating that Iran was pursuing a clandestine uranium-enrichment programme prohibited under the Joint Comprehensive Plan of Action (JCPOA). The intelligence suggested that Iran was planning to test a new medium-range ballistic missile, the Shahab-4, in the near future.

In the workshop, parties largely interpreted and used the language of the JCPOA to promote their own interests. The Iranian team used the time limits assigned in the text of the JCPOA to verification activities in order to 'buy' time to negotiate, rather than make immediate disclosures. Escalation broadly played out in two forms: in negotiations between Iran and the West (effectively brokered by individual European states, not by the EU); and, indirectly, in the form of a renewed conflict between Israel and Hezbollah. Iran's strategy of holding out until the last possible moment before revealing that it had not materially breached the terms of the JCPOA proved largely successful in that it gained additional sanctions relief (although at the cost of alienating Germany and impacting potential German investments).

### Drivers of divergence or convergence

Repeatedly throughout the workshop, participants fell back on **the agreed framework of the JCPOA** when it appeared that differences of interest and approach had the potential of splitting the transatlantic allies. And where disagreements did arise, all looked to the JCPOA for previously agreed next steps. Potential divergence of action between Europe and the US was thus avoided even where their views differed. Nonetheless, the Europeans and the Americans alike considered that the most likely circumstance for division in the future would also arise from the JCPOA. Europeans expressed concern that the US would not meet the obligations of the agreement in full, or that it would impose secondary sanctions, while the US worried that Europe might not commit to 'snap-back' sanctions if need be.

The participants also repeatedly looked to the International Atomic Energy Agency (IAEA) for unbiased and independent evidence regarding Iranian actions. While most European participants did take at face value the US intelligence that opened the scenario, they also held that their respective publics would demand **international independent verification of the intelligence**, and that it was thus important that the IAEA was able to reinforce the US findings.

Although there have long been differences between European states and the US regarding how best to engage with Iran (e.g. over the prioritization of commercial versus security interests in Afghanistan, Iraq and Pakistan) and in the Persian Gulf, their respective **interests and priorities** became more aligned as the perceived potential threat from a nuclear-armed Iran increased. From 2005 the US and the EU worked closely together to craft an enforcement and sanctions regime to press Iran to give up its nuclear ambitions and capabilities. While European and US interests and priorities on associated issues continued to diverge – with the US typically giving greater weight to the security risk over the commercial opportunities than many European countries – the primacy of the nuclear issue encouraged collaboration. This was evident in the workshop even when additional commercial, political and security pressures were introduced to the scenario.

**European dynamics** had a role in how the scenario played out. The European position was led almost entirely by France, Germany and the UK, all of which (along with Russia, China and the US) were parties to the JCPOA. Some tensions emerged as the scenario played out, when it became clear that the EU and NATO were largely left out of the negotiations by these states. Other tensions were caused by the dominance of the US–UK relationship in developing a joint position before consulting other European states, particularly in the intelligence arena.

**Political polarization**, particularly in the US, influenced how much space the participants had to negotiate a way forward. This is likely to remain the case. The Iran nuclear deal is a highly political issue in the US, with most Democrats supporting it while Republicans have largely vilified it – a phenomenon clearly evident during the 2016 election campaign, when Donald Trump’s strong criticism of the deal was matched by almost all other Republican hopefuls. Although public pressure was not considered particularly significant as part of this scenario exercise, it was noted that it continues to play a particularly pertinent role in the polarized environment of US politics.

### Scenario 3: Averting a Turkish–Russian conflict

This scenario, held in May 2016 and set in late 2017, explored US and European responses to a potential conflict between Turkey and Russia. It envisaged a ‘cold peace’ in Syria, with the country split roughly into thirds controlled by the Assad regime in the west, a patchwork of Kurdish and rebel groups in the centre and north, and a diminished but still cohesive ISIS in the east.

The workshop assumed that the UK had narrowly voted to remain in the EU at the June 2016 referendum; and that in the US there was a status-quo-minded Democratic administration in the White House, constrained by Republican control of the House of Representatives. These assumptions were contradicted by events in both countries in subsequent months.

A pair of incidents launched the scenario: the Syrian government capturing a group of Turkish special-operations soldiers in Syria and accusing them of working to undermine the government’s position ahead of peace talks; and Turkey’s coastguard boarding and seizing a Russian freighter carrying arms to Syria. A new round of peace talks was due to begin a month later, at the end of the time frame covered by the scenario.

The scenario unfolded with mostly parallel escalations by Russia and Turkey. Russia increased its military presence around Turkey’s periphery, arming Kurdish groups and briefly cutting off gas supplies to it. Turkey, for its part, attempted to involve NATO in the confrontation with Russia, although this was resisted by the US and by European states. There was relatively little breach in US–European cooperation throughout. The US did at one point suggest to the Europeans that they might consider taking a harder line on Russia, but backed down when they demurred. Ultimately, while the situation was not fully resolved through the scenario, Turkey and Russia slowed the pace of escalation and seemed reluctant to risk open conflict.

#### Drivers of divergence or convergence

Often despite its rhetoric, in recent years the US has had largely transactional relationships with Russia and Turkey. By contrast, European relationships with both Moscow and Ankara have been far more strategic in nature. In some cases, too, these relationships have been regarded as existential with regard to Russia, or highly complex given Turkey's membership of NATO but not of the EU. Thus, US and European participants set out from quite **different perceptions of the situation, and had varying assessments of the challenges and threats**. Respective priorities with regard to Russia and Turkey can, moreover, be quite different. Since 2015, in particular, European priorities concerning Turkey have centred on the country as a gateway for refugees and migrants into Europe. This issue is of far less immediate importance to the US, which has prioritized security and military operations in Syria and Iraq.

*As with Iran, US and European attitudes towards Russia have grown closer in recent years, particularly since the Russian invasion of eastern Ukraine and illegal annexation of Crimea in 2014*

As with Iran, US and European attitudes towards Russia have grown closer in recent years, particularly since the Russian invasion of eastern Ukraine and illegal annexation of Crimea in 2014. Although interests and priorities have varied – both within Europe and between the US and Europe – preventing further Russian territorial expansion has been paramount, and this has underpinned alignment on the maintenance of strong sanctions against Russia.<sup>30</sup> Should Russia's assertiveness in its neighbourhood decrease, however, differing interests could cause European and US priorities to diverge. President Putin appears to be trying to take advantage of this prospect.

One of the significant factors in this scenario that gave rise to different interpretations of interests between many of the European states and the US was a perception of **vulnerability on the part of the European states to Russia's energy leverage**. Given their high level of dependence on Russian energy exports, and Moscow's apparent willingness to use this as an instrument of leverage, for some European states there were significant concerns regarding the potential implications of taking a tough line. The US, particularly in light of the advances made in shale extraction technology over the past decade, considers itself far less vulnerable in the energy context.

Another factor influencing European attitudes in this scenario was **geography**. Given the flow of refugees through Turkey and the proximity of Russia to the eastern periphery of the EU, there was a strong sense of vulnerability (and even, in certain cases, existential risk) among some European states. (The degree of perceived vulnerability varied depending on location, with the UK evidently feeling less threatened than many continental European countries.) This factor was absent from the US analysis. Nevertheless, the shared priority to prevent Russian expansion overcame other interests, including those driven by geographical proximity.

As also seen in the Asia-Pacific context, **demographics** influenced responses in this scenario, in particular with regard to the relationship between and interests of Germany and Turkey. Germany has a population of almost 3 million Turkish citizens and German citizens of Turkish descent; approximately 4 million German tourists visit Turkey each year;<sup>31</sup> and while Turkey ranks as Germany's 15th largest export

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<sup>30</sup> This has remained the case despite President Trump's positive rhetoric towards Russia and President Putin. The coalescence of all other parts of the US government – congressional Democrats and Republicans as well as the bureaucracy – towards a tough Russia policy has kept the US in line with the views of most mainstream Europeans.

<sup>31</sup> Ministry of Foreign Affairs, Turkey (2016), 'Relations between Turkey and the Federal Republic of Germany', <http://www.mfa.gov.tr/reasons-between-turkey-and-the-federal-republic-of-germany.en.mfa> (accessed 1 Jul. 2016).

market, Germany is Turkey's largest.<sup>32</sup> That no other country in the EU has quite the deep level of ties with Turkey explains, in large part, the leading role assumed by Germany in the scenario negotiations.

It is notable that **public opinion** in the US and Europe appeared to contradict government perceptions of the Russian threat. While European governments generally perceive Russia to be a greater threat than does the US government, one survey published in 2015 showed that the US public views Russia as a greater threat to its neighbours than do publics in Europe.<sup>33</sup> Nonetheless, public opinion played a limited role in the workshop, with some participants speculating that, given the relatively low level of public interest in Turkey and Russia (except in some mainly eastern European countries), this was unlikely to drive domestic pressure on governments for action.

European and US participants **prioritized maintaining a consensus within NATO** over other interests: de-escalation and maintaining transatlantic unity were the two main priorities. The participants representing Turkey were unable to use their leverage within NATO to force the alliance to take stronger action against Russia, although following the exercise some participants suggested that if Turkey had pushed its agenda hard, the other members of NATO would have had to defend it to ensure the unity and credibility of the institution under Article 5 of the North Atlantic Treaty.

All participants placed significant emphasis on the UN judgment regarding the location of the Russian vessel when it was boarded by Turkish forces, and thus the legal validity of the Russian and Turkish positions. Once again, all parties resorted to an external and independent arbiter to ensure consensus. International norms – from the rules of the sea to treatment of captives – as well as NATO engagement provided fall-back positions for the transatlantic partners.

### Scenario 4: Managing the use of autonomous weapons systems

This simulation, conducted in October 2016 and set in 2017, proceeded along slightly different lines than the previous scenarios. In the first three scenarios, participants attempted to resolve crises through negotiations and the deployment of national assets. This was instead a simulation of a negotiation prompted by, but largely independent of, a crisis.

For the purposes of this scenario, it was assumed that the Democrats retained control of the White House, now under President Hillary Clinton, following the November 2016 elections, and that they also held a very precarious Senate majority. The House of Representatives remained under the control of an increasingly nationalist and inward-facing Republican Party.

*International norms – from the rules of the sea to treatment of captives – as well as NATO engagement provided fall-back positions for the transatlantic partners*

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<sup>32</sup> World Integrated Trade Solution (2016), 'Turkey Trade at a Glance: Most Recent Values', World Bank, <http://wits.worldbank.org/CountrySnapshot/en/TUR/textview> (accessed 27 Jul. 2016); Federal Statistical Office of Germany, Statistisches Bundesamt (2017), 'Ranking of Germany's trading partners in foreign trade (with turnover and foreign trade balance)', [https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/ForeignTrade/Tables/OrderRankGermanyTradingPartners.pdf?\\_\\_blob=publicationFile](https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/ForeignTrade/Tables/OrderRankGermanyTradingPartners.pdf?__blob=publicationFile) (accessed 11 Dec. 2017).

<sup>33</sup> A 2015 Pew Research Center survey found that 59 per cent of Americans viewed Russia as a major threat to its neighbours. This compared with 53 per cent of respondents in Britain, 51 per cent in France, 38 per cent in Germany, 44 per cent in Italy and 49 per cent in Spain. See Pew Research Center (2015), 'Pew Global Attitudes & Trends Question Database [2050]', <http://www.pewglobal.org/question-search/?qid=2050&cntIDs=&stdIDs=> (accessed 27 Jul. 2016).

The scenario imagined a conflict between China and Vietnam over disputed territory in the South China Sea. Following a naval victory on the part of Vietnam, China launched an attack against its major naval facility at Cam Ranh Bay, using two waves of pilotless aircraft. The attack inflicted heavy damage on the facility and caused numerous civilian casualties, including among staff at a Red Cross medical facility nearby. Investigation of one of the downed aircraft revealed that it was a fully autonomous – rather than remotely piloted – system, as was subsequently confirmed by statements from the Chinese government.

In the wake of this revelation and the general public outcry that followed, an informal working group was convened, under the auspices of the UN secretary-general, to establish a code of conduct for the use of such weapons systems. Participants were given a draft code of conduct based on the conclusions of the 2013 UN special rapporteur's report on drones and lethal autonomous systems,<sup>34</sup> and were instructed to use it as a template for an agreed text that might become the basis of a legal instrument to which their countries could sign up.

Almost immediately, the prospect of a ban on lethal autonomous weapons was taken off the table by all government representatives, despite strong pressure for a complete ban from participants representing the multinational NGO community. Fundamental divergences were less evident between the US and Europe – where there were disagreements between governments, these were primarily over the minutiae of the public statements made about autonomous weapons – and more so between the various sectors within each country. The defence industry was concerned about being held responsible if governments did not provide clear guidance, and also resisted the idea of a ban. The non-defence technology industry took a more nuanced view of the situation, resisting over-regulation that might conflict with their business models but also supporting the NGO cause, albeit quietly. The result was a considerably watered-down statement calling for restraint in the deployment of autonomous weapons systems, but without any commitment to any further limitations.

### Drivers of divergence or convergence

In contrast to the previous three scenarios, non-state actors – from NGOs to the corporate sector – played a far greater role in this workshop, which was designed in part to draw out the influence of these actors as well the weight of public opinion. Indeed, they were seen to engage very actively among states, and, particularly in the case of NGOs, drew on **public opinion** to bring pressure to bear on their respective governments. Divisions tended to be between NGOs on the one side, and the corporate sector and government on the other. There was far less divergence in positions between governments.

Public opinion also played a role, to varying degrees, as regards technology and technology companies. American participants generally tended towards accepting the inevitability of technological change in a way that was not evident among Europeans. There was also a perceived difference in values between the US

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<sup>34</sup> Heyns, C. (2013), *Report of the Special Rapporteur on extrajudicial, summary or arbitrary executions*, New York, NY: United Nations General Assembly, [http://www.ohchr.org/Documents/HRBodies/HRCouncil/RegularSession/Session23/A-HRC-23-47\\_en.pdf](http://www.ohchr.org/Documents/HRBodies/HRCouncil/RegularSession/Session23/A-HRC-23-47_en.pdf) (accessed 6 Jan. 2017).

and many of the European states, with the latter broadly taking a position that suggested humans have the right to not be killed by robots, while the US view appeared more pragmatic. Over time, this area of apparent divergence could have assumed a larger role. Public opinion was seen to play a stronger role in France than in the other countries represented.

Capabilities were important in determining the positions of the respective governments. The US, which in this scenario already had autonomous weapons capabilities (the details of which were classified), resisted ratifying any serious restrictions on their use. European states that either were close to obtaining autonomous weapons capabilities or felt themselves to be under the protection of the US were also far more likely to resist restrictions.

Considerations of geography may have played a role in influencing attitudes towards the use of autonomous weapons systems. These are more useful where naval and air power is particularly important, such as in the Pacific theatre, while their use in land warfare, such as is likely in the European theatre, is assumed to be less critical. That the US considers itself far more likely to be drawn into an Asian conflict than do European states affected interests in the negotiations.

US and European states emphasized the importance of coming together to agree language for a UN resolution in order to provide some guidelines for the future use of autonomous weapons systems so as to create common norms. Depending on their interests, however, they tended to draw on different legal bases to build their positions. The US tended to see such an agreement as an opportunity to build a framework around a 'strategic armament', and avoided limitations of a humanitarian or moral nature. The European states, for their part, initially tended to focus on humanitarian interests. Notwithstanding these differences, the importance of arriving at a common position allowed the various state actors to bridge the gaps between them.

*That the US considers itself far more likely to be drawn into an Asian conflict than do European states affected interests in the negotiations*

## Case Study 1: Russian sanctions

### Background

Following Russia's illegal annexation of Crimea in March 2014, the US and the EU imposed economic sanctions against the country. These targeted banks and energy companies, as well as specific individuals thought to be influential within President Vladimir Putin's regime, in order to pressure Russia to change its behaviour. Following the downing of Malaysian Airlines' flight MH17 over Ukraine in July of the same year, the EU and the US imposed tougher trade restrictions against Russia, backed by more public support than the initial round of sanctions. Sanctions were renewed in 2016, despite some objections that they had not been successful in bringing about a resolution of the situation. A crucial element of the sanctions was to make clear to Russia that further territorial expansion or aggression would be met with a unified Western response. Sanctions remain in force, and, in the case of the US, were strengthened by the US Congress in 2017 (in large part to counter what many believe to be President Trump's desire to relax them).



#### Divergence

The initial round of sanctions (predating the downing of MH17) was pushed for primarily by the US. The then vice-president, Joe Biden, subsequently acknowledged that, while the US and the EU outwardly presented a unified stance towards Russia, with an agreed sanctions programme, there were disputes between the two: ‘[I]t was America’s leadership and the president of the United States insisting, oft times almost having to embarrass Europe to stand up and take economic hits to impose costs.’<sup>35</sup>

The renewal of sanctions in 2016 was agreed in spite of disputes among the European states: countries such as Greece, Hungary and Italy called for the sanctions regime to be eased, whereas the UK, Sweden, Poland and the Baltic states pressed for their extension. Although Poland and the Baltic countries have suffered the greatest economic losses, relative to their GDP, as a result of trade restrictions under the sanctions,<sup>36</sup> they remain in favour of tougher sanctions due to their own fears of Russian expansionism, with the Baltic states considering themselves most vulnerable.

There has been some inconsistency in the application of the sanctions. Germany has maintained certain economic relations with Russia, especially with regard to the Nord Stream 2 project for a gas pipeline running between the two countries. Although there have been objections by some other EU member states, Germany claims it is abiding by the bans in place as the pipeline runs through international waters and thus does not fall under EU jurisdiction.<sup>37</sup>

#### Drivers of divergence

**Geographic factors** have played a significant role in driving states’ degree of support for, or opposition to, sanctions. Those most exposed to Russian retaliatory measures with regard to trade or energy supply, such as Hungary and Slovakia, have argued that sanctions might worsen rather than help the situation with regard to Ukraine, and have made calls for them to be eased.<sup>38</sup> By contrast, the geography and vulnerability of the Baltic states – who perceive themselves as potentially more vulnerable to the next application of Russia’s hybrid warfare – has generally motivated their demands for a tougher line on sanctions.

**Energy dependence** may be a contributing factor in weakening support for sanctions renewal among some EU countries. Germany generally receives over 30 per cent of its oil and gas from Russia, and Austria about 70 per cent of its gas. Italy is also a significant importer of Russian energy. Among the former Soviet

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<sup>35</sup> Biden, J. (2014), ‘Remarks by the Vice President at the John F. Kennedy Forum’, speech delivered on 3 October 2014 at Harvard Kennedy School, Boston, MA, <https://obamawhitehouse.archives.gov/the-press-office/2014/10/03/remarks-vice-president-john-f-kennedy-forum> (accessed 11 Dec. 2017).

<sup>36</sup> Kraatz, S. (2014), *The Russian Embargo: Impact on the Economic and Employment Situation in the EU*, European Parliament, October 2014, [http://www.europarl.europa.eu/RegData/etudes/BRIE/2014/536291/IPOL\\_BRI\(2014\)536291\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2014/536291/IPOL_BRI(2014)536291_EN.pdf) (accessed 20 Apr. 2017). See also Oja, K. (2015), ‘No milk for the bear: the impact on the Baltic states of Russia’s counter-sanctions’, *Baltic Journal of Economics*, 15(1): 38–49, <http://dx.doi.org/10.1080/1406099X.2015.1072385> (accessed 24 Apr. 2017).

<sup>37</sup> The drive to implement Nord Stream 2 in Germany’s government came principally from the junior member of Merkel’s coalition at the time, the Social Democratic Party. Spiegel, P. and Politi, J. (2015), ‘Italy’s Renzi joins opposition to Nord Stream 2 pipeline deal’, *Financial Times*, 15 December 2015, <https://www.ft.com/content/ceb679c-a281-11e5-8d70-42b68cfae6e4> (accessed 17 Aug. 2016).

<sup>38</sup> Economist Intelligence Unit (2014), ‘Europe politics: Stalled EU sanctions reflect bloc rifts, Russian moves’, 9 September 2014, [http://viewswire.eiu.com/index.asp?layout=VWArticleVW3&article\\_id=722264456](http://viewswire.eiu.com/index.asp?layout=VWArticleVW3&article_id=722264456) (accessed 15 Aug. 2016).

republics, Latvia, Lithuania and Estonia are particularly dependent on Russian gas supplies,<sup>39</sup> but their fear of the implications of an assertive Russia for their territorial and political integrity has outweighed the importance of energy dependence in their decision-making.<sup>40</sup> Meanwhile, the US's rising energy self-sufficiency makes it increasingly less vulnerable to pressure in this regard.

The historical context is also of some significance. The US has a history of imposing sanctions on Russia (and previously the Soviet Union), as well as against Russian companies and individuals dating back to the presidency of Boris Yeltsin.<sup>41</sup> And there are historically stronger anti-Russian sentiments among Americans than in France, Germany and the UK – the principal European subjects of this report – which has tended to mean that sanctions have been less controversial in the US. Nonetheless, there are significant differences within Europe. For countries such as Poland and the Baltic states, history encourages a strong suspicion of Moscow, whereas some other European countries – among them Austria, Cyprus and Italy – for various historical reasons feel greater affinity towards Russia. Notable, too, is that Hungary under the premiership of Viktor Orbán has in some respects – and to the considerable concern of other EU members – emulated President Putin's authoritarian form of government. There has also been a rise in pro-Russian sentiment among some Czech and Slovak politicians.<sup>42</sup>

European business interests have also played a role in opposition to sanctions. The EU's trade with Russia is roughly 10 times larger than that of the US. Russia is the EU's third largest trading partner,<sup>43</sup> whereas the Office of the United States Trade Representative lists Russia as the US's 23rd largest goods trading partner.<sup>44</sup> Between 2013 and 2015 US exports to Russia declined 0.24 per cent, while those of the EU on average fell by 2.8 per cent – although losses incurred by individual countries ranged between 0.6 per cent (in the case of the UK) and 12.7 per cent (Estonia).<sup>45</sup> As a result, although US financial institutions and energy companies have lost business due to sanctions, it is European states that are taking a far greater commercial hit. Countries such as Germany and France have suffered significant losses, including the cancellation of a 1.2 billion deal for the Russian purchase of French Mistral-class amphibious assault ships.<sup>46</sup> Objections to sanctions from Slovakia, Hungary and Greece in large part reflect their desire to bolster their economies by maintaining or increasing business relations with Russia.

*Although US financial institutions and energy companies have lost business due to sanctions, it is European states that are taking a far greater commercial hit*

<sup>39</sup> Oliver, C. and Foy, H. (2015), 'Poland and Baltic states set to sign deal to build gas pipeline', *Financial Times*, 12 October 2015, <https://www.ft.com/content/b15b1a96-70d6-11e5-9b9e-690fdae72044> (accessed 4 Dec. 2017).

<sup>40</sup> Chyong, C. and Tcherneva, V. (2015), 'Europe's vulnerability on Russian gas', European Council on Foreign Relations, 17 March 2015, [http://www.ecfr.eu/article/commentary\\_europes\\_vulnerability\\_on\\_russian\\_gas](http://www.ecfr.eu/article/commentary_europes_vulnerability_on_russian_gas) (accessed 5 Oct. 2016).

<sup>41</sup> Weiss, A. and Nephew, R. (2016), 'The role of sanctions in U.S.-Russian relations', Carnegie Endowment for International Peace, 11 July 2016, <http://carnegieendowment.org/2016/07/11/role-of-sanctions-in-u.s.-russian-relations-pub-64056> (accessed 15 Aug. 2016).

<sup>42</sup> Ibid.

<sup>43</sup> European Commission (2017), 'Trade; Policy; Countries and Regions; Russia', updated 22 February 2017, [http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/index\\_en.htm](http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/index_en.htm) (accessed 11 Dec. 2017).

<sup>44</sup> Office of the United States Trade Representative (undated), 'Russia: U.S.-Russia Trade Facts', <https://ustr.gov/map/countriesaz/ru> (accessed 11 Dec. 2017).

<sup>45</sup> Moret, E., Giumelli, F. and Bastiat-Jarosz, D. (2017), 'Sanctions on Russia: Impacts and economic costs on the US', Graduate Institute Geneva, 20 March 2017 (accessed 12 Dec. 2017).

<sup>46</sup> Schatz (2015), 'The transatlantic cost of Russia sanctions'.

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## Case Study 2: The Asian Infrastructure Investment Bank

### Background

*From the perspective of US policymakers, the proposed creation of the AIIB was inextricably linked to an expansionist Chinese foreign policy and represented both a direct challenge to Western financial dominance and a potential conduit for China's strategic ambitions*

The establishment of the AIIB was formally proposed by China's President Xi Jinping during a state visit to Kazakhstan in 2013.<sup>47</sup> In addition to its immediate purpose of funding infrastructure projects, the move to found the new institution was emblematic as an expression of China's frustration with its disproportionately small influence in Western-dominated international financial institutions such as the IMF.<sup>48</sup> While the need to promote infrastructure development in Asia is widely recognized, the US and many of its allies – including Japan, Australia and the UK – were suspicious of the proposed new institution.<sup>49</sup> From the perspective of US policymakers, the proposed creation of the AIIB was inextricably linked to an expansionist Chinese foreign policy and represented both a direct challenge to Western financial dominance and a potential conduit for China's strategic ambitions.<sup>50</sup> Furthermore, the US and many European governments and special interest groups doubted the regulatory standards of the AIIB, and were concerned by its apparent lack of environmental safeguards and potential susceptibility to corruption.<sup>51</sup>

### Divergence

The US took a two-pronged approach in response to the proposed establishment of the AIIB. Officials publicly attacked the AIIB's potential lending standards, and in private they pressed their European and Asian allies to reject overtures to join the bank.<sup>52</sup> European countries initially expressed solidarity with the US position, but as membership of the AIIB grew they became concerned that they were losing an opportunity for influence during the new bank's formative period.<sup>53</sup> By the spring of 2014, discontent with the US position had cemented itself among European states and major international organizations, including the Asian Development Bank (ADB) and the World Bank. Eventually, in March of that year, Luxembourg became the first European country to break ranks and announce its intention to join the

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<sup>47</sup> Callaghan, M. and Hubbard, P. (2016), 'The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road', *China Economic Journal*, 9(2): 116–39, <http://dx.doi.org/10.1080/17538963.2016.1162970> (accessed 1 Nov. 2016).

<sup>48</sup> As at late 2017, China's voting share, effective under the 14th Review of General Quotas, was 6.09 per cent. See International Monetary Fund (undated), 'IMF Members' Quotas and Voting Power, and IMF Board of Governors', <https://www.imf.org/external/np/sec/memdir/members.aspx> (accessed 1 Nov. 2016). As at late 2017, China's voting shares among the World Bank organizations were: IBRD = 4.53 per cent; IDA = 2.19 per cent, IFC = 2.30 per cent, MIGA = 2.64 per cent. See World Bank Group (2017), 'The World Bank: Voting Powers', <http://www.worldbank.org/en/about/leadership/votingpowers> (accessed 11 Dec. 2017).

<sup>49</sup> Perlez, J. (2014), 'U.S. Opposing China's Answer to World Bank', *New York Times*, 9 October 2014, [https://www.nytimes.com/2014/10/10/world/asia/chinas-plan-for-regional-development-bank-runs-into-us-opposition.html?\\_r=0](https://www.nytimes.com/2014/10/10/world/asia/chinas-plan-for-regional-development-bank-runs-into-us-opposition.html?_r=0) (accessed 26 Apr. 2017).

<sup>50</sup> Lipsy, P. (2015), 'Who's Afraid of the AIIB?', *Foreign Affairs*, 7 May 2015, <https://www.foreignaffairs.com/articles/china/2015-05-07/whos-afraid-aiib> (accessed 26 Apr. 2017).

<sup>51</sup> See for example comments in a statement made by the US National Security Council to the *Guardian* newspaper: Watt, N., Lewis, P. and Branigan, T. (2015), 'US anger at Britain joining Chinese-led investment bank AIIB', *Guardian*, 13 March 2015, <https://www.theguardian.com/us-news/2015/mar/13/white-house-pointedly-asks-uk-to-use-its-voice-as-part-of-chinese-led-bank> (accessed 11 Dec. 2017); and Chow, L. (2017), 'Is the AIIB Really 'Lean, Clean and Green'?', *The Diplomat*, 2 August 2017, <https://thediplomat.com/2017/08/is-the-aiib-really-lean-clean-and-green/> (accessed 12 Dec. 2017).

<sup>52</sup> Perlez, J. (2014), 'U.S. Opposing China's Answer to World Bank'.

<sup>53</sup> This view, although typically stated less vehemently than here, is held by many policymakers in the US on both sides of the political aisle. Dyer, G. and Parker, G. (2015), 'US attacks UK constant accommodation with China', *Financial Times*, 12 March 2015, <https://www.ft.com/content/31c4880a-c8d2-11e4-bc64-00144feab7de> (accessed 26 Apr. 2017).

AIIB. It was swiftly followed by four G7 members (France, Germany, Italy and the UK), and by Switzerland and Australia. By March 2015 the AIIB had 57 founding member countries.<sup>54</sup>

US officials were very unhappy with the decision of the UK and other allies to sign up to the AIIB. One White House official directed particular opprobrium at the UK, pointing to its ‘constant accommodation of China’<sup>55</sup> – in the context of a retrenchment in Britain’s defence spending and its restraint shown towards China’s handling of pro-democracy protests in Hong Kong in the latter part of 2014<sup>56</sup> – although other US officials did privately assert that this accusation was overwrought.<sup>57</sup> While there was, and remains, some divergence in views between the US and Europe about the AIIB, this case is also indicative of errors in communication, with a White House official getting ahead of government policy. It should also be noted that there were differences at government level within the European powers, too, including, in London, between the UK Foreign and Commonwealth Office and the Treasury.<sup>58</sup>

There is now a more general acceptance of the AIIB by the US authorities, reflecting an acknowledgment of its reality (although close attention will continue to be paid as regards how the institution develops, particularly concerning its governance). The critical need for infrastructure development in Eurasia was recognized by most multilateral institutions and countries, justifying the bank’s existence. Arguments against the creation of a new financial institution to support infrastructure investment were weakened by the inability of the US to approve reforms that would give China a greater say in Western-dominated international financial institutions proportional to the size of its influence in the global economy, although there have since been quota and governance reforms at the IMF that substantially increased the influence of the BRIC countries, in effect from 2016.<sup>59</sup> US politicians were eventually forced to admit that creating the AIIB was a reasonable development. In this context, US officials intend that European membership of the new institution will promote greater transparency and force higher regulatory and lending standards, while also inhibiting Beijing’s ambitions to use the AIIB as a vehicle to further its own influence across Asia.

### Drivers of divergence

Following the UK’s decision to join the AIIB, the then Chancellor of the Exchequer, George Osborne, called this an ‘unrivalled opportunity for the UK and Asia to invest and grow together’.<sup>60</sup> His words spoke to the ties between European countries and China that are defined by economic interests. In 2015 China accounted for 15 per cent of the EU’s total trade in goods and 20 per cent of its imports.<sup>61</sup> In addition, around

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<sup>54</sup> Rachman, G. (2015), ‘China’s Money magnet pulls in US allies’, *Financial Times*, 16 March 2015, <https://www.ft.com/content/cd466ddc-cbc7-11e4-aeb5-00144feab7de> (accessed 26 Apr. 2017).

<sup>55</sup> *Ibid.*

<sup>56</sup> Dyer, G. and Parker, G. (2015), ‘US attacks UK constant accommodation with China’.

<sup>57</sup> Many months later, some officials acknowledged privately that the US pushback *vis-à-vis* the UK had been wrong.

<sup>58</sup> Anderlini, J. (2015), ‘UK move to join China-led bank a surprise even to Beijing’, *Financial Times*, 26 March 2015, <https://www.ft.com/content/d33fed8a-d3a1-11e4-a9d3-00144feab7de> (accessed 26 Apr. 2017).

<sup>59</sup> International Monetary Fund (2016), ‘Historic Quota and Governance Reforms Become Effective’, Press Release No. 16/25, 27 January 2016, <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr1625a> (accessed 11 Dec. 2017).

<sup>60</sup> Dyer, G. and Parker, G. (2015), ‘US attacks UK constant accommodation with China’.

<sup>61</sup> Eurostat (2016), ‘EU’s top trading partners in 2015: the United States for exports, China for imports’, 31 March 2016, <http://ec.europa.eu/eurostat/documents/2995521/7224419/6-31032016-BP-EN.pdf> (accessed 26 Apr. 2017).

8 per cent of Chinese FDI goes to Europe, and total Chinese private investment there reached a record \$23 billion in 2015.<sup>62</sup> With an estimated \$8 trillion<sup>63</sup> in infrastructure projects identified as being needed in Asia, and more than \$2 trillion<sup>64</sup> in the EU by 2020, the decision of European countries to join the bank reflected their recognition of the imperative of strengthening trade and financial ties with China.

Particularly for Europe's major financial services centres, signing up to the AIIB – and thus potentially gaining an advantage in the competition to be China's 'door' into Europe – was an obvious move. And intra-European competition became a factor once Luxembourg became the first EU member to declare its intention to join the new institution. The UK, which had already negotiated to join, accelerated its application in response to Luxembourg's move;<sup>65</sup> and this in turn encouraged a rush of applications by other countries unwilling to be left behind.

The US also has strong financial ties and interests in China. In 2015 China accounted for some 16 per cent of US merchandise exports, and supplied an estimated 21 per cent of US imports.<sup>66</sup> In 2016 the US reported a services trade surplus with China of \$37.4 billion, with service export levels having risen by 10.5 per cent from 2015, and by more than 400 per cent since 2006.<sup>67</sup> China, for its part, holds \$1.09 trillion in US Treasury Bonds, providing a clear impetus for it to support a strong US economy.<sup>68</sup> However, while Europe and the US share strong financial connections to China, Washington's strategy towards Beijing is also shaped by the US commitment to defensive treaties and to its **primacy in the major international financial institutions** including the ADB, the World Bank and the IMF.

*It was difficult for US policymakers to accept the AIIB as anything but a rival to the Western-led international financial institutions*

From this dominant position, the US strategy had been to take the lead in setting global trading rules while maintaining defensive treaties to **manage the balance of power in Asia to its advantage**. In the US, the AIIB was seen as inseparable from China's aggressive manoeuvring in the South China Sea, and the creation of several Chinese-backed international banking projects including the BRICS bloc's New Development Bank, the Shanghai Pudong Development Bank and the BRICS Contingent Reserve Arrangement. Thus it was difficult for US policymakers to accept the AIIB as anything but a rival to the Western-led international financial institutions. Moreover, the US feared that China would use its own dominance within the AIIB, where it held a 26.6 per cent voting share, to award projects only to countries seen as adhering to Chinese interests, thus meaning that the new institution would serve as a 'war chest' for Beijing's regional foreign policy.<sup>69</sup>

<sup>62</sup> Jones, C. (2016), 'Chinese investment in Europe hits 23b dollar record', *Financial Times*, 10 March 2016, <https://www.ft.com/content/c1155e72-e5e0-11e5-a09b-1f8b0d268c39> (accessed 26 Apr. 2017).

<sup>63</sup> *The Economist* (2015), 'The infrastructure gap', 19 March 2015, <http://www.economist.com/news/asia/21646740-development-finance-helps-china-win-friends-and-influence-american-allies-infrastructure-gap> (accessed 27 Apr. 2017).

<sup>64</sup> Invest Europe (2016), *Europe's economic foundations: Investing in Infrastructure*, November 2016, [https://www.investeurope.eu/media/533105/Briefing-Note\\_Europe%E2%80%99s-economic-foundations\\_Investing-in-Infrastructure-28112016.pdf](https://www.investeurope.eu/media/533105/Briefing-Note_Europe%E2%80%99s-economic-foundations_Investing-in-Infrastructure-28112016.pdf) (accessed 6 May 2017).

<sup>65</sup> Anderlini, J. (2015), 'UK move to join China-led bank a surprise even to Beijing', *Financial Times*, 26 March 2015, <https://www.ft.com/content/d33fed8a-d3a1-11e4-a9d3-00144feab7de> (accessed 26 Apr. 2017).

<sup>66</sup> US Census Bureau (2016), 'Top Trading Partners – December 2015', 5 February 2016, <https://www.census.gov/foreign-trade/statistics/highlights/top/top1512yr.html> (accessed 26 Apr. 2017).

<sup>67</sup> Office of the United States Trade Representative (undated), 'The People's Republic of China: U.S.-China Trade Facts', <https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china#> (accessed 11 Dec. 2017).

<sup>68</sup> US Department of the Treasury (2017), 'Major Foreign Holders of Treasury Securities', 15 June 2017, <http://ticdata.treasury.gov/Publish/mfh.txt> (accessed 20 Jun. 2017).

<sup>69</sup> Anderlini, J. (2015), 'UK move to join China-led bank a surprise even to Beijing'.

The disagreement over the AIIB between the US and Europe was born out of competing strategic and economic views. The US views China first as a strategic rival and second as a business opportunity. In contrast, in Europe domestic **economic interests outweighed the strategic concern** expressed by the US. Critically, as evidenced by the AIIB, it is clear that European countries are willing to break step with the US if it suits their economic interests to do so.

### Case Study 3: The Snowden revelations and the privacy debate

#### Background

In June 2013 the *Guardian* and *Washington Post* newspapers published a large number of classified documents, obtained from a former National Security Agency (NSA) consultant, Edward Snowden, revealing details of US mass surveillance and foreign signals intelligence operations.<sup>70</sup> The disclosures gave evidence of, *inter alia*, the extent to which the US had spied on its allies, including through the tapping of EU premises in Brussels and of European leaders' phones. It was reported that the NSA had accessed data from nine internet platforms, including Facebook, Yahoo, Microsoft and Google, to gather data such as emails, live chats and search histories. They also monitored the phones of 35 world leaders, including German Chancellor Angela Merkel, as well as 38 embassies and missions including those of France, Italy, Greece, Japan, South Korea, Hong Kong, China and India.<sup>71</sup> There was a vociferous response to the revelations across Europe; governments expressed outrage, and a public debate ensued on the appropriate balance between considerations of national security and individual privacy. Apart from the inclusion of some limits to data collection in the 2015 USA Freedom Act, no major policy changes were introduced on either side of the Atlantic in response to the Snowden leaks.

#### Divergence

The main transatlantic divergence was seen in the immediate reactions to the revelations. In Europe, many states and institutions, buoyed by vociferous support from their publics, denounced the surveillance conduct of the US, in terms of both its extent and its subjects (this despite, in some cases, similar activities being conducted by their own intelligence services and often close collaboration with the NSA). Condemnation was most vocal in Germany, with Chancellor Merkel warning that trust between allies should not be undermined. She demanded an explanation for the tapping of her phone, and urged the EU to adopt stricter legislation on data gathering.<sup>72</sup> EU institutions threatened to suspend data-sharing agreements with the US (and briefly suggested that the disclosures might affect trade talks),

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<sup>70</sup> Snowden, who fled the US, was subsequently charged with theft of government property, unauthorized communication of national defence information, and wilful communication of classified communications intelligence information to an unauthorized person; he was granted temporarily asylum in Russia in August 2013, and through subsequent extensions he currently has the right to remain there until 2020.

<sup>71</sup> Subsequent information revealed that it is not the US alone that spies on its allies and that other countries, including Germany, do so too.

<sup>72</sup> Eddy, M. and Kanter, J. (2013), 'Merkel Urges Europe to Tighten Internet Safeguards', *New York Times*, 15 July 2013, <http://www.nytimes.com/2013/07/16/world/europe/merkel-urges-europe-to-tighten-internet-safeguards.html> (accessed 7 Feb. 2017).

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while the European Parliament adopted a resolution that recognized Snowden as a ‘whistleblower and international human rights defender’.<sup>73</sup> The US authorities, for their part, steered clear of releasing strong statements. Rather, US officials emphasized that all governments spy – a point that was reinforced when other documents revealed the high level of cooperation between European intelligence services and the NSA.<sup>74</sup>

### Drivers of divergence

**Their respective histories** played a meaningful role in how European states and the US, and their publics, responded to the revelations. Not least arising from the experiences of Nazi Germany and of communist regimes, many European countries – and their leaders – have an acute awareness of the possible misuse of intelligence and governmental powers, and particular sensitivity concerning the protection of personal privacy and data protection. This is particularly true of Germany; there, in 1970 the state of Hesse adopted the first data protection act in the world,<sup>75</sup> and this was followed in 1977 by a comparable law at federal level.<sup>76</sup> The US, whose perspective is less informed by direct historical experience of state abuse of privacy, is less sensitive to privacy issues (as is the UK), and has been criticized by Germans and other Europeans for what they regard as apathy in this policy area; attitudes continue to diverge in this respect.<sup>77</sup>

Another explanatory factor is the different level of **threat perception**. Since 9/11, the US has been explicit about its fight against terrorism and the means it deems necessary to achieve a safe society. In its search for more complete security, it has adopted far-reaching policies that have often placed national security concerns

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<sup>73</sup> Members of the European Parliament were reported to be ‘furious that US authorities had been accessing their e-mails and other personal data from leading Internet companies’, while its president, Martin Schulz, said he was ‘deeply worried and shocked, adding: ‘If the allegations prove to be true, it would be an extremely serious matter which will have a severe impact on EU-US relations.’ Furthermore, the EU’s commissioner for justice, Viviane Reding, linked the revelations to the ongoing TTIP negotiations, stating ‘we cannot negotiate over a big trans-Atlantic market if there is the slightest doubt that our partners are carrying out spying activities on the offices of our negotiators.’ Castle, S. and Schmitt, E. (2013), ‘Europeans Voice Anger Over Reports of Spying by U.S. on Its Allies’, *New York Times*, 30 June 2013, <http://www.nytimes.com/2013/07/01/world/europe/europeans-voice-anger-over-reports-of-spying-by-us-on-its-allies.html?action=click&contentCollection=U.S.&module=RelatedCoverage&region=EndOfArticle&pgtype=article> (accessed 12 May 2017). See also European Parliament (2015), ‘Resolution P8\_TA(2015)0388: Follow-up to the European Parliament resolution of 12 March 2014 on the electronic mass surveillance of EU citizens’, 29 October 2015, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P8-TA-2015-0388+0+DOC+PDF+V0//EN> (accessed 10 Jan. 2017).

<sup>74</sup> The Snowden leaks revealed instances in which European intelligence services ‘evaded legal restrictions (where they existed) by collecting data on other countries and swapping information where necessary. Intelligence services in France, Germany, Italy, Sweden, Spain and the Netherlands were also among those revealed to have collaborated with the NSA.’ Dworkin, A. (2015), *Surveillance, privacy, and security: Europe’s confused response to Snowden*, European Council on Foreign Relations, 20 January 2015, [http://www.ecfr.eu/publications/summary/mass\\_surveillance\\_privacy\\_and\\_security\\_europes\\_confused\\_response329](http://www.ecfr.eu/publications/summary/mass_surveillance_privacy_and_security_europes_confused_response329) (accessed 12 May 2017). See also Eddy, M. (2013), ‘For Western Allies, a Long History of Swapping Intelligence’, *New York Times*, 9 July 2013, <http://www.nytimes.com/2013/07/10/world/europe/for-western-allies-a-long-history-of-swapping-intelligence.html> (accessed 9 May 2017).

<sup>75</sup> Kosta, E. (2013), *Consent in European Data Protection Law*, Leiden-Boston, Martinus Nijhoff, p.45.

<sup>76</sup> Busch, A. (2014), ‘Why Germans are angry about U.S. spying’, *Washington Post*, 23 July 2014, [https://www.washingtonpost.com/news/monkey-cage/wp/2014/07/23/why-germans-are-angry-about-u-s-spying/?utm\\_term=.72b155d256ef](https://www.washingtonpost.com/news/monkey-cage/wp/2014/07/23/why-germans-are-angry-about-u-s-spying/?utm_term=.72b155d256ef) (accessed 9 May 2017).

<sup>77</sup> Smale, A. (2013), ‘Amid New Storm in U.S.-Europe Relationship, a Call for Talks on Spying’, *New York Times*, 25 October 2013, <http://www.nytimes.com/2013/10/26/world/europe/fallout-over-american-spying-revelations.html>. See also Smart, C. (2017), *Regulating the Data that Drive 21st-Century Economic Growth – The Looming Transatlantic Battle*, Research Paper, London, Royal Institute of International Affairs, <https://www.chathamhouse.org/publication/regulating-data-drive-21st-century-economic-growth-looming-transatlantic-battle> (accessed 19 Dec. 2017).

before personal privacy.<sup>78</sup> President Obama attempted to reassure European leaders that the espionage activities that had come to light were conducted in the context of counterterrorism, and therefore served the interests of all the US's allies.<sup>79</sup> Europe, although it has experienced many more acts of political terrorism throughout the post-war era, remains sceptical about the ambition of reaching 'perfect' security. This has fostered a growing sense in Europe that US counterterrorism efforts may have endangered important values such as personal privacy and protection from the state. As Elmar Brok, chairman of the European Parliament's foreign affairs committee, noted in the aftermath of the revelations regarding the extent of NSA activities, 'the balance between freedom and security has been lost' since 9/11.<sup>80</sup>

**Technological capabilities** also play a role and have implications for values. Many of the world's biggest technology companies are American, and benefit from a positive attitude towards them among US citizens.<sup>81</sup> They are seen in the US as creating commercial opportunities and economic growth, and their economic power gives them political influence as well. Europe's technological capabilities in large part lag behind those of the US, leading to a feeling of discomfort and frustration as well as a sense, among politicians and the public, of an unlevel playing field.<sup>82</sup> As Europeans consider the potential negative effects of technological development, they also respond critically to companies that they perceive to breach certain values or standards,<sup>83</sup> especially through 'exceptional lobbying'.<sup>84</sup> As stated by Chancellor Merkel in 2013:

Not everything which is technically doable should be done. The question of relative means must always be answered: What relation is there between the danger and the means we choose, also and especially with regard to preserving the basic rights contained in our Basic Law?<sup>85</sup>

<sup>78</sup> Eddy, M. and Kanter, J. (2013), 'Merkel Urges Europe to Tighten Internet Safeguards'. A poll carried out in the US between June and July 2013 had 54 per cent of respondents saying the CIA's collection of data on Americans' phone calls 'is necessary to keep Americans safe.' Vasilogambros, M. (2013), 'Americans Shift Their View Against U.S. Surveillance Programs', *Atlantic*, 10 July 2013, <https://www.theatlantic.com/politics/archive/2013/07/americans-shift-their-view-against-us-surveillance-programs/438060/> (accessed 26 Apr. 2017). Moreover, perceptions of the US in Europe – and globally – show eroding confidence in the US government's concern for the protection of personal freedoms. Pew Research Center (2014), 'Global Opposition to U.S. Surveillance and Drones, but Limited Harm to America's Image', 14 July 2014, <http://www.pewglobal.org/2014/07/14/global-opposition-to-u-s-surveillance-and-drones-but-limited-harm-to-americas-image/> (accessed 9 May 2017).

<sup>79</sup> Erlanger, S. (2013), 'Outrage in Europe Grows Over Spying Disclosures', *New York Times*, 1 July 2013, <http://www.nytimes.com/2013/07/02/world/europe/france-and-germany-piqued-over-spying-scandal.html> (accessed 14 May 2017).

<sup>80</sup> Cited in Smale, A. (2013), 'Amid New Storm in U.S.-Europe Relationship, a Call for Talks on Spying'.

<sup>81</sup> Nasr, A. (2016), 'Tech Industry Enjoys High Favorability Ratings From American Public', *Morning Consult*, 6 June 2016, <https://morningconsult.com/2016/06/06/tech-industry-enjoys-high-favorability-ratings-american-public-2/> (accessed 15 May 2017).

<sup>82</sup> In 2015, Günther Oettinger, the EU commissioner in charge of the digital economy, criticized US technology companies for their dominance, methods and practices. He said: 'Americans are in the lead. They have the data, the business models and the power.' Scott, M. (2015), 'Tough Talk From European Commissioner About U.S. Tech Companies', *New York Times*, 24 February 2015, <https://bits.blogs.nytimes.com/2015/02/24/tough-talk-from-european-commissioner-about-u-s-tech-companies/> (accessed 12 May 2017). James Bamford, author of a 1982 book on the NSA, illustrated the gap: 'The difference is, you're comparing eavesdropping with a nuclear weapon to eavesdropping with a cannon. These countries don't have anywhere near the capacity that the N.S.A. does in terms of their capacity to do to us what we do to them.' Erlanger, S. (2013), 'Outrage in Europe Grows Over Spying Disclosures'. See also Dempsey, J. (2014), 'Spies and Europe's Dependence on America', *Carnegie Europe*, 10 July 2014, <http://carnegieeurope.eu/strategieurope/56122> (accessed 8 Jun. 2017).

<sup>83</sup> Brunswick Group (2015), *Europe & the Internet: It's complicated*, 28 September 2015, <https://www.brunswickgroup.com/publications/surveys/european-views-of-us-tech-companies/> (accessed 12 May 2017).

<sup>84</sup> An illustration of this attitude was the critical response of many European countries to competition from the US 'ride-hailing' platform Uber. Several countries, including Germany, France and Spain, have banned Uber either completely or in some major cities. See Gesley, J. (2016), (2016), 'Legal Challenges for Uber in the European Union and in Germany', *Library of Congress*, 14 March 2016, <https://blogs.loc.gov/law/2016/03/legal-challenges-for-uber-in-the-european-union-and-in-germany/> (accessed 3 Feb. 2017).

<sup>85</sup> Cited in Smale, A. (2013), 'Anger Growing Among Allies on U.S. Spying', *New York Times*, 23 October 2013, <http://www.nytimes.com/2013/10/24/world/europe/united-states-disputes-reports-of-wiretapping-in-Europe.html> (accessed 2 Feb. 2017).



*The Snowden revelations undoubtedly prompted an initial public outcry... But, as predicted by some at the time, the disclosures apparently did little to truly disrupt an enduring transatlantic relationship*

A final factor to consider in the context of the Snowden revelations is the impact of **public opinion** on policymakers' positions in the privacy debate. On both sides of the Atlantic, the disclosures fuelled a debate on civil liberties and security that – especially in Europe – motivated political elites to take a strong stance against mass surveillance.<sup>86</sup> Ultimately, however, rather than causing a real divergence between the US and Europe, this factor mostly exposed the existing divide between the public and the elite in the US and in Europe. A 2013 poll showed that more than 70 per cent of respondents in Germany, 50 per cent in the US, and 40 per cent in the UK considered that collection of telephone and internet data by their own government or an allied government was not justified.<sup>87</sup> Political elites were quick to overcome the dispute after the surveillance revelations and return to transatlantic cooperation, whereas publics remained critical of their governments' perceived lack of readiness to tackle privacy issues.<sup>88</sup>

The Snowden revelations undoubtedly prompted an initial public outcry, and sparked a public debate over security interests and privacy rights. But, as predicted by some at the time, the disclosures apparently did little to truly disrupt an enduring transatlantic relationship.<sup>89</sup> Indeed, as European states still closely interact with US on intelligence matters, some convergence may even have taken place at a level that is not made public.

### Case Study 4: The Libya intervention

#### Background

In February 2011 pro-democracy protests in Libya were violently suppressed by the regime of Colonel Muammar Gaddafi. The UN Security Council first adopted Resolution 1970, demanding an end to the violence and imposing a travel and arms embargo; and subsequently Resolution 1973, authorizing military action to protect civilians.<sup>90</sup> Notwithstanding concern from Germany, which abstained from the vote on Resolution 1973, European and US forces established a no-fly zone, which began with the destruction of the Libyan government's air and air-defence forces. This mission was eventually taken over by NATO. Meanwhile, the EU Military Operation in Libya (EUFOR Libya) was established in April 2011 to provide humanitarian assistance. The Gaddafi regime was overthrown in August, and two months later NATO ended its operation pursuant to Resolution 2016.

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<sup>86</sup> Chancellor Merkel, for example, insisted that her response to the wiretapping of her phone was not simply personal, but with the interests of German citizens in mind. Some have argued European leaders' response was closely connected to maintaining popularity at home. See Erlanger, S. (2013), 'Outrage in Europe Grows Over Spying Disclosures'.

<sup>87</sup> Raisher, J. and Stelzenmueller, C. (2013), *Transatlantic Majorities Oppose Domestic Surveillance*, German Marshall Fund of the United States, 12 November 2013, <http://www.gmfus.org/publications/transatlantic-majorities-oppose-domestic-surveillance> (accessed 3 May 2017).

<sup>88</sup> Dworkin, A. (2015), *Surveillance, privacy, and security*.

<sup>89</sup> Smale, A. (2013), 'Amid New Storm in U.S.-Europe Relationship, a Call for Talks on Spying'. As the article states, 'To be sure, the United States and Europe are like a bickering couple that will never break up. For all the sharp words, they cannot even begin to contemplate an actual divorce.'

<sup>90</sup> UN Security Council, 'Security Council resolution 1970 (2011)', 26 February 2011, [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/RES/1970\(2011\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1970(2011)) (accessed 8 Feb. 2017); and UN Security Council, 'UN Security Council Resolution 1973 (2011)', 17 March 2011, [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/RES/1973\(2011\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1973(2011)) (accessed 8 Feb. 2017).

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### Divergence

The debate that ensued from the adoption of Resolution 1973 brought into relief divergences of national views on military intervention and international order. France, swiftly followed by the UK, built a policy narrative around the importance of the responsibility to protect civilians (R2P), which ultimately persuaded the US to agree to the enforcement of a no-fly zone. Germany, for its part, maintained that the solution for Libya had to be political and not military. The debate thus created two points of tension: one between the five permanent members of the UN Security Council on the use of military force, whereby France and the UK had to convince the US to agree to the no-fly zone (and dissuade China and Russia from vetoing any decision); and one within the EU, where Germany's decision to abstain from the Libya mission endangered cohesion. As summarized by one study, the Libyan case demonstrated that there were 'fundamental differences concerning principles of military intervention underlying the divergent position of the key actors'.<sup>91</sup>

### Drivers of divergence

**History** played an important role in shaping the positions of the principal European actors. Italy was the colonial power in Libya for much of the first half of the 20th century, and France and the UK administered it from 1942 until independence in 1951. As a result, there was a sense of responsibility among them to support Libyan citizens, and with it a level of support for the prospect of military intervention.<sup>92</sup> Germany and the US, on the other hand, have relatively few historical ties to Libya. In Germany's case, moreover, the experience of the Second World War makes it extremely wary of using military force, with as many as 69 per cent of its population believing that the country should limit its military role in world affairs.<sup>93</sup> This constrained Chancellor Merkel in the debate, and she was further inhibited by an impending and important German state election.<sup>94</sup>

Closely related to history is the dominant **foreign policy narrative or ideology** driven in part by a country's perception of its **global role**. Such a national narrative helps a country to evaluate and justify its role in military (or other) interventions and within the broader international order. During the crisis, France adopted a narrative heavily focused on responsibility and leadership. At the UN Security Council, foreign minister Alain Juppé warned: 'Every day, every hour that goes by increases

*National narrative helps a country to evaluate and justify its role in military (or other) interventions and within the broader international order*

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<sup>91</sup> See Miskimmon, A., O'Loughlin, B. and Roselle, L. (2013), *Strategic Narratives: Communication Power and the New World Order*, Abingdon: Routledge.

<sup>92</sup> This continued in the UK, following the on-the-ground operation, with training for Libyan forces in the UK (which ended in failure five months after being launched). See Chandler, J. (2016), *UK International Defence Engagement Strategy: Lessons from Bassingbourn*, London, Royal Institute of International Affairs, <https://www.chathamhouse.org/publication/uk-international-defence-engagement-strategy-lessons-bassingbourn> (accessed 19 Dec. 2017).

<sup>93</sup> Pew Research Center (2015), 'Germany and the United States: Reliable Allies', 7 May 2015, <http://www.pewglobal.org/2015/05/07/germany-and-the-united-states-reliable-allies/> (accessed 12 May 2017). See also Herf, J. (2011), 'Berlin Ghosts', *New Republic*, 24 March 2011, <https://newrepublic.com/article/85702/germany-libya-intervention-qaddafi-merkel/> (accessed 9 May 2017); and Borger, J. (2012), 'Germany slowly comes to terms with sending its armed forces abroad', *Guardian*, 18 September 2012, <https://www.theguardian.com/world/2012/sep/18/germany-military-modernise-foreign-intervention> (accessed 12 May 2017).

<sup>94</sup> *Spiegel* (2011), 'Germany Hesitates as UN Authorizes Action against Libya', 18 March 2011, <http://www.spiegel.de/international/world/security-council-abstention-germany-hesitates-as-un-authorizes-action-against-libya-a-751763.html> (accessed 15 May 2017).

the weight of responsibility on our shoulders. Let's be sure not to arrive too late!<sup>95</sup> The UK, conceiving a similar role for itself as a dominant military power willing to show leadership, quickly followed France's efforts (being careful to emphasize the UN mandate, and that this was not an invasion or occupation).<sup>96</sup> The US, however, drew on a different foreign policy narrative, one more in line with President Obama's developing policy of sharing the burdens of international leadership, particularly where partners have more tangible historical ties and national interests in play. (Some wariness was likely also due to the desire to avoid any comparisons to the US's 'boots on the ground' in Iraq and Afghanistan and a perceived similar narrative.<sup>97</sup>) France and the UK therefore took the lead in the intervention, and the US only announced its full support when a clear legal basis and a **multilateral approach** had been established. Germany, conforming to its national identity based on very limited military involvement, decided to abstain completely from the intervention.<sup>98</sup>

Apart from history and ideology, **capabilities** (or the lack thereof) also played a role in the policy divergence. Germany's defence budget has remained relatively low since the end of the Cold War, and its focus has primarily been on humanitarian and capacity-building missions rather than on expeditionary warfare. It emphasized its limited ability to contribute to the Libya intervention and highlighted its concerns that this would lead to a wider regional conflict that could bring about unforeseen risks and costs. The other parties were more willing to commit resources to the conflict, with the UK in particular spending a relatively high amount on the mission.<sup>99</sup> US military assets – such as the cruise missile submarine and stealth bombers that destroyed Libya's air defences at the beginning of the campaign – were critical to the allies' capacity.

The **domestic political situation** must also be taken into account. In the case of Germany, the political elite and **public opinion** were critical of potential involvement in Libya. Political leaders expressed scepticism with regard to the British and French R2P argument. While a March 2011 poll suggested that 62 per cent of Germans were in favour of a military mission in Libya, 65 per cent also said that their country's armed forces should not be included (compared with 29 per cent who said they should).<sup>100</sup> Conversely, the British political elite supported the intervention, which enabled Prime Minister David Cameron to criticize the previous Labour government's policy of reintegrating Gaddafi into the international community. For President Obama, domestic politics was a restraining factor, as Congress voiced criticism for being excluded from the discussions leading up to the Security Council vote. Questions

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<sup>95</sup> Embassy of France in the United Kingdom, 'Libya – Speech by Alain Juppé, (Ministre d'Etat), Minister of Foreign and European Affairs, to the United Nations Security Council', 17 March 2011, <http://www.ambafrance-uk.org/Alain-Juppe-backs-UN-resolution> (accessed 8 Feb. 2017).

<sup>96</sup> Reuters (2011), 'UK's Cameron: no plans for ground forces in Libya', Reuters, 17 April 2011, <https://www.reuters.com/article/libya-britain/uk-cameron-no-plans-for-ground-forces-in-libya-idUSLDE73G03P20110417> (accessed 19 Dec. 2017).

<sup>97</sup> The Obama doctrine is exemplified by the then president's words on 26 March 2011: 'As I pledged at the outset, the role of American forces has been limited. Our military has provided unique capabilities at the beginning, but this is now a broad, international effort. [...] This is how the international community should work—more nations, not just the United States, bearing the responsibility and cost of upholding peace and security.' The White House, 'Weekly Address: President Obama Says the Mission in Libya is Succeeding', 26 March 2011, <https://obamawhitehouse.archives.gov/the-press-office/2011/03/26/weekly-address-president-obama-says-mission-libya-succeeding> (accessed 8 Feb. 2017).

<sup>98</sup> Miskimmon, A., O'Loughlin, B. and Roselle, L. (2013), *Strategic Narratives*, p. 77.

<sup>99</sup> A breakdown of UK spending outlined a 'cost of UK operations at well over £600-million, and arguably into the £1.25-billion-plus range'. Hopkins, N. (2011), 'UK operations in Libya: the full costs broken down', *Guardian*, 26 September 2011, <https://www.theguardian.com/news/datablog/2011/sep/26/uk-operations-libya-costs#data> (accessed 8 Feb. 2017).

<sup>100</sup> Miskimmon, A., O'Loughlin, B. and Roselle, L. (2013), *Strategic Narratives*, p. 77.

were also raised with regard to the possible discrepancy between intervention in Libya and troop withdrawals from Iraq and Afghanistan. When European countries took the lead, however, President Obama could more easily support the operation.

All in all, the transatlantic divide on the Libya intervention was not so wide as to cause long-term divergence. Following the campaign, however, President Obama criticized the European countries for their lack of commitment to ensuring the long-term stability of Libya.<sup>101</sup>

## Conclusion

Drawing on these scenario workshops and case studies, 11 factors can be identified as the main drivers underlying the decisions of the governments on which this report focuses (the US and, in Europe, France, Germany and the UK).<sup>102</sup> Summary table 2 sets these out, and shows where they played a significant role. The importance of any one factor changes according to situation.

**Summary table 2: Factors influencing policy choices in the scenario workshops and case studies**

	Scenario workshops				Case studies			
	Asia-Pacific crisis	Iran nuclear deal	Russian–Turkish conflict	Autonomous weapons	Russian sanctions	AIIB	Snowden revelations	Libya intervention
Interests/external threats	•	•	•		•		•	
History					•		•	•
Geography			•	•	•			
Demographics	•		•					
Economics	•				•	•		
Great-power politics	•					•		•
Public opinion			•	•			•	•
Resources			•		•			
Political polarization		•						•
Capabilities	•			•			•	•
International institutions	•	•	•	•		•		•

Note: The role of leadership personalities and their interplay in international affairs, also identified by the research project as a driving factor in transatlantic relations, was intentionally omitted from the scenarios and case studies. This is explored as part of Chapter 3.

<sup>101</sup> Goldberg, J. (2016), 'The Obama Doctrine', *Atlantic*, April 2016, <https://www.theatlantic.com/magazine/archive/2016/04/the-obama-doctrine/471525/> (accessed 8 Feb. 2017).

<sup>102</sup> One factor – resources – splits between divergence and convergence, with critical food and energy resources (and associated resilience and dependence) notably identified as potentially divergent elements.

### 3. Drivers of Divergence or Convergence

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As the case studies in the previous chapter show, the US and Europe have at critical points found themselves on different sides of a major issue of international affairs, sometimes with significant consequences. The importance of the factors identified in decision-making is backed up by consideration of more historical case studies. For instance, the 1956 Suez crisis, which saw the US take a diametrically opposed position to France and the UK on a major geopolitical issue, could have seriously damaged transatlantic relations over the long term had there not been strong normative and historic bonds holding the parties together. Their interests converged again in time, and relations reverted to a more typical closeness that was in large part shaped for much of the second half of the 20th century by common interests stemming from the Cold War.

The previous chapter highlighted 11 factors warranting further exploration as drivers of transatlantic divergence or convergence. Here, a 12th factor – leadership personalities and relationships – is added to the analysis. This was intentionally left out of the case studies, but, not least in the current environment, it is seen by many as playing an increasingly important role in decision-making.

This chapter examines each of these factors in greater depth, focusing on its impact on policy choices and its likely future evolution. Not all the factors are relevant in all situations; and – often depending on circumstances – some are more potent than others.

#### Interests and priorities/direct threats

A principal driver of foreign policy choice is a country's perception of its interests, in particular protecting itself against any significant and direct threat. This drives decisions to perhaps a greater degree than any other factor. A major cause of convergence between the US and Europe after the Second World War was the mutual perception of an existential threat from the Soviet Union. The awareness of the communist threat motivated a host of actions in the post-war period, including the first moves towards European integration. It is in this period, too, that the most significant global institutions of the post-war era – the UN and the Bretton Woods institutions – were set up. With the end of the Cold War and the collapse of the Soviet Union, the perceived absence of a direct, potentially annihilatory, threat to the transatlantic partners provided them with less impetus to stay together as the need for collaboration in the face of a common adversary declined. After 9/11 a rise in high-profile terrorist incidents saw the allies prioritize counterterrorism, reinforced by institutional obligations (most notably, the invocation of Article 5 of the North Atlantic Treaty) although the specifics of their responses have since differed at times.

#### Impact

Threats that manifest themselves on both sides of the Atlantic are the most obvious drivers of US–European collaboration. This was the case during the Cold War: while the transatlantic relationship undoubtedly experienced ups and downs during this period, the external threat from the Soviet Union was sufficient to allow the partners to manage and limit the impact of other challenges to their common position over several decades. During the 21st century, the threat posed by international terrorism has emerged as a unifying force in the relationship. Europe came to the assistance

of the US with the invocation of Article 5 of the North Atlantic Treaty after 9/11, and their collaboration intensified after terrorist attacks in Madrid in 2004 and London in 2005, as populations and governments on both sides of the Atlantic felt the threat.

Divergence can take place when the perception of external threat is no longer the primary interest; for example, if Iran's nuclear objectives become less tangible and commercial interests more important. Since the end of the Cold War, the US and Europe have often struggled to maintain their close relationship. The events of 9/11 and the threat of terrorism brought closer collaboration, but the scope of the threat and the different approaches to its management have given rise to greater divergence than was generally the case during the decades of the Cold War.

### The future

Many Americans now view Islamist terrorism as an existential threat. The Trump administration also prioritizes the threat from China, and (unlike the Obama administration) does not view Russia as a rival – although dealing with Moscow may be seen as a challenge. The burgeoning threat from North Korea, however, is now foremost in the minds of many US policymakers. Meanwhile, in Europe there is no consensus as to what poses the greatest security threat; terrorism does for some southern European countries, while for countries in the east it is Russia. China is not a priority for Europeans in this context, and while they support international efforts to prevent North Korea from developing a viable nuclear weapon with intercontinental capabilities, addressing this issue does not currently appear to be a top priority concern for European policymakers.<sup>103</sup>

Threats can have either cyclical or structural impacts, and can affect US and European states quite differently. However, given the scale of global interconnection and interdependency, and as the US continues to step back from its post-war role as 'global policeman', Europe recognizes that it cannot rely wholly on the transatlantic alliance, and specifically the US, to protect and promote its interests.<sup>104</sup> It can be assumed, therefore, that more of the burden as security guarantor will shift to Europe. But the US and Europe will nonetheless increasingly find that what affects one affects the other. Their interconnectedness will likely lead to convergence in threat perceptions – even as priorities and responses continue to differ – and potentially result in a more cooperative division of responsibilities.

*It can be assumed that more of the burden as security guarantor will shift to Europe*

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<sup>103</sup> Whether this is because they feel that they are not as directly threatened as the US, or because they have less leverage to prevent Kim Jong-un from firing such a weapon is unclear.

<sup>104</sup> Shortly after the NATO and G7 summits earlier this year, in which President Trump clashed with European leaders, Chancellor Merkel said 'The times in which we can fully count on others are somewhat over, as I have experienced in the past few days. We Europeans must really take our destiny into our own hands.' McGee, P. and Parker, G. (2017), 'Europe cannot rely on US and faces life without UK, says Merkel', *Financial Times*, 28 May 2017, <https://www.ft.com/content/51ed8b90-43b9-11e7-8519-9f94ee97d996?mhq5j=e1> (accessed 13 Jun. 2017).

## History

Populations have different cultural perceptions of their past and their country's place in history. The US has constructed its identity around a far shorter historical legacy – of a nation born in 1776 – than that of most European countries. Centuries of continental rivalry, war and destruction plays a significant role in the European psyche and therefore in influencing European foreign policymaking in the post-war era. Many Europeans are reluctant to support the large-scale use of military force, and the institution of the EU itself embodies the centrality of peace-making as a driver of foreign policy.<sup>105</sup> For some European states, moreover, there is a strong sense of moral responsibility towards former colonial possessions, particularly in Africa and Asia, that do not necessarily represent immediate strategic interests. While the US has intervened aggressively in many countries (particularly in its periphery) over its history, its policymakers do not place such strong focus on them, nor the same attachment driven by humanitarian rather than direct national interests. This also plays out culturally in the US and Europe. It is worth noting, for instance, how differently Americans and Europeans tend to regard failure in an entrepreneurial environment, with the former often ignoring past failures, or seeing them as learning experiences, and the latter viewing them more negatively.<sup>106</sup> History, whatever the direct causal reason, tends to play a stronger role in influencing foreign policymaking in Europe than it does in the US.<sup>107</sup>

## Impact

A country's colonial history can have a significant (albeit potentially diminishing over time) impact on its policy decisions. For example, French intervention in Mali in 2013, and the domestic support for this action, was in part supported by a sense of historical responsibility as well as the counterterrorism driver.<sup>108</sup> History also played a role in the case of British involvement in Sierra Leone in 2000. Similarly, the response of the UK, France and the US to the 2014–16 West African Ebola crisis reflected historical links, with the UK focusing assistance efforts on Sierra Leone, France on Guinea, and the US on Liberia. It was notable, too, in the first of the scenario workshops, that France took a more active interest in the developments in the Asia-Pacific region than did the other European participants, in part possibly due to its colonial legacy in the region.<sup>109</sup> The UK appears to have similar sensibilities regarding its role in the Middle East in the middle of the 20th century. Colonial histories can play a significant role in defining interests, thus potentially causing policy divergence among the transatlantic allies.

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<sup>105</sup> Gordon, P. (2003), 'The Crisis in the Alliance', Brookings Institution, 24 February 2003, <https://www.brookings.edu/research/the-crisis-in-the-alliance/> (accessed 5 Jun. 2017); Kanter, J. and Povoledo, E. (2017), 'E.U. Leaders Sign Rome Declaration and Proclaim a 'Common Future' (Minus Britain)', *New York Times*, 25 March 2017, <https://www.nytimes.com/2017/03/25/world/europe/rome-declaration-european-union.html> (accessed 2 Jun. 2017).

<sup>106</sup> Khan, I. (2015), 'How can Europe compete with the American innovation onslaught?', Brookings Institution, 12 October 2015, <https://www.brookings.edu/blog/future-development/2015/10/12/how-can-europe-compete-with-the-american-innovation-onslaught/> (accessed 2 Jun. 2017).

<sup>107</sup> While the election of Barack Obama as the first black American president was for many reasons highly totemic, it appeared to have little impact *per se* on the direction of US foreign policymaking.

<sup>108</sup> Traoré, D. and Geel, F. (2017), 'Afrique-France: une relation à réinventer après Hollande' [Africa-France: a relationship to be reinvented after Hollande], *Libération*, 13 January 2017, [http://www.liberation.fr/debats/2017/01/13/afrique-france-une-relation-a-reinventer-apres-hollande\\_1540666](http://www.liberation.fr/debats/2017/01/13/afrique-france-une-relation-a-reinventer-apres-hollande_1540666) (accessed 5 May 2017).

<sup>109</sup> Johnson, K. and de Luce, D. (2016), 'Europeans Push Back Against Beijing in the South China Sea', *Foreign Policy*, 6 June 2016, <http://foreignpolicy.com/2016/06/06/europeans-push-back-against-beijing-in-the-south-china-sea/> (accessed 5 May 2017).

The US, for its part, has since the Second World War exerted itself as a global superpower, perceiving a role as a guarantor of stability and democratic norms. In reality, administrations have shown inconsistency in prioritizing this objective, oscillating between interventionist and non-interventionist phases. While, most recently, President Trump has emphasized his lack of appetite for nation-building exercises, the Obama administration – not least through such figures as Samantha Power (first within the National Security Council and subsequently as US ambassador to the UN) – maintained a strong rhetoric in favour of R2P and principles of humanitarian intervention (albeit the administration's actions didn't always support this rhetoric as in Syria). Obama's predecessor as president, George W. Bush, took a strong position on 'promoting' democracy (to Obama's softer 'supporting' position) that came after a more varied approach by President Bill Clinton, whose willingness to act was significantly dampened by the failure of the US military operation in Somalia.<sup>110</sup>

*European attitudes to Iran, given a long history of sometimes close relations, and those of the US, shaped in large part by the experience of the 1979 hostage crisis, have caused the two sides to have very different attitudes towards Tehran*

More broadly, history and historical perspective that goes beyond post-colonial responsibilities, a belief in moral obligation or a desire to reinforce norms clearly play a role in influencing when a state might act. European attitudes to Iran, given a long history of sometimes close relations, and those of the US, shaped in large part by the experience of the 1979 hostage crisis, have caused the two sides to have very different attitudes towards Tehran. The experience of the Second World War and the legacy of communist East Germany have had an enduring impact on contemporary German attitudes to issues of personal privacy (as was highlighted in the fallout from the Snowden revelations). Germany's strong moral response to the refugee crisis, too, is notable. In January 2017 some 57 per cent of German voters considered that their country was able to cope with the refugee influx, compared with 37 per cent a year earlier (although Merkel's losses in the September 2017 election may in part have been caused by public unhappiness with this approach).<sup>111</sup> In the US, Trump ran his presidential campaign on an anti-immigration platform, and moved to ban Syrian refugees from the US less than a month into his presidency.<sup>112</sup>

### The future

History will of course exert influence in ways unique to each country. In many cases noted here, the divisions are as profound between European states as between Europe and the US. While history cannot be rewritten, the narratives around it can be reinterpreted by the public or by politicians when doing so is expedient.<sup>113</sup> However,

<sup>110</sup> For more information on America's varied approach to democracy building see Bouchet, N. and Bibbins Sedeca, N. (2014), 'Holding Steady? US Democracy Promotion in a Changing World', Chatham House, 1 February 2014, [www.chathamhouse.org/publications/papers/view/197475](http://www.chathamhouse.org/publications/papers/view/197475).

<sup>111</sup> Kroet, C. (2017), 'Germany can manage refugee influx: poll', 13 January 2017, <http://www.politico.eu/article/germany-can-manage-refugee-influx-poll/> (accessed 31 Aug. 2017); Cooper, H. (2016), 'Angela Merkel calls for compassion in face of terror threat', Politico, 31 December 2016, <http://www.politico.eu/article/angela-merkel-calls-for-compassion-in-face-of-terror-threat-new-year-speech-germany/> (accessed 5 May 2017).

<sup>112</sup> Stack, L. (2017), 'Trump's Executive Order on Immigration: What We Know and What We Don't', *New York Times*, 29 January 2017, [https://www.nytimes.com/2017/01/29/us/trump-refugee-ban-muslim-executive-order.html?\\_r=0](https://www.nytimes.com/2017/01/29/us/trump-refugee-ban-muslim-executive-order.html?_r=0) (accessed 3 May 2017).

<sup>113</sup> For an extended discussion on the formation of collective memories and how they are superseded or reawakened in a political context, see Verovšek, P. (2016), 'Collective memory, politics, and the influence of the past: the politics of memory as a research paradigm', *Politics, Groups, and Identities*, 4(3): 529–43, doi: 10.1080/21565503.2016.1167094 (accessed 5 May 2017); and Rieff, D. (2016), *In Praise of Forgetting*, Cambridge, MA: Yale University Press.



as time passes, it becomes more difficult to instrumentalize historical memory.<sup>114</sup> Thus it may be expected that even Germany's Nazi past, or, for the US, the failure to act to prevent the genocide in Rwanda in 1994 (a decision that is believed to have had a significant impact on the more interventionist attitudes of some policymakers such as Samantha Powell) will arguably fade with time and eventually exert less impact.

## Geography

Europe's proximity to the Middle East and North Africa was keenly felt by many European states during the 2015–16 refugee crisis, and their location clearly constrained some states' policy choices in other areas. Those in the south of Europe pay most attention to instability in the Middle East and North Africa, while those in the east are more concerned with potential aggression from Russia. Meanwhile, the US's relative geographical isolation (sharing borders with only two countries, neither of which is a conventional security threat) allows for greater independence in many areas with one major exception in the case of illicit flows (of, for example, drugs, people and arms) from Latin America.

While on one level it is clear that, notwithstanding the redrawing of borders following conflicts and territorial acquisitions, geographical boundaries rarely change over time, on another distance has become considerably less of a protection, particularly with respect to issues such as pandemics and environmental change, as a result of the significant rise in speed and ease of transportation and of effective communications.

## Impact

The impact of geography on policy plays out in different ways. First, it can play a major role in defining interests. The US was able to remain out of the Second World War for the first two years of the conflict, in large part because Americans felt that this was a distant 'European' war. Similarly, it is US interests in Asia that have led to engagements inconceivable to European nations that generally consider the region too distant to be a priority.<sup>115</sup> Proximity, and so vulnerability, is thus fundamental in defining policy interests. As noted above, the migration flows into Europe over the past five or so years and vulnerability to Russia significantly influenced European policy choices.

Geography also plays a role in national self-perception and external perceptions. Since the Second World War, the US has identified itself as a global power, with a world view shaped in part by interests in Asia and Europe. As such, it is expected by its partners to respond to major global events – and, to a lesser degree, it expects this of itself.<sup>116</sup> This can set the bar for its policy choices, given that it will be assigned responsibility for certain problems of international relations whether it acts or not. A prime example is the case of Syria, with President Obama being much blamed

*Proximity, and so vulnerability, is fundamental in defining policy interests*

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<sup>114</sup> Halbwachs, M. (1980), 'Historical Memory and Collective Memory', in *The Collective Memory*, New York, NY: Harper & Row.

<sup>115</sup> While their governments often insist otherwise, this is the general view held by much of their publics.

<sup>116</sup> This was not the case in the 1800s and the early 1900s. Geography in this earlier period limited the US's vision, and it largely stayed out of European and Asian conflicts.

both within the US and internationally for his inaction. At the same time, geographic proximity means that Africa plays a much stronger role in European policy thinking – in particular in the current context of the flow of refugees and migrants into Europe – but is of less immediate relevance to US policymaking.

Geography is also important with regard to a state's strategic reach. Russia has a far freer hand in Ukraine and Syria given its proximity – a challenge for the US in particular. Proximity can, of course, in some instances be overcome by superiority in capabilities. In the 2011 Libya intervention, notably, France and the UK effectively had to 'borrow' – from the far more distant US – the power projection capability needed to bring the appropriate military resources to bear without delay.

### The future

Geography is a structural and constant factor, but its impact on policy changes. As already noted, physical distance is becoming less important as communications and transport technologies transform. This is likely to continue in the coming years, with further technological advances from shorter production lines to enhanced autonomous capabilities and artificial intelligence, affecting areas as diverse as transportation, surveillance and weapons. These changes will effectively bring the US and Europe (and the rest of the world) closer together, meaning that an event in one country will have ever wider repercussions. This will bring their interests in closer alignment and permit greater transatlantic convergence. At the same time, challenges are getting more complex, with a rise in transnational business and social links.<sup>117</sup> This can lead to tensions, as in the case of US technology companies entering Europe (e.g. Uber and Google). Thus there will be cases where factors related to geography may lead to greater challenges for the transatlantic allies.

While the US has been a global power for decades, the rise in interconnectedness and thus in 'virtual' or non-physical proximity is likely to mean that European interests will be inexorably drawn into global events. For example, Europe's reluctance to engage in any conflict unfolding in the Asia-Pacific region will be outweighed by its dependence on the free flow of goods and energy from the region. The broad conclusion is that, over time, geography as a factor affecting policymaking is in most cases likely to lead to greater convergence in US and European interests.

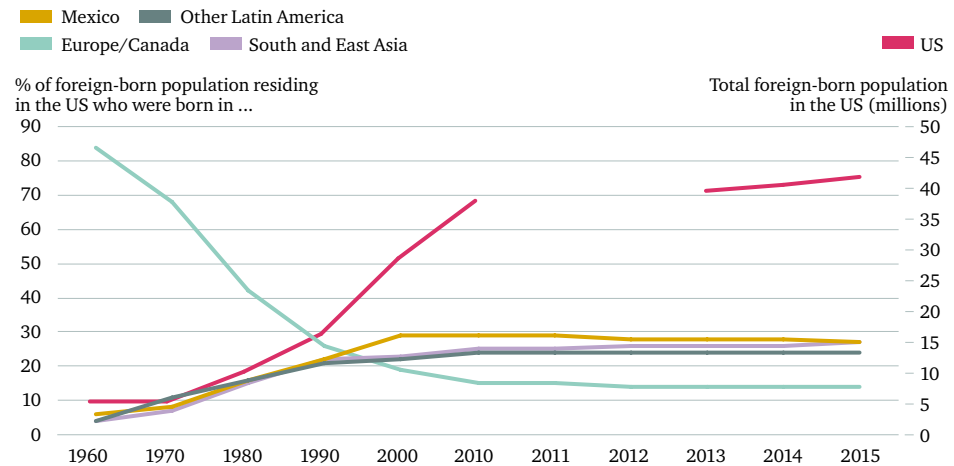
*The rise in interconnectedness and thus in 'virtual' or non-physical proximity is likely to mean that European interests will be inexorably drawn into global events*

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<sup>117</sup> As noted earlier, even while publics become more nationalistic and governments respond to that, the tendency for businesses and NGOs to work transnationally is unlikely to reverse in any meaningful way and may even continue to increase.

## Demographics

Figure 1: Foreign-born population in the US, 1960–2015



Source: Pew Research Center.<sup>118</sup>

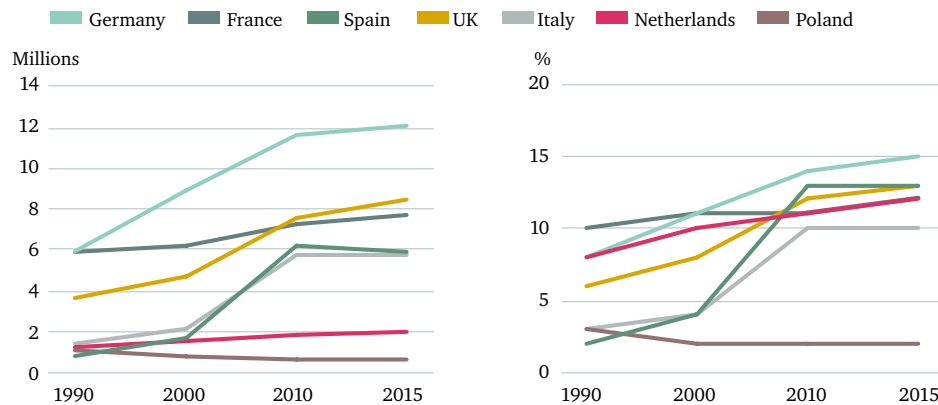
The US has an increasingly ethnically diverse population as a result of immigration, particularly from Asia and Latin America, facilitated by the passage of the Immigration and Nationality Act of 1965.<sup>119</sup> European states, by contrast, are less ethnically diverse.<sup>120</sup>

<sup>118</sup> 'Foreign-born population of the U.S.' data from Pew Research Center, López, G. and Radford, J. (2017), 'Facts on U.S. Immigrants, 2015, Statistical portrait of the foreign-born population in the United States', 3 May 2017, 2017, Table: 'Foreign-born population in the United States, 1850-2015', Source: U.S. Census Bureau population estimates and Pew Research Center tabulations of 2010, 2013-2015 American Community Surveys (IPUMS). <http://www.pewhispanic.org/2017/05/03/facts-on-u-s-immigrants/>; 'percentage of foreign-born population residing in the US born in ...' data from Pew Research Center, López, G. and Radford, J. (2017) 'Facts on U.S. Immigrants, 2015, Statistical portrait of the foreign-born population in the United States', 3 May 2017, Table: 'Origins of the U.S. immigrant population, 1960-2015', Source: Pew Research Center tabulations of 1960–2000 decennial censuses and 2010, 2013–2015 American Community Surveys (IPUMS), <http://www.pewhispanic.org/2017/05/03/facts-on-u-s-immigrants/> (accessed 19 Dec. 2017).

<sup>119</sup> Pew Research Center (2015) 'Modern Immigration Wave Brings 59 Million to U.S., Driving Population Growth and Change Through 2065' September 28, 2015, 'Chapter 5: U.S. Foreign-Born Population Trends', <http://www.pewhispanic.org/2015/09/28/chapter-5-u-s-foreign-born-population-trends/> (accessed 19 Dec. 2017).

<sup>120</sup> For a comparative visual representation of migration patterns as at 2015, see UN Population Division (2015), 'Number of international migrants by major area of destination and major area of origin', New York: United Nations, <http://www.un.org/en/development/desa/population/migration/data/estimates2/estimatesgraphs.shtml?2g2> (accessed 23 May 2017). For US statistics, see Migration Policy Institute (2015), 'US Immigrant Population and Share over Time, 1850-Present', <http://www.migrationpolicy.org/programs/data-hub/charts/immigrant-population-over-time?width=1000&height=850&iframe=true> (accessed 23 May 2017) and 'Largest US Immigrant Groups over Time, 1960-Present', <http://www.migrationpolicy.org/programs/data-hub/charts/largest-immigrant-groups-over-time> (accessed 23 May 2017). For the EU, see Eurostat (2017), 'Migration and migrant population statistics', March 2017, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Migration\\_and\\_migrant\\_population\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Migration_and_migrant_population_statistics) (accessed 23 May 2017).

Figure 2: Foreign-born population in selected EU countries, 1990–2015



Source: Pew Research Center.<sup>121</sup>

Recent increases in the number of non-European migrants in Europe are predominantly due to higher refugee flows from conflicts in the Middle East, Afghanistan and Africa, many of whom may seek to return home once these conflicts subside.<sup>122</sup> Simultaneously, both the US and most European countries are ageing, Europe on average faster than the US.

### Impact

A country's demographic make-up can influence policy choices in two principal ways: through diasporas, which are in some cases enormously influential in redefining national interests;<sup>123</sup> and through a country's age profile.

Ethnicity, nationality and religion are all important identifying factors for diasporas. In the US, probably the most powerful diaspora is that lobbying on behalf of Israel.<sup>124</sup> The Indian diaspora is also important, and played a notable role in persuading Congress to approve the agreement on civilian nuclear cooperation with India in 2005.<sup>125</sup>

<sup>121</sup> 'Foreign-born population in selected EU countries' data from Pew Research Centre (2016) 'International Migrants by Country' 10 November, 2016, Table: 'Number of Immigrants', <http://www.pewglobal.org/interactives/migration-tables/>; 'Foreign-born individuals as % of population in selected EU countries' data from Pew Research Centre (2016) 'International Migrants by Country' 10 November 2016, Table: 'Percentage Immigrant' <http://www.pewglobal.org/interactives/migration-tables/> (accessed 19 Dec. 2017).

<sup>122</sup> Refugee return numbers have been at an uncharacteristic low since 2006 relative to the number of refugees, due to the continuation of intense violent conflict in their nations of origin, and Syria in particular. See UN High Commissioner for Refugees (2017), 'Mid-Year Trends 2016', Geneva: UN High Commissioner for Refugees, <http://www.unhcr.org/uk/statistics/unhcrstats/58aa8f247/mid-year-trends-june-2016.html> (accessed 18 Jul. 2017) and Rohwerder, B. (2015), *Refugee return in protracted refugee situations*, GSDRC, 30 September 2015, <http://www.gsdr.org/wp-content/uploads/2015/09/1282-Refugee-return-in-protracted-refugee-situations.pdf> (accessed 18 Jul. 2017). However, evidence from past conflicts suggests that, provided there are adequate legal conditions, government services and integration programmes (and sometimes even in their absence), a large proportion of refugees return to their countries once the conflict subsides or ends, as in the case of the conflicts in the former Yugoslavia and Rwanda. See Harild, N., Christensen, A. and Zetter, R. (2015), *Sustainable Refugee Return: Triggers, constraints and lessons on addressing the development challenges of forced displacement*, Washington, DC: The World Bank Group, August 2015, <http://documents.worldbank.org/curated/en/542611468188337350/pdf/99618-WP-PUBLIC-Box393206B-Sustainable-Refugee-Return-15Sept-WEB-PUBLIC.pdf> (accessed 18 Jul. 2017).

<sup>123</sup> Of course, not all diasporas are equally unified or mobilized politically.

<sup>124</sup> Mearsheimer, J. and Walt, S. (2006), 'The Israel Lobby', *London Review of Books*, 28:6, 23 March 2006, <https://www.lrb.co.uk/v28/n06/john-mearsheimer/the-israel-lobby> (accessed 18 Jul. 2017).

<sup>125</sup> Newhouse, J. (2009), 'Diplomacy Inc', *Foreign Affairs*, May/June 2009, <https://www.foreignaffairs.com/articles/2009-05-01/diplomacy-inc> (accessed 18 Jul. 2017).

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The growth of the Hispanic population in the US has major political ramifications for domestic and foreign policy towards Latin America, and its influence is likely to continue to rise as this demographic increases in size.

The influence of diasporas is equally important in Europe. The electoral participation of the large Turkish diaspora in Germany has directly influenced foreign and domestic policies such as the liberalization of dual-citizenship legislation (albeit that it has also given rise to opposition to Turkey's admission to the EU).<sup>126</sup> The UK's significant communities of Indian, Pakistani and Bangladeshi origin in particular ensure that it maintains a strong interest in, and ties to, South Asia. And the strong African diaspora in parts of France (notably in major cities such as Marseille) have significant influence in French policy and politics. Equally, the importance of policies towards the Middle East can be heightened by the awareness of the potential implications for one's own Muslim population.

Older and younger generations tend to have unequal rates of political participation, and their views of national priorities may differ sharply based on their formative experiences, personal priorities and ideals. In this respect, the ageing of the US and European populations are having similar effects, albeit that most European ones are ageing faster. European countries have some of the highest proportions of people of 65 years and older worldwide: Spain (ranked third), Italy (fourth), Germany (fifth), France (sixth) and the UK (seventh) have particularly rapidly ageing populations. (The US is ranked 11th.)<sup>127</sup>

An ageing population has a secondary effect on policy: it increases the cost of social services and entitlements, leaving fewer resources for other priorities (especially those that are central to foreign policy, such as military spending and foreign aid). This is compounded by the fact that tax revenues decrease relative to spending as the ratio of retirees to workers increases, putting an even tighter squeeze on spending.

Refugee flows too, while not necessarily changing the long-term demographics of a country (on the assumption that many refugees will eventually return home), do have a temporary effect as they alter the way populations view other countries and policies. This is observable as tensions have risen within and between European countries due to the significant refugee inflow in some countries and the reluctance of others to take a share of arrivals proportionate to factors such as their population size and level of income.<sup>128</sup> While the refugee inflow into Europe in 2015 (at its height) accounted for only 0.2 per cent of the population, it was equivalent to 0.59 per cent of the population size in Germany and 1.8 per cent in Hungary.<sup>129</sup> In both countries, this was sufficient to create a political crisis. Meanwhile, the US's resistance to taking a meaningful number of refugees from the Middle East has caused much

*Older and younger generations tend to have unequal rates of political participation, and their views of national priorities may differ sharply based on their formative experiences, personal priorities and ideals*

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<sup>126</sup> Schuster, R. (2017), 'The Turkish Effect in German Politics', *Aspen Review*, 1, <https://www.aspen.review/article/2017/the-turkish-effect-in-german-politics/> (accessed 18 Jul. 2017).

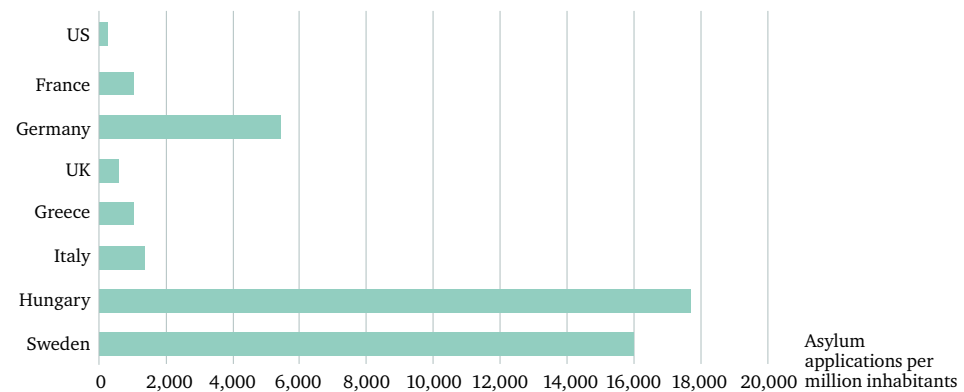
<sup>127</sup> For further information, see UN Population Division (undated), 'World Population Prospects 2017', <https://esa.un.org/unpd/wpp/> (accessed 18 Jul. 2017), and Pew Research Center (2014), 'Attitudes about Aging: A Global Perspective', 30 January 2014, <http://www.pewglobal.org/2014/01/30/attitudes-about-aging-a-global-perspective/> (accessed 18 Jul. 2017).

<sup>128</sup> See European Commission Press Release (2015), 'Refugee Crisis: European Commission takes decisive action – Questions and answers', 9 September 2015, [http://europa.eu/rapid/press-release\\_MEMO-15-5597\\_en.htm](http://europa.eu/rapid/press-release_MEMO-15-5597_en.htm) (accessed 13 Dec. 2017).

<sup>129</sup> See BBC News (2016), 'Migrant crisis: Migration to Europe explained in seven charts', 4 March 2016, <http://www.bbc.co.uk/news/world-europe-34131911> (accessed 18 Jul. 2017), and Eurostat (2016), 'Population and population change statistics', July 2016, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Population\\_and\\_population\\_change\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Population_and_population_change_statistics) (accessed 18 Jul. 2017).

resentment from those European countries that regard themselves as taking an unfair burden of displaced persons.<sup>130</sup>

**Figure 3: Asylum applications per million inhabitants, 2015**



Sources: Eurostat, US Department of Homeland Security, US Census Bureau.<sup>131</sup>

Note: Data from EU countries denote first-time asylum applicants. Data from the US denote the estimated number of affirmative asylum applications filed with United States Citizenship and Immigration Services in 2015, as reported by the US Department for Homeland Security.

### The future

As ‘a nation of immigrants’,<sup>132</sup> the US has an ethnic balance that is changing faster than that of Europe. Official projections suggest that by 2044 the US population will be ‘majority minority’ – i.e. the majority of the population will be from minority groups.<sup>133</sup> Even President Trump, whose election campaign was highly antagonistic towards immigrants, has latterly tempered his language – to a degree – noting in one interview that some, ‘merit-based’, immigration is important: ‘I absolutely want talented people coming in, I want people that are going to love our country coming in, I want people that are going to contribute to our country coming in.’<sup>134</sup> Many US businesses and academics, too, support the position that immigration is economically both necessary

<sup>130</sup> US data calculated from US Census Bureau (undated), ‘Population estimates, July 1 2016, (V2016)’, <https://www.census.gov/quickfacts/table/PST045215/00> (accessed 18 Jul. 2017) and Mossad, N. (2016), *Refugees and Asylees: 2015*, US Department for Homeland Security, Office of Immigration Statistics, November 2016 [https://www.dhs.gov/sites/default/files/publications/Refugees\\_Asylees\\_2015.pdf](https://www.dhs.gov/sites/default/files/publications/Refugees_Asylees_2015.pdf) (accessed 18 Jul. 2017). For Europe data was sourced from Eurostat (2016), ‘Asylum in EU Member States: Record number of over 1.2 million first time asylum seekers registered in 2014’, 4 March 2016, <http://ec.europa.eu/eurostat/documents/2995521/7203832/3-04032016-AP-EN.pdf/> (accessed 18 Jul. 2017).

<sup>131</sup> US data calculated from US Census Bureau (2015) ‘Census Bureau Projects U.S. and World Populations on New Year’s Day’, Press Release, 30 December 2015, <https://www.census.gov/newsroom/press-releases/2015/cb15-tps113.html> (accessed 20 Dec. 2017); and Dayand Mossad, N. (2016), *Refugees and Asylees: 2015*, US Department for Homeland Security, Office of Immigration Statistics, November 2016, [https://www.dhs.gov/sites/default/files/publications/Refugees\\_Asylees\\_2015.pdf](https://www.dhs.gov/sites/default/files/publications/Refugees_Asylees_2015.pdf) (accessed 18 Jul. 2017). For Europe, data were sourced from Eurostat (2016), ‘Asylum in EU Member States: Record number of over 1.2 million first time asylum seekers registered in 2014’, 4 March 2016, <http://ec.europa.eu/eurostat/documents/2995521/7203832/3-04032016-AP-EN.pdf/> (accessed 18 Jul. 2017).

<sup>132</sup> Obama, B. (@BarackObama) (2013), ‘We are a nation of immigrants’, tweet, 30 January 2013, <https://twitter.com/barackobama/status/296677853456633857?lang=en> (accessed 18 Jul. 2017).

<sup>133</sup> See US Census Bureau (2015), ‘New Census Bureau Report Analyzes U.S. Population Projections’, 3 March 2015, <http://www.census.gov/newsroom/press-releases/2015/cb15-tps16.html> (accessed 18 Jul. 2017), and, Frey, W. H. (2014), ‘New Projections Point to a Majority Minority Nation in 2044’, Brookings, 12 December 2014, <https://www.brookings.edu/blog/the-avenue/2014/12/12/new-projections-point-to-a-majority-minority-nation-in-2044/> (accessed 18 Jul. 2017).

<sup>134</sup> *The Economist* (2017), ‘Transcript: Interview with Donald Trump’, 11 May 2017, <http://www.economist.com/trumptranscript> (accessed 18 Jul. 2017).

*Of the world's 25 oldest populations in 2015, 22 were European; the US ranked 48th and was forecast to drop to 85th by 2050*

and desirable.<sup>135</sup> Moreover, the status of the US as an entrepreneurial hub in fields such as science and technology continues to attract many highly skilled workers from Asia, Europe and elsewhere. Between 2003 and 2013 the number of Asian and European immigrant scientists and engineers in the US grew from, respectively, 1.87 million to 2.96 million, and from 632,000 to 851,000.<sup>136</sup> Meanwhile, the rising numbers of immigrants from Latin America and Asia – two of the US's fastest growing minority populations – will reinforce these diasporas and ensure the US maintains a strong focus on its relationship with each region. This is likely to continue even assuming a less internationalist direction on the part of the US – a trend that predates the Trump administration, and one that is unlikely to be reversed in the near future.

The number of refugees from the Middle East and North Africa into Europe reached a peak in 2015–16.<sup>137</sup> While it is too early to know how many of these will eventually return to their country of origin, the impact on states and policymaking in Europe of these large-scale refugee flows – as well as of longer-term arrivals from sub-Saharan Africa and Afghanistan – is likely to endure, meaning that Europe will remain intimately engaged with the region.<sup>138</sup>

High levels of immigration and high birth rates in the US have also kept its population relatively young (the foreign-born are expected to have higher fertility rates than natives with implications for the make-up and age of the US population, although the rates gap towards the middle of this century will shrink).<sup>139</sup> By contrast, population profiles across Europe are typically older and are ageing faster. Of the world's 25 oldest populations in 2015, 22 were European; the US ranked 48th and was forecast to drop to 85th by 2050.<sup>140</sup> The long-term trend of ageing populations in Europe may slow to some degree – particularly as several states, among them Italy,<sup>141</sup> have instituted campaigns to stimulate the birth rate – but the US will evidently remain

<sup>135</sup> For example, in February 2017 nearly 100 technology companies in the US filed an amicus brief against President Trump's executive order barring individuals from seven majority-Muslim countries from entering the US for at least 90 days and suspended the refugee programme. They argued 'the Order makes it more difficult and expensive for U.S. companies to recruit, hire, and retain some of the world's best employees'. See Dwoskin, E. (2017), 'Apple, Facebook, many other tech firms call travel ban 'unlawful' in rare coordinated legal action', *Washington Post*, 6 February 2017, [https://www.washingtonpost.com/news/the-switch/wp/2017/02/05/uber-twitter-netflix-and-other-tech-giants-to-call-travel-ban-unlawful-in-rare-coordinated-legal-action/?utm\\_term=.d1b557f47281](https://www.washingtonpost.com/news/the-switch/wp/2017/02/05/uber-twitter-netflix-and-other-tech-giants-to-call-travel-ban-unlawful-in-rare-coordinated-legal-action/?utm_term=.d1b557f47281). In April 2017 a group of 1,470 economists published an open letter stating that 'immigration is one of America's significant competitive advantages in the global economy'. See New American Economy (2017), 'An Open Letter from 1,470 Economists on Immigration', 12 April 2017, <http://www.newamericaneconomy.org/feature/an-open-letter-from-1470-economists-on-immigration/> (accessed 18 Jul. 2017).

<sup>136</sup> These figures include naturalized US citizens, permanent residents and temporary visa holders. Lan, F., Hale, K. and Rivers, E. (2015), 'Immigrants' Growing Presence in the U.S. Science and Engineering Workforce: Education and Employment Characteristics in 2013', National Science Foundation, 10 September 2015, <https://www.nsf.gov/statistics/2015/nsf15328/#fn1> (accessed 18 Jul. 2017).

<sup>137</sup> Eurostat (2017), 'Statistics Explained: Number of (non-EU) asylum seekers in the EU and EFTA Member States, 2015 and 2016 (thousands of first time applicants)', [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Number\\_of\\_\(non-EU\)\\_asylum\\_seekers\\_in\\_the\\_EU\\_and\\_EFTA\\_Member\\_States,\\_2015\\_and\\_2016\\_\(thousands\\_of\\_first\\_time\\_applicants\)\\_YB17.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Number_of_(non-EU)_asylum_seekers_in_the_EU_and_EFTA_Member_States,_2015_and_2016_(thousands_of_first_time_applicants)_YB17.png) (accessed 18 Dec. 2017).

<sup>138</sup> There are differences between European states in terms of levels of refugee acceptance that have led to tensions within the continent and could lead in the longer term to greater divisions.

<sup>139</sup> See US Census Bureau (2015), 'New Census Bureau Report Analyzes U.S. Population Projections', 3 March 2015, <http://www.census.gov/newsroom/press-releases/2015/cb15-tps16.html> (accessed 13 Dec. 2017).

<sup>140</sup> He, W., Goodkind, D. and Kowal, P. (2016), *An Aging World: 2015*, US Census Bureau, March 2016, esp. pp. 8–10, <https://www.census.gov/content/dam/Census/library/publications/2016/demo/p95-16-1.pdf> (accessed 2 Feb. 2017).

<sup>141</sup> Government interventions in Italy include payments to mothers for each newborn child, a Fertility Day campaign launched in 2016 and education programmes designed to prevent certain causes of infertility. See Ministry of Health, Italy (2016), *National Plan for Fertility*, [http://www.salute.gov.it/imgs/C\\_17\\_pubblicazioni\\_2367\\_allegato.pdf](http://www.salute.gov.it/imgs/C_17_pubblicazioni_2367_allegato.pdf) (accessed 18 Jul. 2017), and Querzè, R. (2017), 'Maternità, bonus da 800 euro a tutte le mamme' [Maternity, bonus of 800 Euros to all mothers], *Corriere Della Sera*, 2 March 2017, [http://27esimaora.corriere.it/17\\_marzo\\_02/maternita-bonus-800-euro-tutte-mamme-ffe19a-ff30-11e6-9d9a-77b6de6db49f.shtml](http://27esimaora.corriere.it/17_marzo_02/maternita-bonus-800-euro-tutte-mamme-ffe19a-ff30-11e6-9d9a-77b6de6db49f.shtml) (accessed 18 Jul. 2017).

younger than Europe in the coming decades. These divergent profiles – of relative youth in the US, as against an ageing demographic in Europe – will thus continue to influence policy direction.

## Economics

While the recovery from the 2008 Great Recession has been slow for the US, it has been even slower for most European states, some of which remain mired in sluggish growth and stagnation.<sup>142</sup> This has been compounded further in several European states by extremely high unemployment rates (e.g. 25 per cent in Greece and 22 per cent in Spain).<sup>143</sup>

Members of the eurozone have found it particularly difficult to manage the recession given their limitations with regard to fiscal stimulus and inflation, and their efforts to hold the EU together. Meanwhile, the 2016 referendum in Britain in which 51 per cent of the public voted to leave the EU has added further pressure on member states to sustain the union. While Eurozone growth has improved and stabilized considerably since 2014,<sup>144</sup> the US retains a far freer hand to respond quickly to fluctuations.

## Impact

Economics impact foreign policy choices in at least four distinct ways. The first, and perhaps most obvious, relates to a country's economic strength versus its vulnerability; one of large size and with a growing economy has more confidence and leverage than one in economic decline. In recent years, the UK's relatively slow growth (and thus perception of vulnerability) has contributed to its focus on building a commercial relationship with Asian partners, in particular China. This arguably influenced some of its decisions, including the choice to participate in the AIIB and the acceptance of Chinese investment in the Hinkley Point nuclear power station. Commercial drivers have also influenced French and German attitudes towards China. (President Nicolas Sarkozy's 2008 meeting with the Dalai Lama had a notably chilling effect on French–Chinese relations, for instance, and was something his successor François Hollande avoided repeating.) Driving off a much larger and stronger economic base (at least while European nations consider commerce from a national rather than an EU or a eurozone perspective), the US has more freedom, ensuring that commercial interests can play a more limited role in relations with China that can be subsumed under a broader strategic umbrella.

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<sup>142</sup> While Greece's economy beat expectations in 2016 by growing by 0.3 per cent, the situation remains highly unstable, reflected in its 0.4 per cent drop in the year's final quarter. Spain's economic growth for 2016 was 3.2 per cent, reflecting a more stable, but still stagnating economy. Trading Economics (undated), 'Greece GDP Growth Rate', <http://www.tradingeconomics.com/greece/gdp-growth> and 'Spain GDP Growth Rate', <http://www.tradingeconomics.com/spain/gdp-growth> (accessed 18 Jul. 2017); Benasson, M. (2017), 'Greek Economy Unexpectedly Contracts as Next Crisis Brews', Bloomberg, 14 February 2017, <https://www.bloomberg.com/news/articles/2017-02-14/greek-economy-unexpectedly-contracts-as-next-crisis-brews> (accessed 18 Jul. 2017).

<sup>143</sup> Organisation for Economic Co-Operation and Development (OECD) (2016), *OECD Economic Surveys: European Union*, June 2016, pp. 15, 18, <https://www.oecd.org/eco/surveys/european-union-2016-overview.pdf> (accessed 18 Jul. 2017).

<sup>144</sup> See IMF Datamapper, World Economic Outlook, October 2017, [http://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/OEMDC/ADVEC/WEO\\_WORLD/GBR](http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEO_WORLD/GBR) (accessed 14 Dec. 2017).



Second, economics drives a country's capabilities and resources. Here too the size of the US economy gives it a significant advantage compared with European states. While the European economy as a whole is of similar size to that of the US, this only matters if European states are willing to invest in capabilities together and follow a collaborative strategy, which thus far has largely not been the case.<sup>145</sup> The US has far greater buying power than European states.

*While the European economy as a whole is of similar size to that of the US, this only matters if European states are willing to invest in capabilities together and follow a collaborative strategy, which thus far has largely not been the case*

As businesses become more dependent on global supply chains, they will inevitably take greater interest in foreign policy and build more capacity to lobby governments accordingly. The strong links between German industry and Russia led to pressure on Chancellor Merkel to resist sanctions against the latter, although they were in the end imposed. The French defence industry also resisted sanctions because they would impact their ability to deliver Mistral-class assault ships to Russia, a sale that was eventually cancelled. These examples demonstrate that, while businesses may not be able to swing policies completely, they can delay and create complications for policymakers.

It has become increasingly apparent that inequality is also a major driver of policy. Rising levels of economic inequality within countries has been linked to the increase in populist and nationalist public sentiment (more on this later). In the US and many states in Europe, this is driving governments to pursue more protectionist policies and to invest greater resources towards domestic rather than international goals. In the US, the sense of inequality among President Trump's voters has supported his anti-immigration and anti-free trade policies. Perceptions of inequality influenced many voters in the 2016 UK referendum. Such concerns have been influential in European elections in the past 18 months or so, and will likely continue to be.

### The future

Macroeconomics generally follows a cyclical pattern with occasional major readjustments (such as the 1920s Great Depression and the 2008 Great Recession). If 'secular stagnation' – and thus a structural change – is playing out in the US, so too it is likely to occur in Europe, thus leading both along a similar slower growth path over the longer term.<sup>146</sup> Recent IMF projections suggest GDP growth rates in the coming years (to 2022) will revert to being largely similar in the US and the EU (around 1.7 per cent), although the next few years are predicted to see the US grow at faster rates than the EU (with the UK lagging).<sup>147</sup> This is slower than historical growth rates of closer to 3 per cent from the mid-1980s to 2008 (excepting a dip in the early 1990s).

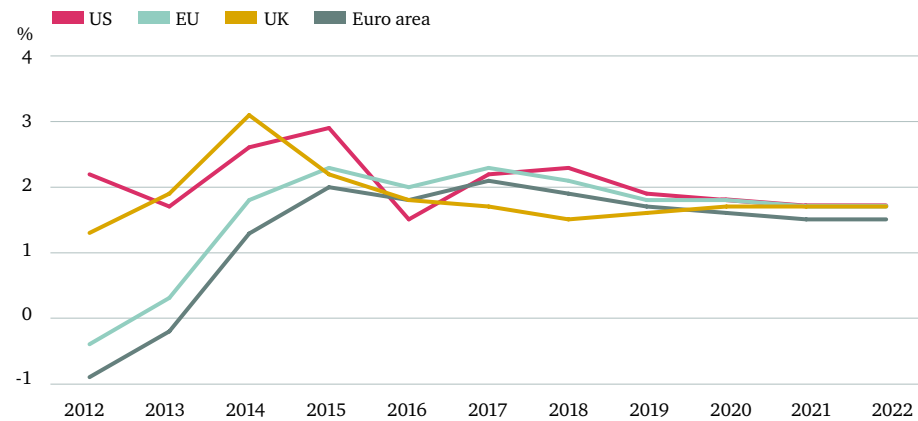
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<sup>145</sup> In the defence arena, the Typhoon fighter (a European collaboration) is a notable exception, although – as with many fighter programmes – its development was plagued with problems.

<sup>146</sup> See Summers, L.H. (2017), 'Secular Stagnation', 7 June 2017, <http://larrysummers.com/category/secular-stagnation/> (accessed 18 Jul. 2017); Davidson, J. (2016), 'This Theory Explains Why the U.S. Economy Might Never Get Better', *Time*, 25 March 2016, <http://time.com/4269733/secular-stagnation-larry-summers/> (accessed 18 Jul. 2017); and Summers, L. H. (2016), 'The Age of Secular Stagnation: What It Is and What To Do About It', *Foreign Affairs*, March/April 2016, <https://www.foreignaffairs.com/articles/united-states/2016-02-15/age-secular-stagnation> (accessed 18 Jul. 2017).

<sup>147</sup> See IMF Datamapper, World Economic Outlook, October 2017, [http://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/OEMDC/ADVEC/WEOORLD/GBR](http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOORLD/GBR) (accessed 14 Dec. 2017).

Figure 4: Real GDP growth (annual % change), 2012–22



Source: IMF (2017).  
Note: Figures for 2017–22 are projections.

At the same time, European economies are going to continue to have to manage the structural constraints inherent in the eurozone and the potential political tensions that they cause in the EU. The structure of the eurozone ensures it is harder for its members to respond flexibly to economic challenges than is the case for the US.

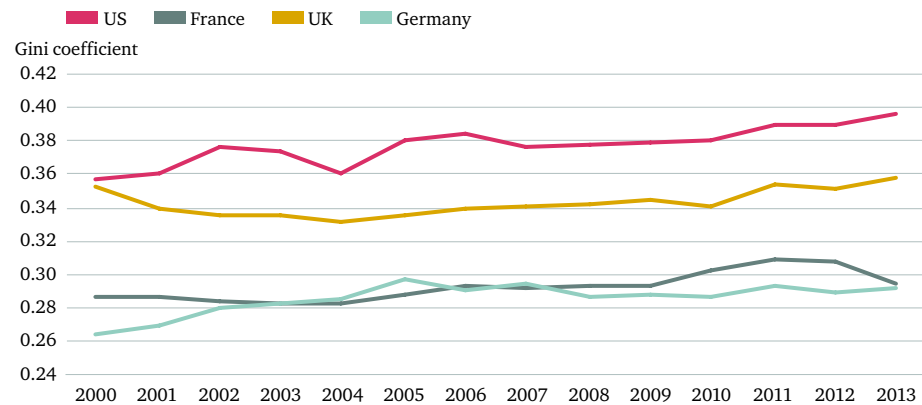
Meanwhile, the hesitation of the European countries towards working more closely together on spending on common goods – such as defence – ensures that their buying power and influence remains less than that of the US.

These factors are likely to ensure that the current disparity in economic weight between the US and Europe is maintained. There is no reason that this would cause any greater divisions in the transatlantic relationship, as unequal partners are still able to collaborate. However, if Europe continues to resist taking up a greater share of the common burdens (such as towards regional or global security and stability), US frustrations with it – until now mostly focused on defence issues – are likely to grow and create further tension.

Rising inequality, while greater in the US than in many European states, is unlikely to divide them – the trend lines for both regions are largely similar.<sup>148</sup> It may, however, induce both sides to become more insular and protectionist, which would influence their ability to collaborate effectively and, in the short term, make it harder to do business together. It is hoped that this too, however, will be cyclical, returning in time to greater collaboration.

<sup>148</sup> OECD (2017), 'Income Distribution and Poverty', <https://stats.oecd.org/Index.aspx?DataSetCode=IDD#> (accessed 18 Jul. 2017).

Figure 5: Income inequality measured by Gini coefficient (disposable income, adjusted), 2000–13



Source: OECD (2017).<sup>149</sup>

## Great-power politics

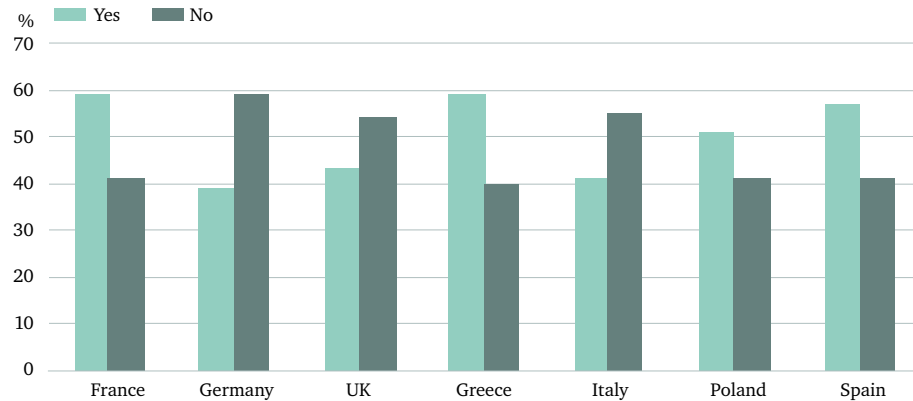
The balance of power, and perceived power, plays a central role in the policy choices that states make. In the second half of the 20th century, as Western European countries became more politically aligned and economically integrated, their combined economic, diplomatic and military size and historical leadership role meant that, as a bloc, they were considered in a very similar light to the US. European states' global perspective was, moreover, informed by evolving relationships with, and interests arising from, the former colonies and external dependencies of France, the UK and others. More recently, however, European countries have been more ready to cede responsibility for parts of the globe to others, and are divided on their views of the EU as a centre of global power.<sup>150</sup> While some EU member states retain historical connections overseas, the divisions and differences among them mean that it is rare that they as a whole (or as individual states) are seen to have significant influence beyond the continent.<sup>151</sup>

<sup>149</sup> Ibid.

<sup>150</sup> Pew Research Center (undated), 'Question: Do you think the European Union is a world power? [1784],' Pew Global Attitudes and Trends Question Database, <http://www.pewglobal.org/question-search/?qid=1784&cntIDs=&stdIDs> (accessed 18 Jul. 2017).

<sup>151</sup> There are clearly some exceptions to this rule, such as the imposition of economic sanctions following Russia's invasion of Crimea and the EU's role in nuclear negotiations with Iran.

Figure 6: Attitudes among Europeans on the EU as a global world power, 2014



Source: Pew Research Center.<sup>152</sup>

The EU Global Strategy on foreign and security policy, launched in June 2016, underscores that the institution has a broad strategic vision for its global role.<sup>153</sup> Nonetheless, expectations among US and many European policymakers remain muted as to whether it can translate its ambition into authority while its member states have such differing priorities and are in many cases focused on domestic issues.

The 20th century saw the US's global power rising – surpassing that of Europe – and with the collapse of the Soviet Union the US eventually assumed the position as the world's unipolar leader during the 1990s. Over the past decade, however, this 'unipolar moment' has given way to a far more complex and less predictable, 'a-polar' world, and international attitudes towards the US as the 'global policeman' have changed. Most recently, the shift in perceptions of the US's international stewardship role has been reinforced by President Trump's rhetoric and actions, as he has challenged the assumption that the US should remain the lead actor in maintaining the global commons or on sustaining global issues and norms. Moreover, the nature of – and the rhetoric used during – the 2016 US presidential election campaign raised many questions abroad about the resilience of American soft power and the willingness of others to be led by the US. These factors have put the US's will, as well as its ability, to retain its global power position increasingly in doubt.

While US and European power have thus declined relatively, other states are perceived to be on the rise – most notably China, but also emerging economies such as India, South Africa, Indonesia, Nigeria and Brazil.<sup>154</sup> While President Trump's rhetoric has emphasized 'America First', China has stepped up its own (rhetorical at least) efforts to project itself as a global leader, as seen most clearly latterly as regards commitment to the Paris Agreement and free trade.<sup>155</sup>

<sup>152</sup> Pew Research Center (undated), 'Question: Do you think the European Union is a world power? [1784],' Pew Global Attitudes and Trends Question Database, <http://www.pewglobal.org/question-search/?qid=1784&cntIDs=&stdIDs> (accessed 18 Jul. 2017).

<sup>153</sup> For a summary of the priorities of the EU Global Strategy, see <https://europa.eu/globalstrategy/en/priorities-eu-global-strategy>.

<sup>154</sup> The list of 'rising states' changes intermittently, including in the past decade's focus on such groupings as the BRICS, CIVETS or MINTs.

<sup>155</sup> World Economic Forum (2017), 'President Xi's speech to Davos in full', 17 January 2017, <https://www.weforum.org/agenda/2017/01/full-text-of-xi-jinping-keynote-at-the-world-economic-forum> (accessed 18 Jul. 2017). See also President Xi's earlier comments at the UN with respect to leading on the environmental agenda Phillips, T. (2017), 'China's Xi Jinping says Paris climate deal must not be allowed to fall', *Guardian*, 19 January 2017, <https://www.theguardian.com/world/2017/jan/19/chinas-xi-jinping-says-world-must-implement-paris-climate-deal> (accessed 18 Jul. 2017).

*Most recently, the shift in perceptions of the US's international stewardship role has been reinforced by President Trump's rhetoric and actions*

#### Impact

Maintaining power, and the perception of power, remains a central driver of decision-making in foreign policy. A sense of their own global reach and ambition has affected how and when states engage internationally. The US was undoubtedly a global player at the end of the Second World War, but this was increasingly no longer the case for individual European states – as was exemplified in the Vietnam War. As France, the colonial power, withdrew, the US continued to fight to maintain Western dominance and prevent communism from gaining primacy in Southeast Asia. While such balance-of-power politics has been considered less potent in recent decades,<sup>156</sup> it has been revived in recent years by Russia's President Putin, who explicitly sees the world in these terms.<sup>157</sup>

President Trump's campaign exhortation to 'make America great again', and his 'America First' rhetoric, points to a far more inward policy focus on the part of the US, with real implications for the rest of the world. This has already played out in the cancellation of the Trans-Pacific Partnership (TPP), the shelving of the Transatlantic Trade and Investment Partnership (TTIP), and in the announcement of the US's intended withdrawal from the Paris Climate Agreement. Many in the international community view these actions as diminishing rather than enhancing US power and influence – as they did the Obama administration's stance with regard to the AIIB.

Policy decisions can also change the perception of power. For example, while China is unlikely and unable to drive forward the free-trade agenda as the US steps back from its post-war leadership role on trade, the perception of leadership in response to President Xi's defence of globalization in his speech at Davos in January 2017 was palpable.<sup>158</sup> The fact that little change is likely to be seen in Chinese behaviour in this policy area seems largely to have been ignored.

A perception of power dominance, and the desire to retain it, is particularly acute as states sense they are beginning to lose it. Desire for continued hegemony in South America led, in large part, to the US intervention in Grenada in 1983. The UK's military campaign to retake the Falkland Islands in 1982 was critical to its sense of its continued global power.<sup>159</sup>

#### The future

There is much uncertainty concerning the likely trajectory of the US and the EU given the relatively recent incumbency of President Trump and the process of the UK's exit from the EU as yet ill-defined. However, many commentators have suggested that these two states of affairs are likely to lead to a hastening in the decline in transatlantic power.

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<sup>156</sup> Alternative explanations that challenge the 'balance of power' concept include constructivist theories and the 'soft power' notion. See Berenskoetter, F. and Williams, M. J. (2007), *Power in World Politics*, Abingdon: Routledge, for an overview of contemporary power theories. The EU is often considered to be a good example of the decreasing importance of the balance of power. See for example Risse-Kappen, T. (1996), 'Exploring the Nature of the Beast: International Relations Theory and Comparative Policy Analysis Meet the European Union', *Journal of Common Market Studies*, 34(1), DOI: 10.1111/j.1468-5965.1996.tb00560.x (accessed 18 Dec. 2017).

<sup>157</sup> See for example Madani, A. (undated), 'Putin's Balance of Power Strategy in Syria', *Huffington Post*, [https://www.huffingtonpost.com/amir-madani/putins-balance-of-power-strategy-in-syria\\_b\\_9510790.html](https://www.huffingtonpost.com/amir-madani/putins-balance-of-power-strategy-in-syria_b_9510790.html) (accessed 14 Dec. 2017).

<sup>158</sup> For a more detailed exploration of this topic, see the summary of a discussion held with George Magnus at Chatham House in early 2017: 'China in 2017 and Risks to the Global Economy', meeting summary, 14 February 2017, <https://www.chathamhouse.org/sites/files/chathamhouse/events/2017-02-14-china-in-2017-and-risks-to-the-global-economy-meeting-summary.pdf> (accessed 14 Dec. 2017).

<sup>159</sup> Sanders, D. and Houghton, D. (2017), *Losing an Empire, Finding a Role: British Foreign Policy Since 1945*, Basingstoke: Palgrave, pp. 127–30.

The UK's decision to withdraw from the EU has given rise to much speculation about the latter's future. Evidently, the prospect of the British departure has been seen to have pulled the other 27 members of the union closer together as they build a common negotiating position, work to ensure there are no further departures, and endeavour to send out a clear message that the EU's 'brand' remains strong. All the same, some of the factors – not least the rise in populism – that brought about the UK referendum and eventual result in favour of leaving the EU, are manifesting themselves elsewhere in Europe. (Notably, Marine Le Pen's strongly anti-EU and anti-immigration platform garnered much support, as evidenced in her historically strong result in the 2017 French presidential election.) Should the Brexit negotiations play out to the perceived advantage of the UK, this may strengthen the hand of anti-EU movements in other member countries. Either way, the current uncertainty is likely to focus the attention of the EU, and of its member states, internally for some time to come. It will be hard for the EU to get the support of member states for a strong, active and coordinated international role, notwithstanding the ambitions of the 2016 Global Strategy.

At the same time, while the more ardent Brexiters in Theresa May's government have made much of the UK's ability to regain its historically strong international leadership position once it leaves the EU there are significant doubts among British and international foreign policy analysts that this is credible. High-profile pro-Brexit ministers have suggested that Britain could become the 'Singapore of Europe', but they have provided little evidence as to how this might come about, and what was preventing such a status while the UK was a committed member of the EU.

Regardless of whether the US appears to be stepping back from its global role, or whether its authority is perceived as being in decline, US resources remain far superior to those of other powers – both allies and rivals. It will likely maintain the largest economy for another decade (in market exchange rate terms and far longer with regards to GDP per head); it has the most capable military and the largest diplomatic force; and it remains prominent in a number of other fields such as philanthropy, excellence of universities and the spread of its media. While the US might decline in relative terms, it has no evenly matched competitor today, nor will it have one in the medium term. It remains, for now, the only truly global power.

More broadly, however, the tenor and eventual outcome of the US election campaign in 2016, in conjunction with Europe's introspection, have served to weaken the 'Western ideal'. Whether this can be restored in the medium term – with a possible change in US administration, and through a more productive conclusion to the Brexit process than has thus far been witnessed – is uncertain. The West's decline in global influence will continue for the short term at least; and, while this may slow with time, the relative transition of power from West to East will be maintained over the longer term, until a new balance is reached. Meanwhile, the transatlantic partners will find their capacity to influence diminishing as their combined soft power – and perhaps also hard power – wanes.

Both the US and Europe will strive to maintain their respective leverage and influence in this period of shifting power balances. As such, while this change is structural, it impacts both sides similarly. As noted, however, the US still maintains – and projects – its hard power to a degree that outweighs that of Europe. Thus, the divide that already exists between US and European capabilities and their perceptions of role will also endure.

*The tenor and eventual outcome of the US election campaign in 2016, in conjunction with Europe's introspection, have served to weaken the 'Western ideal'*

## Public opinion

That public opinion plays a meaningful role in politics and thus in policymaking has long been indisputable. With the current communications revolution, however, the leverage that the public can now have is far greater, and the potential reach and volume of an individual's or an entity's voice is much amplified. The media environment diversified considerably, with many more channels and new social media allowing individuals to reach a greater audience and gain influence as never before; and the speed of communications has increased in parallel with demands that governments respond to events in a timely fashion. A government's ability or inability to do so influences its ability to control a debate.

The proliferation of new media has also facilitated and perhaps encouraged the propagation of so called 'fake news' – here used to mean alternative news and propaganda<sup>160</sup> – which has been particularly notable in the past two or three years. Given the wide variety of information channels, false news and propaganda can be disseminated far more easily than in the past. While the high volume of, and greater means of access to, information has also made fact-checking easier, people are more easily able to find, hear and believe the stories that support their world view.

## Impact

As individuals and organizations reach larger audiences and have greater influence on public debates, the impact of public opinion on policymaking is likely to increase.<sup>161</sup> For example, public aversion in the UK to potential involvement in the Syrian conflict played a significant role in the UK parliament's refusal to approve military action against the regime of Bashar al-Assad in 2013.<sup>162</sup> More recently, the German government's position on TTIP came under pressure from vociferous public resistance to elements of the proposed deal, and this in turn likely affected the EU's negotiating stance.<sup>163</sup>

In addition to influencing policy, when combined with the rise in populism, public opinion supports many governments' movement towards more isolationist and protectionist positions.<sup>164</sup> Those who regard themselves as having lost out as a result of globalization, and whose voices have until recently often gone unheard in the world's capitals, are now able to put greater pressure on governments to pursue anti-globalization agendas.

Propaganda and fake news is also being used to leverage public opinion to bring more pressure to bear on governments or, in some cases, to provide them the space

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<sup>160</sup> Some leaders (including President Trump) have used this terminology with regard to more orthodox news in order to invalidate or cast doubt on it.

<sup>161</sup> Shirky, C. (2011), 'The Political Power of Social Media: Technology, the Public Sphere, and Political Change', *Foreign Affairs*, January/February 2011, <https://www.foreignaffairs.com/articles/2010-12-20/political-power-social-media> (accessed on 18 Jul. 2017).

<sup>162</sup> Jordan, W. (2013), 'Public Opinion Drove Syria Debate', YouGov UK, 30 August 2013, <https://yougov.co.uk/news/2013/08/30/public-opinion-syria-policy/> (accessed 18 Jul. 2017).

<sup>163</sup> Deckstein, D., Salden, S. and Schießl, M. (2016), 'Protest Threatens Trans-Atlantic Trade Deal', *Spiegel*, 6 May 2016, <http://www.spiegel.de/international/world/protest-movement-threatens-ttip-transatlantic-trade-deal-a-1091088.html> (accessed 18 Jul. 2017).

<sup>164</sup> There is a question of cause and effect here: are political parties becoming more isolationist and thus moving publics in those directions or vice versa? While the direction of the causality is unclear, it is undeniable that changes on one side is promoting changes in the other, creating a vicious circle.

(or pretext) to move in particular directions. In November 2017, for example, President Trump retweeted three highly inflammatory videos disseminated by a far-right UK political organization, Britain First, that purportedly showed Muslims engaged in acts of violence.<sup>165</sup> By swaying public opinion, the story supported Trump's anti-immigration agenda.

### The future

The rising power of public opinion is irreversible and (in general) structural. The trend towards greater diversification of communication channels, and the associated diffusion of authority, will only continue in the coming years – albeit at a rate that will be dependent on fundamentally unpredictable technological innovation.<sup>166</sup> The use of propaganda or 'fake news' to drive public opinion with specific intent is also likely to continue, and will perhaps further increase. It is also likely, though, that defences against truly false news and malicious propaganda will improve over time.<sup>167</sup>

These phenomena are, and are likely to remain, evident across Europe and the US. While there are a few states in Europe, such as Hungary and Poland, that are trying to restrict media freedom, it is unlikely that this will be greatly effective over the longer term.<sup>168</sup> The trend towards the greater influence of public opinion on policymaking is therefore one that all transatlantic partners will have to accommodate.

Public opinion should be regarded as having a 'multiplier' effect on issues. It can bring the transatlantic partners together if public sentiment is broadly aligned on a policy area, and divide them where publics feel differently on an issue. The effect of factors such as the rise of nationalism on both sides of the Atlantic can also be amplified by the rising influence of public opinion. There has already been greater divergence on issues such as privacy and the use of force.<sup>169</sup>

While the research informing this report has identified the enhanced impact of public opinion as generally structural, its effect on specific issues is highly topic-dependent.<sup>170</sup> Moreover, public opinion can be changeable, and thus this factor is likely to be more malleable than most others set out here.

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<sup>165</sup> Zurcher, A. (2017), 'Donald Trump retweets far-right group's anti-Muslim videos', BBC News, 29 November 2017, <http://www.bbc.co.uk/news/world-us-canada-42166663> (accessed 18 Dec. 2017).

<sup>166</sup> Naim, M. (2013), *The End of Power: From Boardrooms to Battlefields and Churches to States, Why Being In Charge Isn't What It Used To Be*, New York, NY: Basic Books.

<sup>167</sup> For example, as seen in France in 2017, through the creation of dummy email addresses and documents, Macron's team was able to create enough uncertainty that the leaking of his party's emails had little to no impact on the final election result.

<sup>168</sup> In Hungary, Prime Minister Orbán has overseen legislative changes restricting press freedom, strengthened state-run outlets and ensured friendly treatment from the privately owned media since 2010. In Poland, Prime Minister Szydło's government faced protests in 2016 and 2017 for carrying out similar actions. Spence, A. (2016), 'Orbán's media playbook, now coming to Poland', Politico, 13 January 2016, <http://www.politico.eu/article/orban-media-playbook-coming-to-poland-media-law-human-rights-european-values/> (accessed 18 Jul. 2017).

<sup>169</sup> Data from the Pew Research Center show that US and European publics differ in their views on the necessity of military force. For example, whilst 75 per cent of Americans and 70 per cent of Britons agree that it is 'sometimes necessary to use military force to maintain order in the world', this view is shared by only 62 per cent of the population in France and Spain, and 50 per cent in Germany. Pew Research Center (2012) 'The American-Western European Values Gap', 29 February 29 2012, (accessed 18 Dec. 2017).

<sup>170</sup> For example, public opinion has had a significant impact on European policy with respect to the privacy debate and concerning action in Syria, but less so regarding operations in Afghanistan and Iraq in recent years. A similar disparity holds true with regards to public and government views of Russia in the US and Europe. Pew Research Center statistics found that while 59 per cent of Americans viewed Russia as a 'major threat', this was matched by only 51 per cent in France and 38 per cent in Germany. Contrarily, the US government generally has a more sanguine view of Russia than its European counterparts. Pew Research Center (2015), 'Pew Global Attitudes & Trends Question Database', <http://www.pewglobal.org/question-search/?qid=2050&cntIDs=&stdIDs=> (accessed 27 Jul. 2016).



#### Resources

Notwithstanding recent anti-globalization sentiment, the interconnections and interdependencies between countries are enormously resilient. While there may be a degree of reversal in some areas (notably in the case of trade), this is unlikely to be meaningful except at the margins. The ability of countries to reverse such interconnectivity is limited, and it is unlikely that the UK will become substantively less dependent on the rest of Europe even as it exits the EU.<sup>171</sup>

Interdependence is rising across critical areas, including energy, cybersecurity, economics, the environment, natural resources, manufacturing flows and business. The European gas market is increasingly interconnected; the 2008 Great Recession showed plainly the direct repercussions for Europe of problems in the US economy; and US and European businesses are becoming ever more dependent on cross-border distribution channels and profits.

As interdependence rises, so do vulnerabilities. Countries that lack sufficient domestic resources to underpin their economic growth can take some measures to redress that imbalance (such as by investing in access through other countries (such as China's investment in a number of African countries to ensure access to oil and minerals) or in stockpiles), but ultimately these resources exist within global markets and value chains, and accessing them requires participation in a global system. This combination of vulnerabilities and interdependence will only increase as climate change raises the odds of crop failures and natural disasters.

The necessity of managing demand in the dual context of a growing global population and unpredictable climatic shifts means that competition for resources (especially energy and mineral resources critical to high-technology industries) is liable to be an increasing factor in international politics. Faced with such competition, states are under pressure to ensure their long-term access to various goods and to mitigate their vulnerabilities (particularly to those countries that account for significant shares of their imports or exports – such as Russia as a supplier of gas to many European states, or China with some rare earths).<sup>172</sup> At the same time, even as competition rises, global and national resource levels change, based on new discoveries, technological advances (such as the capacity of the US to harness its shale gas resources) and changes in legal or economic situations. States can also mitigate or hedge their vulnerability to resource constraints through policy choices, from building alliances to long-term access deals, or through stockpiling.

#### Impact

A country's degree of self-sufficiency in critical natural resources can have a profound effect on its foreign policy and its willingness to act; the more self-sufficient a state is (both as buyer and seller), the greater its flexibility. For example, a country that is highly vulnerable to food or oil price changes will be far more susceptible to pressure and be restricted in its actions compared with one that has greater resilience to fluctuations in commodity prices. The vulnerability that some European countries (such as Austria,

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<sup>171</sup> While there is increasingly a trend in the US under President Trump to reverse trade dependence, for example, he will be constrained by Congress and by laws already in place. Similar constraints exist, to varying degrees, in other democratic countries.

<sup>172</sup> For further information on the levels of import and export of resources, see the Chatham House website, [www.resourcetrade.earth](http://www.resourcetrade.earth). Also see Feng, E. (2017), 'China focuses on deep-sea mining to fuel rare metals 'gold rush'', *Financial Times*, 20 August 2017, <https://www.ft.com/content/be749ecc-3eb2-11e7-9d56-25f963e998b2> (accessed 18 Dec. 2017).

Italy, Poland and the Baltic states) feel towards Russia when it comes to energy supply restricts their broader policy attitudes.<sup>173</sup> Similarly, China's control of a number of rare earth minerals has allowed it to put pressure on states that wish to have access to them (e.g. Japan) to take, or not take, particular actions in other spheres.<sup>174</sup> States will prioritize actions that ensure access to resources are maintained, such as European and US efforts in the Middle East to ensure continued energy flows and pricing.

### The future

With its shale revolution, US dependence on external energy supplies has been much reduced over the last decade. While it is unlikely to ever be fully self-sufficient in energy, its production capacity now brings greater resilience to short-term shocks – although greater per-consumer use of energy (especially for transportation) also means that it may suffer more from a long-term energy cost increase. Europe is unlikely to go through a similar shale revolution, not least given the restrictions in its regulatory systems and land-ownership laws.<sup>175</sup> However, Europe's demand for imported natural gas is already decreasing, and it is likely to continue to do so in the coming years.<sup>176</sup>

The security of food and water supplies is another critical issue for Europe and the US. Both are so embedded in the global food markets that changes in access or pricing are likely to affect them more or less equally. However, US natural capacity and diversity in food production mean that its resilience is greater. The US is also assumed to be more resilient to changes in water supply, notwithstanding considerable variations in resources by state. Thus, while structural changes in this area will have an impact on both sides of the Atlantic, the US is likely to be better able to harness its domestic resources to cope with future restrictions in global supply.

Greater access to resources enabled by new technologies is not the only factor: the effect of increasing demand matters as well. Ultimately, demand-side efforts may mitigate vulnerability to some degree, but competition is unlikely to diminish in the short term. Developments in resource markets, most of which are global in nature, will always affect Europe and the US to a greater or lesser degree. Resource changes are largely structural (although, as we've seen in the energy market with the US shale revolution, there can be significant reversals as new technologies permit greater access) and affect both the US and Europe similarly, ensuring little likely divergence in the medium term. The two areas of possible exception to this are in energy, given the US's ability to harness shale that is unlikely to occur within Europe, and food production where, as noted earlier, the US has natural resources that Europe cannot match.

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<sup>173</sup> This has decreased over the past decade as pipelines have been built that allow many European states to move hydrocarbons between countries more easily. And Russia too has vulnerabilities given the fixed pipelines, leaving it little space for diversification.

<sup>174</sup> AFP (2010), 'China blocked exports of rare earth minerals to Japan, traders claim', *The Telegraph*, 24 September 2010, <http://www.telegraph.co.uk/finance/china-business/8022484/China-blocked-exports-of-rare-earth-metals-to-Japan-traders-claim.html> (accessed 22 Dec. 2017).

<sup>175</sup> In the US underground resources have private-property status, which has encouraged landowners to support shale gas. In Europe, by contrast, underground resources are government-owned and private initiatives are discouraged, which means that the energy sector is still largely dominated by large energy companies. Kavalov, B. and Pelletier, N. (2012), *Shale Gas For Europe – Main Environmental and Social Considerations*, European Commission Joint Research Centre, Institute for Environment and Sustainability, <http://publications.jrc.ec.europa.eu/repository/bitstream/111111111/26691/1/lbna25498enn.pdf> (accessed 18 Jul. 2017).

<sup>176</sup> Jones, D., Dufour, M. and Gaventa, J. (2015), *Europe's declining gas demand: Trends and facts on European gas consumption*, E3G, June 2015, [https://www.e3g.org/docs/E3G\\_Trends\\_EU\\_Gas\\_Demand\\_June2015\\_Final\\_110615.pdf](https://www.e3g.org/docs/E3G_Trends_EU_Gas_Demand_June2015_Final_110615.pdf) (accessed 1 Aug. 2017).

States resilience and/or vulnerability to a cyberattack or breakdown is another area of concern. The American and European infrastructures (e.g. electricity grids and transportation) are highly networked and thus potentially equally at risk. Events such as the two-day power blackout in the US northeast in August 2003 have underscored the scope of such vulnerabilities.<sup>177</sup> The potential of a cyberattack on critical infrastructure – a concept whose viability was proved by the Stuxnet worm that attacked Iran’s nuclear programme in 2010 – exacerbates risks in this area of vulnerability. If specific systems in one country are targeted, this could cause a temporary split in interests and subsequent policies. Furthermore, the extent of global cyber connectivity underlines that many cyber crises will affect multiple states, as was seen in the large-scale ransomware attack of May 2017, which infected computers in the UK, Russia, India and China (among many others).

### Political polarization

US politics has in recent decades become increasingly polarized and fractious.<sup>178</sup> The 2016 presidential election saw extremely high levels of antipathy not only between Republicans and Democrats, but also within each party. While many European states are also increasingly polarized and party fragmentation is occurring across the region, the nature of their concerns and the degree of partisanship has, in most cases, not damaged their abilities to function.<sup>179</sup> In large part, the US’s challenges are a legacy of its presidential system and the norms surrounding the balance of power between the branches of government, which is absent in most European political systems. The multiparty systems and coalition governments in Europe tend to push political parties towards a broad middle ground.

Over the last approximately five years, polarization has been compounded by another trend – the rising support for populist parties and politicians. In the US and European contexts, there has been a wide range of manifestations of populism on the right and left (though so far right-wing populists have had greater success, winning elections in the US, Poland and Hungary as well as driving the result in the UK’s referendum on EU membership). The relationship between populism and political fragmentation is complex, but their combination can make it harder to bridge differing domestic positions and drive forward an inclusive common agenda.

### Impact

Going beyond the normal left-right policy divisions, the kinds of political changes that have been seen recently in the US and Europe can have potentially profound policy implications.

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<sup>177</sup> Barron, J. (2003), ‘The Blackout of 2003: The Overview; Power Surge Blacks Out Northeast, Hitting Cities in 8 States and Canada; Midday Shutdown Disrupts Millions’, *New York Times*, 15 August 2003, <http://www.nytimes.com/2003/08/15/nyregion/blackout-2003-overview-power-surge-blacks-northeast-hitting-cities-8-states.html?pagewanted=all> (accessed 18 Jul. 2017).

<sup>178</sup> Desilver, D. (2014), ‘The polarized Congress of today has its roots in the 1970s’, Pew Research Center, 12 June 2014, <http://www.pewresearch.org/fact-tank/2014/06/12/polarized-politics-in-congress-began-in-the-1970s-and-has-been-getting-worse-ever-since/>; Ingraham, C. (2015), ‘A stunning visualization of our divided Congress’, *Washington Post*, 23 April 2015, [https://www.washingtonpost.com/news/wonk/wp/2015/04/23/a-stunning-visualization-of-our-divided-congress/?utm\\_term=.71968736e48c](https://www.washingtonpost.com/news/wonk/wp/2015/04/23/a-stunning-visualization-of-our-divided-congress/?utm_term=.71968736e48c) (accessed 18 Jul. 2017).

<sup>179</sup> There are exceptions to this: notably, for example, Belgium was without an elected government for 541 days in 2010–11.

*As evidenced in the US, rising political polarization has had meaningful effects on the ability of the government to enact policy*

As evidenced in the US, rising political polarization has had meaningful effects on the ability of the government to enact policy. It led President Obama to rely on executive orders to achieve his objectives rather than working through an intractable Congress (a path that President Trump appears to have also taken up despite Republican control of the legislative branch). This ensures greater long-term unpredictability as a new president can choose to override or countermand previous executive orders. The lack of congressional cross-party collaboration in recent years has also complicated and stymied action on defence spending, tax policy and management of public-health emergencies (such as the Ebola and Zika outbreaks).

The rising tide of populism has led to more introverted, exclusionary and protectionist policies. Globalization's detractors have been able to push agendas that are more insular and nationalistic, stymieing efforts by those more inclined towards greater internationalization to build closer links between countries. This has played out with regards to TTP and TTIP, environmental policy and rising anti-migration and refugee sentiment in the US and Europe.

Timing is also enormously important; electoral calendars have profound effects on governments' willingness to take tough policy positions. This arguably plays a greater role in the US than in Europe given the extended length of presidential election campaigns (somewhere between one and a half and two years). The importance of timing was seen in the 2011 UN vote on a creating a no-fly zone in Libya, which immediately preceded elections in two pivotal German states, something that contributed to Chancellor Merkel's decision to abstain.<sup>180</sup> One political effect that is less potent than might otherwise be supposed relates to the potential challenges when the US and European governments have opposing political ideologies. While this has some effect (for example, relations between Poland's current government and the US declined in 2016), it is generally manageable, as seen in the cooperation between the Republican and Labour governments of George W. Bush and Tony Blair in the 2000s, and the Democratic Obama administration's relatively good ties with the centre-right British and German governments in the early 2010s.

### The future

Partisanship in the US is unlikely to decline any time soon.<sup>181</sup> Despite significant divisions within the two major parties, the two-party system is deeply entrenched and the obstacles to a third party emerging are significant.<sup>182</sup> These challenges will continue to constrain the government's ability to enact policy. The next three years could see an even more highly charged atmosphere if Democrats attempt to impeach President Trump. In practical terms, however, the partisanship is already so bad that it is hard for the dysfunction to get much worse.

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<sup>180</sup> *Spiegel* (2011), 'Germany Hesitates as UN Authorizes Action against Libya'.

<sup>181</sup> Not even the major crisis of 9/11 brought about a long-term reversal of the entrenched partisanship in US politics.

<sup>182</sup> There is an outside chance that there could be a major transition of US politics as seen in the 1960s, but this would require an unlikely change in policy by the Republican Party regarding immigration from Latin America. If this occurred however, a situation could arise in which Latin American voters in the US moved to support the Republican Party (since they are traditionally more conservative), hawks moved left (during the 2016 presidential campaign Hillary Clinton was considerably more interventionist than was Trump), and trade was no longer a defining political issue.

## Transatlantic Relations: Converging or Diverging?

### Drivers of Divergence or Convergence

The situation in Europe is also likely to continue along current trends. The different political systems and the presence of coalition governments will ensure that, while politics may be partisan, a US-level structural, long-term partisan dysfunction should be avoided.

While there are numerous causes for rising populism, inequality and sense of disenfranchisement following the 2008 recession are central. Inequality has increased steadily in the US and the major European states for the past 30 years.<sup>183</sup> But, absent real policy changes with regard to such issues as taxation or a fundamental change in the market democracy system (which is increasingly being discussed),<sup>184</sup> it will remain a structural and long-term challenge.

The future path of populism and populist parties in the US and Europe is uncertain. Even though political fragmentation in Europe mitigates the effect of disenfranchisement, populism is likely to vary broadly in relation to economic growth and the distribution of its benefits across society. With fragmentation occurring more readily in Europe than the US today, the latter might find it harder to overcome the challenges of disenfranchisement in the near to medium term. Populist trends are likely to make it harder for the US and Europe to work together (and for European states to coalesce around common policies). But, assuming their cyclical nature, this is unlikely to result in long-term or permanent divides.

**Figure 7: Pre-tax national income share, top 1% of population, by decade, 1980s–2010s**



Source: World Income and Wealth Database (2017).<sup>185</sup>

Note: Data are for 1985, 1995, 2005 and 2014 (latest available for 2010s).

<sup>183</sup> On Europe, see for example OECD (2017), *Understanding The Socio-Economic Divide in Europe*, 26 January 2017, <https://www.oecd.org/els/soc/cope-divide-europe-2017-background-report.pdf> (accessed 18 Jul. 2017). On the US, see Desilver, D. (2013), 'U.S. income inequality, on rise for decades, is now highest since 1928', Pew Research Centre, 5 December 2013, <http://www.pewresearch.org/fact-tank/2013/12/05/u-s-income-inequality-on-rise-for-decades-is-now-highest-since-1928/> (accessed 18 Jul. 2017).

<sup>184</sup> Piketty, T. (2014), *Capital in the Twenty-First Century*, Cambridge, MA: Harvard University Press.

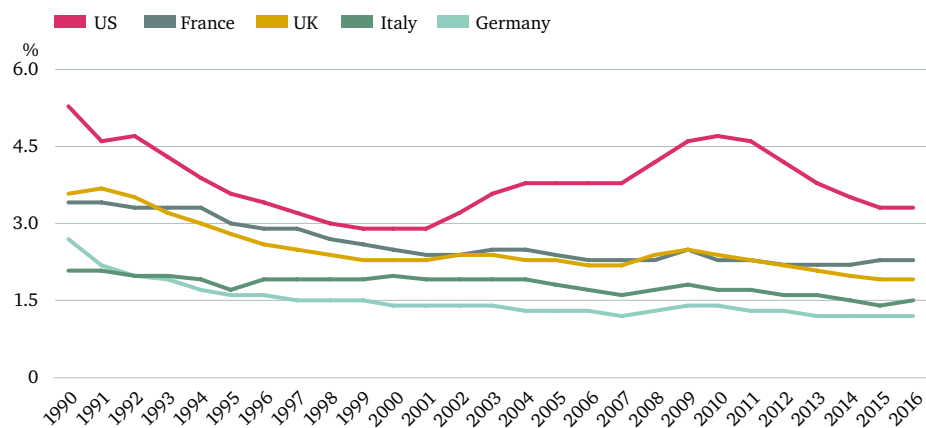
<sup>185</sup> World Wealth and Income Database (2017), 'Top 1% national income share', [http://wid.world/world/#sptinc\\_p99p100\\_z/FR;GB;US/last/eu/k/p/yearly/s/false/4.8424999999999999/30/curve/false](http://wid.world/world/#sptinc_p99p100_z/FR;GB;US/last/eu/k/p/yearly/s/false/4.8424999999999999/30/curve/false) (accessed 20 Dec. 2017).

## Capabilities

A state's capabilities, and its perception of its capabilities, are vital in defining its policy direction. While many types of resource are important here – diplomatic, economic, developmental – its military capacity – i.e. its hard power – is often the focus of greatest attention.<sup>186</sup>

The US's military capabilities, whether with regard to its size, technological resources or global positioning, and its spending are substantially greater than those of any other power.<sup>187</sup> The gap between US and European military capabilities has increased since the end of the Cold War when many European powers took advantage of a 'peace dividend'. Despite many European promises of greater defence spending following Russia's intervention in Crimea and eastern Ukraine there has thus far been little meaningful change.<sup>188</sup>

**Figure 8: Military spending as % of GDP, 1990–2016**



Source: Stockholm International Peace Research Institute (2017).<sup>189</sup>

While less often taken into consideration when evaluating leverage and power, diplomatic and development aid capabilities are also influential. Here too, the US's capabilities far surpass those of its European allies. The US foreign service has approximately 18,000 employees; in comparison, the French, German and

<sup>186</sup> Economic power is not addressed in this section as it is covered elsewhere in the chapter.

<sup>187</sup> In recent operations, the US military has lent intelligence-gathering and heavy-lift transport aircraft (such as C-17s) to European partners. In 2011, the US provided critical assistance to cover for inadequate training and shortages of proper equipment among NATO allies in Libya (excluding France and Britain). In 2013, the US conducted troop transport and aerial refuelling missions to support the French military in Mali. See Shanker, T. and Schmitt, E. (2011), 'Seeing Limits to 'New' Kind of War in Libya', *New York Times*, 21 October 2011, <http://www.nytimes.com/2011/10/22/world/africa/nato-war-in-libya-shows-united-states-was-vital-to-toppling-qaddafi.html>, and, US Department of Defense (2013), 'Readout of Secretary Panetta Call with French Minister of Defense Jean-Yves Le Drian', 26 January 2013, <http://archive.defense.gov/Releases/Release.aspx?ReleaseID=15789> (accessed 18 Jul. 2017).

<sup>188</sup> Exceptions to this were Poland, Estonia, Latvia and Lithuania. Jones, S. (2016), 'Defence spending by Nato's Europe states up as uncertainty rises', *Financial Times*, 30 May 2016, <https://www.ft.com/content/e0058620-259d-11e6-8ba3-cdd781d02d89> (accessed 18 Jul. 2017).

<sup>189</sup> Stockholm International Peace Research Institute (2017), *SIPRI Yearbook 2017: Armaments, Disarmament and International Security*, Oxford: Oxford University Press for SIPRI, <https://www.sipri.org/sites/default/files/Milex-share-of-GDP.pdf> (accessed 18 Dec. 2017).

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British foreign services each maintain a staff of approximately 10,000.<sup>190</sup> Regarding development, the US Agency for International Development spends \$22.7 billion annually (£15.75 billion), while the UK spends £12.1 billion, France €8.8 billion (£6.82 billion) and Germany €8.54 billion (£6.62 billion).<sup>191</sup> While the numbers suggest that European influence, if combined and channelled together, could be greater than that of the US, given the current trend towards prioritizing sovereignty in these areas, this is unlikely to happen in the near term.

Soft power also plays an essential role, albeit one that is often outside a government's control. For example, the international influence of a country's universities or media can be powerful, but – at least in the West – they are not answerable to the government and therefore do not factor in policy decision-making.

A broader definition of assets and capabilities can, however, impact decision-making. For example, technological innovation, in which the US has an advantage, is increasingly an area of significant competition and concern in Europe. US intelligence-gathering capabilities and the lead that a number of US IT businesses (such as Google and Uber) have in their markets influence US and European attitudes to such factors as privacy and security.

In all these cases, capabilities, and perceived capabilities, affect what countries are able to do and what their leaders feel they have the political will to accomplish.

### Impact

The perception of insufficient capabilities can be determinant. In the Asia-Pacific scenario workshop, representatives of some of the European states argued that, given their countries' lack of resources in the region, they had little ability to influence developments and thus not much of a role to play. British and French military assets in or near the region were ignored; so too was European diplomatic, economic, developmental and soft-power leverage with China. None considered these other tools of leverage meaningful to pursue a strong policy position, instead remaining mostly in the margins.

Clearly it is not just perception of capabilities that matters, but the reality. The US's forward positioning of military resources provides it with faster response capabilities. Insufficient European resources can also pose a problem of transatlantic interoperability. Equally, the US's larger development budget, combined with the perception of its greater diplomatic weight, means that it tends to have greater leverage than do European states or the institution of the EU.

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<sup>190</sup> US Department of State (undated), 'About the U.S. Department of State', <https://web.archive.org/web/20100831212917/http://careers.state.gov/general/about-us.html> (accessed 18 Jul. 2017); French Ministry of Foreign Affairs (2013), 'The French Ministry of Foreign Affairs: Facts & Figures', <https://za.ambafrance.org/French-Ministry-of-Foreign-Affairs,1345> (accessed 31 Aug. 2017); Federal Foreign Office, Germany (undated), 'The Foreign Service – staff', [http://www.auswaertiges-amt.de/sid\\_3E49DC1C4109ABD37C4811444FBFC06/EN/AAmt/AuswDienst/Mitarbeiter\\_node.html](http://www.auswaertiges-amt.de/sid_3E49DC1C4109ABD37C4811444FBFC06/EN/AAmt/AuswDienst/Mitarbeiter_node.html) (accessed 18 Jul. 2017); UK Foreign and Commonwealth Office (undated), 'Working for FCO', <https://www.gov.uk/government/organisations/foreign-commonwealth-office/about/recruitment#our-staff> (accessed 18 Jul. 2017).

<sup>191</sup> US Agency for International Development (2016), 'FY 2017 Development Aid: Humanitarian Assistance Budget', [https://www.usaid.gov/sites/default/files/documents/9276/FY2017\\_USAIDBudgetRequestFactSheet.pdf](https://www.usaid.gov/sites/default/files/documents/9276/FY2017_USAIDBudgetRequestFactSheet.pdf) (accessed 18 Jul. 2017); UK Department for International Development (2016), 'Statistics On International Development', [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/572063/statistics-on-international-development-2016a.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/572063/statistics-on-international-development-2016a.pdf) (accessed 18 Jul. 2017); Federal Ministry for Economic Cooperation and Development, Germany (2016), 'Facts and Figures: BMZ Budget', <http://www.bmz.de/en/ministry/budget/index.html> (accessed 18 Jul. 2017); Donor Tracker (2017), 'How is France's ODA spent?', <https://donortracker.org/countries/france/4q> (accessed 18 Jul. 2017).

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#### The future

The greatest uncertainty with regard to future capabilities relates to the strength of the EU. If the EU can strengthen its core, its diplomatic weight would increase, along with, perhaps, a more coordinated European military.<sup>192</sup> This would bring European capabilities more in line with those of the US, with potentially positive implications for their interoperability. However, given the primacy of national interests in Europe today this seems unlikely in the near to medium term.

Instead, the current situation will likely continue with European states maintaining their independent military capabilities. While some, such as Germany, might increase their spending, this will not meaningfully narrow the capability gap with the US. Military capabilities are driven, most prominently, by economics and events, thus creating a somewhat cyclical trend albeit with a steady underlying decline in spending as a percentage of GDP, as shown in Figure 8. Events, on the other hand, can cause swings in spending.<sup>193</sup> Barring the outbreak of a major conflict, it seems likely that the current gap in military spending and capabilities between the US and Europe will continue.

A major uncertainty affecting capabilities in Europe stems from the UK's decision to leave the EU. While Prime Minister Theresa May has announced that the UK will have a closer security relationship with Europe afterwards,<sup>194</sup> and some commentators have suggested that this could boost the creation of a strong joint European military capability,<sup>195</sup> Brexit will likely weaken the UK and the EU, making it harder for the latter to look outwards at least for the coming years.<sup>196</sup>

It is not inevitable that a continued disparity between US and European military (or other) capabilities must lead to a rift between the US and Europe. However, as the last four US defence secretaries have noted, and as President Trump has repeatedly emphasized, there is a growing belief in the US that it is unfairly bearing the burden of European security, not least as regards to its contribution to NATO. President Trump has linked military spending by European allies to the US's willingness to act in their defence. While this may not outlast his presidency, American policymakers are increasingly expecting the European powers to step up more. While it does not need to be inevitable, tensions could keep rising if the capability gap continues.

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<sup>192</sup> In March 2017 the European Commission released a white paper that outlined the long-debated scenario of the creation of a European Defence Union. Germany and France have advocated for this outcome in recent years. See European Commission (2017), *White Paper on the Future of Europe: Reflections and scenarios for the EU 27 by 2025*, [https://ec.europa.eu/commission/sites/beta-political/files/white\\_paper\\_on\\_the\\_future\\_of\\_europe\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/white_paper_on_the_future_of_europe_en.pdf) (accessed 18 Jul. 2017) and Rettman, A. (2016), 'France and Germany propose EU 'defence union'', EUObserver, 12 September 2016, <https://euobserver.com/foreign/135022> (accessed 18 Jul. 2017).

<sup>193</sup> Figure 8 shows this playing out in the US, with highs at certain critical points during the wars in Afghanistan and Iraq.

<sup>194</sup> *Independent* (2017), 'Theresa May's Brexit speech in full: Prime Minister outlines her 12 objectives for negotiations', 17 January 2017, <http://www.independent.co.uk/news/uk/home-news/full-text-theresa-may-brexit-speech-global-britain-eu-european-union-latest-a7531361.html> (accessed 18 Jul. 2017).

<sup>195</sup> Shortly after the Brexit vote, the French and German governments launched a concerted effort aimed at increasing defence co-operation in the EU, which the UK had strongly opposed on grounds that it would duplicate what NATO does. See, Barker, A. (2016), 'Paris and Berlin push for tighter defence co-operation', *Financial Times*, 12 September 2016, <https://www.ft.com/content/fd637b0e-7913-11e6-97ae-647294649b28> (accessed 18 Jul. 2017).

<sup>196</sup> Niblett, R. (2016), *Britain, the EU and the Sovereignty Myth*, Research Paper, London: The Royal Institute of International Affairs, <https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2016-05-09-britain-eu-sovereignty-myth-niblett.pdf> (accessed 18 Jul. 2017).



*With the rise of emerging powers, established international institutions have been increasingly perceived as less effective and less legitimate. The UN Security Council is seen as a relic of history rather than a representation of the world today*

### International institutions, agreements and norms

International institutions play an important role in providing an architecture through which decisions can be made and norms enforced. The UN has provided a venue for the discussion and resolution of international concerns for over 70 years. While many today question its relevance, it remains the venue through which international action is best legitimized. Following the Great Recession, the G20 provided a vital venue for discussion and action. NATO has for many decades ensured and enforced European (and recently wider) security, from its role in the 1995 Balkans war to its invocation of Article 5 following 9/11 and subsequent operations in Afghanistan.

While the idea of Europe's integration was driven by the intent to ensure its countries never went to war with each other again, in recent times greater attempts have been made to create a union that allows its 28 members to have more impact than they can alone. However, with the imminent departure of the UK, the future of the EU is more in question today than in past decades.

With the rise of emerging powers, established international institutions have been increasingly perceived as less effective and less legitimate. The UN Security Council is seen as a relic of history rather than a representation of the world today. The governance structure of the Bretton Woods institutions is also in dispute, with questions around voting shares and leadership.<sup>197</sup>

With the decline of legitimacy has come a decline of power and leverage for these institutions. This has been compounded by a return to the primacy of sovereignty that can be seen in the decline of support for the R2P principle that had reached its height in the late 2000s.

International treaties and agreements also have an important role to play in building coalitions for action, albeit sometimes without the same permanence that an institution can bring. For example, the Proliferation Security Initiative, which has grown to over 100 members, has brought states together to achieve a common purpose without the creation of a bureaucracy. More recently, the JCPOA, addressing Iran's nuclear capabilities, has provided a similar common way forward for its signatories. While President Trump announced his decision to 'decertify' the JCPOA in October 2017, and thus effectively pushed the decision to Congress on whether to uphold the deal, it appears unlikely that notwithstanding egregious action by Iran, the latter will continue to maintain the agreement in place, thus keeping the US in line with the other signatories.

### Impact

International institutions provide the structures that facilitate collaboration even during crises. They can bring political and moral weight to bear, particularly when they work under consensus rules. The desire of members to reinforce their role can drive agreement even when positions are divided.

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<sup>197</sup> While there have been reforms of the IMF in recent years, they are perceived by many as being too late and insufficient.

These organizations can allow some members to distance themselves from a controversial decision. For example, in the Greek economic crisis, Germany used the European Commission (along with the European Central Bank and the IMF) to remain somewhat removed from the hard economic decisions to which it was demanding the Greek government agree. While many in Greece still blamed Germany, the framing put the onus on the three institutions for bringing pressure to bear.<sup>198</sup>

Finally, such institutions can be honest brokers if perceived to be independent from a crisis or event. For example, in the Iran scenario workshop, the IAEA was an independent assessor of the situation that was trusted by all sides, which allowed the participants to move forward from a common base. The UN performed a similar role in the Russia–Turkey scenario workshop.

### The future

Long-standing institutions, treaties and agreements are all in decline. While they are unlikely to break down in the short term, new ad hoc coalitions of the willing, comprised of states with common interests, will and capabilities to act, are increasingly the central players (sometimes, however, still using the umbrella of these established organizations). For example, the 2011 Libya intervention was conducted under the aegis of NATO, but did not include all member states (Germany for example did not participate) and included non-NATO states. This caused tensions within Europe. Given their flexibility, it is likely that the trend towards ad hoc groups will continue. These will not necessarily be led by the US or Europe, as the recent Syria negotiation – which is driven by Russia, Turkey and Iran – has revealed.

Traditional organizations such as the UN and NATO are meanwhile likely to continue to lose power and influence unless they reform in a way that better reflects the current global environment, and become more effective within it. In the absence of reform, their legitimacy will continue to be in question. Their consensus nature makes them slow to act and inflexible, which, in a world that is changing ever faster, makes them increasingly ineffective. Unless they find ways of responding quickly to events or changes in circumstances, they will likely be left behind by more flexible ad hoc groups. What the latter lack in global or regional legitimacy, or established norms, they make up for in speed and willingness to act.

International institutions have long facilitated the US and Europe finding common positions on issues, even when under pressure. Their decline or absence will make it harder for the transatlantic relationship to function effectively. This could play out in many ways, from worsening the joint operability of forces through NATO to splits in response to crises around Iran or North Korea's nuclear capabilities (the six-party talks around North Korea collapsed many years ago). Thus, without reform of these institutions, and maintaining the agreements and treaties, vital forums for facilitating transatlantic cooperation may disappear, thus leading to greater problems of divergence.

*International institutions have long facilitated the US and Europe finding common positions on issues, even when under pressure*

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<sup>198</sup> This did have a negative effect on the institutions, however, which were seen by many in Greece as being tools of German power.

### Leadership personalities and relationships

The role of leadership personalities is a factor that was intentionally stripped from the scenarios conducted as part of this research project. However, it is an issue that is getting particular attention at present in the context of the Trump presidency. History suggests that personalities do have a role to play in decision-making in international relations. The close relationship between Winston Churchill and Franklin D. Roosevelt facilitated American support for the UK and the eventual entry of the US into the Second World War. While the attack on Pearl Harbor would have brought the US into the Pacific war regardless, Roosevelt's pre-existing efforts to support Churchill's Britain convinced Germany to declare war on the US, making a global US–UK alliance possible. More recently, the close working relationship that developed between George W. Bush and Tony Blair after 9/11 facilitated UK support for the US intervention against the regime of Saddam Hussein in Iraq in 2003 (something that received much negative press in the UK subsequently). So too, the strong relationship between Angela Merkel and Barack Obama allowed constructive progress to be made on a wide range of issues (notably including Russian sanctions), as well as allowing significant challenges to be overcome (such as in aftermath of the Snowden revelations). The acrimonious relationship in the late 1970s between Helmut Schmidt and Jimmy Carter, on the other hand, was a source of some friction in certain policy areas.<sup>199</sup>

Personalities can also have negative implications. Charles de Gaulle had several clashes with other Western leaders. In the aftermath of the war, it was common knowledge that Churchill and Roosevelt thought de Gaulle insufferable, which contributed to the French leader's suspicion of the British and Americans. President Harry Truman held General Franco in disdain, and attempted to exclude Spain from the UN and the Marshall Plan. Likewise, tensions between Prime Minister Anthony Eden and President Dwight Eisenhower in the 1950s may have counted in the British decision not to inform the US of the imminent UK–French–Israeli initiative to seize the Suez Canal. A stronger relationship between them might also have tempered the US's response that resulted in a withdrawal by its allies and Eden's subsequent resignation.

Perhaps a high point in the US–UK relationship occurred in the 1980s during the Reagan/Thatcher years, when the two leaders shared a deep friendship despite events such as the US invasion of Grenada and the UK war with Argentina over the Falklands when their two governments were at odds. More recently, and as is well documented elsewhere, President Trump's personal leadership style, as well as his policies, has caused significant consternation among European leaders.

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<sup>199</sup> Wiegrefe, K. (2010), 'Carter Diary Reveals Rocky Relationship with German Chancellor Schmidt', 12 October 2010, *Spiegel*, <http://www.spiegel.de/international/world/no-love-lost-carter-diary-reveals-rocky-relationship-with-german-chancellor-schmidt-a-721449.html> (accessed 19 Dec. 2017).

#### Impact

Personalities, and their implications on relationships, affect state dynamics at all levels, although inevitably the characteristics of leaders and their closest advisers are paramount. A leader who has charisma, and who is seen positively by their external counterparts, can contribute to a context that facilitates collaboration and compromise. Equally, a leader who is perceived more negatively – as obstructionist or difficult, for example – can make finding common ground tougher. In the wake of the Snowden revelations, for instance, President Obama – seen by many as having a ‘European’ style – and Angela Merkel remained able to work together notwithstanding the German chancellor’s anger at having had her conversations intercepted. Given current European perceptions of Trump, it seems unlikely that he would have been able, or inclined, to remedy the situation in the same way. There is much public speculation that the leaders of the US’s allies find Trump’s style very hard to work with.<sup>200</sup>

A positive relationship at the leadership level can force bureaucracies to act; the negotiations for the 2005 nuclear deal between President George W. Bush and Prime Minister Manmohan Singh of India are a good example. Equally, a lack of trust at the senior level, as is increasingly developing between President Trump and Chancellor Merkel, can pervade the broader relationship and make it hard for bureaucracies to work together even when they want to.

In times of crisis, leadership personalities – and how these interplay – are likely to be all the more important. The institutional checks that would be expected in more routine circumstances tend to weaken under crisis conditions, putting greater power in the hands of leaders.

Leadership personalities also affect how foreign publics relate to a country. As the 2014 Chatham House report *Elite Perceptions of the US in Asia and Europe* showed, the president has more influence than any other figure on how Europeans and Asians see the US.<sup>201</sup> This affects the perceived power the US has, and thus how impactful its actions are. It also influences the degree of flexibility governments have in working with other countries.

Finally, a leader’s personality and style can be influential in high-level negotiations in forums such as the G7. Individuals who are found to be hard to work with can be less successful in such venues – except with regard to vetoing actions; for example, President Putin has been able to stop actions through the UN Security Council, but can rarely gain support to launch new initiatives. Tensions between President Trump and many European leaders were evident in their first NATO and G7 meetings in 2017, and could continue to reverberate as his term proceeds.

*In times of crisis, leadership personalities – and how these interplay – are likely to be all the more important*

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<sup>200</sup> Robertson, N. (2017), ‘World leaders conclude: Trump is a liability not a leader’, 24 August 2017, CNN, <http://edition.cnn.com/2017/08/24/opinions/world-has-seen-what-trump-has-to-offer-robertson-opinion/index.html> (accessed 19 Dec. 2017).

<sup>201</sup> Dormandy and Webb (2014), *Elite Perceptions of the United States in Europe and Asia*.

#### The future

For democracies, leadership is cyclical: presidents, prime ministers and chancellors are elected for a limited period. While a leader's legacy might live on after their time in office ends, polling suggests otherwise. European perceptions of the US were extremely negative towards the end of the Bush administration, but improved significantly and quickly after the election of President Obama.<sup>202</sup>

President Trump, who had held no political office prior to his election in 2016, has prompted some real concerns in Europe. His style is not typical of a statesman: indeed, he was, in part, elected precisely because many voters were attracted to his background as a businessman and 'dealmaker'. As such, many worry that allied leaders will find it hard to work with him, and that his erratic style, extreme rhetoric and thin skin will make him unpredictable. This could make the next years uncomfortable for many in Europe, but will change with the eventual arrival of a new president.

Polling shows that publics can make clear distinctions in their judgments between a head of state, a country and its policies.<sup>203</sup> Thus, while there may be some longer-term reverberations over a leader's tenure, it is likely that, in broad terms, this effect will wear off and the nature of leadership will follow a cyclical pattern.

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<sup>202</sup> In 2007, favourable views of the US in Europe stood at 39 per cent in France, 30 per cent in Germany, 34 per cent in Spain and 51 per cent in the UK. By 2009, Obama's first year in office, these scores jumped to 75, 64, 58 and 69 per cent respectively. Pew Research Center (2015), 'Global Publics Backs U.S. On Fighting ISIS, But Are Critical Of Post 9-11 Torture', 22 June 2015, <http://www.pewglobal.org/2015/06/23/global-publics-back-u-s-on-fighting-isis-but-are-critical-of-post-911-torture/bop-report-38/> (accessed 18 Jul. 2017).

<sup>203</sup> A Pew survey of 44 countries conducted in 2014 showed widespread global opposition to drone strikes, with over 50 per cent of the public in 37 countries disapproving of their use by the United States. However, Obama's global median favourability rating remained at 56 per cent and the US's rating at 62 per cent. In 2016, a survey of 10 European countries, including Germany and France, showed that 63 per cent of the public held favourable views of the US even though 83 per cent expressed no confidence in the then candidate Donald Trump. Pew Research Center (2014), 'Global Opposition to U.S. Surveillance and Drones, but Limited Harm to America's Image'; Wike, R., Poushter, J. and Zainulbhai, H. (2016), 'As Obama Years Draw to Close, President and U.S. Seen Favorably in Europe and Asia'.

## Transatlantic Relations: Converging or Diverging?

### Drivers of Divergence or Convergence

## Conclusion

Summary table 3: Cyclical and structural factors and their long-term forecast

Factor	Cyclical	Structural	Long-term forecast	Possible divergence?
Interests/ external threats	●		Will continue to exist, diverging or converging effect depending on type and strength of threat.	Issue-specific.
History		●	Will not suddenly change how countries react. Influence of specific events weakens over time.	No change.
Geography		●	Decreasing potency over time due to technological advances.	Convergence.
Demographics		●	Trends towards increasing demographic diversity will likely continue, particularly in the US, while ageing populations will make changing policy harder.	Divergence, due to different ethnic and other compositions.
Economics	●		Inequality likely to continue. The US and Europe will sustain low growth rates.	Perhaps marginal divergence given the constraints of the euro.
Great-power politics		●	Continued perception of Western decline, but the US has no real competitors in the short term.	Perhaps marginal divergence given possible faster EU decline due to introspection.
Influence of public opinion		●	Trends towards diversification of communication channels and diffusion of power will continue, but possibly at a slower rate. However, public opinion on any specific issue is often cyclical.	Structurally no divergence but differing public opinion can augment the impact of differences over specific issues.
Resources		●	Increasing interdependence will continue to impact energy, food, water and cyber security.	Possible divergence in food and energy.
Political polarization	●		Partisanship and two-party system challenges permanent but stable in US. Not present as such in Europe. Cyclical change in populism, however, could have temporary effect.	No change unless populists gain power, in which case cyclical challenges as countries become temporarily more self-interested and collaborate less.
Capabilities	●		Long-term slow decline in transatlantic military capabilities. Independent European (instead of EU) military capabilities likely to be maintained, perhaps increasing the gap with the US.	No significant change in capabilities but worsening perceptions. While low probability, upside if Europe comes together.
International institutions		●	Ad hoc coalitions likely to become more common, replacing (in practice if not officially) established institutions over time.	Divergence, as ad hoc groups have different memberships.
Leadership personalities	●		Will continue to stay dynamic in democracies.	No change over the long term.

## Transatlantic Relations: Converging or Diverging?

### Drivers of Divergence or Convergence

This chapter does not comprehensively list every factor that goes into foreign policy decision-making. Based on the analysis through the case studies and scenario workshops, however, the elements described above can be said to be the principal underlying factors that influence how the transatlantic partners assess their interests and perspectives, and thus inform their decisions. As Summary tables 3 and 4 make clear, there are several cyclical and structural changes taking place, some of which will affect Europe and the US differently and will need to be managed.

**Summary table 4: Factors influencing convergence and divergence in US and European policymaking**

	Cyclical factors*	Long-term structural effects or trends
Transatlantic convergence		Geography Resources (minerals, water)
Status quo	External threats	History Great-power politics Influence of public opinion†
Transatlantic divergence	Capabilities Political polarization Leadership personalities Economics	<b>Demographics</b> <b>Resources (food, energy)</b> <b>International institutions</b>

\* Cyclical factors oscillate between divergence and convergence. They are categorized here based on the current trend.

† Public opinion, and its power to influence policymaking, is changing structurally. Its impact, in terms of divergence or convergence, is issue-specific.

While there are clear areas of divergence, there are also reasons to be hopeful about the future of the transatlantic relationship. In many cases, the factors that are pulling the US and European states apart, or have the potential to do so, are well understood, long-standing and cyclical, such as political changes. Thus, while they might temporarily cause frictions (some of which can have longer-term consequences), they are likely to return to the norm over time (e.g. political polarization, economic difficulties, and complimentary personalities). Equally, some factors are also potentially pulling the transatlantic partners together (e.g. geography and some resource abundance and scarcity).

Other elements, however, are undergoing structural changes (e.g. demographics, and some natural-resource capabilities). Here too, some of these affect the US and many European states similarly and thus the partners' paths will change – but they will change in parallel, and as a result will remain mostly aligned. There are some cases, however, in which a structural change that occurs similarly in the US and Europe can still lead to divergence (e.g. a rise in the role of public opinion or of nationalism). These changes need to be watched and carefully managed.

The area of real concern and where the greatest attention must be paid is those factors that are changing structurally and where the US and European states look set to diverge. It is on these that attention should be focused (e.g. demographic changes, some natural resources, and international institutions and norms). (This does not preclude other factors that, while not necessarily indicators of long-term structural divergence, could raise challenges in the relationship and will also need to be managed where possible.) It is on these sets of issues that the remainder of this report focuses.

## Transatlantic Relations: Converging or Diverging?

### Drivers of Divergence or Convergence

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The conclusion from this analysis is that there are structural changes taking place within and between Europe and the US, but these are unlikely to be sufficiently significant in the next decade to have a meaningful impact on the transatlantic relationship. However, not least while attention is inevitably focused on cyclical dynamics (e.g. personalities), the longer-term impact of these structural changes may be missed.



## 4. Recommendations

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Events over the past 18 months, in particular the British vote to leave the EU and the election of Donald Trump as US president, have elevated concerns among many Europeans and Americans over the current and likely future robustness of the transatlantic relationship. With the EU currently looking inward, and President Trump's antipathy to a number of historically common US–European interests – from NATO to the Iran nuclear deal, the Paris Agreement and the decision to recognize Jerusalem as Israel's capital – the continuation of close transatlantic collaboration is in question.

As this report makes clear, however, these political disruptions, while potentially profound in the short to medium term, are likely to be less impactful over the long-term than some of the more fundamental strategic developments that have been and are taking place. It is these drivers of underlying US–European policy divergence on which this report focuses, and thus that the recommendations set out here specifically target. And, in this respect, the report concludes that while the path may be rocky in the short term, these longer-term fundamentals remain strong.

Nevertheless, any recommendations for action in the next two to three years must be seen in this broader transatlantic political context. The actions of President Trump's first year in office are evidence that, for at least the remainder of his term, US foreign policy will be erratic, unpredictable, short-term and strictly targeted at a narrow definition of direct American interests. Meanwhile, US policymakers will have to contend with a Europe in which many states are to varying degrees distracted by their own populist and nationalist zeitgeist, and thus have neither the political impetus nor the resources to devote to promoting mutual transatlantic interests.

The report's recommendations are thus focused on addressing risks to the long-term relationship and ensuring a durable foundation for the future. This is not to ignore the shorter-term objectives. Given the context, progress on these more immediate and specific goals (such as trade and the environment) may be halting for now, particularly if dependent on senior government leadership. But actions to lay the groundwork for the future are still possible in the hands of other actors, from the central bureaucracy to cities or states, NGOs or business leaders (as has already been seen in the case of the environmental agenda).

It may be the case that, for some of the recommendations below, little or no progress will be possible in the current context. The critical issues identified in the report are, however, long-standing, and will still need to be managed as conditions mature and political leaders change.

The recommendations fall into three categories: for managing the structural divergences between the US and Europe; for managing some of the cyclical splits; and for promoting transatlantic policy engagement. Where applicable, recommendations arising specifically from the scenarios conducted as part of this research project are also included, denoted by bullet points in the text.

### Recommendations to address US–European structural divergences

The three structural divergences noted in this report relate to differences in demographic changes; in access to, and resilience in, food and energy resources; and changes in the role of international institutions, treaties and agreements. While, given

the current trends outlined above, it may be difficult to prescribe credible, viable and effective policy responses that could draw together the US and the European states in all of these cases, some actions are nonetheless possible and desirable – even if their principal function is to prepare the way for a more conducive political environment beyond the short term.

#### Encourage labour mobility

Demographic divergence is very hard to respond to from a policy perspective, and the solutions are driven principally by domestic policy concerns. Geography plays a central role with migrants and refugees from the Middle East and Africa mostly entering Europe, and those from Latin America entering the US. Thus the divisions are somewhat unavoidable. The flow of Asian workers and students to the US further reinforces transatlantic differences of interest.

There are two fundamentally opposite immigration policy choices that would, over time, bring the US and Europe into closer alignment. The first is to try to stop all immigration and even reverse current levels. While some governments are leaning towards this solution, it brings other policy complications (as the US agricultural industry has made clear, for example, in response to Trump's stated intention to cut immigration heavily from south of the border) and has a history of failing as migrants find a way through regardless.

The alternative is to open borders to the movement of foreigners and welcome those wishing to study, work or otherwise contribute to the economy and strength of the host country; in this case the focus would be to open borders to transatlantic flows in particular.<sup>204</sup> This defines America's history, and has in part driven its success. In the current environment, however (and particularly in the US), this is increasingly hard to achieve politically given heightened levels of populism. However, increasing transatlantic flows of US and European workers (and potentially migration of workers from other regions, too) would build a common understanding and – in time – mutual interests. This is the antithesis of current policy thinking in the US and in many European states,<sup>205</sup> and there is a role for non-state actors (including advocacy groups) to play in continuing to advance the case for greater migration between Europe and the US.

#### Reinforce transatlantic energy flows

The US has greater energy resilience than Europe, which is more dependent on flows from Russia and the Middle East. This disparity is increasing. In response, the US could further open up its energy market to sales to Europe, a discussion that has been ongoing since the shale gas revolution first allowed the US to look to the possibility of becoming a net energy exporter. However, it has been assumed by many (this author included) that US energy sales are more likely to target Asia, where the market price

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<sup>204</sup> For more information on transatlantic worker flows see Schneider-Petsinger, M. (2017), *Supporting the US Economy by Improving the Mobility of High-skilled Labour Across the Atlantic*, Research Paper, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/publication/supporting-us-economy-improving-mobility-high-skilled-labour-across-atlantic> (accessed 21 Dec. 2017).

<sup>205</sup> A notable exception here is President Emmanuel Macron's offer to open France's doors to US scientists and others.

is higher. Should the US be willing to sell energy to Europe, this could mitigate the latter's perceived dependence on an expansionist and potentially retributive Russia, bring the transatlantic markets into better balance, and forge stronger transatlantic energy links.

### Rebuild and strengthen institutions and norms

Institutions, treaties and agreements have had an invaluable role in facilitating US and European collaboration in the post-war period. All the same, the US and Europe have at times resisted efforts to bring greater legitimacy to transnational institutions and norms, or to empower them and ensure that they are effective in the face of contemporary challenges. The presidency of Donald Trump, whose questioning of the US alliance structure raises concerns about how the US under his leadership will value long-standing institutions, norms and assumed responsibilities, makes this more critical. He has questioned the relevance of NATO, announced the withdrawal of the US from the Paris Agreement, recognized Jerusalem as Israel's capital, and disavowed the Iran nuclear agreement. As a candidate, moreover, he suggested that Japan and South Korea might want to consider developing their own nuclear weapons.

Not least in the interests of maintaining the transatlantic relationship, it is critical that international institutions are reinforced and not devalued. More robust, committed efforts are needed on the part of the senior members of the US administration to persuade the president of the importance of these institutions and agreements. Even assuming the absence of a reversal of opinion – and rhetoric – on Trump's part, senior foreign policymakers within the US administration should continue to emphasize their support for these institutions via public forums. Their work in this area can be underpinned by the bureaucracy by maintaining links and the ongoing exchange of information. Notwithstanding Angela Merkel's comments in May 2017 that Europeans will increasingly look elsewhere for partnerships, diplomatic continuity could help in preventing the further undermining of capabilities of transnational institutions and set firmer foundations for the future.<sup>206</sup>

Additional effort is required on the European side, too – not just through rhetoric but also through provision of resources. As further noted below, given current ambivalence regarding the US commitment to institutions such as NATO, it will be critical for European nations to reassert their mutual responsibilities and draw closer together to ensure a strong, more self-reliant pole – one that the US can re-engage with under a subsequent, more willing administration. Given generally low levels of public awareness and understanding of NATO in particular, it is important for senior political and military leaders in Europe to work to raise its profile and help persuade their publics of its continued relevance.

- **Asia-Pacific scenario:** As was clear from the Asia-Pacific scenario, there is an absence of effective transnational institutions or forums through which the US and Europe can discuss this region. While the US–EU Strategic Dialogue does encompass the area, it does not in itself provide a comprehensive forum for analysing the transatlantic partners' respective interests and positions towards

*Given current ambivalence regarding the US commitment to institutions such as NATO, it will be critical for European nations to reassert their mutual responsibilities and draw closer together to ensure a strong, more self-reliant pole*

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<sup>206</sup> McGee, P. and Parker, G. (2017), 'Europe cannot rely on US and faces life without UK, says Merkel'. *Financial Times*, 28 May 2017, <https://www.ft.com/content/51ed8b90-43b9-11e7-8519-9f94ee97d996?mhq5j=e1> (accessed 18 Jul. 2017).

the region. Without membership of key regional institutions such as APEC and the EAS, Europeans feel that there is no formal venue for them to discuss Asia-Pacific matters. If the US genuinely wants greater engagement from Europe in Asia – and it is unrealistic for the US to expect Europe to devote resources to policy objectives that it has not been involved in shaping – then serious reconsideration should be given to pushing for European membership of these institutions. Other possibilities include the ASEAN Regional Forum or the Asia–Europe Meeting.

- **Iran nuclear scenario:** The most effective instrument to ensure a common US–European position in respect of Iran’s nuclear capabilities is the JCPOA. Absent this, the US and European states could well diverge following any change in Iran’s security activities (whether as regards nuclear and missile technology or perceived support for terrorist groups). Thus, it is vital that the US and Europe enforce and legitimize the agreement. This is today unlikely in the US, where Donald Trump’s declared ‘decertification’ of the agreement in October 2017 effectively put the onus on Congress to decide whether to pull out. Democrats (who largely support the deal) need to work with business and other interested parties (including European powers) to ensure the US remains in and continues to meet its commitments. The fact that Iran has been certified by the IAEA and others as meeting its obligations can be promoted to bolster public support for this policy. On a separate note, given the importance of independently verifiable and accurate intelligence, having a respected external institution (in this case the IAEA) trusted by all sides is vital to creating a common understanding of a fluid and changing situation. It is important that the US and Europe underpin the legitimacy and independence of such institutions and ensure that they remain free of partisan politics.
- **Iran nuclear scenario:** The US and Europe noted that, had other Middle East concerns become part of the negotiations, their ability to maintain a common position on Iran – even with the JCPOA – would have been sorely tested. In light of this, it is important that the Iran nuclear deal continues to be ring-fenced from other regional issues, particularly in the US where such issues are extremely polarized and partisan.<sup>207</sup>
- **Russia–Turkey scenario:** Once again the legitimacy of and the respect for an international organization (here the UN) was a vital ingredient in reaching a common position and tempering escalatory tendencies. As a neutral arbiter (and being perceived as such), the UN was able to judge the location of the Russian ship when Turkish authorities boarded it. With this finding, the transatlantic parties were able to decide on a ‘fair’ path forward on which Turkey and Russia could also broadly agree. Publicly and privately reinforcing the independence and importance of the UN in such negotiations is important. Even while Trump and many Republicans in Congress vilify the UN, credit should be given where due; separating funding concerns from such issues is thus essential.

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<sup>207</sup> This was noted in the discussion that took place at Chatham House on 6 November 2017 with John Kerry and Catherine Ashton, the US and EU lead negotiators of the JCPOA. See Chatham House (2017), ‘The Iran Nuclear Deal: Reflections on the First Two Years’, video, <https://www.chathamhouse.org/event/iran-nuclear-deal-reflections-first-two-years> (accessed 18 Dec. 2017).

#### Recommit to transatlantic collaboration

For the US and many of its European allies – particularly the UK – ensuring transatlantic cooperation has long been regarded as an objective in and of itself. This perspective appears to be diminishing, however, as states reassert their independence and look to forge other alliances.

*Maintaining overt, explicit cooperation and a strong partnership between the US and Europe enhances the capabilities and the influence of each*

Maintaining overt, explicit cooperation and a strong partnership between the US and Europe enhances the capabilities and the influence of each. It strengthens the resources and thus the leverage that the transatlantic allies can bring to bear; and, in partnership, their legitimacy – as well as their deterrent effect on potential allies – is all the greater.

Transatlantic cooperation thus needs to remain a discrete policy objective, and it is critical that collaborative initiatives are conceived and promoted on both sides of the Atlantic. If, meanwhile, the Trump administration continues to adhere to an ‘America First’ agenda, to the apparent disregard of Europe’s interests, it can be expected that Europe will see little option but to take a similar approach, with potentially far-reaching consequences for the alliance. Collaboration must be promoted through clear rhetoric and action. And while leaders’ clearly defined, and publicly stated, commitment to the transatlantic relationship is necessary and important, maintaining strong bureaucratic links in the absence of such commitment can help to sustain many of the functional benefits until such time as a more fruitful public-facing environment is restored.

- **Russia–Turkey scenario:** A top priority for the US and Europe in this scenario was to maintain a strong transatlantic position. Given their otherwise disparate interests, this contributed meaningfully to ensuring common policies and actions and to maintaining leverage over the respective actors (particularly Turkey). Any space between the partners would have been taken advantage of by Russia or Turkey. Thus, ensuring transatlantic coherence as a value *per se* facilitated a more effective response. In this case, this was necessary to keep NATO out of the engagement. Increased communication at all levels between the US and European states regarding Turkey (and Russia) is vital to ensure common understanding.

#### Recommendations to address US–European cyclical divergences

##### Enable a more balanced distribution of capabilities

The EU as a whole has a broadly similar-sized economy to that of the US.<sup>208</sup> Most EU members are also part of NATO, through which they commit to mutual defence. While NATO theoretically provides a forum to discuss military acquisitions and policy formation, in reality it tends to be a platform for information exchange rather than planning, resulting in considerable overlap in acquisitions as well as gaps in European capabilities; relative to the US, for example, European militaries have little in the way of strategic lift capacity or strategic intelligence, surveillance and reconnaissance

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<sup>208</sup> Approximately \$16.4 to \$18.6 trillion nominal GDP in 2016 in the EU and the US respectively. Trading Economics (2017), ‘European Union GDP’, <https://tradingeconomics.com/european-union/gdp> (accessed 12 Dec. 2017); Trading Economics (2017), ‘United States GDP’, <https://tradingeconomics.com/united-states/gdp> (accessed 12 Dec. 2017).

platforms. The clear disparity in military spending between the US and Europe further widens this capability gap.

If European states (and in particular those that are members of NATO) were to work more effectively together and, importantly, plan and acquire resources in collaboration with one another, the current differential between US and European military capabilities could start to be bridged, notably without major additional spending commitments. This would also have a tangible impact on the effectiveness of NATO, enhancing its preparedness to meet the challenges confronting its member states and mitigating the organization's current structural decline.<sup>209</sup> As some European countries increase spending in this area,<sup>210</sup> a priority should be to enable greater collaboration with their neighbours. The political impetus to do so may be stronger at a time when the US is seen as increasingly reluctant to act in defence of European interests. And as and when defence budgets again start to decline, the need for collaboration at European level will be all the greater.

- **Autonomous weapons scenario:** Two reasons for differing public attitudes towards the use of autonomous weapons related to a country's current level of engagement with technology (i.e. the common use of platforms such as Uber, Google, etc.) and the preponderance of US technology perceived by some Europeans to be holding their IT companies back. European states need to develop a regulatory and investment framework that better supports entrepreneurship, rather than focusing on preventing the entry of US businesses. This should lead to more successful European technology companies, better able to compete with US ones, and thus eventually affect European attitudes to technology. If respective attitudes to technology continue to diverge, this could increasingly become a problem in the transatlantic relationship.

### Ensure a better understanding of capabilities

In tandem with improvements in the coordination of military expenditure and planning, it is also critical for each state to have a full understanding of its own capabilities – and those of its partners. In the absence of a common and accurate understanding on the part of the transatlantic allies of their own and others' capabilities, opportunities to work together on mutual objectives may be missed. Enabling greater information and analytical exchange at all institutional levels can mitigate these shortcomings. This is a step that can be undertaken by bureaucracies and non-governmental actors (including, in particular, academia and the think-tank community), as well as by government leaders.

Both the US and Europe are, moreover, impeded by their inability to assess with accuracy the appetite of their respective allies' – and potential adversaries' – politicians and publics to act.<sup>211</sup> Promoting closer joint analysis and communication,

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<sup>209</sup> Efforts to build truly joint planning processes within NATO have long been attempted with little success. The overriding desire for sovereignty and unwillingness of states to have to rely on one another has prevented real collaboration in this area. However, this must be overcome if European states are going to become more capable without a significant influx of additional resources.

<sup>210</sup> Since Russia's invasion of Crimea, some European countries have increased or pledged to increase spending, including Estonia, Germany, Latvia, Lithuania and Poland.

<sup>211</sup> This problem occurred in the case of the 2013 operation in Syria in which the UK House of Commons voted against military action, thus influencing President Obama also to take a step back.

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and enabling more links at all levels within and beyond government (including between legislatures) will also help to mitigate such gaps in understanding.

- **Asia-Pacific scenario:** In this workshop, the fact that several European participants undervalued their country's capabilities and that of the EU – militarily as well as in terms of diplomatic and soft power – constrained their ability to act.<sup>212</sup> Equally, the US participants' lack of understanding of European resources restricted their thinking on how to collaborate effectively to advance mutual interests. Europe needs to better ascertain its own wider capabilities in the region before these can be more effectively understood and engaged with by the US.<sup>213</sup>

### Forge a closer alignment of analysis between countries

Divergence in transatlantic policy positions often starts as early as the assessment of the situation or challenge. In some cases, divergence in analytical interpretation stems from real differing interests. In others, however, the split has more to do with the use of different data or analytical interpretations – such as assessments of the impact that a nation could have on trade flows, or the degree of leverage that parties might hold. Under these circumstances, closer analytical collaboration could provide a meaningful way to bridge the differences in the perspectives of the two sides. This can often best be done at an institutional level, rather than – or in addition to – between government leaders.

One factor that has wide-reaching implications for US and European perspectives is their differing views of their respective global interests and reach.<sup>214</sup> This fundamental difference of perspective (whether driven by perception or reality) inevitably causes potential tensions.

Through globalization, and notwithstanding the presence of a nationalist and/or populist surge, it is clear that European countries are ever more closely engaged in, and highly dependent on, transnational flows. Increasingly therefore, it is unrealistic to make policy decisions based solely on a local or regional understanding. If European powers (and the institution of the EU) were truly to regain a broader vision and start to implement a global strategy – as, for example, espoused in the 2016 EU Global Strategy or in the UK's 2015 National Security Strategy and Strategic Defence and Security Review – perspectives between Europe and the US might better align, bringing the prospect of closer policy assessments and, in time, closer policies. In the current populist environment, politicians are having a hard time 'selling' a truly internationalist position,<sup>215</sup> but they and their senior teams, as well as non-governmental actors (from business leaders to academics) could do far more to inform citizens of their states' mutual dependence on global flows and interactions.

*Closer analytical collaboration could provide a meaningful way to bridge the differences in the perspectives of the two sides*

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<sup>212</sup> See Wickett and Parakilas (2016), *Transatlantic Rifts: Asia-Pacific Scenario Case Study*.

<sup>213</sup> A better and wider assessment of European leverage in the region might also affect US interests in bringing the EU into Asian organizations such as the EAS.

<sup>214</sup> The more limited European view is not necessarily evident from its rhetoric; the EU Global Strategy, released in June 2016, proposes a wide-ranging global role for the EU. Equally, the UK government has described a vision of a 'Global Britain' post-Brexit. However, while the rhetoric and the intent may be good, there is little concrete evidence to suggest that either the EU or the UK is going to fundamentally shift from a current inward focus, and this will restrict the global perspective of each.

<sup>215</sup> France under President Macron has also taken a strong European line. But it remains to be seen whether these stances are purely rhetorical, or whether they will be supported through action.

- **Asia-Pacific scenario:** The first challenge to reaching a common transatlantic position on the conflict occurred right at the start; the US and Europe had very different analyses of the situation and perceptions of whether China posed a greater strategic threat or commercial opportunity. Thus their approach towards China differed. While both sides have a significant interest in regional stability, Europeans generally think of themselves as being less directly affected by instability in the Asia-Pacific region, and as less capable of preventing it. The US and Europe need to conduct more joint analysis to reach a common analysis of the region and its global influence.
- **Autonomous weapons scenario:** US and European priorities differed with regard to their analysis over the use of autonomous weapons. Where the US took a more strategic point of view (focusing on the fact of the use of such weapons by China or other adversaries), most European states paid greater attention to the humanitarian and moral dilemmas. The need to find a common position will have to take into consideration both sets of interests; interests that are reflected and reinforced by the attitudes of the different publics. As such, building more effective ways to share analyses at government level and in public debate will be important in ensuring that the transatlantic positions remain aligned.

## Recommendations to enhance broader US–European policymaking

### Improve communication

The decision of European countries to join the AIIB is a clear example of where better communication could have helped to mitigate tension in an area of policy divergence between the US and Europe. While the difference in policy decisions was inevitable, given that European capitals saw it as being in their direct interests to join the new institution, the initial miscommunication between the UK and the US, prior to the former's announcement that it would join the bank, followed by the strong public statements expressing disappointment and disapproval from the White House, could certainly have been avoided.<sup>216</sup> Temporarily at least, this public divergence of views fuelled the perception of a US–European split. While the impact proved short-lived in this instance, the risk remains that if public attitudes on both sides of the Atlantic are repeatedly influenced by areas of mutual tension, this could in time further push policymakers to put local interests ahead of mutual gains. Here again, there is a strong role to be played by bureaucracies rather than leadership in working to smooth out areas of likely tension where divergences arise.

Improving communication could also help reverse, or at least slow, the structural decline of some international institutions. When countries are seen to diverge, tensions rise within these organizations, making them less effective and coherent.<sup>217</sup> Conversely, using transnational institutions to ensure better understanding of respective positions reinforces their systems and perception of value.

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<sup>216</sup> It should be noted that in the case of the UK's decision to join the AIIB, miscommunication occurred not just between London and Washington, but also within the US administration. Some State Department officials apparently were aware of the likely British move, but some in the White House had not been fully informed.

<sup>217</sup> For example, NAFTA is clearly straining under the weight of fiery US–Mexican rhetoric in particular, as is NATO following Trump's ambiguous language and tensions with some European states.



#### Promote transatlantic bridges between non-state actors

While governments forge and uphold the formal links between countries, non-state institutions have a significant role to play in reinforcing such bonds. Transnational NGOs and businesses can also serve to promote common understanding between countries and populations and thus influence mutual perspectives. An organization with operations in the US and Europe can drive forward a common debate.

In addition to influencing and bringing together views and debates in each country, such transnational entities also affect the interests of the respective countries. If, for instance, a major multinational corporation has significant investments on both sides of the Atlantic, this is likely to influence business interests in both the US and Europe, thus bringing these interests into greater alignment.

Promoting and supporting multinational business and broader private-sector links between the US and Europe (and removing regulations and tariffs that unduly restrict such links) would have a meaningful effect on the transatlantic relationship. To this end, state and non-state actors alike should work to recruit support for the aims embodied in the TTIP process – i.e. common regulatory standards and rules – to advance common interests. Even though the Trump administration has apparently turned away from multilateral agreements – notably cancelling the TPP soon after taking office – for the US and Europe to pick up the pieces of TTIP and move the broader trade agenda forward would support the bilateral relationship. While political constraints on both sides of the Atlantic are likely to impede progress on trade in the short term, groundwork is still possible within institutions and among non-state actors to improve understanding of the respective positions and constraints and build greater transparency.

Increasing foreign business engagement is not without its own tensions and complexities. For example, US technology companies such as Google, Amazon and Uber are seen by many Europeans to be stifling domestic innovation and avoiding tax. Assuming such tensions are to some degree inevitable, they could be managed better with greater attention to local interests and attitudes by these organizations (e.g. Google taking a stronger position on privacy issues). Over the longer term, moreover, building common regulatory standards and norms should help ensure a more level playing field and in due course enable greater alignment of interests, perspectives and opportunities.

- **Autonomous weapons scenario:** The principal divergence in this scenario occurred between governments and non-state actors, in particular NGOs. The latter built cross-border coalitions that allowed them to exert greater pressure on their respective governments. Thus it is important for governments also to harness outside pressure groups – in this case business – to support their positions and to work across borders to support common European and transatlantic positions. Under different circumstances, governments might also attempt to draw on the additional legitimacy of NGOs to support their position and engage the public debate. Engaging these alternative actors who represent different perspectives is vital particularly when exploring a new policy area (e.g. regarding areas of technological progress).

*Promoting and supporting multinational business and broader private-sector links between the US and Europe would have a meaningful effect on the transatlantic relationship*

#### Engage in a transatlantic public debate

Governments tend to look warily on other foreign governments or entities influencing their countries' public debates, particularly so following the allegations of Russian influence in the US and French elections in the past year and in the Brexit referendum. Nonetheless, given the increasingly transnational nature of both 'traditional' news and social media, it is no longer realistic for leaders to see themselves as engaging in a dialogue with a predominantly domestic audience. They must equally consider the international implications of their rhetoric.

Under some circumstances, states could go one step further. As governments craft public messaging efforts for their own constituencies, they might also seek to coordinate their efforts with allies that have similar interests. Thus, for example, in considering how best to win public support for increased military spending, Germany could work with like-minded NATO members in their mutual interest. Through such collaboration, governments can avoid – or at least minimize – duplication of effort, reinforce common messages, and learn from one another.

This could also be of benefit between the transatlantic partners. Subject to sensitivity to local attitudes, cultures and norms, engaging in transatlantic exchange is also important. While, for example, President Obama's comments prior to the UK's referendum on EU membership met with a decidedly mixed reception,<sup>218</sup> the effort to coordinate his statement with the pro-Remain stance of the then UK prime minister was indicative of their aligned position. Similarly, the pro-Europe stance taken by the eventual victor in France's presidential election in 2017, Emmanuel Macron, reflected similar sentiments expressed by Germany's Angela Merkel, and enabled a cohesive message underscoring both nations' joint commitment to the future of the institution of the EU.

It must of course be emphasized that this recommendation explicitly excludes the use of propaganda – including so-called 'fake news', to employ the term popularized by President Trump – by states, or their agents, to influence the public debate and democratic processes against the legitimate interests of another country.

#### Understand intra-European dynamics

Each of the four scenario workshops shed light on different intra-European dynamics. Tensions among the principal European actors varied depending on the issue and the identity of the central negotiating figure: Germany, the UK, NATO, and, in the case of the scenario dealing with a potential breach of the Iran nuclear agreement, the European parties to the JCPOA acting together, all took the lead at various times. Low-level tensions were evident among the Europeans when they felt sidelined, or that their interests were being ignored. This also played out in their actions – while there were often EU-wide statements, in most cases European states also wanted to announce their national positions.

Such tensions and dynamics are dependent on several factors, including the fundamental interests of the respective European parties as well as the personalities and influence of the specific actors representing each country. While some of these

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<sup>218</sup> BBC News (2016), 'Backlash after Barack Obama EU referendum intervention', 23 April 2016, [www.bbc.co.uk/news/uk-politics-36117907](http://www.bbc.co.uk/news/uk-politics-36117907) (accessed 5 Dec. 2017).

are long-established (such as French influence in North Africa; or German leadership when engaging with Russia), other factors are more transient. If US policymakers are able to assess and understand internal European dynamics and make an appropriate approach through the relevant actor, state or institution, they are more likely to arrive at a common final policy position in the transatlantic interest.

- **Asia-Pacific scenario:** Member states oscillated between proposing that the EU lead on some issues (e.g. security) and that they take national positions on others (e.g. commercial interests). This division of responsibilities and positions led to some confusion on the part of the US, diminished Europe's leverage with China, and made it hard to build a coherent and coordinated policy towards the region. While it is unlikely that EU members will ever be willing to relinquish sovereignty over some issues to the union, being clear about who has responsibility for which policy areas under what circumstances would be helpful for potential partners.
- **Iran nuclear scenario:** Transatlantic discussions in this scenario started between the US and UK and then expanded to the EU3 (France, Germany and the UK) before encompassing the EU as a whole. The strong US–UK intelligence relationship in particular facilitated this dynamic. However, it did raise tensions within the EU. Given the changing UK–EU relationship, the US will need to re-evaluate whether this path to a transatlantic agreement remains an effective one.
- **Russia–Turkey conflict:** Transatlantic negotiations were initially led by US–German engagement (Germany having strong interests and the greatest leverage in the Russia and Turkey relationships), with other European countries, the EU and NATO subsequently joining. Other European states felt that Germany was addressing their interests and thus were happy to let it take the lead. As the US and German positions were similar, this led to positive outcomes for all despite tight time pressures. On this issue, the US should continue to embrace Germany's lead.

### Manage expectations

One of the notable challenges observed in the Iran scenario exercise was managing differing expectations both between and within states. For example, many Republicans in the US expected that Iran's behaviour in non-nuclear related areas (e.g. terrorism and use of ballistic missiles) would change following the deal, even though these were beyond the scope of the JCPOA. Governments come under different internal pressures leading to different attitudes and varying degrees of policy flexibility. Managing expectations among different groups within states became extremely important.

Likewise, managing expectations between states is of critical importance. For example, as the 2014 Chatham House report *Elite Perceptions of the United States in Europe and Asia* showed, many members of Poland's elite expected that a strong relationship with the US would lead the latter to relax visa rules. These expectations were not met, which led to an underlying tension between the two countries.<sup>219</sup>

As noted, understanding allies' capabilities is important. So too is a better understanding of the will of the respective governments as well as that of their publics. Ensuring an

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<sup>219</sup> Dormandy and Webb (2014), *Elite Perceptions of the United States in Europe and Asia*.

accurate assessment of expectations between allies as well as those of major factions within allied states is thus important to mitigate potential tensions and promote collaboration. Once again, in large part this necessitates better communication through formal and informal channels between European states and the US.

#### **Drive forward European policy coherence**

For the US, policymaking can be complicated by a lack of full understanding of the circumstances under which European allies will work together through a common EU policy, and when they will take national positions.<sup>220</sup> Misjudging Europeans' preferred channel for engagement can delay or impede realizing a common transatlantic position. In some cases there is a clear legislative responsibility, but often it is the views of the respective European nations at a particular time that hold sway, and it is in these latter areas in particular that confusion on the part of the US can lie.

At the same time, when European states can define a common EU position on external issues rather than reverting to national positions, it reinforces and thus strengthens their stance. Having a unitary EU position potentially makes coming together with the US easier (at least assuming that the US and European positions are reasonably aligned) as well as providing less space for potential adversaries to exploit. Once again, this can require the sublimation of national interests in aid of broader European interests, which is all the more difficult at a time of growing populism. Events may nonetheless dictate a common position – as was seen for example in the imposition of sanctions following Russia's annexation of Crimea in 2014. European politicians and publics must fully grasp the negative consequences of maintaining national stances at the expense of a Europe-wide position. Persuading populations of the greater impact and thus benefit of common positions over national ones can make it easier for governments to come together, and is something that can be reinforced by actors in all sectors.

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<sup>220</sup> The apparently apocryphal question 'Who do I call if I want to call Europe?', attributed to Henry Kissinger during his time as secretary of state, has remained pertinent for successive US administrations.

## 5. Conclusion

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The research project that informs this report was conceived and conducted in a context in which the US and its European partners appeared to be set on a decidedly uncertain – and potentially divergent – path. Positions on membership of the AIIB, attitudes to privacy and security in the aftermath of the Snowden revelations, and public attitudes to TTIP, *inter alia*, pointed to seemingly diverging policy perspectives on some core issues. Moreover, the rise of populist sentiment on both sides of the Atlantic, the election of Donald Trump as US president, and the fallout from UK's referendum decision to leave the EU all served to strengthen perceptions of a widening split in the transatlantic partnership.

Concerns continue to rise on both sides of the Atlantic. With the list of major policy decisions where Trump has rejected a common transatlantic position growing – from the Iran nuclear deal to the Paris Agreement, TTIP, the recognition of Jerusalem as Israel's capital and even the continued value of NATO – negative indicators abound. The challenges are not only in the US, however. The EU and many of its member states are seemingly preoccupied by the process of the UK's exit from the union and the rise in populism in European states, potentially distracting attention from broader international issues.

The research project, and this report, have looked beyond the current series of political storms to focus on the fundamental drivers that influence policymaking, and that, in so doing, have implications for the bilateral relationship. The report has asked three questions:

- Are the US and Europe diverging or converging with regards to policy?
- What are the principal factors underlying these policy decisions?
- Are these factors structural and thus long term, or cyclical and temporary?

An assessment of how these drivers are changing in Europe and the US serves as a more accurate marker for evaluating the longer-term future of the transatlantic partnership than do the distractions of political 'white noise'.

An exploration of each driver – how it affected decisions and how it is likely to change in the coming years – allows for evaluation of its likely impact on the US and on the principal European states, and thus of their expected direction of travel. The drivers fell into three principal groups:

- Cyclical and shorter-term factors that can be waited out (although they may also have some medium-term impact on the relationship);
- Structural changes that impact both the US and Europe similarly, and thus will have little effect or may even drive policy convergence; and
- Structural and potentially permanent changes that would affect the US and Europe differently.

The analysis revealed that about one-third of the factors were cyclical. Thus, while they may cause some short-term divisions between the transatlantic partners, they can likely be managed until they reverse and return to some equilibrium. Some of these may have longer-term implications that outlast any specific event (such as a specific presidency or an economic downturn), but the consequences are unlikely to be irrevocable.

The most visible trend in this group, around the rise in populism and in particular Donald Trump, has raised tensions and continues to make the front pages in the US and Europe. However, while many fear that Trump's presidency will lead to a permanent decline in the transatlantic relationship and that the Trump years may be fundamentally different from anything that has gone before, history suggests otherwise. While his policies may have reverberations beyond his time in office, there is no reason to believe that the consequences are likely to be profound and long-lasting for the fundamental interests of the transatlantic relationship.

The second group, while describing structural and therefore more fundamental changes, did appear to affect both sides of the Atlantic similarly and thus were unlikely to lead to any significant increase in divergence between the US and Europe.

The analysis concluded that three critical factors – changing demographics, access to some natural resources, specifically food and energy, and the decline of international institutions – were structural and affected the two regions differently, and thus were likely to lead to longer-term divergence. It is these areas in particular that states must address.

Some of these trends are extremely hard to manage or mitigate. In order to change demographic trends, governments would need to make sweeping changes in immigration policies or introduce incentives to promote larger families – policies that bring with them numerous other challenges. Government policy towards farming and food production is, moreover, highly political, and is influenced by very powerful agricultural lobbies on both sides of the Atlantic.

There is more space to pursue policy responses to address energy dependencies through stockpiles or international agreements for energy access. Furthermore, improving the legitimacy and resources for, as well as public attitudes towards, international institutions should be achievable for most governments. Thus, while it will be extremely hard for governments in the US and Europe to make changes in some of these structural areas, in others action is quite feasible where the political will exists.

This is not to say that the more immediate cyclical trends should be ignored. It is possible that the impulse that led to President Trump's election – one towards a more populist and nationalist agenda – will also overtake some European states. Populist governments that are against globalization and for protectionism will make it far harder for transatlantic collaboration to occur. In the event of a major disaster (such as a terrorist attack or a pandemic), such political dynamics could obstruct efforts to forge a cohesive transatlantic response or, in the worst case (for example if launched or spread from one side of the Atlantic to the other), could presage a more profound split rather than – as was seen after 9/11 – a drawing closer of allies. However, the analysis in this report suggests that these changes will remain cyclical; while collaboration may at times be less assured in the coming years, the situation will reverse over time as the underlying structural impetus towards interdependence endures.

Thus, notwithstanding these shorter-term political upheavals, the conclusion of this report is that while there are some areas of structural divergence that should be watched and are of concern, relations between the US and Europe are

not undergoing serious, lasting structural divergence. The fundamentals in the transatlantic relationship remain strong, and the long-term prospects are mostly positive. However, the waters could be choppy in the shorter term, and this period will need to be carefully managed.

The long-term health of the relationship depends on leaders on both sides of the Atlantic maintaining their focus on the structural drivers of potential convergence and divergence. In the short term, and especially during the current period of political uncertainty and flux, progress on specific transatlantic goals (from free trade to environmental protection) may halt or even go into reverse, particularly if these are dependent on senior government leadership. There may still be room for manoeuvre through traditional bureaucratic channels in some cases. In others, however, transatlantic coordination will best be led by other actors, be they cities, regional state leaders or non-state actors (as is currently taking place in order to uphold the US's responsibilities in line with the Paris Agreement). While in many respects it is imperfect to rely on non-governmental actors to drive progress, their actions could do much to preserve the best of the status quo, or even create initial advances in some areas of mutual interest, and thus prepare the ground for a new cycle of transatlantic convergence when the opportunity next arises.

# Appendix: Scenario Workshops

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## Scenario 1: Asia-Pacific crisis

Over two days in November 2015, Chatham House hosted a group of some 25 experts from the US, Europe and Asia to discuss different visions of, and interests in, the Asia-Pacific region and play out a scenario around rising tensions in the region, focused on China and Japan.

The scenario posited a confrontation between Japan and China in 2020. The inciting factor was a clash between Japanese and Chinese coastguard forces near the disputed Senkaku/Diaoyu islands. The scenario assumed casualties on both sides, and no clear indications of which side had fired first.

The workshop took place over four rounds (one of which represented a UN-sponsored summit) and simulated a period of approximately one week.

**Round one:** In the first round, most major players took actions designed to emphasize reassurance and de-escalation. Japan publicly decried escalation and called for peaceful resolution. China took steps to control its domestic nationalist elements, while raising its military alert level and asking Russia and India for political support. The US reiterated its support for Japan, but took no immediate military action. The European and other international players largely issued statements calling for de-escalation.

**Round two:** The second round began with additional domestic pressure being placed on China, Japan and the US. Riots targeting Chinese businesses broke out in Japan, and Japanese businesses were destroyed in China, with small numbers of civilian casualties on both sides. Meanwhile, in the context of looming elections in the US, domestic political pressure ramped up, with conservative commentators calling for the US to demonstrate its resolve by taking a harder line with China.

The increased domestic pressure in various countries did not deeply affect the course of events. Despite the domestic calls for intervention, China and Japan took further steps to contain nationalist elements and prevent them from having an impact on policy. Disregarding China's calls for it to remain out of the area, the US sent warships on Freedom of Navigation (FON) exercises in the South China Sea, but steered clear of the disputed territory in the East China Sea. Separate calls by India, Russia and the EU for multilateral mediation and investigative committees were largely unheeded by the central actors, who preferred to communicate directly with each other. This went down poorly with some countries, particularly India, which made overtures to all major powers to little effect. Similarly, South Korea attempted to broker an agreement but found itself marginalized.

The EU put its efforts behind the approaching UN summit (see 'Round three'). In this phase, some cracks started to appear between the US and European positions, with the UK privately advising against the US's FON operations. On the whole, however, the European countries continued to press for de-escalation and a solution brokered in a multilateral setting.

**Round three:** A summit convened under the auspices of the UN secretary-general took place in the third round, with all the major participants represented. The US attended under duress, arguing that direct negotiation between itself, Japan and China remained the most effective way to resolve the situation. Japan and China steered clear



of direct accusations and reiterated their positions; both called for de-escalation without offering specific concessions.

**Round four:** Before this final round, participants were confronted with a new and more intense set of challenges. The unsettled situation drove financial markets down, and energy commodity prices sharply up. Meanwhile, a cyberattack was directed against US Pacific Command systems, disrupting the US navy's war-fighting abilities. A major US newspaper, citing anonymous sources, indicated that Chinese citizens were planning to sail to the disputed islands, plant a flag and remain there until their claim was recognized by the international community.

These events largely broke the emerging consensus for direct resolution between the major players. Despite unclear attribution, the US immediately blamed China for the cyberattack and issued a final warning, indicating that it would have to move military forces into the disputed area if China did not back down. The Chinese government denied responsibility, but did not immediately counter the threatened US military escalation with its own deployment.

Russia, which until then had largely advocated a negotiated end to the crisis via its own channels, changed tack, announcing joint naval exercises with China and the sale of advanced S-400 surface-to-air missiles to China. At this point the EU's position began to diverge from that of the US more markedly. As expected, the EU issued a condemnation of the cyberattack, but it also published a statement opposing the US plan to move military assets to the crisis zone. European states – acting largely in concert – also condemned Chinese and Japanese recalcitrance in roughly equal measure. NATO held consultations to determine whether the cyberattack would justify the invocation of its collective-defence obligations, but came to no firm conclusions.

### Scenario 2: Stress-testing the Iran nuclear deal

Over two days in February 2016, Chatham House hosted a group of 32 experts from the US, Europe and the Middle East to discuss different visions of, and interests in, the Iran nuclear deal. Participants also played out a scenario around rising tensions in the region, focused on Iran and the US.

The scenario was set in 2018. Its starting assumptions were that a ceasefire had taken hold in Syria, but a more permanent solution to the conflict remained elusive. ISIS remained in control of a diminished eastern portion of the country. It was also assumed that Saudi Arabia and Iran had resumed diplomatic relations, although tensions between the two countries remained high.

The scenario began with a leak of a US intelligence report indicating that the Iranian government was following a clandestine uranium-enrichment programme, in contravention of the 2015 Joint Comprehensive Plan of Action (JCPOA). The same leak suggested that Iran was planning to test a new medium-range ballistic missile, the Shahab-4, in the near future.

The simulation exercise took place over five rounds, each representing the passage of one week.

**Round one:** The first round was largely characterized by the various actors trying to ascertain the accuracy of the information provided. Iran issued strenuous denials.

Parties across the region, in Europe and the US urged the IAEA to investigate the veracity of the allegations made against Iran, in accordance with the terms of the JCPOA. Privately, the US assured its European allies that it was confident of its intelligence, while publicly passing information about the potential breach to the IAEA. Saudi Arabia indicated that it would use 'whatever means' it deemed necessary to ensure its national security should evidence emerge that the Iranian government was actively pursuing a nuclear weapon.

Meanwhile, existing oversupply meant that oil markets remained steady. Russia questioned the authenticity of the US intelligence, but agreed with the general consensus that the matter should be referred to the IAEA.

**Round two:** The second round started with an ISIS-inspired terrorist attack in London, which killed several dozen civilians. A second attack was foiled in Munich by German security services acting on Iranian tip-offs. The London attack prompted a renewed counter-ISIS coalition, with promises of military contributions from the Gulf Cooperation Council (GCC) states, Europe and Russia. Tensions between Israel and Lebanon grew meanwhile, and sporadic instances of violence occurred around the Israeli northern border and the West Bank.

In the meantime, the IAEA formally requested access to the putative nuclear site, which had been identified during the course of the first round as an underground facility in eastern Iran. The EU as an entity found itself largely frozen out of decision-making during the crisis, as did EU member states (such as Italy and Poland) that had not been directly involved in the negotiation of the JCPOA. Instead, the EU3 parties – France, Germany and the UK – chose instead to negotiate directly with their US and Iranian counterparts, only informing other European countries of their decisions after the fact (if at all). For all parties, the IAEA remained the mechanism of choice for clarifying the status of the alleged Iranian programme.

**Round three:** The third round opened with Israel launching an air campaign against Hezbollah targets in southern Lebanon. This was immediately condemned by the GCC states and Iran (although some members of the GCC gave private assurances to Israel that they would be happy to see Hezbollah dealt a military setback). The US meanwhile introduced additional forces to the Mediterranean theatre to combat ISIS, and urged restraint between the Israelis, Palestinians and Lebanese.

Iran reminded the world that, while it had not yet admitted IAEA inspectors to the site, it was still within the JCPOA-mandated time frame for doing so. Israel sharpened its rhetoric, making it publicly known that should Iran be found to be in violation of the JCPOA, then all options should be on the table. Russia responded by announcing, during a trip to Iran by its foreign minister, that it was for the first time considering the sale of its S-400 surface-to-air missile system to Iran.

Despite the rise in overall tensions, the International Energy Agency reported that oil markets were largely remaining stable, reflecting oversupply and the willingness of OPEC member states to raise production and release reserves as necessary.

**Round four:** In the fourth round, the US Congress passed a resolution by significant (but not veto-proof) majorities in both houses calling for the resumption of sanctions on Iran. With Tehran continuing to deny IAEA inspectors access to the facility, the US and the UK quietly began to explore the option of using electronic warfare against

Iranian nuclear facilities. Reports began to emerge that Saudi Arabia was taking steps towards acquiring its own nuclear deterrent. The Saudi government denied this – albeit without explicitly ruling out the possibility of doing so should Iran be found to be in violation of the JCPOA. The IAEA warned that Iran was on the verge of non-compliance with its safeguards agreement.

Hostilities continued in Lebanon. Germany began to assert its economic leverage over Iran to try to force the government to cooperate with nuclear inspections and to cut off weapons deliveries to Hezbollah. Turkey and Saudi Arabia took the opportunity – supported by Russia and Iran – to renew calls for a nuclear-weapons-free zone in the Middle East.

Saudi Arabia and the oil-producing states of the GCC substantially increased output, driving oil prices down despite the continuing political instability in the region.

**Round five:** The final round saw a last-minute agreement struck to enable IAEA inspectors to access the Iranian site. This agreement involved the US revoking sanctions on a number of Iranian financial institutions not originally covered by the JCPOA.

The IAEA announced that its inspections had found no immediate evidence of non-compliance with the JCPOA. As a result – and despite Iran’s reluctance to admit inspectors – the IAEA considered the matter resolved. The US team determined that the IAEA’s findings meant that there was no need to restore sanctions, as the resolution adopted in by Congress in the previous round required only that a narrow interpretation of the JCPOA be enforced.

With what was seen as a largely satisfactory resolution of the nuclear crisis in Iran, the European participants turned their attention towards seeking a diplomatic solution to the conflict between Israel and Hezbollah, and to reinforcing the regional security order around Syria. Russia and Saudi Arabia announced a plan for moving towards a political transition from the current Syrian regime to a new government that included the rebels.

At the end of the scenario period, Iran chose to test its new Shahab-4 missile and hold a military parade; these actions were announced at the very end of the simulation exercise, meaning that no other parties had an opportunity to respond.

### Scenario 3: Averting a Turkish–Russian conflict

This scenario, conducted in May 2016, with approximately 25 experts from the US, Europe and Russia, explored US and European responses to a potential conflict between Turkey and Russia. It envisaged a ‘cold peace’ in Syria, with the country split roughly into thirds controlled by the Assad regime in the west, a patchwork of Kurdish and rebel groups in the centre and north, and a diminished but still cohesive ISIS in the east.

The scenario, set in late 2017, assumed that the UK had narrowly voted to remain in the EU at the June 2016 referendum; and that in the US there was a status-quo-minded Democratic administration in the White House, constrained by Republican control of the House of Representatives. These assumptions were contradicted by events in both countries in subsequent months.

The scenario opened with a pair of inciting incidents: the Syrian government capturing a group of Turkish special-operations soldiers in Syria and accusing them of working to undermine the government's position ahead of peace talks; and the Turkish coastguard boarding and seizing a Russian freighter carrying arms to Syria. A new round of Syrian peace talks was due to begin a month later, at the end of the time frame covered by the scenario.

The simulation exercise took place in four rounds, each representing a one-week period.

**Round one:** The first round began with symmetrical escalatory moves by Russia and Turkey. Russia decided to use warships to escort its freighters passing through Turkish waters to Syria, while publicly encouraging its Syrian ally to place the Turkish soldiers on trial. Meanwhile, the Russian government expanded its contacts with the Kurdish YPG group,<sup>221</sup> declaring support for the latter's 'struggle and legitimate aspirations'.

Turkey declared that its stop and search of the Russian ship was legitimate, and that it had taken place in Turkish waters. It also condemned Russian and Syrian 'provocations'. Turkey further announced that it would not be taking part in the upcoming peace talks, and that it was seeking an extraordinary UN Security Council session in an effort to defuse the crisis. Intervention by European and US diplomats convinced the Turkish team not to attempt to invoke Article 5 of the North Atlantic Treaty, even though initially Turkey's government believed that the 'withholding' of the soldiers constituted a breach of the article. Turkey deployed additional forces to the Syrian border. Saudi Arabia issued a statement declaring that Turkish and Saudi national security were 'one and the same'.

The UN took an active role early on, sending fact-finding missions to Syria and Turkey to gather information about the two incidents. The Syrian government rejected the UN's attempt to visit the captured Turkish soldiers. NATO, by contrast, took a back seat in the first round. Member states were unwilling to risk being seen to militarize the situation even by having the organization issue a statement. The US and the EU acted largely in parallel in this round, consulting each other early on and urging restraint on all sides.

The US undertook separate missions to Turkey and Russia, although it took a slightly harder line with the latter. It called for the release of the Turkish prisoners and of the Russian ship and crew (but not its cargo). Its missions were coordinated with and supported by France, Germany and the UK, which agreed that the priority was de-escalation.

**Round two:** New aspects to the scenario were announced at the beginning of the second round. A skirmish between Chinese and Japanese ships in the South China Sea threatened to draw US attention away from the Middle East theatre. Meanwhile, a French newspaper blamed the deaths of several reporters in Turkey on that country's government; and Russian gas supplies to Turkey were shut down for 48 hours because of what was reported as a 'technical problem', with unofficial Russian sources indicating that supplies to Europe may imminently be affected as well.

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<sup>221</sup> The People's Protection Units (YPG) is a militia associated with the Democratic Union Party (PYD), the dominant Syrian Kurdish political party. See Gunes, C. and Lowe, R. (2015), *The Impact of the Syrian War on Kurdish Politics Across the Middle East*, Research Paper, London: Royal Institute of International Affairs, p. 4, <https://www.chathamhouse.org/publication/impact-syrian-war-kurdish-politics-across-middle-east> (accessed 28 Jul. 2016).

This round saw further escalation by Russia: they began to deliver advanced portable surface-to-air missiles to the Kurds, while also sending warplanes to probe the edges of Turkish airspace. Their forces mounted a significant snap exercise in the Baltic region. And, most significantly, the government activated an anti-access/area-denial 'bubble' of air defences within Syria, supported by the Syrian government. The range of these weapons extended into Turkish airspace near where a Russian jet had been shot down in 2015. However, Russia also indicated a willingness to negotiate on the issue of democratic representation within the Syrian government.

Turkey confined its actions to public statements. It demanded the immediate, unconditional release of its soldiers and called for a new international convention relevant to Turkish territorial waters to supplant the 1936 Montreux Convention. Conditional on the release of its soldiers, Turkey indicated that it would be willing to engage with Russia to resolve the matter by peaceful means. Meanwhile, contact between Turkey and Russia remained indirect.

Saudi Arabia, which had announced additional investment in Russia, sought to maintain good relations with both countries by sending its crown prince on a public visit to Russia and then leaking news of the private visit of its military chief of staff to Turkey.

Among the European powers, Germany was increasingly the interlocutor of choice for Russia and Turkey. This reflected its strong ties to both countries. Following a meeting of the North Atlantic Council, NATO was suddenly in the ascendant – with all the major European members and the US signing a statement calling for the immediate release of the Turkish soldiers held by Syria, and reiterating NATO's commitment to Turkey's defence. By contrast, the EU was marginalized during this round. The US continued to push for transatlantic unity, while also cautioning that the American public was not necessarily willing to go to war on Turkey's behalf.

**Round three:** The third round began with a simulated meeting of the UN Security Council to discuss the crisis, convened by the UN representative. This meeting accomplished little. Russia and Turkey remained determined that their concerns should be resolved first, while US, British and French calls for restraint and compromise went unheeded.

After the UN meeting, a new set of updates were introduced. The South China Sea skirmish escalated, with the release of video showing the Chinese navy firing on a Japanese ship, and Japanese newspapers asking whether the US would come to Japan's aid. A report in the *Washington Post* concurrently suggested that the US House of Representatives was considering whether to shift military funding to the Pacific theatre, and oil prices began to rise in response to the dual crises. Meanwhile, Belgian police rounded up an 'operational cell' of terrorists in Brussels, discovering that they had recently transited through Turkey. Reports suggested that the information leading to their arrest had been forwarded to the Belgian authorities by Russian intelligence services.

In response to the new scenario, Russia launched airstrikes on Turkish-backed rebel groups on the Syrian border. It also began to confiscate property owned by Turkish companies in Russia, and to deliver heavy mortars to the Kurds to help them suppress artillery fire from the Turkish military. At the same time, they negotiated an agreement

with NATO to deconflict military activities in Syria and elsewhere. Again, Turkey's escalations were more limited than were those of Russia, and focused largely on maintaining Ankara's negotiating position *vis-à-vis* its captured soldiers.

The UN attempted to send its secretary-general to Ankara and Damascus, but this plan was vetoed in the Security Council by Russia. Meanwhile, UN fact-finders continued to be denied full access to the captured Turkish soldiers. A separate UN mission determined that the Russian freighter had been in international waters when it was intercepted by the Turkish coastguard.

The US and the UK sent a joint naval taskforce to Japan to reassure the former's allies in the Pacific theatre. The major diplomatic effort in this round involved the presentation of a detailed five-step plan by Germany (supported by the US and all other European allies) to Turkey and Russia, seeking a negotiated end to the conflict.

**Round four:** The fourth round opened with further escalation in the Asia-Pacific region. China insisted that its conflict with Japan was bilateral rather than international, and sent fighter jets to escort a US reconnaissance plane out of its declared (if unrecognized) Air Defence Identification Zone in the South China Sea. In Europe, a statement signed by opposition parties from all parts of the political spectrum across the continent called for consideration of a 'grand bargain' with Russia, which would offer sanctions relief in exchange for an arms embargo and a lasting political solution in Syria. Finally, a *New York Times* report indicated that the Russian military had had an opportunity to strike ISIS leader Abu Bakr al-Baghdadi, but had declined to do so.

The last set of moves from the participants saw some minor progress, but no resolution to the inciting incidents. The Syrian government agreed to allow Red Cross/Red Crescent access to the Turkish prisoners, but subject to conditions including a prohibition on medical examination of the detainees. It announced a 'fast-track' trial of the captured soldiers, but indicated privately (via Russia) to its European interlocutors that the soldiers would be pardoned immediately following their conviction. President Bashar al-Assad announced that he would consider a UN-supplied list of candidates for interim head of government for a political transition, provided that he remained head of state with full responsibility for security during the transition process. Meanwhile, the Turkish government released a ranking officer of the intercepted Russian ship, but continued to insist on the release of its soldiers as a precondition for any further concessions.

For the US and European teams, the major obstacle in negotiating a solution remained sequencing. Both the Turkish and Russian teams had slowed the pace of their escalation and had made limited gestures towards reconciliation, but neither had yet backed down.

At this stage in the scenario, the US began to push, albeit gently, for more robust action on Russia, suggesting to the Europeans that Moscow might be susceptible to pressure from increased sanctions. The European delegations disagreed, however, and the US backed away from this position. This minor disagreement represented the only notable instance of US-European discord during the entire simulation.

The EU and NATO, having both demonstrated some institutional utility earlier in the scenario, were once again marginalized. Similarly, the UN Security Council session's

lack of success in de-escalating the crisis resulted in the UN's marginalization in the final stages of the scenario.

At the end of the final round, Chatham House polled the participants on whether they would still participate in the Syrian peace talks (which were not modelled as part of the simulation). Other than Turkey, all participating teams indicated their intention to take part.

#### Scenario 4: Managing the use of autonomous weapons systems

This simulation, conducted in October 2016 with some 25 experts from the US and Europe, proceeded along slightly different lines from the previous ones, in which participants represented the parties to a crisis and attempted to resolve it through negotiations and deployment of national assets. This was instead a simulation of a negotiation prompted by, but largely independent of, a crisis.

For the purposes of this scenario, set in 2017, it was assumed that the Democrats retained control of the White House, now under President Hillary Clinton, following the November 2016 elections, and that they also held a very precarious Senate majority. The House of Representatives remained under the control of an increasingly nationalist and inward-facing Republican Party.

The scenario imagined a conflict between Vietnam and China over disputed territory in the South China Sea. In the wake of Vietnam's naval victory, China launched an attack against its major naval facility at Cam Ranh Bay, using two waves of pilotless aircraft. The attack inflicted heavy damage on the facility, but also caused numerous civilian casualties, including among staff at a Red Cross medical facility nearby. Investigation of one of the downed aircraft revealed that it was a fully autonomous – rather than remotely piloted – system as was subsequently confirmed by statements from the Chinese government.

In the wake of this revelation – and in a context of general public outcry – an informal working group was convened by some states, under the auspices of the UN secretary-general, to start to put together a code of conduct for the use of such weapons. Participants were given a draft based on the conclusions of the 2013 special rapporteur's report on drones and lethal autonomous systems,<sup>222</sup> and instructed to use it as a template for an agreed text that might become the basis of a legal implement that their countries could sign on to.

The teams were more diversified than in previous simulations, with the expectation that there would be significant differences of opinion and approach between sectors as well as between states. So the larger teams (principally the US, the UK, France and Germany) included representatives from defence and foreign ministries, civil society and the defence industry. The US team also included a representative of the non-defence tech industry to account for divergences within the private sector.

Some of the participants were given confidential information to direct their view of the situation. While the general scenario statement indicated that the system used by China exceeded anything publicly known in the rest of the world, the government

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<sup>222</sup> Heyns, C. (2013), Report of the Special Rapporteur on extrajudicial, summary or arbitrary executions.

members of the US and UK teams were informed that the US had a prototype system of similar capability. The Israeli team was informed that their country's weapons firms had collaborated with the Chinese government on the development of the weapon – a collaboration that had not been disclosed to the US or to Europe.

**Day 1 (Session 1):** The objective was for states to come to national positions (rather than negotiating across borders). So, for example, the US NGO representative lobbied the US government representatives directly, while the British NGO representative was speaking to their own government. Each national team was given the objective of presenting its initial negotiating position *vis-à-vis* the draft code of conduct.

None of the states represented was willing to consider a moratorium on the development or use of lethal autonomous systems, and there was widespread agreement that the code of conduct's call for 'metrics' to evaluate the performance of autonomous weapons was incompatible with industrial and military security. Beyond that, the national parties disagreed on the need to include language that would directly constrain the activities of the technology and defence industries, with the US looking for the least restrictive option.

One early question was whether the existing framework of arms-control treaties should be used. Most of the states – although Europe was largely split – argued that the Convention on Certain Conventional Weapons (CCW) was the appropriate legal framework for any potential regulatory action on autonomous weapons. This received a mixed reception from the NGO community, which – while broadly supportive of the CCW – said that the convention would not necessarily be sufficiently ambitious to deal with the issue.

**Day 2 (Sessions 2–4):** The simulation moved to a freer format in these sessions, with representatives authorized to negotiate with whomever they deemed appropriate. At the end of each session they were required to update their national or sectoral positions, which the NGOs, international institutions and business representatives began to produce at this juncture. At some points, the facilitators disseminated new pieces of information to the participants.

- The NGO community announced early that 20 new countries, among them South Korea, Japan, Canada and Norway, were willing to sign on to a ban on lethal autonomous weapons systems. Simultaneously, they announced a public-relations campaign, the major features of which were public demonstrations in major capitals and the co-opting of celebrity spokespeople.
- Tensions started to emerge between the defence industry and European governments in this round, given the movement (particularly in France) to ask defence contractors to sign onto a code of conduct. The defence industry's stated position was that it would comply with international treaties or legislation without hesitation, but that it viewed the attempt to impose a code of conduct as a passing of responsibility from states to private industry.
- One general point of agreement early on was the need for greater clarity. Demands for an independent investigation of the incident were made by virtually all of the governments in the room. The NGO community accused the assembled governments of using calls for investigation as a pretext not to take action, but this argument fell on deaf ears.



- The EU convened an ad hoc working group to resolve disagreements among its member states over the text. For the state representatives, this seemed an effective forum and resulted in a document the terms of which were agreeable to all states present as well as to the EU and NATO representatives. But the NGO community viewed the resulting document as toothless and insufficient.
- A declaration by Iran that it would seek to purchase systems to equip a newly formed autonomous weapons division of the Revolutionary Guards Corps, and a corresponding statement by Saudi Arabia and the United Arab Emirates that they would develop and deploy comparable capabilities, led to condemnation from the EU and NATO but little in the way of concrete action.
- Towards the end of the simulation, investigators working on the downed Chinese drone leaked to the NGO community that a significant portion of the recovered code bore the hallmarks of Israeli design, indicating either that Israel had covertly collaborated with the People's Liberation Army on the design of the system, or that the Israeli defence industry had been infiltrated by China and critical data had been stolen. Israel refused to comment on the substance, but declared that all its military systems were compliant with international humanitarian law and would remain so.
- The US announced actions largely designed to demonstrate that it had comparable systems to China's, including a demonstration of unmanned vehicles using swarming tactics and discriminating between civilian and military targets in close proximity. Meanwhile, congressional pressure against a ban intensified, with hearings called by the Senate Armed Services Committee into the 'autonomous weapons gap'.
- The defence industry, working through intermediaries, began a counter-messaging campaign, calling for the US to resist any treaty that would restrict the development and deployment of autonomous weapons systems on the grounds that this would endanger national security and jobs. The non-defence technology industry took a quieter role in the negotiations, refusing to take part in open activism but offering support and funding to the NGO community.

# About the Author

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**Xenia Wickett** is the head of the US and the Americas Programme at Chatham House, and the dean of the Queen Elizabeth II Academy for Leadership in International Affairs. She also serves as a commissioner of the Marshall Aid Commemoration Commission. Prior to joining Chatham House, Xenia was the executive director of the PeaceNexus Foundation, director of the project on India and the Subcontinent and executive director for research at the Harvard Kennedy School's Belfer Center. Xenia served with the US government as director for South Asia on the National Security Council; and at the State Department as special adviser at the Homeland Security Group and as an officer in the then Bureau of Nonproliferation. Shortly after 9/11, she was detailed to the Office of the Vice President to help launch the Office of Homeland Security Affairs.

# Acknowledgments

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I want to express my thanks to Jeff Aubin, Anar Bata, Lisa Marthe ten Brinke, Andrea Mariana Islas, Laura Moulton, Josh Phillips and Keri Lloyd who assisted with the research and writing of this report. I would also like to acknowledge all those who participated in interviews and in the scenario workshops, the analysis of which formed part of the basis for this study. Finally, I thank my colleagues at Chatham House, in particular Rory Kinane, Jacob Parakilas, Courtney Rice and Marianne Schneider-Petsinger. This report benefited from the editorial support of Jo Maher and Nicolas Bouchet.

We are grateful for the generous support of the Smith Richardson Foundation in funding this project and report, and to the government of Japan for supporting one of the scenario workshops.

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