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THE EUROPEAN UNION: INTERNAL REFORM, ENLARGEMENT, AND THE COMMON FOREIGN AND SECURITY POLICY

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OF THE

COMMITTEE ON FOREIGN RELATIONS

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THE EUROPEAN UNION: INTERNAL REFORM, ENLARGEMENT, AND THE COMMON FOREIGN AND SECURITY POLICY

WEDNESDAY, MARCH 24, 1999

U.S. SENATE,
SUBCOMMITTEE ON EUROPEAN AFFAIRS,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:13 p.m. in room SD–419, Dirksen Senate Office Building, Hon. Gordon Smith (chairman of the subcommittee) presiding.

Present: Senator Smith.

Senator SMITH. Good afternoon, ladies and gentlemen. We welcome you to this hearing of the Foreign Relations Committee's European Affairs Subcommittee.

Today's hearing is about the European Union: Internal Reform, Enlargement, and the Common Foreign and Security Policy.

Today the committee is convened to discuss the current situation in the European Union, and we do so as, literally, the defensive arm of our alliance is dropping bombs on Belgrade.

Our first panel will consist of Mr. Anthony Wayne, Principal Deputy Assistant Secretary in the State Department's Bureau of European Affairs. After we hear from Mr. Wayne, the committee will welcome Dr. Jeffrey Gedmin from the American Enterprise Institute and the New Atlantic Initiative; Dr. Lily Gardner Feldman from Georgetown University; and Mr. Peter Rodman of The Nixon Center.

Today, the EU is holding a summit in Berlin during which some of the more contentious issues of internal reform, including the Common Agricultural Policy, are going to be discussed. The summit's agenda, however, has necessarily been dominated by the en bloc resignations of the European Commission last week. I fear that we have only seen the tip of the iceberg when it comes to allegations of mismanagement within the institutions of the European Union. I hope that I am wrong.

I understand that former Italian Prime Minister Romano Prodi has been nominated as the new President of the European Commission. It is my hope that Mr. Prodi and the new commissioners that comprise his team will be successful in tackling the fraud and mismanagement that has infected the Union.

With regard to enlargement, I must admit some skepticism about why countries in Central and Eastern Europe would want to join the European Union. For example, the economies of Poland, Hun-

gary, and the Czech Republic are growing faster and are experiencing far less unemployment than countries in the European Union. Furthermore, excessive EU regulations, taxes, subsidies, and labor laws could just as easily hurt the economic development of these countries more than EU membership would help them.

One final note. Last night the Senate was faced with a difficult decision on whether to authorize NATO air strikes against Serbs as a result of that country's brutal crackdown against ethnic Albanians in Kosovo. I supported that resolution, but I must say that from now on, I will no longer have much sympathy when I hear complaints from some about U.S. dominance on issues of mutual interest.

The experience in Kosovo highlights the inability of the EU to act together on matters of foreign and security policy. No one can deny that, when the crisis in Kosovo first erupted and for some time thereafter, countries, such as Italy and Greece, were pressing for a policy that differed both in substance and in approach from that favored by other members of the EU, including Great Britain.

Its military arm, the Western European Union, refused to take action in Kosovo as it has on other instances where European interests have been threatened and, instead, turned to NATO to address the problems on the continent.

I look forward to hearing from all of our witnesses this afternoon regarding their views on these and other issues.

Mr. Wayne, we turn to you first and invite your testimony.

STATEMENT OF E. ANTHONY WAYNE, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF STATE, BUREAU OF EUROPEAN AFFAIRS

Mr. WAYNE. Thank you very much, Senator, for your remarks and for taking the initiative to have this hearing on what indeed is an important long-term development for the United States, even if today our focus is somewhat to the south or southeast of much of the EU.

As you, I think, well know, the origins of the EU come directly out of the devastation of World War II, when a number of the leaders of Europe at that time came away convinced that they had to find a way to bind together the nation-states of Western Europe to avoid another world war.

The United States supported and encouraged that development and eventually, through several steps in the process over four decades, now, in fact, arrived at where we are with the European Union.

At this point, indeed, as you noted, the 15 members of the European Union are about to undertake the largest single Enlargement that they have ever tried to manage. This is going to be a major challenge for both the members of the European Union and for those countries that would like to join.

We have traditionally and consistently supported European integration because we think there is a lot of benefit in it for us, and we are supporting this process of integration in the sense that we see that there can be, an expansion of the zone of stability, prosperity, and democracy to all of Europe.

The Enlargement does offer the candidate countries the prospect, as they see it, of achieving the high level of economic prosperity and quality of life enjoyed in the 15 current members.

There is some immediate practical benefit in line for the potential members. The EU has put forward its own plans to spend about $82 billion between 2000 and 2006 in what some have called a new "Marshall Plan" for the countries of Central and Eastern Europe. This will amount to a series of assistance efforts designed to bring these economies in line with the rest of the European Union.

Equally important, this process will encourage cooperation, reinforce democracy, and greatly reduce the possible damage from nationalistic and ethnic tensions. We, of course, are seeing and currently experiencing the costs of those kinds of tensions in the Balkans at present.

In the end, if the current round of Enlargement is completed successfully, the European Union would comprise the world's largest single market, with over 500 million citizens, with free movement of goods, people, and services, and capital, and with an economy significantly larger than our own.

Now, as is clear from that potential, our strategic economic and commercial interests are inextricably bound up in this process.

The Enlargement will be a difficult process. Unlike NATO expansion or what we did with NAFTA, it involves a significant transfer of sovereignty from one nation to a central authority. It addresses a host of very sensitive legal, social, and economic issues, such as the movement of goods and people.

It is somewhat analogous to us asking another nation to sign up to every provision of the Code of Federal Regulations, and there are, I have been told, something like 20,000 pages of what is called the Acquis Communitaire, the EU's laws and regulations, to which these new States would need to adhere in the process of Enlargement.

Now any country in Europe can apply for EU membership. Thirteen have done so, so far: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, and Turkey.

There are three basic steps in this process. First, there has to be an opinion from the European Commission that the applicant is suitable to become a member; second, the Council of Ministers has to approve opening an accession negotiation, which then becomes a very long process; and, finally, at the end of that, there will be an accession treaty, which is ratified by the European Parliament and the parliaments of all the current member states.

So, talks have begun now with all the applicant countries, aside from Turkey and Malta. They are in the middle of talks with 6 of the 13 countries. They call these the "first wave countries." Those are Cyprus, the Czech Republic, Estonia, Hungary, Poland, and Slovenia. They have begun a pre-accession process with 5 others: Bulgaria, Latvia, Lithuania, Romania, and Slovakia. This just started last month.

There has, as yet, been no date set for the completion of any of these negotiations and, indeed, the year 2003 is thought to be the earliest possible date for accession. There are a number of pre-

dictions among various observers that it will be later than that. But nothing firm has been set yet.

On the whole, we estimate that Enlargement should be good for U.S. exports of goods and services to the countries of Eastern and Central Europe. As the prospect of EU membership and membership itself produces accelerated rates of economic growth, our investment in the region should position us to take advantage of this further market opening and growth.

But it is interesting to look at the figures of trade and investment.

In 1997, the European Union accounted for over 60 percent of the imports into the countries of Central and Eastern Europe. The United States accounted for 2 percent.

We have made just over 20 percent of the foreign direct investment in Central Europe, while EU member States account for over 60 percent.

Now if we compare that to our overall trade and investment relationship with the European Union, which is worth about $1 trillion, you can see that we have a great deal invested in the overall relationship and a significant amount in Central Europe. There is great synergy in those two promises: a buoyant market for our own goods and services and opening that market to a wider area. Many of our companies are well ensconced in the European Union already.

Nonetheless, we have been working very hard to ensure that our commercial and economic interests are not disadvantaged in this process. We are working with both the European Union and the member countries to prevent the erection of new barriers.

There are, and have been some specific cases where significant tariff differentials do exist on American goods imported into the accession States, and we are working with the candidate countries on a case by case basis to deal with those problems and to insure that U.S. companies are not adversely affected by commercial decisions and, particularly, of course, by commercial decisions taken for political reasons.

At the same time, I think we do need to recognize that the European Union means more than just market potential. It has the potential to be a very important partner in addressing common political, social, and security concerns around the world.

I think if we reflect on a number of instances, we can see that where the United States and the European Union are able to act in concert toward common challenges, those challenges can be overcome and we can do a lot of good together.

The converse also holds. Where we are not working together, we often run into stagnation and blockage in solving those problems.

At present we work on a very wide range of issues, from bringing peace to the Balkans and promoting democracy in Africa and Southeast Asia, to assisting nuclear waste cleanup in the former Soviet Union. We are working to develop and deepen our cooperation.

Many commentators have described the U.S.-EU relationship as a zero-sum game; that EU growth and prosperity, whether from the success of the Euro or the continuing Enlargement can only come at the expense of American power and prestige.

Certainly, we are and will continue to be economic competitors. But with our combined strength, together we can also set a global agenda that supports democracy and open markets.

Now, as you said at the opening of the hearing, Mr. Chairman, there is an important summit going on in Berlin among European Union leaders and it will be hard to predict exactly what comes out of that. But they are dealing with some of the largest issues on their agenda.

As Enlargement of the EU requires that the candidate countries conform their laws and practices, it also requires significant changes and important decisions about resources on the part of the EU member states.

As part of that preparation, the European Commission published what they call "Agenda 2000." This proposed a number of structural, budgetary, and agricultural reforms that would be required to make Enlargement work and work well.

There are a number of proposals in this reform that, indeed, would benefit the United States also. The largest step for the EU is reform of the Common Agricultural Policy [CAP].

We very much hope that this reform will reduce the unfair competition faced by our farmers.

As a whole, reduction in the subsidy and import funds would help rationalize the EU economy and, we believe, make it more prosperous. Almost half—that is, about $50 billion—of the EU's 1999 budget is earmarked for agricultural subsidies. The EU's budgetary reform, necessary to bring in new member states, would be impossible to undertake if they do not change the Common Agricultural Policy.

The EU originally sought to lower EU commodity prices to world levels in order to export without subsidies and to bring EU internal prices closer to those in potential new member states.

The agricultural ministers have reached a compromise which has been forwarded to the summit that is a step in the right direction. But, unfortunately, it falls short of the more ambitious goals that had been laid out.

It is possible, but we do not think too likely, that the EU leaders will review that compromise and, indeed, make additional cuts. But, in any case, they will be grappling with this budgetary debate today.

The CAP debate pits the net recipients of agricultural subsidies, led by France and Spain, against the net payers, led by Germany and the U.K. Even the reform that they came up with, which had a 20 percent cut in cereals, 20 percent in beef, and 15 percent in dairy in 2 and 3 stages over a number of years, even these reforms have set off massive agricultural protests in France, Brussels, and in other places.

It is our fear that these smaller cuts won't wean the agricultural sector in the EU away from its dependence on export subsidies. There will continue to be an impact on world prices and our trade interests from the CAP policy even after these reforms have gone into effect.

Now I do not want to be mistaken. We are very happy that they are reforming CAP. But many of the proposed reforms just do not

meet the minimum expectations that we had for the upcoming WTO negotiations.

The United States has an ambitious agenda for the next WTO round in agriculture, including the elimination of export subsidies and the decoupling of domestic supports from production. The danger is that the EU will present Agenda 2000 Common Agricultural Policy reform as a "fait accompli" in order to avoid substantive negotiations in the WTO on domestic support and export subsidies.

I hope that danger does not turn into reality.

Some speculate that the EU might be holding back in order to have something to concede in the next round and there may be further agricultural reforms possible early in the next century. But we will have to see.

Now, one of the other big items in the Agenda 2000 that the leaders are grappling with today is to reduce the amount of funds available for direct regional transfers to those parts of the community which are economically disadvantaged. The European Union has set up a process in which the poorer areas get economic assistance from the wealthier areas.

But, as you are going to bring in countries whose economic standard of living is lower, that means a number of those member States currently who are relatively below the mean will become above the mean. A number of these current recipients, especially Spain, Portugal, and Greece, are not happy with the prospect that they may have some of their subsidies, structural and cohesion funds, as they are called, taken away.

Another area that they are looking at today is how to share more equitably the burden of the $100 billion annual budget. There are a number of member States, particularly Germany and the Netherlands, that complain that they pay too much to support the European Union relative to their partners. The others, of course, are trying to say no, no, you do just fine and we want to preserve the current balance.

In sum, this is really an effort for the EU to get its house in order to be ready for Enlargement. We will be looking very carefully at what comes out today from the summit. But it is not at all clear that there will be a breakthrough in the very short term.

Let me say a few words about institutional reform that has been going on.

Historically, in every step to expand the European Union, there has also been an effort to deepen the Union—that means to make a closer integration of decisionmaking in one area or another.

It is often to our eyes and ears pretty arcane stuff to try to figure out all the processes that are going on here. They are very complex, even to Europeans. They are not immediately transparent. But they can make a big difference in how decisions are made and, thus, how well we can achieve our common goals with the Europeans.

In 1993, the Maastricht Treaty came into effect. That is the treaty that, in its most famous part, committed movement toward the Euro, which, of course, has now been completed. This was a major step forward in integration in Europe.

Following the Maastricht Treaty, the EU leaders very quickly realized they needed to do some more, both to bring the Union closer

to its citizens. There had been a lot of criticism in Europe for what they called a "democratic deficit," meaning that decisions were made by bureaucrats very far away from the citizens. Europeans did not understand the bureaucrats and did not identify with them. The leaders of the European Union saw that and said we need to deal more clearly and in a better manner with the problems facing our citizens.

This led to the Treaty of Amsterdam. The Treaty of Amsterdam is going to take a number of additional steps forward in the intergration process. One is bringing something called the Schengen Agreement into the EU. This has to do with police and judicial cooperation, cooperation in fighting against cross border crime.

Another factor brought into the EU is now combatting discrimination on the basis of gender, race, religion, disability, age, ethnic origin, or sexual orientation. Also, for the first time the EU will have a clear role in employment policy and in the environment.

Now there are a number of areas where these changes can make the EU a better partner for us. I think particularly about working together to fight international drug smuggling and to fight international crime. It is clear that on some other issues we will have some differences. In the environment, for example, we have had some significant differences about dealing with global climate change.

One big area that you have mentioned, Mr. Chairman, that will also change a bit with the Amsterdam Treaty has to do with how the EU conducts its foreign policy.

There will be a new High Representative for the Union's Common Foreign and Security Policy. The idea is to give the EU a greater visibility on the international scene, a greater ability to speak with one voice.

An effective EU with an effective CFSP would be a power with shared values and strong Atlantic ties with which we could work to solve a number of the global problems and regional problems in other parts of the world.

We do a pretty good job right now in coordinating with the European Union on long-term programmatic issues when we are dealing with providing development and technical assistance over a long period of time to Central Europe or to the former Soviet Union, or dealing with providing humanitarian assistance to areas in Africa or other places, where disaster has hit. There is a lot that we do well together.

Even recently, in Central America the EU was one of the first to step forward with significant assistance in the aftermath of Hurricane Mitch.

But where there have been problems is responding quickly to crises and agreeing on common EU positions where we can act together with them.

So the EU hopes that these steps to have a new High Representative will help them be a bit more efficient and effective in this process.

One of the other steps they also approved is that for the first time they will have something called a "Common Strategy" where the EU, as a whole, will agree on an approach to an area. The first

areas they are looking at are Russia and the Ukraine. They are doing that right now.

It remains to be seen how well these changes will work. But we look forward to working with the new High Representative and the European Union to see if we can improve our cooperation.

Another area that is currently being discussed that is not in the Amsterdam Treaty but that is on the agenda, both in NATO and within the EU is the establishment of an operational defense identity for the European Union.

We anticipate that the outlines of an ESDI, as it is called will be visible at the April 25 NATO Summit here in Washington and then also will be discussed at the EU's European Council meeting in Cologne in June. It will focus on enabling the European Union to better undertake its responsibilities in such areas as regional peacekeeping, humanitarian and rescue missions.

An EU with an effectively functioning ESDI we believe would benefit the United States. It would provide us with a Europe that has the capabilities and the mechanism to permit it to act to deal with problems within Europe, even when we do not want to join in that effort.

We will be monitoring these developments closely, especially to insure that the primacy of NATO is not undermined in the process.

Beyond these reforms, the EU leaders have agreed that, before the next Enlargement round can be completed, there have to be a number of reforms in the EU's institutions and decisionmaking processes.

For example, the European Union arrives at its decisions through consensus on many important issues, including external relations. This often results, we have seen, in a lowest common denominator policy when there are gaps in positions between the 15 member states.

The practical effect is that the EU has often been slow to respond in crises. While this procedure is difficult with 15 members, once the European Union expands to 21 members, say, the process could be exceptionally slow and difficult.

We expect EU institutional reform to address the three key issues which I just mentioned and others, about which I will not now go into detail: the number of commissioners, the weight of the votes that each of the member States has in the Council, and the extension of a qualified majority voting versus consensus decisionmaking on a wider range of policy issues.

With the advent of the Amsterdam Treaty, we are witnessing a dramatic shift in power. I think that might be of interest to you. It will give the European Parliament, I think, an enhanced role in future decisionmaking.

With the new treaty, the Parliament will enjoy the power of co-decision—that means it has to have a say in any decisions—on more than two-thirds of all European Union legislation, compared to less than one-third today.

The European Parliament's views will now matter much more than ever before and will need to be taken into account as we work with the Europeans. In this vein, I urge that you and your colleagues consider participation in a recently announced initiative by some of your colleagues on the House side and some members of

the European Parliament to establish a Trans-Atlantic Legislative Dialog. The goal is to provide an opportunity for direct exchange on bilateral issues of concern and to help resolve the irritants in relations before they become major problems.

Now let me say just a little bit on the recent Commission crisis. Indeed, the group resignation of the Commission derived directly from an investigation and pressure engineered and required by the European Parliament. They requested a "wise men's" report on reports of fraud, nepotism, and mismanagement. It was in response to this that the Commission resigned.

This was an unprecedented event. So, as you indicated, there was and is still a bit of uncertainty about how this will all be worked out.

At the summit today, as you indicated, the member states have agreed that former Italian Prime Minister Prodi should be nominated as the next President of the Commission. He would need to be confirmed by the current Parliament. We believe that is the idea. Then, once confirmed by the Parliament, he would work with member states and others to designate a new Commission.

The current Commission remains on duty until replaced. Throughout this period, we have been continuing our regular consultations with the EU on the full range of issues before us. Indeed, as you know, we have a number of difficult trade issues on the platter right now and we are continuing to work those both with the member states and with the Commission to try to resolve them.

We know Mr. Prodi well from his period of prime ministership in Italy and we worked with him well then. If confirmed, we look forward to working with him in his new role as Commission President.

At the same time, as you indicated, Mr. Chairman, the Commission itself has become the object of calls for significant internal reform. Subjects currently under consideration include tighter controls over spending, more transparent procedure for awarding contracts, stricter accountability standards, and disciplinary procedures for officials who are found to abuse those standards.

There is a groundswell to bring the European Union back to its citizens and to address that democratic deficit that I mentioned earlier.

We are working at this time to insure that our relations with the EU are strengthened by the outcome of these events. We will continue to use our influence and prestige to encourage the EU to become a more responsive, open, and reliable partner for the United States.

Thank you.

[The prepared statement of Mr. Wayne follows:]

PREPARED STATEMENT OF E. ANTHONY WAYNE

Time and again this century the U.S. has been drawn into European conflict. Seared by the devastation of the Second World War, the founders of the European Union dedicated their nations to ending the scourge of war on the European continent. With U.S. help and encouragement, Western European nations started the European integration project that brought bitter rivals together and produced, first, the European Coal and Steel Community, then the European Community, now the European Union.

The fifteen member EU is now about to undertake its largest single enlargement ever. It will be one of the most important challenges facing Europe as it moves into the 21st century. We support this historic opportunity to further the integration of the continent by peaceful means, extending a zone of stability, prosperity, and democracy to new members who have thrown off the yoke of Communism.

Enlargement offers the candidate countries the prospect of achieving over time the high level of economic prosperity and quality of life enjoyed by the fifteen current EU members. The EU plans to spend $82 billion between 2000 and 2006 in a new "Marshall Plan" for the counties of Central and Eastern Europe to help bring their economies into line with the rest of the EU. Equally important, it will encourage cooperation, reinforce democracy and greatly reduce possible damage from nationalist and ethnic tension, which have been such a tragedy for the people of the former Yugoslavia. In the end, if the current round of enlargement is completed successfully, the European Union could comprise the world's largest single market with over 500 million citizens with an economy significantly larger than our own.

The United States has long recognized the importance of these goals and fostered them since we laid the foundations for international cooperation in Europe, which eventually blossomed into the European Union. Our political, strategic, economic, and commercial interests are inextricably bound up in this process.

Enlargement will be a difficult process for the European Union. Unlike NATO expansion or NAFTA, it involves a significant transfer of sovereignty from one nation to a central authority. It addresses sensitive legal, social, and economic issues like the movement of people and goods. The task facing the EU in its enlargement would be analogous to the U.S. asking another nation to sign on to every provision of the Code of Federal Regulations.

Any European country can apply for EU membership, and 13 countries have done so: Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, and Turkey.

The accession process requires (1) an opinion from the European Commission on the applicant's suitability to become a member, (2) the European Council of Ministers' agreement to open accession negotiations, and (3) ratification of the resulting accession treaty by the European Parliament and the parliaments of all the Member States and the candidate country.

Accession talks have begun with all the applicant countries except Turkey and Malta. We differ from the Europeans in the way we view Turkey. We focus on the strategic advantages of including Turkey in the EU, while the Europeans see the huge practical, social and economic problems presented by the entry of such a populous and relatively underdeveloped nation to the community. However, both the Commission and the Council of Ministers have recently indicated, however, that they consider Turkey a "candidate" country.

We also expect Malta to start its accession conference by the end of this year.

The Commission is in the middle of negotiations with six of the 13 applicants (the so-called first wave—Cyprus, the Czech Republic, Estonia, Hungary, Poland, and Slovenia). Bilateral screening of the legislation of five other candidates (Bulgaria, Latvia, Lithuania, Romania, and Slovakia) started last month, a necessary prerequisite for the opening of their accession negotiations by year's end.

No end date has been set for the completion of any of the accession negotiations. The negotiations themselves will cover thousands of pages of EU legislation, which candidate states must adopt. The Commission has indicated that, by the end of this year, it would like to set provisional dates for accession as a way of promoting the Union's commitment to enlargement. The year 2003 is the likely "earliest" date for accession of the first of the candidates.

On the whole, enlargement should be a boon for U.S. exports of goods and services to the countries of Eastern and Central Europe as the prospect of EU membership and membership itself produces accelerated rates of economic growth. Our investment in the region, together with our very good bilateral relations with each of these countries, should position us to take advantage of this future economic upswing. In 1997, the European Union accounted for over 60% of imports into the countries of Central and Eastern Europe while the U.S. accounted for 2%. We had made just over 20% of the Foreign Direct Investment, while EU member states accounted for over 60%. Our trade and investment relationship with the European Union is worth more than $1 trillion. We look to achieve in the East what we now have with the West: a buoyant market open to U.S. goods and services.

Nonetheless, we will ensure that our commercial and economic interests are not disadvantaged. When countries accede to the EU, it will liberalize trade to us in most areas. We are working with the European Union and the candidate states to prevent the erection of new barriers to trade. Where none now exists, let none be raised. As Eastern European candidate states adopt the EU's Common External

Tariff, most tariff levels will drop in the countries of Central and Eastern Europe. In specific cases where tariff differentials do exist on American goods imported in to accession states, we are working with the candidate countries to find suitable remedies. We are monitoring developments closely to ensure that U.S. companies are not adversely affected by commercial decisions made for political reasons.

At the same time, we must recognize that an enlarged European Union means more than market potential. It will be our greatest partner in addressing common political, social, and security concerns in the world. The European Union is increasingly "the other power." Repeatedly, we have shown that, where the United States and the European Union act in concert toward common challenges, those challenges are overcome. The addition to the EU of countries—such as Poland, Hungary, the Czech Republic and others with whom the United States has worked closely and productively in their transition from Communism to democracy—should reinforce our efforts to create a productive, forward-looking partnership with the European Union.

The United States and the European Union are working side-by-side all over the globe to address problems that affect hundreds of millions of ordinary people. From bringing peace to the Balkans, to promoting democracy in areas as far flung as Africa and Southeast Asia, to assisting with nuclear waste clean-up in the former Soviet Union, the U.S. and the EU are setting new levels of cooperation.

We will therefore continue to work with the European Union, both during and after enlargement, on problems around the world. We will especially strive to make sure that Russia and the other states of the former Soviet Union see the enlargement of the European Union as a real opportunity from which they too can prosper, rather than an obstacle.

We do not view the U.S.-EU relationship as a zero-sum game. Some commentators seem to believe that EU growth and prosperity, whether from the success of the euro or the continuing enlargement, can only come at the expense of American power and prestige. Certainly, we will be economic competitors, but with our combined strength, together, we will be able to set a global agenda that supports democracy and open markets. Where we cannot act together, we risk stalemate.

AGENDA 2000

Much of what I say here may be overtaken by events today and tomorrow in Berlin. The Special EU Summit there is hammering out compromises on budgetary reform. We cannot predict what tradeoffs will be made, but we can outline the issues.

Enlargement of the European Union requires the candidate countries to conform their laws and practices to European Union norms. But it also requires preparation on the part of the EU member states.

As part of that preparation, in July 1997, the Commission published "Agenda 2000," its proposals for structural, budget, and agricultural reforms required for enlargement of the Union. We can benefit from EU reform.

The largest step for the EU is reform of the Common Agricultural Policy (CAP). We hope that reform will reduce unfair competition faced by our farmers. As a whole, reduction in subsidy and support funds will rationalize the EU economy, making it more prosperous. Almost half, $50.5 billion, of the EU's 1999 budget is earmarked for agricultural subsidies, and the EU's budgetary reform will be impossible without reform of the CAP. The EU originally sought to lower EU commodity prices to world levels in order to export without subsidies and to bring EU internal prices closer to those in potential new member states.

The member-state Agriculture Ministers have agreed on reform of the Common Agricultural Policy that right now unfortunately falls short of the goal. It exceeds the earlier $43.7 billion target spending level by $6.8 billion. It is possible but not likely that, when EU leaders review the compromise agreement this week at Berlin, they will propose additional spending cuts.

The CAP debate has pitted net recipients of agricultural subsidies, led by France and Spain, against the net payers led by Germany and the UK. The Agriculture Ministers' compromise calls for support price cuts of 20% for cereals over two years, 20% for beef over two years, and 15% for dairy products. Farmers would receive compensation for lost income in the form of direct income supports rather than price supports.

Even these cuts are engendering farmers' protests, yet the small cuts are unlikely to wean European agriculture from its dependence on export subsidies. The CAP will continue to have an impact on world prices and our trade interests. Further cuts will probably be necessary before new Member States could join in the Common Agriculture Policy.We are glad the EU is reforming the CAP. There is a long road to travel to bring the EU into a more open and efficient world agricultural market.

Many of the proposed compromise agricultural reforms do not currently meet our minimum expectations for the upcoming WTO negotiations. The United States has an ambitious agenda for the next round of WTO agriculture negotiations, including the elimination of export subsidies and de-coupling domestic supports from production. The danger is that the EU will present Agenda 2000 Common Agriculture Policy reform as a "fait accompli" in an effort to avoid substantive negotiations in the WTO on domestic support and export subsidies. Others believe the EU is holding back so that it has something to concede in the next round.

In a debate that largely pits the less developed south, against the wealthier north, Agenda 2000 reform also seeks to reduce the amount of funds available for direct regional transfers to aid those parts of the Community which are economically disadvantaged. Under a proposed compromise, eligibility for these monies would be tightened to areas with greatest social and economic welfare needs. This is obviously unpopular with current recipients, especially Spain, Portugal, and Greece.

Agenda 2000 also seeks to achieve a more equitable sharing of member states' financing of the EU's $100 billion annual budget. Some member states like Germany and The Netherlands have complained they pay too much to support the European Union relative to their partners. The proposed Agenda 2000 agreement seeks to redress this imbalance by changing the method by which the Union raises its funds. Also on the table is the United Kingdom's $3 billion annual rebate. Won by Prime Minister Thatcher in 1984, the rebate seeks to rationalize the UK's relatively large contribution with its relatively small return from Brussels.

The EU conceived Agenda 2000 as a major effort to put its financial house in order in anticipation of enlargement. It is important to note that, in an effort to safeguard the enlargement process, EU leaders have agreed to exclude from budget-cutting consideration the projected expenditures linked to enlargement. Despite this carve-out for enlargement, it is not clear that any breakthrough on the EU budget will be forthcoming in the short term.

INSTITUTIONAL REFORM

Historically, every enlargement of the European Union to include new member states has been preceded by the member states' deepening the level of internal cooperation. This "deepening" usually includes fundamental reforms that give EU institutions a greater say over actions of member states and change how the EU legislates and makes decisions. The current enlargement process appears to be no different.

To American eyes and ears, these innovations often seem arcane, bureaucratic, and complex. Nevertheless, they do serve to permit member states to pool their sovereignty while protecting their people's interests. We have to learn to work with the new institutions, and insure they help us further our agenda.

With the entry into force of the Maastricht Treaty in 1993, the leaders of the European Union committed themselves to a most ambitious step toward integration, the launch of the euro. As of January 1, 1999, for the first time, participating EU member states have a common monetary policy, conducted by a European Central Bank. This important project is considered an important stimulus for still further integration of the European Union.

In the next major step in the integration process, and to prepare the European Union for new member states and bring the European Union closer to its citizens, EU leaders negotiated and agreed upon the Treaty of Amsterdam in 1997.

Expected to enter into force this spring, the Amsterdam Treaty will incorporate the "Schengen" accords on the abolition of border controls, giving EU institutions more say over the control of the European Union's external borders, including immigration and asylum policy. The new Treaty also increases EU attention to police and judicial cooperation and the fight against crime. It commits the European Union to combat discrimination on the basis of gender, race, religion, disability, age, ethnic origin, and sexual orientation. For the first time, it also places employment and environment at the center of EU policy concerns.

On one hand, these changes should result in a European Union that is a better partner for the U.S. as we confront the global challenges before us, particularly international drug trade, and transborder crime. Nonetheless, on issues such as the environment, reaching agreement with the EU could well become more difficult.

The Amsterdam Treaty will also result in major changes in the way the European Union conducts its foreign policy. A new "High Representative" for the Union's Common Foreign and Security Policy (CFSP) will give the EU greater visibility on the international scene. An EU with an effective CFSP would be a power with shared values, and strong transatlantic ties with which we could work globally to solve problems. Now we do well coordinating with the EU on long term programmatic

issues. A better-integrated CFSP would enable the EU to act effectively in crises as well. We anticipate that the new "Special Planning and Early Warning Unit" will permit greater coordination of U.S. and EU policies. In the near future, more foreign policy decisions will be taken by qualified majority voting instead of unanimity. A new type of decision—the "common strategy"—will be introduced to establish general policy guidelines and give greater coherence to EU foreign policy. The EU has decided to focus initially on a common strategy with respect to Russia.

Our hope is that with these changes the European Union will become an even stronger, more responsible foreign policy partner after the entry into force of the Amsterdam Treaty.

Another critical reform currently being discussed that may affect U.S.-EU cooperation is the establishment of an operational defense identity for the European Union. We anticipate that the outlines of a fresh approach to European Security and Defense Identity (ESDI) will be visible at the April 25 NATO summit here in Washington and the June 3-4 European Council meeting in Cologne. It will focus on enabling the Union better to undertake its responsibilities in regional peacekeeping, humanitarian and rescue missions, and other so-called "Petersberg tasks." An effective EU with a functioning ESDI would benefit the U.S. It would provide us with a Europe that has the capabilities and the mechanisms to act when NATO chooses not to. We will monitor this development closely to ensure that the primacy of NATO is not undermined. We have emphasized the three "D's" in discussing ESDI with our European friends: no duplication of NATO structures, no de-linking from NATO's core missions, and no discrimination against non-EU members of NATO.

Beyond these reforms, European Union leaders have agreed that before this next enlargement round is completed, there must be further reform of the Union's institutions and decision-making processes. For example, the European Council arrives at decisions through consensus on many important issues, including external relations. With members representing nations as disparate as Sweden and Greece, this often leads to a lowest common denominator policy. The practical effect is that the EU is slow to respond in a crisis, and while this procedure is difficult with fifteen members, once the European Union expands to 21 members, the process could grind to a halt.

We expect EU institutional reform to address three key issues: the number of Commissioners, the weight of votes for each member state in the Council, and the extension of qualified majority voting to more policy areas.

Currently there are 20 Commissioners, with the five largest countries each having two. EU leaders must decide how this formula can be revised to ensure that a larger European Union can still operate efficiently. Member states have indicated that a larger Commission would be too unwieldy and have been trying to design a formula that would accommodate new members without increasing the number of Commissioners.

The member states must also re-assess the weighting of their relative voting power in the Council at the same time; they may also extend "qualified majority voting" to most of the policy and legislative decisions they take. This would mean less reliance on achieving unanimity, thus potentially increasing the speed and efficiency of the decision-making process.

With the advent of the Amsterdam Treaty, we are witnessing a dramatic shift in power which will give the European Parliament a greatly enhanced role in future EU decision making.

Under the Treaty, the European Parliament will enjoy the power of co-decision with the Council of Ministers on more than two-thirds of all EU legislation, compared with less than one-third today.The European Parliament's views will now matter much more than ever before. We will need to take this into account as we work with the Europeans on our trade, agricultural, environmental and other interests. In this vein, I strongly encourage you to participate in the recently established Transatlantic Legislative Dialogue, which will provide the opportunity for direct exchange on bilateral issues of concern and will help us resolve irritants in our relations before they become major problems.

COMMISSION CRISIS

In response to a highly critical wise men's report tasked by Parliament on fraud, nepotism, and mismanagement in the European Commission, the entire Commission resigned on March 16. This is an unprecedented event in the history of the European Union, and we are in uncharted territory.

Member states, especially the German presidency, have taken on the resolution of the Commission crisis, and EU leaders at the Summit now going on in Berlin have chosen former Italian Prime Minister Prodi as the next Commission President.

Once confirmed by the current Parliament, Prodi will work with the member states to select his Commission. The EU is aiming to have that new Commission confirmed by the newly elected Parliament in July. Commission legal experts tell us that under the Community treaties, the Commissioners will remain on duty until replaced. Throughout this period, we have been continuing our regular consultations with the EU on the full range of issues before us. We realize progress could become more difficult. We know Mr. Prodi and have worked well with him before. It confirmed we look forward to working with him in his new role as Commission President.

In many ways, the resignation of the Commission reflects the major institutional change the Union is undergoing. A change that will propel further change. The Commission itself has become the object of calls for significant internal reform. Subjects currently under consideration include tighter controls over spending, more transparent procedures for awarding contracts, stricter accountability standards, and disciplinary procedures for Commission officials.

There is a groundswell to bring the European Union back to its citizens, to address the EU's "democratic deficit" effectively. We are working to ensure that our relations with the European Union are strengthened by the outcome of these events. We will continue to use our influence and prestige to encourage the European Union to become a more responsive, open, and reliable partner for the United States.

Senator SMITH. Thank you, Mr. Wayne. That was excellent testimony.

I wonder if you can comment on a headline. As a preface to that, I would say I have always been of a mind that, as Americans, we should support Europe in however their self-determination takes them. My belief has always been that that will raise the European vote and, therefore, improve life for them and us as a trading partner and as an ally.

But I notice this headline: "The New Europe: Menace or Farce." This is going to be read by a lot of people in this town.

I wonder if you think that either "menace" or "farce" characterizes the European Union accurately. How would you characterize it?

Mr. WAYNE. Indeed, Mr. Chairman, I would not choose those words to characterize their relationship.

Senator SMITH. I didn't think you would.

Mr. WAYNE. I think what indeed is clear is, first, that we have an extremely important economic relationship with the European Union. As I said, it is worth $1 trillion, and there are at least 6 million people—3 million on each side of the Atlantic—directly employed by companies originating on the other side of the Atlantic. This does not include all of the secondary employment that comes from that.

Senator SMITH. The thesis of one of the articles is, essentially, that this is being done to decouple the United States and Europe, to put up trade barriers and, seeing it as a zero-sum game, that this is a way to make America lose so that Europe can win.

Do you think they see it that way?

Mr. WAYNE. No, I don't think so.

I mean, of course, on both sides of the Atlantic there is a wide range of opinion, and I cannot speak for every opinion. But no, I don't think that is the driving force at all or even an important consideration in the majority on the European side.

In fact, we have undertaken with the European Union and with the blessing of all the member States a range of initiatives, indeed to deepen the integration across the Atlantic and to reduce the additional barriers.

Last May, in London the President and the leaders of the European Union agreed to launch a new process called the "Transatlantic Economic Partnership." Then we worked until December, when we had a concrete action plan which we put forward. This talked about 10 very important areas to reduce regulatory barriers while maintaining high standards of health, safety, and protection of consumers; indeed, to allow freer exchange back and forth across the Atlantic.

One of the important points to remember is that, with Europe, we can take these kinds of steps and feel much more secure that we are talking about the same kind of level of standards on both sides to protect our citizens.

So, there is a whole active program going on to deal with further taking down of barriers, to bring us closer together.

In fact, if you look at some of the high profile disputes that we have been having, some of that is a direct result of the degree of integration of our two economies right now, which has been increasing under what is called "globalization," most broadly, in many commentaries. The degree of integration across the Atlantic has increased.

So when on one side or the other side of the Atlantic somebody undertakes what they may consider in their head a regulatory reform only affecting their side, there are immediate shock waves on the other side of the Atlantic. This is a problem that we have to deal with. But it really is a measure of the health of the economic relationship that we have.

Just to answer on the other, menace, part of this, certainly as we look at the relationship, we see a great potential for cooperation in dealing with problems that neither of us can deal with by ourselves effectively.

When we can combine the assistance resources and the diplomatic resources of Europe and the United States to deal with a regional problem somewhere else, it is much more likely that we can get a better outcome working together than we could working alone.

So we see that potential and, try to work with it.

Senator SMITH. I was in Poland not too long ago. I am generalizing now, but, essentially, what they told me they were being told in their accession talks is raise your taxes, accept our regulations and you may get in but you still won't sell us your potatoes.

Mr. WAYNE. Right.

Senator SMITH. I guess my comment is why would a country like Poland, whose economy is coming out of communism and doing very well, or a country like Estonia, that seems to be adopting a Hong Kong model, want to get into the European Union, which are essentially socialist democracies—heavy statist, welfare systems? Why would they want to be part of that if they are actually trying to improve their standard of living?

Mr. WAYNE. It is because the standard of living at the EU is so much higher than theirs. They are growing at wonderful rates and, as you said, at higher rates than any in the EU.

Senator SMITH. Will they retard their rates of growth if they accept the high taxes and regulatory burdens of the EU? That is up to them, I know.

Mr. WAYNE. My guess—I am not speaking as a trained economist here—my guess is no, that they are going to continue growing because they have a dynamic space to grow in right now. They are not at the more mature level economically of the European Union.

So I think they will probably continue to grow well.

Senator SMITH. What is your sense of what Britain will do? Will they get fully integrated or will they just stand apart or take a hybrid approach to it?

Mr. WAYNE. I think the U.K. has gradually moved closer and closer to the European Union. The big next challenge is whether they will join the Euro.

It is clear that there are still divided opinions in the U.K. about that. The government is certainly preparing the ground for a decision to be made to do this.

There is strong sentiment in the business community favoring further integration. But there is strong sentiment elsewhere in society the other way around. I just really cannot predict right now where in 2 or 3 years opinion will be in the U.K.

But it is very interesting that the U.K. has taken the lead in proposing internal reforms to the Commission in the midst of this current crisis. They have really come in, and Blair has said we need a "root and branch" reform of how things are done here.

So there is no pulling back from being involved in European Union affairs. And, in fact, part of the new reflection on the European Security and Defense Initiative was initiated by Tony Blair.

Senator SMITH. Can you briefly comment on Norway and Turkey as it relates to the European Union? I, at least, would regard them as European. Certainly there is no question about Norway. But they are not a part of this and they are not a part of the foreign policy apparatus, apparently.

Mr. WAYNE. That is correct.

Norway did undertake negotiations to join the European Union with the last wave of entrants, with Sweden, Finland, and Austria. They then went to the voters and the voters said "no, we don't want to join."

This had to do with the opinion of the Norwegian people. They saw more benefit in staying out than in coming in and, in a sense, overruled their officials and the government at that time, which had wanted to come in.

Now they still have a very, very close economic relationship. They have negotiated something that is almost the same as full membership in a number of economic areas. But they do not sit at the table with the other EU leaders when they make a number of the big decisions.

On the part of Turkey, I think it is fair to say that there are divided opinions in the European Union about Turkey, about when and if Turkey will become a member, though the European Union of late has been calling Turkey a "candidate country." There have been a number of proposals put forward by the Commission to deepen the Turkey-EU relationship.

We think that, there is a shared perspective, that Turkey is very important to Europe, that there should be a closer relationship between Turkey and Europe. It is not a surprise that we have been perhaps more enthusiastic supporters of Turkey moving closer to

the EU than certain members of the EU. This will remain, I think, an issue that will have to be worked on by the European Union.

But I think there is general agreement that that relationship is a very important one.

Senator SMITH. Thank you very much, Mr. Wayne. I appreciate your testimony and your answers to questions.

We will now call up Dr. Jeffrey Gedmin from the American Enterprise Institute and the New Atlantic Initiative; Dr. Lily Gardner Feldman from Georgetown University; and Mr. Peter Rodman of The Nixon Center.

If you would just allow me a moment, I want to find out if there is any vote pending immediately.

[Pause]

Senator SMITH. There is a vote scheduled at 3. Let's start the testimony and I will quickly go over and vote and will come right back.

Why don't we start with Mr. Gedmin.

STATEMENT OF DR. JEFFREY GEDMIN, RESIDENT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE; AND EXECUTIVE DIRECTOR, THE NEW ATLANTIC INITIATIVE, WASHINGTON, DC

Dr. GEDMIN. Thank you, Senator, Mr. Chairman, for the opportunity and invitation to testify today. I have prepared a statement which I submitted for the record. But I am happy to summarize my statement before answering any questions you might have.

First, Senator, I should mention that you did hold up the weekly issue of The Weekly Standard. You asked Mr. Wayne if he agreed with the language, "Europe: Menace or Farce." I am the author of one of those two articles and I must say I did not choose that language, either.

I am the "menace" guy and I would not argue that Europe is a menace—not yet. At any rate, I do want to go on record as saying I still adore the Europeans. I am just deeply skeptical about some of what they are doing.

Let me make brief remarks about two areas that you have already discussed with Mr. Wayne today. One is the European Union's enlargement and second is what the European Union wants to do with a deeply integrated Europe that perhaps one day adopts a common foreign and security policy.

First of all, on the subject of enlargement, I think it is important to remember that in 1989–1990, our West European allies faced a strategic choice in the midst of stunning changes—the fall of the Berlin Wall, German unification, dissolution of the Soviet Union. The European Union had a chance either to concentrate on widening the EU and including the new democracies of Central and Eastern Europe or deepening and concentrating, then, on internal consolidation of power.

In my view, it would have been a better choice to concentrate on widening, rather than deepening.

You, Senator, have raised very interesting questions as to why our friends in Central and Eastern Europe wish to join this institution. That is an interesting conversation in and of itself, genuinely. But the fact is, as you well know, they do—desperately and intensely. They do. It is the only game in town.

I think that the West Europeans could have served continental and transatlantic interests more effectively had they been a little more open and inclusive institutionally.

Broadly speaking, I think there are three reasons why, over the last decade, West Europeans have put their eggs in the basket of deepening.

The first has to do with Helmut Kohl's argument. His thesis, as you know and as you will recall, is and was if we don't internally unify Western Europe, if we do not create economic and political unity—and, remember, they were talking about West European unity, and that is unity of the EU members. You rightly pointed out that there are other European countries that do not belong to the European Union, including Norway and Western Europe. Kohl's argument was that the opposite alternative would lead to new dissolution, maligned nationalism, and lethal fragmentation in Europe.

I must tell you that I have never bought this argument, as much respect as I have for Helmut Kohl. It strikes me as an argument that maintains that we must stop ourselves before we kill again.

It has always struck me that if we have so much confidence in our democratic allies in Europe and in Germany, they should have a little more confidence in themselves.

The second reason why the European Union chose to focus on internal deepening rather than enlargement in my view has to do with an argument advanced, including by people like Germany's current Chancellor, Gerhard Schröeder, that deepening of the European Union is a key to modernization. This is the principal means by which we can become competitive in the global economy.

Well, here, too, I must tell you that I found this rather puzzling. I just looked at the statements of two leading politicians in Europe today. Tony Blair, for example, contends that the adoption of the Euro, for instance, will make the EU "more efficient and less subsidized, more open and less heavily regulated."

Across the Channel, though, French Finance Minister, Dominique Strauss-Kahn, calls the Euro "a tool in the service of a better society, of a better social model; that is to say the European model, based on greater solidarity than in the United States."

I read this as code words for shielding inefficiencies and protecting against what Strauss-Kahn calls "the free market illusion."

The third, and I think the most interesting and compelling reason why West Europeans have concentrated on deepening integration rather than enlargement in the last decade, is rather actually appealing, seductive, and most problematic for American policy. This is that a stronger, more self-reliant European Union will not only be more capable of tending to problems and security in its own neighborhood, it will also be a more effective partner of the United States both within the transatlantic community and around the world.

Let me conclude, Mr. Chairman, by just giving you three reasons why I am skeptical of this overall thesis. Of course, it has been said today and it bears repeating that we, as the United States, for decades have supported European integration and over the last decade we have supported the West Europeans in their ambition for a Common Foreign and Security Policy and also the so-called Euro-

pean Security and Defense Identify which, as we have discussed today, would mean the Europeans can act on their own without American participation but relying on NATO assets.

Now, briefly, I have three points of skepticism.

The first has to do with the general emerging political climate in the European Union itself, which I believe has tendencies, not dominant today, but tendencies which, at their best, are anti-hegemonic in sentiment and, at their worst, outright anti-American.

Of course, the French are notorious and to cite our French friends is probably a little unfair because it is so predictable. The French Interior Minister keeps telling us we have our interest, the Americans have theirs. And, doubtless, we don't have to go through all the mischief vis-a-vis Russia, Serbia, or Iraq that the French have put on our table.

But it is worth noting that leading French politicians quite explicitly say that the "raison d'etre" of the new European Union should be to represent European interests in the world, not trans-Atlantic interests, certainly not American ones, and that the European Union should be ready to play the role of counterweight vis-a-vis the United States, either directly or outflanking us in international institutions.

Now before one says well, that is the French, that is predictable, and that is part of the love/hate relationship, I would hasten to add that our friends the Germans, too, become now, in my view, increasingly prickly about American leadership or what they would call American hegemony.

I took careful note of Helmut Schmidt's comments recently. The former German Chancellor said that the arrival of the Euro "means that the United States can no longer call all the shots in the world."

I take note of German commentators who argue that with European unity, Europe will no longer "be seconding U.S. global policies."

Finally, I make the observation that it is not only the French but other West Europeans and the Germans, too, who refer now to America as the rogue super power and focus great attention on the United Nations; this is to say the U.N.'s Security Council should become the sole, indisputable legal basis for the use of force in international relations.

Now there is much talk about the need and the desire to uphold international law. But in my view, this is a desire amongst some of our allies to check American power and room for maneuver.

Before leaving this point, let me just mention that I do believe there is much we can do in the United States to alter the style and substance of our leadership. The rules of the game have changed and allies are tired of being junior partners, and understandably so. But I also worry at times that the old, maligned nationalism of the Nation-State that Helmut Kohl was so committed to getting rid of could become replaced by a new, maligned nationalism of a European Super State.

The second point I want to mention has to do with burden sharing and our desire and the West European desire to become self-reliant and to take care of security in its back yard.

Of course, we have had, already, two instances in this decade—Bosnia and Kosovo—and the results have not been very good. But I would like to point out that in my view, I think we Americans should not underestimate the structural and historical obstacles to the West Europeans doing what we want them to do.

I mention two points. First of all, the EU, with all its desire for institutional fixes, still hasn't and will not have for any foreseeable future a national leader. I think Bismarck had something when he said that every alliance needs a horse and a rider.

I think in crisis people need leaders and I think that the European formula institutionally may be a formula for common foreign and security policy, but the common part may often be for paralysis, inaction, and lowest common denominator politics.

The other point I want to make is the American argument continually and persistently that the West European friends need to spend more on defense. In fact, I think that is true. But I don't think that is a panacea.

I think that we have to remember that one of the reasons why we at times have been so successful—that is, Americans and American leadership—is that we have successfully combined military power, military power with the unwillingness, the determination not to appease dangerous tyrants. And for reasons of history, culture, and temperament, I don't think our West European friends share the same lessons in the same way.

The last and final point, Senator, that I would like to make has to do with the EU as a partner in helping America defend a liberal world order—something that I am for but that I think we are far from, in fact.

First of all, I point out that it is important to remember when we are nostalgic about the days, the good old days, of the cold war, when, as we are told frequently, things were conceptually so much easier, that when it came to our allies, things were never easy, as you know. Whether it was coping or contending with crises like martial law in Poland, the Soviet invasion of Afghanistan, battling Marxist insurgencies in Central America, getting the European Community to help us react when Americans were taken hostage in Tehran in 1979, in general, the West European friends reacted with temporizing, reacted with equivocation, and were often reluctant to go along.

Today, the scene has changed dramatically. West Europeans without the cold war feel less dependent on the United States. Generational change in underway and, as we are discussing today, they are busy developing European institutions with minimal American participation and consultation.

I think we have to be very sober in our expectations. Take one example—how difficult it has been for us: bipartisan consensus, as it has existed at times in the United States, to convince our West European friends of the danger of the Iranian threat.

I should tell you that I just read in a German newspaper last week an interview with German Chancellor Gerhard Schröeder, who just announces unilaterally to his interview partner that "it is time now to improve the already traditionally good relations between Germany and Iran."

Finally, Senator, in closing let me just mention that by no means in my view, by no means should this be an argument for disengagement from Europe. I think we need allies. Some of the best allies we have are in Europe, and the allies still need us.

I think it is terribly important, when we are working on these problems, to realize that we do want more burden-sharing, but I believe that we want to be a super power. That has costs but also benefits.

I believe that it makes sense to support the choices our European colleagues make. They are sovereign, democratic Nation-States. But I think of what Deputy Secretary of State Strobe Talbott says: for this process we have "hopes and apprehensions."

I would like to see us emphasize much more the apprehensions, openly and candidly.

Finally, when our West European friends tell us that most important to their part is the project of European integration and deepening of the European Union, we should challenge them to transfer at least some of this energy to deepening of the Atlantic community and NATO.

My overall fear is this. In the future, I think Americans will be increasingly unwilling to support a NATO that looks backward. However, Europeans today I think are far from taking this project in the future and looking forward.

Thank you, Senator.

[The prepared statement of Dr. Gedmin follows:]

PREPARED STATEMENT OF DR. JEFFREY GEDMIN

Mr. Chairman and Members of the Committee, I want to thank you very much for the invitation to appear before you today to testify on developments in Europe and within the European Union specifically. With NATO poised for airstrikes against Serbia, a mission designed to stave off a humanitarian catastrophe in Kosovo, I welcome the opportunity for this conversation with you about issues that are not unrelated. In my view they are issues of strategic concern which relate directly to the long term health of Atlantic Community.

1. WEST EUROPE'S STRATEGIC CHOICE: DEEPENING OVER WIDENING

After the stunning changes in Europe between 1989–91—including the fall of the Berlin Wall, Germany's unification, and the dissolution of the Soviet Union—West European leaders were faced with a strategic choice: to widen the European Community to include the new democracies of central and eastern Europe and to help consolidate the gains of Cold War victory; or to concentrate on "deepening" the European Community by promoting greater West European internal unity through economic and political consolidation and harmonization. At the time, West European leaders were fond of saying that both processes—widening and deepening—were compatible, complementary, and by no means mutually exclusive.

A decade later we know differently. Deepening is on track. Eleven of the fifteen members of the European Union adopted a single currency on January 1 of this year. And monetary union is now to be followed by deepening economic and political union, features of which include the West European ambition for a European Security and Defense Identity (ESDI) and ultimately a Common Foreign and Security Policy (CFSP). Meanwhile, ten years after the fall of the Berlin Wall, not a single nation from the old Soviet bloc has been admitted to the European Union; nor is any single nation on the verge of becoming a member of the EU—not this year, not next, not the year after. In my view, American interests, Western interests, and European interests would have been better served had the European Union acted over the last decade as openly and inclusively as its sister institution NATO has acted.

What explains this pattern of behavior, what one might describe as a form of West European isolationism? There have been primarily three different arguments driving the EU's inward looking, self-absorbed behavior of recent years. First, there was the argument advanced by German Chancellor Helmut Kohl. Germany is the

country in Western Europe which most closely shares the American interest in seeing to it that the doors to Western institutions of consultation and cooperation are open to the young democracies of the east. And Germany has been the leader among West European countries in providing by far the largest amount of assistance to central and eastern Europe and the Newly Independent States of the former Soviet Union since the end of the Cold War.

At the same time, however, while in power Helmut Kohl's government remained principally preoccupied with deepening of the EU. "Unification" as a cure all to Europe's ills has been an idea of statesmen, princes, and poets on the continent for centuries. And in step with the historical ethos—and, one should add, acutely conscious of Germany's own tragic history in this century—Kohl devoutly believed that economic and political unity would serve as antidote to Europe's darker inclinations. Simply put, unity would once and for all, in Kohl's view, lock in cooperation and lock out the demons of malign nationalism, blood rivalry, and lethal fragmentation.

In my judgment, Helmut Kohl's thesis, however sincere, was simply out of date and out of step with developments in modern, democratic Europe. At the beginning of this decade, liberal democratic nation-states existed throughout Western Europe. And without having ceding inordinate amounts of sovereignty or democratic control to supranational institutions in Brussels or elsewhere, West Europe's democracies were doing just fine. It was the central and eastern European democracies that needed help. It was on this part of the continent where stability was needed. But for the new democracies, the EU's doors remained closed. I think U.S. envoy Chris Hill pointed in the right direction, incidentally, when last year he criticized West Europeans for "toasting themselves and claiming that they have achieved a united Europe" while the Balkans go up in flames.

Others have argued (and Germany's new Chancellor Gerhard Schröeder belongs to this second school) that deepening of the EU—including specifically the adoption of the euro—will help modernize the economies of Western Europe and better permit the EU to compete in a global economy. But here, too, the argument is hardly persuasive. In fact, the divergence of views within the EU itself is striking. British Prime Minister Tony Blair contends that the euro will make the EU "more efficient and less subsidized, more open and less heavily regulated." Across the channel, though, French finance minister Dominique Strauss-Kahn calls the euro a "tool in the service of a better society, of a social model, that is to say the European model . . . based on greater solidarity" than in the U.S.—code words for shielding inefficiencies and protecting against what Strauss-Kahn calls the "free market illusion."

Finally, they are those across the West European political establishment who have argued that an economically and politically united Europe—and I always want to remind that what they are developing thus far is a united Western Europe—is an essential part of a maturation process. A united Europe will be better equipped, they contend, to care for security in its own neighborhood. And a united Europe will be a stronger partner for the United States both within the transatlantic community and around the world. This third argument is the most interesting, most compelling, and the most problematic for U.S. policy. Before pointing out what in my view some of problems with its assumptions are, though, let mention that West Europeans have not abandoned the project of EU enlargement.

2. EU INTERNAL REFORM AND ENLARGEMENT

Making the EU fit for enlargement. That's what the ambitious reforms known as Agenda 2000 are primarily about. Reform of the EU's finances, farm, and regional policies is necessary if the EU is to start admitting poorer countries from central and eastern Europe. EU officials report that progress on Agenda 2000 has been made; and that remaining problems will be resolved at a special EU summit which takes place today and tomorrow in Berlin. (At the same time, negotiations with five applicant countries from eastern Europe and Cyprus have been creeping along since last November). What's more, the mass resignation of the European Commission recently, EU officials argue, "should not delay enlargement."[1] Nevertheless, it is hard to find grounds for optimism.

To be sure, German Chancellor Gerhard Schröeder, whose government currently holds the rotating EU Presidency, will push hard in Berlin for a full agreement on outstanding issues, probably arguing that the EU's credibility is at stake in light of the European Commission fiasco. But success will be in the eye of the beholder. As for the EU's farm deal, for example, the Economist writes recently that it is largely:

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[1] With an annual budget of $100 billion, the Commission negotiates trade issues and is the final arbitrator on antitrust policy and other economic matters.

an Augustinian package of promises and postponements: yes, we will cut subsidies, but not yet. Cuts in prices guaranteed to farmers for beef, cereals and milk will be phased in, but farmers will be paid directly instead. A review of the quota-ridden diary industry will take place in 2003, but quotas will stay in place until 2006 at least.[2]

Meanwhile, difficult issues relating to the financing of the EU budget have yet to be resolved. These issues include Germany's wish for a reduction in its net contribution, and pressure from other EU countries for cuts in or the elimination of the UK's budget rebate negotiated by Prime Minister Thatcher in the 1980s.[3] Regardless of what comes out of the Berlin summit, I expect EU enlargement to proceed at a snail's pace. Before Christmas, senior European officials were already confiding privately that "slippage" could be expected in the current pace. More to the point, a senior adviser to the Prime Minister of one EU country told me recently, "publicly, everyone's for enlargement; privately, there's really little enthusiasm."

3. COMMON FOREIGN AND SECURITY POLICY (CFSP) AND EUROPEAN SECURITY AND DEFENSE IDENTITY (ESDI)

There remains considerable enthusiasm in West European capitals for the project of deepening integration, however. In fact, just as NATO engages in its debate about a revised Strategic Concept, the EU is devoting considerable energy to modernizing its own institutions, outlook, and mission.

Support for European integration has been a hallmark of U.S. foreign policy for decades. And the administration has welcomed new steps, including the arrival of the euro and the parallel movement in recent years toward defense integration. In the 1991 Maastricht Treaty, the EU committed itself to the development of a Common Foreign and Security Policy (CFSP). And since that time, the European Union has taken some practical steps by encouraging, for example, EU foreign ministers to develop common analyses; and by agreeing to adopt the post of "high representative" for foreign policy (Mr.CFSP), to act as EU spokesman. In the 1994 NATO Brussels Summit initiatives and in the 1996 NATO agreement in Berlin, the U.S. pledged to support the creation of the so-called European Security and Defense Identity (ESDI)—presumably another move forward in the EU's transition from adolescence to geo-strategic adulthood. As British Defense Minister George Robertson puts it, "without effective military capability to back up European foreign policy, we are wasting our time."

In theory, ESDI means that NATO's European members, relying on NATO assets, would in the future be able to undertake missions in which U.S. forces would not participate. And the U.S. position has been clear: Yes, to ESDI, as long as this trend does not, as the Secretary of Defense puts it, "undermine or supersede NATO institutions and missions."[4] In theory, it sounds like West Europeans taking responsibility. It sounds like burden-sharing. And for these reasons, enthusiasm in some circles in Washington has been equally clear. Such steps toward greater European responsibility would fit well, for example, with the idea of those, like Senator Kay Bailey Hutchison, who argue for an increasingly neat division of labor in the alliance: "Europe leads with the United States as backup on the European continent; the United States leads with European and other allies as back up in the rest of the world."

Any honest discussion of these developments must recognize however, in my view, that these trends carry promise and peril. Deputy Secretary of State Strobe Talbott talks about "hopes" and "apprehensions." As he put it recently, "We want to see Europe define its identity and pursue its interests in a way that not only preserves but that strengthens the ties that bind [us together]." Of course, this is exactly the question. Can and will the EU define itself in a way that strengthens the transatlantic bond? A recently published article on "Building a European Defense Capability," coauthored by a respected American, French, and British analyst, contends that any argument "that a stronger, more assertive Europe will undermine NATO as well as U.S. interests is simply wrong." I'm skeptical about the certainty of such statements; just as I'm struck by the vehemence of the authors' tone.[5]

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[2] The Economist, March 13, 1999, p. 40.

[3] Prime Minister Blair has thus far refused to consider giving up the rebate Great Britain received from the EU budget that Mrs. Thatcher secured as compensation for the comparatively limited aid British farmers receive from the EU.

[4] "Report on Allied Contributions to the Common Defense: A Report to the United States Congress by the Secretary of Defense," March 1999.

[5] "Building a European Defence Capability." Kori Schake, Amaya Bloch-Laine, Charles Grant. *Survival.* Spring 1999, p. 21.

The EU and its members are entitled to their choices. And of course, we want to encourage our allies to shoulder greater burden within the alliance. But I'm not at all certain that it remains in the American interest to continue offering unqualified support for deepening European integration. Not, at least, without asking hard questions of our allies and ourselves. And not without considering carefully what we can simultaneously do to strengthen Atlantic ties in security, trade, and political cooperation.

West European officials increasingly argue, for example, that an economically and politically unified EU is the best vehicle to advance Europe's interests in the world. Fair enough. But should we not be asking what those interests are? And whether they are compatible with American interests, and what we frequently view as, common transatlantic objectives?

For clues to the answers, start by considering the current French lament of America as "hyperpower." French President Chirac speaks of a new "collective sovereignty" to check American power and sees the EU as playing a crucial role. Meanwhile, French mischief has directly encouraged Russian support for Slobodan Milosevic's Serbia. French Foreign Minister Hubert Vedrine has advocated accommodationist policies toward Iraq, noting that the French position is that "of all Europeans, . . . the Arab world, the position of the Russians, the Chinese." And France's interior minister, Jean-Pierre Chevenement, fondly says: "We have our interests and the Americans have theirs." For those of us who still like to believe in the idea of the West, our French friends are not very inspiring these days.

Of course, French mischief—and outright anti-Americanism—are nothing new, of course. But consider the changed conditions of the post-Cold War world. With the Soviet threat gone, our allies across Western Europe are feeling less dependent on the United States. Generational change is underway, and younger politicians—on both sides of the Atlantic, of course—no longer have the same intuitive reflexes about the importance of transatlantic relationship that their predecessors had. And, as we've started discussing, West Europeans remain busy developing their European institutions with great enthusiasm—and often minimal American participation or consultation. It is in this wider context that I believe we should consider developments within the European Union.

At the summit between French and British leaders in the French port of St. Malo in December, there was talk of Europeans' working "within or outside NATO" in the future. The tone and level of interest our British allies are now taking in European Security and Defense Identity is striking and unprecedented, even with all the predictable footnotes about how great European independence will not undermine the transatlantic link. I believe it's appropriate, then, for Americans to ask whether the special relationship with Britain is to fade as the United Kingdom seeks amalgamation with a European federal state. Incidentally, under majority voting in a future Common Foreign and Security Policy, it is possible that our British allies could find themselves at times prevented from joining the U.S., as they did in the bombing of Libya during the Reagan administration, for example, because the EU's majority dissents. I believe it's also appropriate to ask, when the British and French issue a communique affirming that "the European Union needs to be in a position to play its full role on the international stage," what exactly Europeans envisage this role to be—and how it will relate to NATO.

I should mention that there are those among our European allies who genuinely believe that the developments we are discussing are fully compatible with Atlanticism and a strong NATO which retains its unity and credibility. There are others, though, who promote in various ways a different vision for the future of U.S.-European relations. Former German Chancellor Helmut Schmidt boasts, for example, that the arrival of the euro means "the United States can no longer call all the shots" in the world. Prominent German commentators applaud the fact that a stronger EU, as they see it, means that Europe will no longer be "seconding U.S. global policies." French and German leaders alike these days insist that the United nations assume greater power and influence and hold alone the "indisputable legal basis" for the use of force in international affairs. Support for the idea in Western Europe grows. The Europeans apparently argued initially that the use of force in Kosovo required explicit UN authority. There are noises about dangerous precedents and the need for stronger international law. The primary intent, in my view, is the EU's desire—and of course, the desire of others—to check America's room for maneuver.

Having said all this, it's clear—and understandable—that West Europeans have tired of playing the junior partner in the alliance. Simply put, our allies want to assert their new feelings of independence, and they want to be treated as grown-ups. All fair and reasonable. There's increasingly prickliness about American hegemony throughout Western Europe. And we can do our part in adjusting the style

and substance of our leadership at times. At the same time, though, one wonders whether the old nationalism of the nation-state which Helmut Kohl was so determined to bury, may be reborn in a malign supranationalism of a European superstate. Even if such a scenario does not develop, it's still wrong, in my view, for the U.S. to assume that the new EU will share our analysis of problems and our goals in the world.

Although it is easy to be nostalgic, it was, in fact, never easy with our allies during the Cold War. Remember the Europeans opposed American efforts to resupply Israel during the 1973 Yom Kippur War and to forge a unified Western response to the oil cartel's embargo and price hikes. Remember that after U.S. embassy staff was taken hostage in Tehran in November 1979, the United States appealed to its EC allies for support in applying sanctions, to no avail. When the Soviet Union invaded Afghanistan, the Europeans mustered condemnation and little more. When martial law was declared in Poland in December 1981, the EC offered a temporizing response—and massive resistance to U.S.-sponsored sanctions. When the U.S. battled Marxist insurgencies in Central America in the 1980s, the Europeans equivocated; when an EC commissioner warned, for instance, of the danger of "external intervention feared by all," he was understood to be referring as much to the United States as the Soviet Union. And those were the days of Cold War dependency.

And today? I am concerned that NATO's new Strategic Concept, to be unveiled at the Washington Summit next month, will paper over important fissures that are not easily mended. Is a united EU ready to join the U.S. in promoting and defending a liberal world order? I'm doubtful. And if we want to promote a common strategic culture we have enormous work to do. To take but one example, remember that our policy of containing Iran has faltered in large part because our allies have been unwilling to take the Iranian threat seriously. And now, despite interesting but also contradictory signals from Tehran over the past year, Gerhard Schröeder calmly tells a German interviewer that "the time is ripe for an improvement in the traditionally good" relations between Germany and Iran.

And what about the EU in its own neighborhood? West Europeans are desperate to do more. And rightfully so. Remember Luxembourg's foreign minister Jacques Poos in 1991, who declared that this was "the hour of Europe." He also said, "if one problem can be solved by the Europeans it is the Yugoslav problem. This is a European country and it is not up to the Americans. It is not up to anyone else." I don't think it's premature to say that with Kosovo a second chance has already tragically come and gone for the Europeans to solve a problem in their neighborhood without the help of the Americans.

And with all the institutional fixes in the works, and all the obsession with new structures, mechanisms, and institutional arrangements, it's hard to imagine the EU—which lacks a natural leader—moving in times of crisis beyond the suffocating confines of lowest-common-denominator politics. Nor am I confident that our West European allies are otherwise on the right course. Defense spending remains low. Our allies spend about 2.2 percent of GDP on defense, one-third less than the United States. In Germany, defense spending as a share of GDP dropped by 1.5 percent last year, down by almost half from its 1990 level of 2.8 percent. And conscientious objection reaches record levels.

But there's more to the story. American leadership has been successful when the United States has combined military power with the determination not to appease dangerous tyrants. Even if the EU were to grow its own autonomous military capability, there is no reason for Americans to assume that Europeans, with the advantages, but also in instances the obstacles created by their different history, culture, and temperament, will pursue policies in which we would have confidence. When the West Europeans tried to "lead" in Bosnia earlier this decade, we should not forget that leadership often took the form of traditional power politics, with major powers siding with traditional regional proteges, and often turning a blind eye to the victims of aggression.

All these points of skepticism that I've raised today should not be misconstrued as an argument for U.S. engagement from Europe. On the contrary. America, the lone superpower still needs allies, just as Europe, its own superpower pretensions notwithstanding, still needs the United States. Issues like Bosnia and Kosovo cannot be solved without American military power and leadership. NATO's enlargement—and the expansion of freedom and prosperity into Central and Eastern Europe—cannot happen without active American support and participation. At the same time, terrorism, proliferation, rogue states and other new threats are effectively combated only when America and the alliance of democracies band together. With all our differences, that's how the Cold War was won. It is my hope that a successful Washington Summit, the promotion of new Atlantic initiatives—and a healthy dose of skepticism regarding deepening European integration—will help

keep the Atlantic community together and moving forward on the best possible path.

Senator SMITH. Thank you very much.

If we could stand in recess, I am going to go to vote. I will be right back and we will carry on.

[Recess]

Senator SMITH. I apologize. There were two votes, not one. But we are now back and I appreciate your indulgence. This is such an important topic and I want to make sure each of you has a chance to contribute to the understanding of this committee on this issue.

Dr. Feldman, we will go to you next.

STATEMENT OF DR. LILY GARDNER FELDMAN, SENIOR SCHOLAR IN RESIDENCE, CENTER FOR GERMAN AND EUROPEAN STUDIES, GEORGETOWN UNIVERSITY, WASHINGTON, DC

Dr. GARDNER FELDMAN. I'm Lily Gardner Feldman, Senior Scholar in Residence at the Center for German and European Studies, Georgetown University.

I am pleased to address the committee today, Chairman Smith, and request that a longer written version of my presentation be submitted for the record.

Senator SMITH. Without objection, that will be done.

Dr. GARDNER FELDMAN. I will confine my remarks here to the 5 to 7 minutes I have been given.

Both the internal character and the external profile of the European Union are changing in ways that are significant for the United States, especially given the European Union's status as America's most important partner in global commerce and in global problem solving.

It behooves the United States, then, to appreciate and anticipate the nature and consequences of the EU's internal deepening and external widening which, I believe, unlike my colleague, have been twin goals since 1989.

I congratulate the committee for recognizing the importance of the European Union by holding this hearing.

I will divide my remarks today into three parts: first, an outline of three scenarios for how enlargement of the European Union could occur; second, an indication of the institutional and policy reforms that will determine which scenario likely will prevail; and, third, a specification of enlargement's implications for the United States.

Let me begin with the scenarios for enlargement of the European Union.

The scenarios for near-term expansion of the EU relate to the six candidates with whom negotiations already are underway—Poland, the Czech Republic, Hungary, Estonia, Slovenia, and Cyprus—and not the other seven applicants, including the special case of Turkey.

The presumed date of accession would be 2004–2005, with a 20 year transition period to fulfill all the obligations of membership.

There are three main scenarios for enlargement: (1) the total failure of enlargement, due to member State opposition or growing influence in candidate countries of the probable "loser" economic sec-

tors, or the refusal of the European Parliament to grant its assent to widening in the absence of major deepening; (2) the achievement of enlargement involving minimal reform and a divisive and piecemeal process. This means perpetuation of the European Union as a hybrid, yet functioning, organization that combines "flexible integration" of moving toward a common goal at different speeds; "variable geometry" involving a permanent core on certain issues coexisting with countries who opt out; and the pillar system of supranational, mixed, and national competencies.

Some of the six current candidates may not make it into this untidy entity.

Finally, the third scenario is the realization of enlargement with all candidates in the context of overall, fundamental reform of institutions and policies from which the EU would emerge as a decisive, coherent actor with a sense of direction, streamlined instruments, and a reinvigorated agenda.

I predict that scenario two will prevail due to current developments in policies and institutions that affect the internal and external functioning of the EU. Simultaneously, the EU is racing uphill and spinning its wheels.

I will turn now, then, to the second part of my presentation, institutional and policy reform.

The EU has demonstrated remarkable progress in the area of Economic and Monetary Union and, thus, its capacity for fundamental change. Yet key areas of institutional and policy reform necessary to facilitate the basic functioning of a 20 or 21 member body remain unresolved.

The EU's special summit in Berlin today and tomorrow probably will reach a compromise on the future financial framework, reform of the Common Agricultural Policy, and alteration of the apportionment of Structural Funds. But that compromise will fall short of the far-reaching proposals of the Commission or the current German presidency of the EU.

Similarly, the Cologne summit in June will agree to a procedure for resolving the key institutional issues not caused but magnified by enlargement, namely the distribution of seats in the Parliament and Parliament's decisionmaking role, the size of the European Commission, and the reweighting of votes in the Council.

Fundamental change in the EU is highly complicated. Turmoil in the Commission and the attendant public disappointment with the EU's efficacy make some institutional reform likely, particularly in the European Parliament and the Commission.

But it will be highly contested and probably will not involve including areas like Common Foreign and Security Policy in the EU's supranational competence. The final say in that area will remain with Nation-States.

These developments amount to incremental change, leaving the EU as a patchwork quilt arrangement and a multi-tiered organization. This outcome does not preclude enlargement, but it renders it more difficult, with specific consequences for the United States.

In closing, allow me to address these implications.

I deem the first scenario of enlargement's total failure unlikely. Due to the EU's political commitment to success, a lot has been in-

vested in this project. I also doubt the third scenario of enlargement with thorough-going, effective reform.

Nonetheless, U.S. officials should still contemplate both scenarios for they would change fundamentally U.S.-EU relations.

So what are the implications for the United States of the second scenario of incremental reform preceding enlargement? It will have positive economic and political benefits for the United States if it spurs further trade liberalization and the compensation negotiations for trade diversion are not acrimonious.

The second scenario's enlargement implies a continued partnership of relative economic equals between the United States and the EU, particularly if economic and monetary union is successful. But the United States will need to continue to live with the frustration of a messy partner.

Enlargement will increase EU credibility on the European continent in U.S. eyes if the United States accepts that EU power will remain economic and diplomatic and not become military.

Enlargement will permit consolidation of international political cooperation between the United States and the EU in traditional conflicts and in newer areas such as global climate issues and international crime if the United States recognizes that the European Union must still devote energy to ongoing internal reform to guarantee that enlargement is an asset and not a liability.

The EU faces greater challenges today than at any time since its founding. The United States should continue to support staunchly the process of integration, including enlargement, but it should pay more attention to the specific character and consequences of those changes.

Thank you, Senator Smith.

[The prepared statement of Dr. Gardner Feldman follows:]

PREPARED STATEMENT OF DR. LILY GARDNER FELDMAN

INTRODUCTION: THE IMPORTANCE OF THE EUROPEAN UNION FOR THE UNITED STATES

In the current six-month German presidency of the European Union, the fifteen member-states face a fuller agenda than at any time since the 1955 Messina conference that led to the Treaty of Rome and the creation of the European Economic Community in 1957. The magnitude of the challenges confronting the European Union (EU) was clear to the world in the unprecedented resignation of the entire 20-member European Commission on March 16, 1999. German Chancellor Gerhard Schröder, who holds the rotating presidency of the Council of the European Union, has deemed the resignation a "crisis" but also an "opportunity" for redefinition and renewal.[1] Both the internal character and the external profile of the European Union are changing in ways that are significant for the US, especially given the EU's status as America's most significant partner in global commerce and international problem-solving.

Combined, the US and the EU account for more than 50% of global trade, and produce approximately 50% of goods and services in the world. The EU represents the largest commercial partner for the US with an annual value of trade of some $250 billion, and is twice as large a market for the US as Canada and Japan together. The US and the EU are each the largest investor in the other's market; one in 12 US factory workers works for a European company; the jobs of some 7 million Americans are related to transatlantic trade.[2] Trade disputes over bananas and hormone beef may be bitter, but they are dwarfed by the immense flow of goods and services between the US and the EU. Partnership and mutual dependence extend

[1] Speech in Brussels, March 17, 1999.

[2] Address by Stuart Eizenstat, Under Secretary for Economic, Business and Agricultural Affairs, Johns Hopkins University, May 4, 1998.

beyond commerce. The US and the EU together account for 90% of all humanitarian aid. The EU is a central financial donor in key areas of conflict such as Bosnia and the Middle East, and plays a significant political role in the peace processes of those regions. The US and the EU cooperate significantly in confronting human rights violations, the proliferation of weapons of mass destruction, and cross-border crime. In President Clinton's words, the EU is "perhaps our best natural partner for the 21st century."[3]

It behooves the US, then, to appreciate and anticipate the nature and the consequences of the EU's internal deepening and external widening. I will divide my remarks into four parts: (1) an overview of the enlargement process; (2) an outline of three scenarios for how enlargement of the EU could occur; (3) the identification of institutional and policy reforms that will determine which scenario is the most likely; (4) and a specification of the implications of enlargement for the US.

SIGNIFICANCE OF ENLARGEMENT AND THE PROCESS OF EXPANSION

The current round of enlargement of the EU is the most challenging ever undertaken in terms of number of applicants (10 in Central and Eastern Europe plus Cyprus, Malta which recently reactivated its application, and Turkey as a special case); the magnitude of economic and social differences between applicants and current member states; combined size of population; vastness of territory; and organizational challenge (actual negotiations have started with six countries, to be joined by Malta at the end of 1999, but simultaneously a screening exercise for eligibility is being conducted with six potential candidates).[4] Sir Leon Brittan has noted that complete enlargement, i.e. with all applicants, would mean an EU of 540 million citizens; a GDP that well exceeds that of the US, and a 20% share of world trade outside the EU.

At the 1993 Copenhagen European Council, the EU specified the political, economic and human rights criteria for membership:

— "stability of institutions guaranteeing democracy, the rule of law, human rights and respect for the protection of minorities;"
— "the existence of a functioning market economy as well as the capacity to cope with the competitive pressure and market forces within the Union;"
— "ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union."[5]

Most American officials have recognized that the EU expansion process distilled in fulfilling the three criteria is more intricate and arduous than NATO enlargement, yet at times chastise the EU for slowness. Some American politicians have been less understanding of the complexity of the task, as reflected in the 1998 NATO enlargement debate when some former and current senators attempted to set as a pre-condition for NATO membership the accession of Central and Eastern European states to the EU. "Moving the goal posts" or lessening the criteria serves neither side: it would undermine the EU's achievements, and would engender in the candidate countries a false expectation of what membership entails.

The EU could have been more vocal earlier (it is now) in its belief that enlargement can occur, but it has tried to make the process digestible through a "pre-accession strategy" of devising incremental steps toward membership and adoption of the whole complex of existing EU legislation and regulations (some 80, 000 pages). The strategy has escalated from trade and cooperation agreements to complex Europe Agreements and Accession Partnerships, from specific and ongoing screening (by criterion and sector) of whether the candidates and would-be candidates meet the Copenhagen requirements to "twinning" arrangements for strengthening institutional and administrative capacity in the candidate countries through the secondment of EU advisors.

The process of preparing countries for enlargement has involved a monumental aid package (6.7 billion Euro, or some $7.7 billion, in the main aid program, PHARE, for the period 1995–99; beginning in 2000, aid will amount to some 3 billion Euro, or $3.5 billion, annually), and significant loans (1.7 billion ECU from the European Investment Bank in 1997 alone, with plans for 7 billion Euro, $8 billion, over three years). According to the EU Ambassador to the US, Hugo Paemen, between 1990 and 1999 the EU has provided $85 billion in aid to Central and Eastern

[3] Quoted in Eizenstat, *ibid.*

[4] For a detailed analysis of the enlargement process and its implications for US-EU relations, see: Lily Gardner Feldman, ″The European Union's Enlargement Project and US-EU Cooperation in Central and Eastern Europe,″ in Fran Burwell and Ivo Daalder, eds., *The United States and the European Union in the Global Arena* (Macmillan, 1999).

[5] *Bulletin of the European Communities,* No. 6, vol. 26, 1993, p. 13.

Europe, the "equivalent in today's dollars to the US Marshall aid for the reconstruction of Europe after World War II."[6] Clearly, the EU is serious about enlargement.

SCENARIOS FOR ENLARGEMENT OF THE EUROPEAN UNION

In developing scenarios for near-term expansion of the EU the reference point is the six candidates with whom negotiations already are underway: Poland, the Czech Republic, Hungary, Estonia, Slovenia, and Cyprus. The EU is reluctant to specify dates for actual accession, for as Commissioner van den Broek has noted "While speed is desirable, quality is essential."[7] Candidate countries, however, seem to be aiming for 2002 or 2003. The assumption of these scenarios is accession in 2004–2005 with a twenty-year transition period for the complete adoption of the *acquis communautaire.*

There are three main scenarios for enlargement:

(1) The total failure of enlargement, due to member-state opposition, or growing influence in applicant countries of the probable "loser" economic sectors, or the refusal of the European Parliament to grant its assent to widening in the absence of major deepening.

(2) The achievement of enlargement, involving minimal reform, and a divisive, piecemeal process. This means perpetuation of the EU as a hybrid, yet functioning organization that combines "flexible integration" of moving toward a common goal at different speeds; "variable geometry" involving a permanent core on certain issues coexisting with countries who opt out; and the "pillar system" of supranational, mixed and national competences. Some of the six current candidates may not make it into this untidy entity.

(3) The realization of enlargement with all candidates in the context of overall, fundamental reform of institutions and policies, from which the EU would emerge as a decisive, coherent actor with a sense of direction, streamlined instruments, and a reinvigorated agenda.

I predict that scenario 2 will prevail due to current developments in policies and institutions that affect the internal and external functioning of the EU. Simultaneously, the EU is racing uphill and spinning its wheels.

INTERNAL REFORM AND EXTERNAL PROFILE

Three areas of EU reform bear directly on enlargement: the so-called "leftovers" from the Amsterdam Treaty; key areas of economic and political union; and the Agenda 2000 plans to facilitate expansion through policy reform and stable financing of the EU. In all three areas, there is both progress and standstill.

Amsterdam "Leftovers"

The 1997 Amsterdam Treaty (which will soon go into effect following France's ratification on March 16) was unable to reach agreement on some key institutional questions whose need for reform has been magnified by the prospect of enlargement, to avoid what German Foreign Minister Joschka Fischer has termed an "institutional heart attack."[8] Institutions that operate with difficulty among 15 member-states will not be able to function with 20 or 21 members.

The EU put off at Amsterdam major expansion-related issues involving the Parliament, the Commission and the Council, even though institutional reconfiguration for enlargement was a key aim:

(1) The size of the European Parliament (although it was agreed that the total number of members should not exceed 700 after enlargement), together with the issue of proportional distribution among member-states, and the further expansion of European Parliament rights to fill a democratic deficit as the EU tries to spread democracy eastward.[9]

(2) The size of the Commission with a plan of one national per member state with the first wave of new member-states, and the convening of an intergovernmental conference one year before there are more than 20 EU members to evaluate the Commission's composition and functioning.

(3) Further extension in existing EU programs of qualified majority voting (as opposed to unanimity), as well as reweighting the Council votes. Large member states, especially Germany, are concerned that enlargement will only magnify the existing disproportionate weight of small states in all three institutions.

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[6] Lecture to the Center for German and European Studies, Georgetown University, March 15, 1999.

[7] Press conference, Vienna European Council, December 11–12, 1998.

[8] Speech to the European Parliament, January 12, 1999, Strasbourg.

[9] For a detailed discussion of the institutional issues, see: Michel Petite, *The Treaty of Amsterdam,* Jean Monnet Paper Series, Harvard University, 1998.

The European Council in Cologne at the end of the German presidency is scheduled to decide on the procedure for resolving the institutional questions, which would then occur at an intergovernmental conference in 2001. The Commission's recent demise, in part due to the European Parliament exercising vigorously its right of investigation, could augment the Parliament's decision-making role and clarify its composition, especially after the June 1999 elections for the European Parliament. Both Prime Minister Tony Blair and Chancellor Gerhard Schröder, who are emerging as the EU's leadership duo, have called for a strong commission president, a reversal from the previous British position which preferred a weaker, controllable president.

The charges of personal lack of accountability, based on dubious employment arrangements with nationals of particular commissioners, could in 2001 hasten the reduction of the Commission from the planned 20-member entity to enhance and make effective the Commissioners' commitment to act supranationally, devoid of national connection. With regard to the extension of majority voting in the Council, or Council decisions to extend new supranational competences to the Commission, prospects are less auspicious, and indeed the chances of a paralyzed Commission in the near-term are high. Given the Commission's central role in monitoring the candidates' progress toward meeting the Copenhagen criteria, the enlargement process could become more drawn out and cumbersome. A hobbled Commission also has implications in a major area of policy development it has championed: Common Foreign and Security Policy and a European Security and Defense Initiative.

Key Policy Developments

Fortunately, the EU entered the third stage of Economic and Monetary Union (EMU) before the Commission crisis, and while EMU demonstrates a flexible arrangement (Sweden, Denmark, and the UK have chosen not to join now; Greece did not meet the criteria), it shows a monumental capacity to surrender key areas of national policy to EU authority. The opposite appears to be the case with Common Foreign and Security Policy (CFSP) which remains an area of intergovernmental (as opposed to suprantaional activity).

Efficiency and coherence in CFSP might now improve as the Amsterdam Treaty provisions begin to go into effect: a High Representative for CFSP, who is the Secretary General of the Council; a Policy Planning and Early Warning Unit; a new troika of the Presidency, future presidency, Commission and High Representative; closer ties with the WEU and inclusion of the Petersberg tasks of peace-keeping, crisis management and humanitarian operations into the Amsterdam treaty; and the possibility of flexible decision-making in the form of "constructive abstention."

Recent developments in CFSP and the related European Security and Defense Initiative (ESDI), including Prime Minister Blair's October 1998 initiative in Pörtschach and the joint French-British December 1998 St. Malo declaration suggest more movement along the lines of creating a core of countries to develop a European capacity for military action when the US does not wish to participate, a plan embellished by German Foreign Minister Fischer at the EU Foreign ministers' meeting in mid-March, 1999. These suggestions emphasize the uniqueness of NATO for collective security, but recognize the need for greater European assets and capabilities to permit autonomous military action. Fischer's proposal for an EU Military Committee with military representatives has met resistance from the British, the neutrals, and the Netherlands, and there is still considerable divergence over merging the WEU into the EU, as well as Fischer's idea of regular meetings of Defense Ministers. While ESDI may now become more focused, efficient, and purposeful, it will involve coalitions of the willing. CFSP's character likely will stay intergovernmental and its initial decision-making (as opposed to implementation) will remain unanimity-based, despite German efforts to render it supranational and grounded in qualified majority voting.

Developments in EMU and CFSP have implications for enlargement, both in the character of the EU that is expanding as noted above, and in the role the new members will play in these two areas. The first five Central and Eastern European countries will not meet the EMU criteria for a long time, but their currencies are already being linked now to the Euro. The first wave of Central and Eastern European accession will intensify the tangled mess of uneven participation of EU member states in the WEU, but the candidate countries are also committed to CFSP, for with a self-image as small, vulnerable states, the Central and Eastern European countries ardently want to collectivize their security risks and burdens. The fulfillment of NATO membership in March 1999 has eased the military aspects of security for Poland, Hungary, and the Czech Republic, but the broader conception of security—foreign policy, diplomacy—rests in the EU, particularly for Estonia and Slovenia who are not likely candidates for NATO membership. As part of the process of enlarge-

ment, through the "structured dialogue" Central and Eastern European ministers have participated in a consultative way in deliberations in CFSP, and have coordinated their policies with the EU in international organizations and in third countries, as well as in transnational issues such as international crime.

Agenda 2000

All three Agenda 2000 issues will be the focus of the special EU summit in Berlin on March 24–25, 1999: (1) the future financial framework of the EU for the period 2000–2006, and the related issue of gradually reducing the burden for the net contributors (Germany, the Netherlands, Austria and Sweden); (2) reform of the Common Agricultural Policy, which accounts for 50% of the EU budget, in terms of price reductions for crops and agricultural products, compensation for farmers, and a rural development policy to replace lost agricultural employment; (3) and alteration of the system of apportioning structural funds, which make up 30% of the EU's budget, by reducing and simplifying the number and nature of needy regions. Following Chancellor Schröder's meetings in member-state capitals, there is German optimism that compromises can be reached in all three areas, but they will fall short of the major overhaul Germany and the Commission have proposed. Success in Berlin would send a signal to the candidate countries, according to Foreign Minister Fischer "that the EU is seriously preparing for their accession . . . whereas failure in Berlin would endanger the schedule for enlargement." In light of the public's negative reaction to the Commission, compromise on reform in Berlin would also demonstrate to skeptical EU citizens the community's capacity for fiscal responsibility, accountability, and belt-tightening. The three domains of reform—Amsterdam leftovers, key policy questions, Agenda 2000—will be addressed during the remainder of the German presidency, either now in Berlin or at the June 1999 European Council summit in Cologne. The outcome will be mixed, reinforcing the character of the EU as an incremental actor, a patchwork-quilt arrangement, and a multi-tier organization. Such an outcome does not preclude enlargement, but it renders it more difficult, with specific consequences for the United States.

IMPLICATIONS FOR THE UNITED STATES OF THE THREE SCENARIOS FOR EU ENLARGEMENT

The first scenario—the failure of enlargement—could increase American involvement in Europe as a stabilizing factor, but, under Congressional pressure, it also could push the US to react adversely to EU indecisiveness. The failure of enlargement could increase NATO's burden and make it the premier organization, further antagonizing Russia. For the US, a fragmented Europe would be more difficult to deal with than the current collage of actors and authorities; and it would be much less calculable. It would undercut US aspirations of working with the EU to solve global problems. American officials consider such a scenario of failure disastrous, for it would invalidate the conception of security that combines the strengths of both NATO and the EU. While the failure scenario is unlikely—due to a sufficient degree of dynamism in the EU, a growing political commitment to proving to citizens the capacity for efficacy, and a large investment in a successful outcome—American officials should contemplate failure and prepare for it.

The second scenario will have positive economic benefits for the US if it spurs further trade liberalization, and the compensation negotiations for trade diversion are not acrimonious. It implies continued partnership of relative economic equals between the US and the EU, particularly if economic and monetary union is successful, but the US will need to continue to live with the frustration of a messy partner. Enlargement will increase EU credibility on the European continent in US eyes, if the US accepts that EU power will remain economic and diplomatic, and not become military. Enlargement will permit consolidation of international political cooperation between the US and the EU in traditional conflicts and newer areas such as global climate issues and international crime, if the US recognizes that the European Union must still devote energy to ongoing internal reform to gurantee that enlargment is an asset and not a liability.

The third scenario—enlargement coupled with thorough-going, effective institutional reform—eventually would establish the EU in a position of dominance on the continent, with the US playing a supporting role. The third scenario could imply greater economic and political competition between the US and the EU. It could also mean the addition of military resources to the EU's international profile through a complete integration of the WEU into the EU, and a unified CFSP within the supranational ambit of the EU. While improbable in the near term, given the multiple challenges and crisis of confidence in the EU, the community method of progress on occasion has amounted to great leaps forward in the face of stagnation, impasse, and sclerosis, for example the Single Market Program, and Economic and Monetary

Union. For the purposes of long-term planning, the US should envision such a European Union even if it is not to be anticipated in the next decade.

The EU is confronting now and in the next months monumemtal challenges. The US should continue to support staunchly the process of integration, including enlargment, but it should pay more attention to the specific character and consequences of change.

Senator SMITH. Thank you, Dr. Feldman.

Mr. Rodman.

STATEMENT OF PETER W. RODMAN, DIRECTOR OF NATIONAL SECURITY PROGRAMS, THE NIXON CENTER, WASHINGTON, DC

Mr. RODMAN. Thank you, Mr. Chairman. I, too, have a prepared statement which I would like to submit for the record.

Senator SMITH. Without objection.

Mr. RODMAN. Thank you very much.

My focus is on the political and security dimension of these issues, the so-called Common Foreign and Security Policy of the EU and also the defense initiative, the British-French initiative to develop an EU defense capability which was launched in December at a summit in Saint-Malo in Brittany.

The British-French document in Saint-Malo was ambiguous about how this EU defense entity would link with NATO, whether it would be "inside" or "outside the NATO framework."

Let me make five points about these issues.

My first point is that I would say the jury is still out on whether this EU defense initiative is a problem for NATO or not. I suspect from my conversations with British and French diplomats that they are not sure what this really means operationally or institutionally. They have not fleshed it out. It is just a vague idea.

If it is done in the right way, it could be more effective in the alliance. It could have a burden-sharing value. If the Europeans are able to coordinate their efforts, then that is a way to maximize their effectiveness in the defense area if it is in the NATO framework.

As I say, the British and French have been going out of their way to reassure Americans that that is what is meant. But none of us really knows how it will evolve. None of us really knows how this EU institution will fit into NATO or link with NATO.

The fact is the Europeans are doing it for their own reasons. They are doing it to promote their own autonomy. They are not doing it to "bear our burdens." So I think, again, the jury is still out.

The second point is that the role of Britain is pivotal. Britain, under Tony Blair, has shown, of course, an extraordinary dedication to the special relationship. The British have stood with us in these Iraq crises, much to the annoyance of a lot of their European partners. So perhaps we should trust the British, and we should trust the intentions of the British who, I do believe, have no intention of disrupting the NATO alliance.

But Britain, under Tony Blair, is also taking unprecedented steps toward Europe. In fact, this new initiative in the defense area actually was a British idea. The general interpretation of it is that Tony Blair, because he was not going into the common currency, was looking for another way to show that Britain was a good European. That makes a lot of sense.

On the other hand, in the last few weeks, the Blair Government has taken a number of preparatory steps to enter the common currency. So you see the British moving toward Europe in both dimensions. I think this testifies to the very strong gravitational pull that Europe seems to exert on this particular British Government.

Over time, it could conceivably lead to a future British Prime Minister who hesitates about whether to stand with the United States in some controversial crisis. I cannot prove that this is going to happen. I don't think Mr. Blair intends for that to happen. But, again, this is the gravitational pull of Europe on this British Government.

If such a thing were to happen, of course, it would be a major shift in transatlantic relations.

My third point is this. In the formative stage of all of this in Europe, the United States has a right and a responsibility to weigh in with its concerns. The relationship with the United States is precisely what is being affected. The relationship with the United States is at the core of what is being developed in Europe.

As Dr. Gedmin was describing, there are a lot of statements by Europeans that they want to be more equal to us or they want more autonomy from us. A lot of what is being done is being done somehow vis-a-vis us or with us in mind. I think we obviously have a right to comment on what we think is healthy for the future of the Atlantic alliance.

My fourth point is, I give credit to the administration because I believe that this administration has been making these points to the Europeans after Saint-Malo, mostly in private. I was happy to see in Mr. Wayne's prepared statement what they call the "three D's," these criteria by which we will judge what they are cooking up. They are: no duplication of NATO functions; no decoupling or delinking; and no discrimination against countries like Turkey, which are not in the EU.

So I am happy that they are now doing this more publicly because the United States should say these things publicly in order to emphasize what we are concerned about. I would add that the Congress too should express itself in some fashion to indicate that we care a lot about whether these institutions develop in a way that is consistent with NATO's integrity or not. The Congress could do this in a "sense of the Congress" resolution or in some legislation. You would know better how to do this.

If Congress did that, it would strengthen the administration's hand as the administration tries to make these points to the allies.

In addition, if the United States seems to be silent on these points, this undercuts people in Europe, Atlanticists in Europe, either in governments or in opposition parties, who have the same concerns. I know people in Europe who are worried about the implications of some of these recent initiatives. They would be demoralized if they thought the Americans were being totally passive here.

So that that is an additional reason for us to make clear that we care about how this evolves.

My fifth point is a word about Kosovo. Obviously, this is a separate subject and a huge subject. But there is a connection in two respects.

One is that the earlier hesitations about Kosovo had a lot of influence on Tony Blair. It was last fall that Tony Blair developed some of these ideas about an EU defense capability. One of the arguments he made was: "Look at how hesitant the Europeans were as the Kosovo crisis developed. Look how we were dependent on the United States, incapable of doing anything on our own." He thought that should be remedied.

Now today we are at the other side of the coin. Whatever one thinks about the wisdom of being there, I have to say that once we are committed, now that we are committed, it is a test of our effectiveness as a leader in Europe.

I pray that, whatever the administration is undertaking, we should prevail. This is because if this effort should fail, if we should fall on our faces, which is not inconceivable, and if this American-led operation should somehow turn out to be ineffective, one of the consequences of it could be to spur some of these impulses that we have seen in Europe—to somehow cut loose from us, to develop an institutional framework that is not dependent on us. I am not sure how it would work. But this would very much weaken our leadership in Europe on these questions that we have been discussing.

So, obviously, there is a lot at stake in this Kosovo operation. But one of the things at stake is really our influence in Europe and the evolution of some of the things we have been discussing here today.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Rodman follows:]

PREPARED STATEMENT OF PETER W. RODMAN

"NATO AND THE EUROPEAN UNION'S 'COMMON FOREIGN AND SECURITY POLICY'"

Mr. Chairman, members of the Subcommittee:

I want to commend the Chairman and this Subcommittee for holding this hearing on a topic which is very important to American strategic interests but which has received amazingly little public attention in this country.

Our disputes with the European Union (EU) range over a variety of topics, from bananas to American cultural exports to Middle East policy. Many of these disputes go back years. But we are at an important and historic new stage of Europe's integration, which is bound to bring some further changes in the way Europe and America deal with each other.

In my view, the problem in our relations goes deeper than the specific disputes. Or, to put it another way, the disputes are now exacerbated by a structural problem: Since the collapse of the Soviet Union, and America's emergence as the sole superpower, Europe has accelerated the process of its integration with the purpose, in large part, of building a counterweight to what it sees as American dominance. Europeans are quite explicit about it. This is my concern, especially as Europe now moves from Economic and Monetary Union (EMU) toward a Common Foreign and Security Policy (CFSP). There is a greater eagerness than ever before in Europe to be more of an equal to the United States and to enhance its autonomy from the United States. To a considerable degree, this is a natural and healthy phenomenon. Beyond a certain point, it can do harm to vital common interests.

The EU's Common Foreign and Security Policy is the subject I wish to focus upon. Let me organize my comments around two propositions:

— First, CFSP in a strict sense raises issues of procedure more than it does of substance.

— But, second, for better or worse, implicitly or explicitly, Europe's relationship to the United States is at the heart of what is being changed.

CFSP: PROCEDURE AND SUBSTANCE

As the Europeans seek to develop their Common Foreign and Security Policy, they like to cite a reputed complaint by Henry Kissinger that "Europe" didn't really exist

until there was a single telephone number he could call to find out what "Europe's" policy was.

The story is apocryphal. In fact, ironically, when Kissinger was in office, his complaint was exactly the opposite.[1] The Nixon Administration intended 1973 to be the "Year of Europe," when the United States, after several years of preoccupation with the Soviet Union, China, and Indochina, turned once again to revitalizing its Alliance relations, and in an historic year when the European Community (EC) was expanding from six members to nine, including Britain. The EC in 1973 also launched its first experiment in foreign policy coordination, designating the Foreign Minister who was in the rotating chair of the Council of Ministers as its foreign policy spokesman. This happened at the time to be the Danish Foreign Minister, Knut Borge Andersen.

The procedure didn't work. Secretary Kissinger found the Danish Foreign Minister an able and charming man, but, through no fault of his own, not capable of negotiating with the United States. If the U.S. Secretary of State asked a complicated question, the Danish Foreign Minister couldn't answer without going back to Brussels and renegotiating the EU consensus. If Kissinger asked another question, or made a proposal, the same problem arose again. Meanwhile, while this ritual continued, the United States was asked to sever its bilateral communication with all the European nations that were its closest and most important allies. The procedure died an unlamented death, which is one reason that there were no further attempts at such a unified foreign policy for nearly two decades.

The Maastricht Treaty of 1991 revived the idea of a Common Foreign and Security Policy. Later this year, in accordance with the further agreement at the Amsterdam Summit in 1997, a High Representative for CFSP is to be appointed. He (or she) will likely be a senior person—probably a retired politician rather than a professional diplomat or civil servant. But it is not clear that he or she will be able to escape the burdens of the unfortunate Mr. Andersen.

Leaving aside the unworkability of dealing with the United States in this manner, there remains the strong concern of some major European states that "Mr. (or Mme.) CFSP" should not have such autonomous authority that it derogates from the national sovereignty that these states are likely to insist upon for the foreseeable future in vital matters of policy. The French, in particular, are far from being federalists yet in the national security field.

In another sense, of course, Europe has long enjoyed a certain coordination in its foreign policy. Many an EU or EC summit has made pronouncements on foreign policy issues—the most famous, perhaps, being the Venice Declaration on the Middle East in 1980. That document insisted on a role for the Palestine Liberation Organization (PLO) in the peace negotiations, at a time when the United States was firmly conditioning such a role on the PLO's prior acceptance of UN Security Council Resolutions 242 and 338 and of the existence of Israel, and its renunciation of terrorism.

If a consensus exists on a topic, the EU can pronounce on it even under pre-CFSP procedures. It already has an ambassador-level Middle East envoy who keeps in contact with American counterparts on the Arab-Israeli peace process. It has already taken unified positions of complaint against a number of American actions, particularly our third-country sanctions against Cuba, Libya, and Iran.

Thus, it is not yet clear whether the appointment of a "Mr. (or Mme.) CFSP" will make a significant difference in the EU's ability to "make" foreign policy. The real question is what degree of consensus will exist in Europe on what issues. Middle East policy, especially in the Persian Gulf, may find the Europeans more united against us as time goes on. This may vindicate the prediction of British Conservative politician Michael Portillo, who said in January: "The United States didn't need the latest Iraq crisis to tell it that a European policy based on consensus isn't going to be pro-American.[2]

A great deal depends on Britain's pivotal role. As on many other issues, the British have stood solidly with us in the whole series of Iraq crises since the Gulf War, much to the frustration of other Europeans who deplored, for example, last fall's U.S.-British bombing of Iraq that Mr. Portillo referred to. The question is whether, over time, Britain will be drawn more and more by the gravitational pull of Europe to the point where a Prime Minister in the future will be more reluctant to stick with the United States.

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[1] See Henry Kissinger, *Years of Upheaval* (Boston: Little, Brown, 1982), pp. 700–707.
[2] Michael Portillo quoted in *New York Times,* January 4, 1999, p. A23.

The fundamental issue here is whether the new steps in European integration are being driven by, and will in turn intensify, an impulse to differentiate from the United States in substance. It is clear that the Economic and Monetary Union is meant to create an economic counterweight to the United States. Even so stalwart a friend of the United States as Helmut Kohl declared in 1996 that Europe needed to "unite our powers to realize our common interests," including to "assert ourselves against the trade blocs of the Far East and North America."[3] All the more so the Common Foreign and Security Policy, which Dutch Prime Minister Wim Kok explicitly described last fall as building a "counterweight to the United States."[4] The French, of course, are even more passionate on this. French Foreign Minister Hubert Vedrine has stated:

> Today there is one sole great power—the United States of America. . . . When I speak of its power, I state a fact . . . without acrimony. . . . But this power carries in itself, to the extent that there is no counterweight, especially today, a unilateralist temptation . . . and the risk of hegemony.[5]

Europe's role, he went on, was to be a "factor of equilibrium" to ensure the emergence of a more "multipolar" international system.[6]

The most significant recent development in CFSP is the Anglo-French initiative, proclaimed at a summit last December in Saint-Malo, in Brittany, to promote an EU defense capability. The wording of the Saint-Malo declaration refers ambiguously but disturbingly to the possibility of autonomous European military operations either "within NATO's European pillar or . . . outside the NATO framework."[7] Both the British and French governments have since sought to reassure the United States that the primacy of the Atlantic Alliance will always be respected.[8] But, again, the British role is pivotal. The whole idea was an initiative by Prime Minister Tony Blair first broached last October, reversing Britain's long-standing opposition to such an EU project. It was widely interpreted as a way for Britain to appear a "good European"—indeed, in a field in which Britain could be a natural leader in Europe—at a time when Britain was holding back from the EMU. But now, in recent weeks, the Blair government has taken preparatory steps to join the EMU. Thus, the UK is moving toward Europe on both fronts. All this testifies to the strength of the gravitational pull of Europe on this British government. The momentum of EU institution-building is more powerful than that in the Atlantic Alliance. Where will this lead?

The jury is still out on this question, with respect to the EU defense initiative. Measures taken by the Europeans to coordinate their own defense efforts more effectively could have a great burden-sharing benefit to the Alliance. This is something that Americans, and particularly the Congress, should welcome.[9] On the other hand, the Berlin NATO Summit in 1996 developed a concept for autonomous European military actions within the NATO framework, through such mechanisms as Combined Joint Task Forces (CJTF) that could have U.S. logistical or other support even if U.S. forces were not involved. The new Saint-Malo concept is, of course, an EU concept, not a NATO one. How it fits into or is linked to NATO is not yet clarified.

As a practical matter, the United States may have little to worry about. The Europeans are shrinking their defense budgets with such abandon that it will be a long, long time before they have an autonomous capacity to act militarily without U.S. backing. So the odds are that this EU concept will be empty without the constant involvement of NATO. If managed wisely, it could all work out for the better. However, the more that either EMU or CFSP has an anti-American undercurrent, and the more that EU efforts seem to take a form that tears at the integrity of NATO procedures, then concerns could only mount in this country that damage is being done to the Alliance. If NATO is thought by Europeans to be dispensable, the same

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[3] Helmut Kohl, address at Catholic University, Louvain, Belgium, February 2, 1996, reprinted in *Internationale Politik*, Vol. 51, No. 8 (August 1996), pp. 82–84.

[4] Wim Kok quoted in *Der Standard* (Vienna), October 27, 1998, p. 2.

[5] Hubert Vedrine, remarks at a conference of French ambassadors, Paris, August 28, 1997.

[6] Ibid.

[7] Declaration on European Defense, UK-French Summit, Saint-Malo, 3–4 December 1998, reprinted in *Survival,* Spring 1999, pp. 23–24.

[8] E.g., Tony Blair, "It's Time to Repay America," the *New York Times,* November 13, 1998, p. A29; French Minister of Defense Alan Richard, "The Future of the Atlantic Alliance," address at the 35th Conference on Security Policy, Munich, February 6, 1999.

[9] Kori Schake, Amaya Bloch-Lain3, and Charles Grant, "Building a European Defense Capability,"*Survival,* Spring 1999, pp. 20–40.

idea might catch on here (though I would think it a strategic disaster for the United States as well as for Europe)

The Clinton Administration, I understand, has raised questions in private with European governments about the meaning and direction of Saint-Malo. It is right to do so. Its goal is, and should be, not to block an important EU initiative but to focus on specific concerns that could spell damage to NATO's integrity and efficiency. Administration spokesmen can speak to this more authoritatively than I, but I understand that they have stressed certain criteria that they call the "3 D's":

— no duplication of NATO functions or personnel in any new EU structures;
— no decoupling of Europe from NATO; and
— no discrimination against key allies (referring, e.g., to Turkey, which would be excluded if the present Western European Union, or WEU, of which it is an Associate Member, were to be abolished and folded into the EU, of which it is not a member.)

Perhaps it is time for the Administration to speak out publicly on these points, to make its concerns clearer at this important informative stage. Certainly, the Congress could declare itself in the same vein, in a "sense of the Congress" resolution or as part of other related legislation. If not, our silence may only undercut those Atlanticists in Europe, whether in governments or in opposition parties, who are themselves worried about the implications of recent initiatives.

KOSOVO

A final word on Kosovo. The issues discussed here are more fundamental issues of transatlantic relations; they long antedate the Kosovo crisis and will be with us long afterwards. But it is clear that Kosovo has helped to drive recent developments. Prime Minister Blair, in launching his initiative last fall, complained of how "hesitant and disunited" the Europeans were over Kosovo, and of how inappropriate it was for Europe always to have to wait for the (sometimes equally hesitant) Americans.[10] An EU defense capability was meant to remedy this.

Kosovo, of course, is a huge subject in itself which I do not want to belabor here. But, part of the stake we have in handling Kosovo correctly lies in the impact that our actions might have on this European impulse to develop the capacity for autonomous action. On the one hand, encouraging our European allies to bear more of the responsibility in the Balkans is the right thing; that's what we want. On the other hand, if we fail to provide the degree of leadership or support without which the NATO effort will fail, then we risk spurring the wrong kind of reaction in Europe—a greater desire to cut loose from us. That is not what we want.

If we wish to remain a leader in Europe and retain an influence over events, we cannot abdicate. We must remain relevant to major security challenges taking place there. A position of leadership doesn't come for free.

I thank the Chairman and the members of the Subcommittee.

Senator SMITH. Mr. Rodman, I agree with your assessment of the potential consequences, not all good consequences, that Kosovo could have on this transatlantic relationship if it turns out badly. But it does seem to me that the Europeans are wanting a win-win but may be going another way. As they talk about a European defense initiative, they are all cutting their military budgets. The technology gap between the United States military and their own continues to widen.

I don't know how realistic this is or what our response should be. Is there something in our response to them that needs to change?

I sense very strongly when I go over there that they love us and they hate us. There is a way around that, but that is the body language if not the words.

Mr. RODMAN. Well, we are schizophrenic, too, or maybe I am, because I share what many Americans have always thought, the idea that the Europeans should do more—that it is healthy, in fact essential, that they improve their ability to act.

[10] Prime Minister Tony Blair, address to the North Atlantic Assembly, Edinburgh, November 13, 1998, p. 11.

I have always thought that coordinating among themselves was one way to improve their effectiveness, whether or not they were willing to add to their budget. There is truth in that.

But we have always preferred that they do it in the NATO framework, which is really the only serious security organization in Europe, and that they not do anything that tears at the integrity of the NATO procedure.

So my nervousness is that they are starting down a road of an EU framework. You may be right that, as a practical matter, they may never be able to do anything that is without us. I mean, their ability to do anything in the future without us may never materialize. Therefore, maybe we have nothing to worry about.

But at the formative stage of something, it is important to shape it, to make sure that they get it right, that this is not something that tears away at the cohesion of NATO.

If it is within the framework of NATO, then more power to them in every sense of that word. Since the 1996 Berlin NATO decision, there is a framework that the alliance has worked out to give the Europeans greater responsibility if they wish to use it. Obviously, we should encourage that.

Senator SMITH. The Germans now are saying nothing outside of our boundaries in NATO without a mandate of the Security Council—excuse me—the French are saying that. The Germans are saying renounce first use of nuclear weapons.

These are fundamental doctrines, rather a change from those fundamental doctrines that NATO has had. I don't expect our country would ever use nuclear weapons to start a war, even though we used them once to end a war.

How serious is this? Is this for domestic consumption? Are they serious about this? If they are, I just have to say publicly that I cannot imagine anything that would, in addition to perhaps the consequence of NATO doing badly in Kosovo—I am not saying that we will; I voted for it and I hope we will win—but if you put on that an overlay of these challenges to the fundamental nature of what NATO is, there could be a stampede out of that alliance if they are not careful in how they talk to us about that.

I wonder how real this is. Is it for domestic consumption or are they serious about it?

Mr. RODMAN. I think we will win these two debates. As for the no-first-use debate, my impression is that it is domestic politics in Germany, that it was part of the coalition treaty of the parties that won. We have firmly rebuffed it, and we had British and even French support. The other two nuclear powers in NATO have no interest in this. So we have won that debate. I think it is settled.

The U.N. mandate is a much tougher issue because there is widespread support for it in Europe. The French and the Germans and a lot of others like this idea that there should be some restraint on the United States through the Security Council.

That issue is a central point, as you know, in the Strategic Concept, so-called, that is being finished for the NATO summit. I suppose by April, by next month, that will be resolved. I suspect that there is a way to paper it over.

Our position is that, of course, we never will act in a way inconsistent with the U.N. Charter, and case-by-case is the American

preference. I expect that we will stand firm on that and it will be papered over in some way.

So maybe both of these issues will prove to be temporary issues.

Senator SMITH. If that is a serious proposal on their part, that is going to meet with serious resistance among the citizenry of the United States.

Mr. RODMAN. The administration I think understands that.

Senator SMITH. It will start with me. But I will be on the majority side.

I would imagine all of you probably have opinions about some of the ideas that you have heard discussed here, about the statements of the others. If you want to offer opinions or clarifications, I would enjoy hearing them.

Dr. Feldman.

Dr. GARDNER FELDMAN. On this ESDI question, I think it is important to look at all of the statements, beginning with Tony Blair's statement in Pötschach, which really started this, and then Saint-Malo and then Fischer, Joschka Fischer also said, first of all, that NATO is the unique organization for collective security; and, second, that one of the reasons for contemplating this obviously was perhaps to do it within the NATO context, to have an effective European component, but also to contemplate—and this was Blair, not Germans who started this—but also to contemplate situations in which the United States did not want to act.

So I don't think this should be construed as anti-American or challenge to the United States. I think it is an effort to be a partner. I think it is a very incipient effort. It has a long way to go. But I think we have to commend that it is not a challenge to the United States.

I think if we see it as a challenge to the United States, then I think it could go in the wrong direction.

I agree that there wasn't the potential for it to become something major. But I do think it is an effort to be a partner.

On no first use, I think that was absolutely a domestic issue. It was an issue within the Greens, that Fischer had to give something within the party. I don't think we should overplay that or exaggerate it. I think that the SPD, when Scharping was here, the SPD has tried to tone this down.

I don't think it is a big issue.

On the U.N. mandate question, again, I don't think this is an effort to try to contain the United States. I think this is very much a question of German history and Germans wanting to limit the exercise of military power for themselves, and that it has to be in an international framework because of German history.

I think those are points that I would like to add to what has been suggested.

Senator SMITH. Dr. Gedmin.

Dr. GEDMIN. Senator, I would add a couple of remarks.

First of all, on ESDI and similar parallel movements, I think it is fair to generalize that there are two schools in Europe right now, in Western Europe, with lots of hybrids. But, broadly speaking, there is the school that Peter Rodman referred to—those Atlanticists who are of like mind who believe that Europe should move from adolescence to geostrategic partnership and adulthood

and that it can be a partner within the transatlantic framework. And we want to work with them, we want to do everything we can to make sure that tendencies do not move toward delinking and decoupling.

I do believe, however, though it is usually only the French who say so openly and publicly, I find more and more West Europeans who will say privately that we do want an EU which creates a voice for us that is separate and distinct from the United States so that when we choose, we can work in opposition to the United States and move in our own direction.

Now, look—fair enough. They are free, democratic, sovereign Nation-States. But let me use that as a segue to the U.N. issue.

I had a German politician say to me recently—and it contradicts what one of my colleagues has said—yes, it is true. One of the reasons why we are so fond of using the U.N. as the indisputable legal basis for use of force is because for us littler guys, it can check the unilateralism of you bigger guys. Then he added: I know that that is in our interest; but I must confess, maybe it is not in yours.

Well, I am sure it is not in yours. I agree with you, Senator, I think that's something we should massively resist.

I also think that what my colleague, Dr. Gardner Feldman, said about Germany and history does play a role. But I don't think anybody believes that the predominant issue of the day is how do we check German military power and adventurism abroad.

In fact, most of our time is spent trying to tease them out a little bit so that they will send a few medics with us here and there.

Senator SMITH. Interesting.

Mr. Rodman, do you have anything further to add?

Mr. RODMAN. There are different scenarios which would test whether this EU capability is a problem or not. The easy scenario is a case where the Europeans want to do something on their own and they have our blessing. This is the case that the Berlin procedures contemplate, that maybe we would give logistical support or they would be able to use NATO assets. But it would be done with our blessing.

So it obviously fits into the NATO framework, and yet it might be an autonomous European action.

The "contingency that dare not speak its name" is the case where the Europeans want to do something and we don't like it, we don't want it to happen.

Senator SMITH. What might that be?

Mr. RODMAN. Well, if it is in NATO and if the only procedures that exist are in NATO, then they cannot do it. If it is a truly independent capability—and I think you are right to say the bottom line may be that they may never have this capability—but if it is a truly autonomous and independent EU capability, it would be totally free of dependence on the United States, to put it politely.

That is the theological issue.

As a practical matter, we may never have to face that. I mean, can you envision a case in Europe where they would want to do something and we would violently object? I think our interests are congruent enough, certainly in Europe, that it is hard to imagine a case where that kind of conflict would develop.

Senator SMITH. I think back to the Suez Canal.

Mr. RODMAN. Well, outside of Europe is different. That is where a lot of cases do exist.

Senator SMITH. That is the only thing that comes to my mind.

Mr. RODMAN. Well, Middle East contingencies are exactly the category that would come to mind.

That is the test of all this. The question is, how much do the Europeans now insist on having something that could evolve in that direction, to give them that capability?

I think we ought to firmly steer it in the direction of staying within the NATO framework, which has practical advantages for everyone and obviously meets this concern.

Senator SMITH. As you look at phase 2, if phase 2 becomes necessary in Kosovo, meaning ground troops, and the Europeans have proposed a presence of 20,000 troops with only 4,000 of them being U.S. troops, is that a European effort to say we are going to try to bear a bigger part of the burden?

Mr. RODMAN. Yes, and I would give them credit for that.

Senator SMITH. We should encourage that.

Mr. RODMAN. Absolutely. I think this is a case where we seem to be cooperating and having a common strategy. I hope it is crowned with success.

Senator SMITH. Let me pose a hypothetical.

Should a phase 2 become necessary, the Kosovars are 90 percent of the population of Kosovo. When the Serbs have lost their military power to wage war, why shouldn't they be the ground troops? Why shouldn't we arm them?

Mr. RODMAN. If the NATO effort fails, the only other leverage we have is the Kosovars themselves. It is an option which I think our governments have chosen not to use. It is what used to be the Nixon Doctrine—your first resort should be to help people on the ground who are willing to fight for themselves.

This is something we have chosen not to use. Therefore, we are required to substitute NATO's military leverage, and we are about to find out whether this is effective.

Senator SMITH. I think that is going to be an interesting debate in the U.S. Senate, should it come to that. I think we have to hold out the possibility of ground troops. But, frankly, I am hard-pressed to understand why we should ignore the people who have a stake in this.

I said to Madeleine Albright yesterday and I said to Strobe Talbott a minute ago on the phone, when you talk about autonomy, you are talking about imposing a political arrangement on an area that nobody supports anymore.

The Kosovars want independence. The Serbs want to dominate Kosovo. And we are trying to say go back as you were. It does not seem to me that that is an achievable political end.

So when you go and bomb someone, you have taken a side there. I don't know whether you can go back to just saying hey, we are neutral again after we have justly eliminated his capacity to make war on his neighbors and destabilize this area.

Mr. RODMAN. I don't know whether the other allies would go along with the strategy of arming the Kosovars. I just don't know.

Senator SMITH. My question is why not? What is the motive? What is the European fear of the Kosovars?

What I am being told is that they don't want, they don't necessarily like these Kosovar Albanians. They don't like them coming into Germany. This is creating lots of tension in other countries, all these refugees pouring out of the Balkans into their country. Therefore, they don't want an independent Kosovo.

Am I missing it?

Dr. GEDMIN. I cannot fully and definitively explain it, but I share your analysis. It is true. In Europe, there is less sympathy for the Kosovars. Broadly, and I think also disturbingly, if I may generalize, Senator, when Europe has taken a lead in the Balkans in the last decade, frequently, not always, it has had an inclination—"it," the Nation-States of Western Europe—an inclination to lean toward traditional power politics and associations with regional proteges. And, often, when we have pushed very, very hard, or I believe we should have pushed perhaps harder at times, to draw a distinction between victim and aggressor, which is so important for any kind of enduring peace settlement, the Europeans have been fonder of leaning on the victim rather than the aggressor.

Now I don't know if that helps to explain or not.

Senator SMITH. Yes.

Dr. GEDMIN. The other thing I wanted to add as an observation, if I may, is I hope that, whatever we do after this initial phase of military bombing or air strikes, we develop some sort of success strategy, which I don't think we have. I hope that exit strategy, as important as it is, takes a back seat. And I hope that bean counting over how many soldiers, which is important, too, takes a back seat.

It seems to me that if we, the United States, believe that stability and security in Southeastern Europe is in our interest, and staving off a humanitarian catastrophe is just and in our interest, the first and single criterion ought to be how do we prevail. How do we guarantee a success?

I am very doubtful that we have such a success.

I am interested—I have not thought deeply about it—but I am interested in your idea of arming the people, as we tried to do in Bosnia, by the way. The idea was let's level the playing field to create a deterrence so that the Slavic Muslims can defend themselves.

I am keenly interested in your idea not only as an interim solution, but it seems to me, by the way, that any solution like that has to be—and I am going to be quite politically incorrect on this—has to be part of a larger and a longer-term strategy aimed at the source of the problem. And we know the source of the problem has a name and an address.

I would venture to guess that, whether Milosevic comes to the table of not in 1, 2, or 3 weeks, as long as he and this regime is in power, you and your colleagues will be discussing the problem in the Balkans in one form or another next year and the year after. I believe that.

Senator SMITH. My big fear, once a decision is made to pull the trigger, is that they don't finish the job. Frankly, what that means to me is removing Mr. Milosevic's capacity to wage war on his neighbors and his own citizens.

Now beyond that, how democracy takes hold and how they develop in Kosovo and Serbia is really their business. But it is our

business that this is occurring in the backyard of our international commitments. It is in our interest to make sure that he does not continue to foster regional instability.

I mean, he sits geographically among our NATO allies. I just would hate to see the administration do half the job. That is what I have said to them and I hope they follow through because a lot is at stake in this.

If we mishandle Kosovo, it will have long-term implications for the willingness of the American people to support NATO and to support our continuing leadership of the Free World. I think a big debate has erupted in the homes of Americans all over our country.

Thank you all for your testimony and your comments. It has been very enlightening for me and I am grateful to you.

Dr. GARDNER FELDMAN. Thank you, Senator Smith.

Mr. RODMAN. Thank you.

Dr. GEDMIN. Thank you, Mr. Chairman.

Senator SMITH. We are adjourned.

[Whereupon, at 4:13 p.m., the subcommittee adjourned.]

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