

# TRANSATLANTIC HORIZONS

A collaborative US-EU policy agenda  
for 2025 and beyond



# TRANSATLANTIC HORIZONS:

## A collaborative US-EU policy agenda for 2025 and beyond

---

### Authors:

Daniel Fried	Kenneth Propp	Léonie Allard
Jörn Fleck	Erik Brattberg	Rama Yade
Rachel Rizzo	L. Daniel Mullaney	Maja Piscevic
Rob Murray	Carol Schaeffer	Ilva Tare
Frances G. Burwell	John E. Herbst	

**Editor and rapporteur:** James Batchik

**Additional research and contributions by:** Stuart Jones and Jacopo Pastorelli



The *Europe Center* conducts research and uses real-time analysis to inform the actions and strategies of key transatlantic decisionmakers in the face of great power competition and a geopolitical rewiring of Europe. The Center convenes US and European leaders to promote dialogue and make the case for the US-EU partnership as a key asset for the United States and Europe alike.

### Cover

A worker adjusts a US and European Union flag at the European Commission headquarters in Brussels, November 11, 2013.

Source: REUTERS/Francois Lenoir.

This report was written and published in accordance with the Atlantic Council policy on intellectual independence. The authors are solely responsible for its analysis and recommendations. The Atlantic Council and its donors do not determine, nor do they necessarily endorse or advocate for, any of this report's conclusions.

### October 2024

© 2024 The Atlantic Council of the United States. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from the Atlantic Council, except in the case of brief quotations in news articles, critical articles, or reviews. Please direct inquiries to:

Atlantic Council, 1400 L Street NW, 11th Floor, Washington, DC 20005

# TABLE OF CONTENTS

---

FOREWORD: A NEW AGENDA FOR THE NEXT FOUR YEARS OF US-EU RELATIONS .....1

SUMMARY OF POLICY RECOMMENDATIONS .....3

RACHEL RIZZO: UNLEASHING US-EU DEFENSE COOPERATION .....7

ROB MURRAY: LEVERAGING EUROPE AND THE EU AS A DEFENSE POWER .....10

FRANCES G. BURWELL: LOOKING AHEAD TO THE NEXT CHAPTER OF US-EU DIGITAL COLLABORATION ..... 14

KENNETH PROPP: NAVIGATING BETWEEN DATA WAR AND PEACE.....18

ERIK BRATTBERG: REENERGIZING TRANSATLANTIC TRADE DYNAMICS OVER THE COMING YEARS .....21

L. DANIEL MULLANEY: CLOSING THE TRADE GAP BETWEEN MARS AND VENUS ON TRADE ..... 25

CAROL SCHAEFFER: TREATING THE GREEN TRANSITION LIKE THE GEOPOLITICAL IMPERATIVE IT IS..... 28

JOHN E. HERBST: GETTING TRANSATLANTIC COORDINATION RIGHT FOR UKRAINE..... 32

LÉONIE ALLARD: BRIDGING US-EU INTERESTS AND ACTION FOR THE INDO-PACIFIC AND CHINA..... 35

RAMA YADE: REALIZING A BOLDER TRANSATLANTIC AGENDA FOR COOPERATION WITH AFRICA..... 39

MAJA PISCEVIC AND ILVA TARE: WORKING ON A NEW TRANSATLANTIC APPROACH TOWARD  
THE WESTERN BALKANS ..... 42



# FOREWORD

## A NEW AGENDA FOR THE NEXT FOUR YEARS OF US-EU RELATIONS

*Daniel Fried and Jörn Fleck*

---

**“A**mericans were the best Europeans,” quipped German Chancellor Konrad Adenauer to Secretary of State Dean Acheson in 1949. He meant that the United States supported a strong, free, and united Europe—not one divided, strife-ridden, and poor. Both men, venerated for their visions of a peaceful, prosperous, and free world order following some of the most violent years in modern history, were among the architects of the modern transatlantic relationship. To achieve such goals in the face of would-be autocrats would require an active US role in the world, arm-in-arm with allies and partners in Europe and beyond. Americans would indeed have to be good Europeans, and so it turned out for nearly eighty successful years of transatlantic security, general peace, and prosperity.

Today, autocrats again are on the march, and the free world is again under threat. Vladimir Putin’s Russia seeks to conquer Ukraine to reconstitute Moscow’s empire and is running sabotage operations inside European Union (EU) and NATO countries. China has been intimidating its neighbors, claiming control over large parts of the Pacific, and may be planning to go further against Taiwan. Iran fans flames of violence in the Middle East, exporting terror and exploiting conflicts. These and other autocrats work together, sharing intelligence, military hardware and technology, helping each other evade sanctions, enabling corruption, and generally protecting each other.

At the same time, the United States, Europe, and other responsible powers must also grapple with a range of

---

**Photo:** People walk past the fountain outside the Billie Jean King National Tennis Centre during the US Open tennis tournament in New York, September 4, 2010. Source: REUTERS/Shannon Stapleton.

challenges, including still-unchecked climate change, new technologies with all their productive and disruptive potential, and the need to modernize trade and investment rules to realize the potential for growing and shared prosperity while limiting the ability of rapacious powers to game the system.

The United States and Europe have not been idle, and the US-EU partnership has never been as strong, as expansive, or as robust as it is today. However, the challenges have become stronger and more widespread. The United States and Europe have backed Ukraine in its fight for survival, preventing a Russian victory, but no clear path to success is yet apparent. The United States and key friends and allies in Europe and Asia are working to discourage Chinese adventurism, but China's power to threaten and perhaps do worse seems to be growing. Global efforts to reduce carbon emissions and move the world's energy mix in a green direction are gaining strength but have not bent the curve away from climate catastrophe. The United States and Europe have started speaking of new practices for the international economic system, such as "friendshoring," but not yet spelled out what this means.

Amid these challenges, European and US leaders face inward-looking, isolationist, nativist, and populist politics; twenty-first century versions of some of the West's worst political traditions are back in many countries. Without answers to the concerns that frustrate millions of US and European citizens, a perceived lack of opportunity high among them, political support for US and European leadership to maintain, adapt, and grow an open and fair international commons, and perhaps for democracy itself, may sag. The post-Cold War vision of a world united by common values and a rules-based order seems beset on many sides.

The problems are great, but so are the assets to deal with them. Together, the United States, Europe, and their closest partners still constitute the core of the liberal world order—aka the free world. They have the strength and resilience, if applied well, to master today's tasks. Democracies, though often messy, are, as a rule, in better shape than they sound, while autocracies are less so. During long stretches of the Cold War, the United States and Europe convinced themselves that they were in decline while adapting themselves to the challenges of those days, setting the stage for a success that was as unexpected as it was profound. We did it then, and we can do so today.

This year marks a critical time for this democratic effort. Elections on both sides of the Atlantic will usher in new governments, administrations, and commissions for some 785 million people.

No fewer than fourteen countries inside the transatlantic alliance have held or will hold elections this year.<sup>1</sup> Further, the June elections for the European Parliament have ushered in a new five-year mandate for the European Commission this fall—with Ursula von der Leyen spearheading a more geopolitical EU. Meanwhile, Americans will vote for a new president. Transition and turnover offer a chance for reflections on what's working and a chance to adapt what's not.

This series of essays attempts to outline an agenda for common US-EU action to meet today's challenges and set a productive vision for transatlantic relations for years to come. It identifies the issues policymakers must tackle and presents actionable recommendations for the next US administration and European Commission. The topics are varied, highlighting the breadth and depth of the US-EU relationship. It is worthy of continued investment.

The analysis and recommendations are nonpartisan, but they are driven by the Atlantic Council's conviction that we are stronger together. From the other side of the world to each other's backyards and into cyberspace, Washington and Brussels need each other.

The essays are ambitious in vision but not naïve. Cooperation between the United States and Europe is not always a given. Frustrations in some areas should not be ignored, and competition in others should be embraced. The transatlantic partnership, powered by the US-EU relationship, is a geopolitical necessity.



*Daniel Fried is the Weiser Family distinguished fellow at the Atlantic Council, former US ambassador to Poland, and former US assistant secretary of state for Europe.*



*Jörn Fleck is the senior director of the Atlantic Council's Europe Center.*

<sup>1</sup> Elections at the federal or supranational level include: Austria (parliamentary elections), Belgium (federal elections), Bulgaria (parliamentary elections twice), Croatia (parliamentary and presidential elections), Finland (presidential elections), France (parliamentary elections), Hungary (presidential elections), Lithuania (parliamentary and presidential elections), North Macedonia (parliamentary and presidential elections), Portugal (parliamentary elections), Romania (parliamentary and presidential elections), Slovakia (presidential elections), the United Kingdom (parliamentary elections), the European Union (European parliamentary elections), and the United States (presidential elections).

## SUMMARY OF POLICY RECOMMENDATIONS

### Unleashing US-EU defense cooperation

Rachel Rizzo

- Elevate the US-EU Security and Defense Dialogue to take place at least twice a year. At the dialogue, US and EU policymakers should come with a goal of creating a vision for EU defense over the next five to ten years. Part of this dialogue should be the United States supporting the European defense commissioner and their efforts.
- The United States needs to figure out what more autonomy for the EU might mean for future defense contracts. Washington will likely continue to provide key enablers for European security efforts. At the same time, some EU countries will have the resources to procure high-end capabilities, and other smaller countries may look to acquire low-cost, attritable capabilities.
- Inject a transatlantic angle to discussions of EU defense. On the US side, there will be difficulties navigating a political minefield of major defense contractors who are worried about losing out on market share, members of Congress who have interest in contracts, and, ultimately, the need to push back against ossified thinking that defines EU defense.

### Leveraging Europe and the EU as a defense power

Rob Murray

- Increase defense financing beyond the NATO 2 percent target with funding for both traditional military capabilities and emerging technologies. Financing should be used to create a defense-oriented multilateral lending institution into which the United States and the EU should invest.
- Prioritize the reform of defense procurement processes. The European defense commissioner should lead efforts to streamline acquisition, with a focus on accelerating the adoption of new technologies, including by integrating the UK and other non-EU European countries. The United States should support these reforms by aligning its procurement processes with those of its European allies.
- Invest in transforming defense production by leveraging new manufacturing techniques and scaling up production capacities to meet the demands of modern warfare. Public-private partnerships and closer cooperation with the UK, Switzerland, Norway, and Turkey will be key to enhancing production efficiency and resilience, particularly in the development and deployment of drones.

- Ensure that defense policy is fully integrated with broader national security strategies, including economic and technological dimensions. The United States should work closely with Europe to ensure that these strategies are aligned, creating a unified approach to global security and leveraging capital (in all its guises) to support such an effort.

### Looking ahead to next chapter of US-EU digital collaboration

Frances G. Burwell

- Ensure a mechanism exists that allows for continuous conversations as the Trade and Technology Council (TTC) provided the last administration. A revamped TTC or similar mechanism should be utilized to ensure continued communication across the Atlantic on these fast-moving issues.
- Coordinate on cybersecurity through avenues like the US-EU Cyber Dialogue. It will be essential not only in ensuring that consumers are safe but also in building the collaboration required to keep our societies secure. Some important steps have been taken, but the threat will evolve, and so must the transatlantic response.
- Cooperate more on AI standards, as AI is integrated into people's daily lives and as more uses develop, to constraining its harmful uses. Conversations about the implementation of rules for the EU AI Act will determine how compatible US and EU rules will be in practice.
- Ensure that quantum capabilities are securely held. Discussions on quantum computing are already underway in the TTC, but they are now more urgent so that the United States and EU can maintain a united front.
- Focus discussions on ensuring consensus in the movement and governance of data. The US decision to begin limiting how US data can be shared and the continuing US-EU negotiation on law enforcement access to electronic evidence makes this issue ripe for progress.
- Pay increased attention to the threat of intentional disinformation, as well as the harms done by online targeting of individuals. Once the US elections are over and the impact of disinformation can be assessed, this should become an important area of collaboration.

### Navigating between data war and peace

Kenneth Propp

- With an agreement on the CLOUD Act within reach, negotiators should redouble their efforts to finalize the text—or at least come to a political agreement in principle—by the end of this year, before changes in leadership on both sides.

### Reenergizing transatlantic trade dynamics over the coming years

Erik Brattberg

- Scale the TTC so that it includes a more streamlined structure focusing on strategically important areas. It should also move to an annual ministerial meeting supplemented by occasional informal check-ins. A small TTC secretariat could provide a focal point for stakeholders to provide input in a more structured way.
- Find small wins on sectoral trade and tariff reductions. Beyond avoiding a confrontation over tariffs, the United States and the EU should seek to eke out smaller sectoral trade agreements on things like clean energy and critical minerals as part of a transatlantic clean energy alliance.
- Coordinate trade policy on China. Key examples include work in the TTC on a common approach to AI risk management and 6G wireless infrastructure and in the WTO on e-commerce and digital trade. Policymakers should ensure coordination on defensive economic actions. They should continue to align their approaches to tariffs against China, extending beyond the scope of electric vehicles (EVs).
- Avoid a subsidy race to the bottom. This could include identifying sectors such as AI and green energy where their industrial policies do not create a zero-sum competition, building secure supply chains, and coordinating on government investments to avoid a “subsidy race” in critical sectors as part of a WTO-compliant “club.”

### Closing the gap between Mars and Venus on trade

L. Daniel Mullaney

- Focus messaging on common values and interests among governments, think tanks, academics, and other stakeholders by emphasizing the reality that what unites the United States and the EU in world trade dwarfs disagreements. Avoid signaling the virtues of one partner by denigrating the other and creating appealing, but largely false, fundamental differences.
- Identify priority areas for coordination. Issues represented by the Global Arrangement on Steel and Aluminum—climate change, including CBAM and similar measures—

and non-market policies and practices should top the list. Significant differences should be cabined off and addressed separately.

- Build buy-in from all stakeholders. The United States and the EU’s joint work on identified priorities, and the messaging that accompanies that work, should be informed by the US and EU stakeholder community. This would ensure that the priority areas of work are those that have a meaningful real-life impact, and would crystallize a positive public narrative.

### Treating the green transition like the geopolitical imperative it is

Carol Schaeffer

- Adopt a NATO-style approach to targeting long-term decarbonization. EU member states and the United States should set national-level spending targets based on annual GDP to fairly contribute to achieving decarbonization goals established by the Paris Agreement.
- Allow the EU’s neighboring countries, such as Turkey and Ukraine, who are currently not included in the EU’s broader initiatives, to join this spending coalition.
- The United States and the EU should set a number of standards and regulations for private businesses which operate on both sides of the Atlantic, such as requirements for businesses to disclose greenhouse gas emissions and set standards for businesses to adapt to more energy efficiency rather than offsetting carbon emissions.

### Getting transatlantic coordination right for Ukraine

John E. Herbst

- Increase military and economic aid to Ukraine. Europe must continue to provide substantial military and financial aid Ukraine needs and must fight the tendency to withhold new assistance. If the United States decides to sharply reduce aid to Ukraine, the EU and individual European countries must be ready to provide additional aid.
- Lift foolhardy restrictions on Ukraine’s use of weapons. European countries in NATO should remove all restrictions on Ukraine’s use of their weapons and encourage the United States to do the same.
- Deliver frozen Russian assets to Ukraine. The EU and relevant European states should move energetically, in coordination with the United States, Canada, and Japan, to provide Ukraine with the \$50 billion loan based on the frozen Russian state assets. They must also find an expeditious way to provide the principal of those assets to Ukraine.

- Secure Ukraine's electric grids. The EU must enhance efforts with the United States to help Ukraine provide enough electricity through the coming winter.
- Bury Nord Stream 2. Germany must give up the pipedream of reviving Nord Stream 2 and the Biden administration should cease efforts to block Congressional removal of sanctions on the pipeline.

### **Bridging US-EU interests and action for the Indo-Pacific and China**

Léonie Allard

- Expand coordination on China as Europe expands its China policies. As Europe's de-risking framework is crafted, coordination will be necessary in areas including critical infrastructure, hybrid threats, and defense supply chains.
- Continue to pursue innovative defense economic tools including but not limited to tariff measures and more a systemic and offensive response through regulations on cyber, labor, science and technology or sustainability. The EU should stand up an economic intelligence unit, and Washington should support it with information sharing.
- Counter Chinese influence and interference. As Europe accounts for the increased sophistication of Chinese influence operations, its ability to coordinate transatlantic de-risking policies will depend on the actual implementation of announced tools to enhance democratic resilience.
- Push third-party partnerships. Washington and Brussels should leverage existing free trade agreements and investment and trade partnerships with third countries to further respective de-risking strategies. The next European Commission should push for a greater geopolitical framing of its Global Gateway to support projects in key countries and coordinate with the US effort at the G7.
- Invest in Europe's neighborhood. China's ability to stir up trouble in Europe's neighborhood, in coordination with Russia, have direct consequences on Europe—and will impact the United States. Neighborhood policies in Balkans and Central Asia should also account for growing Chinese influence.
- Engage in a discussion over crisis scenarios in the Indo-Pacific. In case of a gray zone conflict or escalation in Taiwan, European states need to agree on measures to take and engage in discussion with the United States to avoid a transatlantic crisis.

- Coordinate outreach to partners in the Indo-Pacific. The EU is redefining its relations, though partnerships with Japan, India, Australia, South Korea and others. Washington is doing much of the same. Coordination with the United States—and among European members—on the impact of a Taiwan Strait crisis should happen at the working level and pull all strands of policy making.

### **Realizing a bolder transatlantic agenda for cooperation with Africa**

Rama Yade

- Develop more coordination on multilateral initiatives. The US Atlantic Partnership should include France. The EU's Global Gateway should be better coordinated with the G7's Partnership for Global Infrastructure and Investment. Youth initiatives like the EU's Africa-Europe Youth Academy the US Young African Leaders Initiative and Mandela Washington Fellowship could be merged or coordinated.
- Work on consistency of outreach. Competition with China must not be at the expense of Africa's development needs. The Western approach still does not prioritize Africa's development enough.
- Raise the level of ambition. The West also has tools their competitors do not yet have: the financing of African economies. However, investment is made prohibitively challenging in Africa. A reform of the international financial system would release investment in Africa. The United States and EU can together with African countries make progress on reforms to address these structural issues.
- Embrace more inclusivity. The United States and European nations could regain moral leadership by taking the initiative in systemic reform of multilateral institutions. A coordinated strategy to include two African states in the United Nation Security Council as permanent members, building on Washington's support for such a move, is an easy start.

### **Working on a new transatlantic approach toward the Western Balkans**

Maja Piscevic and Ilva Tare

- Make the underpinning of democracy a prerequisite of any approach to the region. The United States and the EU should prioritize support for democratic reforms through the empowerment of civil society, anti-corruption efforts including technical assistance programs, and the rule of law with judicial reforms and training for judges and prosecutors.



- Pursue a strategy of investment, trade facilitation, and infrastructure development by doubling down on investment in high-growth sectors like renewables; leveraging public-private partnerships; focusing on reducing trade barriers by simplifying customs procedures; and driving infrastructure development in the transportation, energy, and digital sectors.
- Refocus on regional economic competitiveness by improving the business climate through reforms to regulatory frameworks and combatting corruption, fostering innovation through research and development programs, and investing in human capital through educational and vocational training programs.
- Develop a new approach to the Serbia-Kosovo dialogue. The United States and the EU should jointly lead the dialogue. It should focus on practical steps toward normalization including economic cooperation, freedom of movement, and mutual recognition. It should develop conditional economic incentives, and it must address the underlying issues of minority rights and the safeguarding of territorial integrity.
- Develop policy for cybersecurity and infrastructure protection. Washington and Brussels should support trainings for cybersecurity through capacity building and technology transfers with a focus on the protection of critical infrastructure. US and EU policymakers should do more to support media literacy programs and fact-checking to counter disinformation threats at the local level.
- Draft strategies to counter Russian and Chinese efforts to grow their presence by offering alternative partnerships, investments, and security cooperation. The United States can support diversification of energy sources away from Russia and infrastructure development. Reinforcing NATO's presence in the region is crucial to deter aggression; moving Kosovo closer to NATO membership will be an important step towards regional stability.



## UNLEASHING US-EU DEFENSE COOPERATION

Rachel Rizzo

### THE BOTTOM LINE

Instead of pushing back against European defense efforts as it has done in the past, Washington must fully embrace the steps the European Union (EU) is now taking—including the European Defense Industrial Strategy—and build on nascent structures for US defense cooperation with the EU.

### STATE OF PLAY

For decades, the United States has derided and complained about the EU's lack of defense capabilities. Why doesn't the EU step up to the plate? Why can't it handle more of the burden of Europe's continental defense? Questions regarding the US commitment to Europe's defense go all the way back to the [Eisenhower era](#): The then-president "lamented that the in-

sufficient defense efforts of US allies in Europe meant that the Europeans were close to 'making a sucker out of Uncle Sam.'"

The reality, however, is a bit more complicated. The United States has also played an active role in stymieing the EU's defense capabilities throughout the years, repeatedly warning about the EU implementing protectionist measures, and defense primes worrying about lost contracts. The opposition from many in Washington ranges from concern about the United States eventually being pushed out of Europe's defense market at best, and the dissolution of the US-European relationship at worst. Take the case of the US reaction to the 1998 St. Malo Summit: British Prime Minister Tony Blair and French President Jacques Chirac signed the [St. Malo Declaration](#), declaring that the EU "must have the capacity for autonomous action, backed up by credible military forces." US Secretary

**Photo:** High Representative of the European Union for Foreign Affairs and Security Policy Josep Borrell poses on the assault ship-aircraft carrier LHD Juan Carlos I during the Millex 23 military drill in Rota, Spain, October 17, 2023. Source: REUTERS/Juan Medina.

of State Madeleine Albright responded shortly thereafter at a NATO foreign ministerial with the famous “three D’s” speech, saying there should be no discrimination against, no diminution of, and no duplication of NATO activities. This has been US dogma ever since.

## THE STRATEGIC IMPERATIVE

Today, this line of reasoning directly undermines the US-European security relationship. The transatlantic partners find themselves in a uniquely dangerous situation: war has returned to Europe, and yet, Europeans are still woefully unprepared to meet the challenge of protecting the continent without a heavy reliance on the United States. Should the worst-case scenario ever materialize, where Europe finds itself in open conflict with Russia and the United States has successfully completed its geographical rebalance to the Indo-Pacific region, Europe would be in trouble. Europe is simply unable to defend itself without the United States as the ultimate backstop. This is neither in the interest of the United States nor Europe.

For that reason, two things must happen going forward: the EU must build on the momentum it has created over the past two years to continue to lessen its reliance on the United States for its security, and the United States must wholeheartedly support these efforts. This does not translate into a transatlantic defense decoupling, especially if the EU does things right. Nor does this suggest that the United States wouldn’t come to Europe’s aid in the event of a crisis. On the contrary, the United States and the EU will continue to be one another’s closest partners and work together on significant defense projects. But the EU must build its own industrial capacity and allow its defense industry to flourish, ultimately creating a more independent and self-sufficient actor and ally.

## LOOKING AHEAD

Looking ahead to the next four years, the United States should focus on how US-EU defense cooperation—rather than competition—can make Europe a stronger player. And it should rid itself of the outdated thinking that a strong European backbone is somehow a threat to the transatlantic relationship and NATO.

Early in 2024, the EU released the [European Defense Industrial Strategy](#) (EDIS), which aims to strengthen the European Defense Technological and Industrial Base (EDTIB). EDIS sets out a vision for the EU’s defense policy through 2035. In theory, the goal is to produce more, quicker. In reality, it means by 2030, intra-EU defense trade should represent at least 35 percent of the value of the EU’s defense market, at least 50 percent of member states’ defense procurement should be procured from the EDTIB (with 60 percent by 2035), and member states should procure at least 40 percent of their defense equipment collaboratively.

Today, for instance, the United States provides [around 63 percent](#) of the EU’s defense capabilities, which would decrease if EDIS is done right. So, on the surface, it may appear that the United States would (or should) reflexively dislike this plan because, ultimately, it may result in a decreased US share of the European defense market. And if the past is any indicator, there may eventually be some pushback, although it hasn’t happened yet. One only has to look back at the signing of Permanent Structured Cooperation (PESCO) in 2017 to remember the US overreaction. High-level US officials, including the then ambassador to the EU, [warned](#) of protectionist measures and the inevitable undermining of NATO and the transatlantic relationship writ large. Eventually, the United States signed on as a third-party participant in PESCO projects.

Admittedly, the EU still has a long way to go in realizing these defense procurement goals. A first-ever defense and space commissioner, as proposed by European Commission President Ursula von der Leyen earlier this year and [appointed](#) on September 17, will be key as a main point of contact between the United States, NATO, and the EU. Commissioner-Designate Andrius Kubilius (if confirmed) and his team will have their work cut out for them, delicately balancing national interests and power struggles within the twenty-seven-nation bloc.

## POLICY RECOMMENDATIONS

The United States must start by changing its lukewarm approach toward EU defense efforts and put its full-throated support behind EDIS. Luckily, there are already multiple avenues that the two sides can build upon to help facilitate cooperation. In 2022, for example, the United States and the EU created the [US-EU Security and Defense Dialogue](#), which held its second meeting in December 2023. The two sides discussed updates on various defense projects and noted the administrative arrangement between the United States and the European Defense Agency signed earlier in the year. These are admittedly small developments; nonetheless, they are steps in the right direction.

Going forward, this dialogue should be elevated and should take place at least twice a year. At the next meeting, the two sides should come to the table with the goal of creating a vision for EU defense over the next five to ten years, with concrete ways the United States can strengthen, rather than stymie, that vision. The goal should be to find avenues of cooperation and a clear set of areas where the EU must become an autonomous actor. Part of this dialogue should be the United States pushing for the empowerment of the European defense commissioner, and then supporting their efforts once this person is in place.

Then, the United States needs to work within its own political sphere, including closely with the defense industry, to figure out what more autonomy for the EU might mean for future

defense contracts. Washington, for example, will likely continue to provide key enablers for European security efforts. And that's OK. At the same time, some EU countries will have the resources to procure high-end capabilities, whereas smaller countries may look to acquire low-cost, attritable capabilities that are accessible but will still go a long way in moving the ball on readiness in Europe.

Compelling [research](#) suggests that funding shortfalls, bureaucratic headaches, power struggles between EU member states, and ongoing debates about whether defense acquisitions should come from outside the EU continue to pose the largest obstacles to deeper European integration. Having a transatlantic aspect to these discussions with the ultimate goal of making the EU more autonomous will be key to both getting projects off the ground and creating a political environment in Europe where there is the actual will to get things done. Another challenge, of course, will be resisting the long-standing tendency to “just buy American” because it's easier and

more available, and creating economies of scale to a point where joint European procurement makes sense. On the US side, the difficulties will be navigating the political minefield of major defense contractors that are worried about losing out on market share, members of Congress who have a personal interest in these contracts, and, ultimately, pushing back against the ossified thinking that has thus far defined this touchy subject. This is certainly a long-term project, but with the support of the United States, Europe could finally be on the right track.



*Rachel Rizzo is a nonresident senior fellow at the Atlantic Council's Europe Center. Her research focuses on European security, NATO, and the transatlantic relationship.*



## LEVERAGING EUROPE AND THE EU AS A DEFENSE POWER

*Rob Murray*

---

### THE BOTTOM LINE

By 2029, defense cooperation between the United States and the European Union (EU) must solidify the backbone of a resilient transatlantic alliance capable of securing global stability and upholding democratic values. Success will depend on addressing three intertwined issues: securing adequate funding, streamlining acquisition processes, and transforming defense manufacturing. These challenges present opportunities for innovation, collaboration, and growth, with the United States and Europe playing critical roles in building strategic resilience. Moreover, integrating the defense policies of the United States, the EU, and NATO allies with broader national security strat-

egies will be essential to tackle evolving threats that are not purely military but encompass economic, technological, and political dimensions. Ensuring that these defense efforts align with overarching national security goals will create a more unified and effective transatlantic response.

### STATE OF PLAY

The US-EU defense partnership stands at a pivotal moment. The ongoing conflict in Ukraine has exposed both strengths and significant gaps in funding, preparedness, and production. NATO's 2 percent of GDP defense-spending target, long considered a benchmark, is increasingly viewed as a floor

---

**Photo:** An employee works at a production line of 155 mm artillery shells at the plant of German company Rheinmetall, which produces weapons and ammunition for tanks and artillery, during a media tour in Unterlues, Germany, June 6, 2023. REUTERS/Fabian Bimmer.

rather than a ceiling considering modern warfare's demands. Europe's collective defense spending in 2024 is expected to reach approximately \$380 billion (€350 billion). However, this expenditure must be utilized more effectively to maximize its impact. Adjusted for purchasing power parity, Europe and the United States' real defense spending levels have [only just returned](#) to those seen two decades ago despite substantial nominal increases. In comparison, according to the [SIPRI Military Expenditure Database](#), Russia's 2023 defense budget was \$109 billion.

Momentum for change is building, particularly around addressing inefficiencies in defense acquisition and procurement processes. The establishment of an EU defense commissioner represents a step forward. The commissioner's role, supported by European Commission President Ursula von der Leyen, should be to streamline procurement, ensure better value for the money, and create shared economic benefits through European jobs. While political resistance is inevitable, the potential benefits of a more integrated and responsive defense market are immense.

The United States has a crucial role in supporting these European initiatives. Active US engagement in shaping and supporting EU procurement reforms should be seen as part of a broader commitment to developing a shared transatlantic defense strategy. This strategy should focus on creating a procurement environment where efficiency, transparency, and innovation are prioritized. By working together to adopt and refine best practices, both sides can ensure that procurement processes are aligned and mutually beneficial, avoiding any perception of one side guiding the other. The [US Replicator program](#)—an initiative aimed at rapidly scaling the production of autonomous, affordable defense systems to maintain technological and operational superiority—represents a potential model for how defense contracting might look in the future.

European defense industries are also responding to increased demand, albeit fragmented demand from nations. However, more must be done to ensure that production capacities can meet both immediate and future needs. Firms are beginning to take on more risk, building critical inventory independently, and those able to deliver quickly will be rewarded. This [marks](#) a significant cultural shift in the defense industry and European attitudes toward the industry, one that bodes well for the future of US-EU cooperation. By fostering joint ventures and co-investment opportunities, the United States and Europe can combine their respective strengths—US entrepreneurial dynamism and European engineering expertise—to address production challenges effectively.

The conflict in Ukraine has also underscored the need for agility in defense production. Wartime inflation, such as the quadrupling of the cost of a 155 mm artillery shell from approximately

€2,000 before February 2022 to around €8,000 now, as [mentioned](#) by the chair of the NATO Military Committee, Admiral Rob Bauer, demonstrates the urgency of transforming defense manufacturing. Despite these challenges, European shell production is [expected](#) to reach an annual rate of one to two million shells by late 2024, potentially surpassing US output. With the right focus and investment, Europe can rise to meet its defense needs and significantly contribute to the transatlantic alliance.

As Europe addresses these immediate production challenges, it is becoming increasingly clear that longer-term strategic alignment is also critical. Although current efforts primarily focus on securing funding and streamlining procurement, there is increasing awareness that aligning the defense policies of the United States, the EU, and NATO members with broader national security strategies will be essential for tackling complex, evolving threats. Coordinating military readiness with broader security goals, including economic and technological resilience, is likely to become a critical component of future transatlantic cooperation. This alignment will help ensure that defense investments are strategically targeted to maximize both military and societal resilience, creating a more unified transatlantic response to hybrid and multidimensional threats.

## THE STRATEGIC IMPERATIVE

There are three areas that the United States, the EU, and its member states must address together to ensure the transatlantic alliance is fit for purpose.

### 1. Money: Securing adequate funding

Securing necessary funding is paramount. Once a distant goalpost, NATO's 2 percent of GDP target is now the starting point for ensuring robust defense capabilities. The lessons from Ukraine underscore the need for substantial financial commitments, but they also highlight the power of collective action and the importance of transparent communication with the public. Both the United States and the EU—with the support of its member states—must be willing to make these investments to not just maintain security, but to drive innovation and economic growth in the defense sector that will likely bring wider [economic benefits](#).

### 2. Procurement: Streamlining acquisition processes

NATO's new comprehensive defense plans could require Europe to increase its military capability targets by about a third, with calls to push defense spending to around 3 percent of GDP. The British government has gone some way to commit to this with the current administration seeking to [increase defense spending](#) to 2.5 percent, although the timeline to achieve this remains open. More ambitiously, Poland's president also [pushed](#) earlier this year for NATO to establish a 3 percent target. This represents both a challenge and an opportunity for Europe to demonstrate its commitment to collective defense

and leverage its economic strength for security. However, even if the necessary funding was available, current procurement models are not equipped to allocate these funds effectively. Comprehensive reform must accompany increased spending to ensure efficiency and impact.

Reforming defense procurement is about creating a system that can adapt to the fast-paced demands of modern warfare. The appointed European defense commissioner should focus on achieving EU-wide procurement reform. By prioritizing decentralization, empowerment, and speed—particularly in acquiring rapidly evolving technologies such as software and cyber capabilities—Europe can ensure that its defense capabilities are proactive rather than reactive. The United States, with its large procurement portfolio, should learn from such reforms and implement those that are relevant across the US system, too, thereby fostering a more cohesive transatlantic defense strategy. (This topic will be discussed further in a forthcoming report by the Atlantic Council’s [Commission on Software-Defined Warfare](#).)

### 3. Production: Transforming defense manufacturing

Transforming defense production is where the future of US-EU cooperation can truly shine. The Ukraine war has exposed the limitations of current production capacities, but it has also sparked a renewed focus on innovation and efficiency. The United States and the EU must invest in scalable, efficient production methods that can meet the demands of modern warfare while also driving technological advancements. The United States should take an active role in this transformation, offering technological expertise and coinvesting in European production facilities to ensure that both sides benefit from enhanced manufacturing capabilities—including those efforts that are already [underway](#).

The increasing reliance on drones exemplifies this broader shift toward technologically advanced and cost-effective military assets. Drones are becoming central to both surveillance and combat operations, offering a clear example of how technological advancements can drive significant military impact at a fraction of the cost of traditional assets. The production and deployment of drones, particularly those with artificial intelligence capabilities and enhanced autonomy, should be at the forefront of these efforts. Moreover, these military advancements are likely to pioneer civilian applications, such as drone deliveries, unlocking significant economic activity beyond their military use. This dual-use potential makes investment in drone production a [strategic priority](#), with broad implications for both defense and civilian sectors.

Public-private partnerships and closer cooperation with the United Kingdom and other non-EU European countries such as Switzerland, Norway, and Turkey could significantly en-

hance Europe’s defense manufacturing ecosystem. This approach addresses immediate needs and builds a foundation for long-term resilience and adaptability. [Addressing](#) broader economic, social, and political challenges will be essential for ensuring that Europe’s defense industry is not just reactive but a driving force in global security.

## LOOKING AHEAD

The next four years are crucial for setting the trajectory of US-EU defense cooperation. Securing adequate funding, streamlining acquisitions processes, and transforming defense production are the means by which the United States and the EU can build a defense partnership that is resilient, innovative, and capable of addressing the challenges of the twenty-first century. To achieve this, nations must align not only their military capabilities but also their economic, technological, and political strategies. While the potential benefits are significant—improving effectiveness, reducing fragmentation, and strengthening resilience—there are also challenges to overcome. National sovereignty concerns, divergent political priorities, and institutional complexities present real hurdles.

While initiatives to support the European Defense Technological and Industrial Base, the European Defense Fund, and Permanent Structured Cooperation provide some frameworks for enhancing EU capabilities, [more significant](#) and impactful initiatives are required. For example, a US-European multilateral [lending institution](#) focused on defense financing should be created to serve as a critical tool in bridging the funding gap and ensuring sustained investment in defense. Or the United States and [France](#) could lead by investing in the [NATO Innovation Fund](#), expanding it with multiple sub-funds that utilize both private and public capital, each with distinct investment theses. These sorts of approaches could catalyze broader defense financing and innovation, setting the stage for a more integrated and capable transatlantic defense alliance.

Strengthening the European pillar within NATO makes sense as it ultimately seeks to strengthen the Alliance. This strategic autonomy will be crucial as the United States may increasingly focus on the Pacific and other global priorities, necessitating a strong and self-reliant Europe. However, the United States must also ensure that Washington’s shift does not weaken transatlantic ties. By actively supporting European defense autonomy within NATO, the United States can ensure that Europe remains a strong and capable partner in addressing global security challenges.

## POLICY RECOMMENDATIONS

Achieving a robust and unified transatlantic alliance by 2029 will depend on the United States and the EU addressing the core

issues of funding, procurement, and production. By embracing these challenges as opportunities for growth, innovation, and collaboration—and by integrating defense policy with broader national security strategies—both sides can ensure that their defense partnership is prepared for the challenges ahead. Integrating the UK and other key non-EU European countries as partners will further enhance this alliance, ensuring that it remains a cornerstone of global stability in the years to come. Success in these efforts will require overcoming significant political and bureaucratic obstacles, but the potential rewards—a secure, stable, and resilient alliance—make the endeavor well worth the effort. The United States must play a leading role in these efforts, ensuring that its commitment to transatlantic security remains strong and that Europe is empowered to take on a more autonomous and proactive defense role, securing peace and stability for future generations.

Recommendations to this effect include:

- **Increase defense financing beyond the NATO 2 percent target.** This funding should be directed toward both traditional military capabilities and emerging technologies, ensuring that the United States, the EU, and its member states can maintain a credible deterrent against current and future threats. This additional financing should be used to create a defense-oriented multilateral lending institution into which the United States and the EU should invest to provide the necessary capital to support these initiatives without overburdening national budgets. Clear communication with the public about the necessity of this spending is essential for securing the political support needed to sustain these investments.
- **Prioritize the reform of defense procurement processes.** The inaugural European defense commissioner should lead efforts to decentralize and streamline acquisition, with a particular focus on empowering decision makers and accelerating the adoption of new technologies. Integrating the UK and other non-EU European countries into these efforts

will help create a more efficient and responsive defense procurement system across Europe, enhancing the transatlantic relationship. The United States should support these reforms by aligning its procurement processes with those of its European allies, ensuring interoperability and efficiency across the alliance. The Replicator effort could be a relevant pilot program from which to learn key lessons.

- **Invest in transforming defense production.** The United States and the EU should leverage new manufacturing techniques and scale up production capacities to meet the demands of modern warfare. Public-private partnerships and closer cooperation with the UK, Switzerland, Norway, and Turkey will be key to enhancing production efficiency and resilience, particularly in the development and deployment of drones, which offer both military and civilian applications.
- **Ensure that defense policy is fully integrated with broader national security strategies, including economic and technological dimensions.** A holistic approach, which includes the UK and other non-EU countries, will be crucial for building a resilient and adaptable alliance capable of responding to the complex security challenges of the twenty-first century. The United States should work closely with Europe to ensure that these strategies are **aligned**, creating a unified approach to global security and **leveraging capital** (in all its guises) to support such an effort.



*Rob Murray is a nonresident senior fellow with the Forward Defense program and the Transatlantic Security Initiative within the Atlantic Council's Scowcroft Center for Strategy and Security.*





## LOOKING AHEAD TO THE NEXT CHAPTER OF US-EU DIGITAL COLLABORATION

*Frances G. Burwell*

---

### THE BOTTOM LINE

In the past four years, during Ursula von der Leyen's first term as European Commission president and Joe Biden's time as US president, there has been a strong convergence across the Atlantic in the governmental approach to digital and technology-related issues. However, the transatlantic agenda for the coming years remains unclear and will depend

on the impact of the debate over competitiveness now emerging in Europe and the outcome of the US election in November. There are opportunities for further collaboration, especially in addressing emerging technologies and the risks both sides face from bad actors in the digital sphere. Whether this will be an effort driven by the European Union (EU) or one in which the United States is an equal partner is not yet certain.

---

**Photo:** US Secretary of State Antony Blinken takes pictures of the press next to US Trade Representative Katherine Tai, US Secretary of Commerce Gina Raimondo, European Commission Executive Vice-President Margrethe Vestager, European Commission Executive Vice-President Valdis Dombrovskis, and European Commissioner for the Internal Market Thierry Breton as they pose for a family photo on the day of the US-EU Trade and Technology Council in Leuven, Belgium, April 5, 2024. Source: REUTERS/Johanna Geron/Pool.

## STATE OF PLAY

Von der Leyen entered office in late 2019 with a strong focus on digital policy. Despite the pressures of the COVID-19 pandemic and Russia’s full-scale invasion of Ukraine, the European Commission put forward a [tsunami of legislation](#), most of which has now passed, including the Digital Markets Act, Digital Services Act (DSA), Data Governance Act, Data Act, Cyber Resilience Act, and the Artificial Intelligence Act. While there is a growing debate about the impact of such extensive regulation on European innovation, as discussed in former President of the European Central Bank Mario Draghi’s [recent report on competitiveness](#), there are few indications of any back-tracking on these new laws.

In contrast, the Biden administration entered office without strong ambitions in this area, although the president had expressed some concerns about the impact of social media on the electorate. However, there was a big shift in the administration’s attitude toward artificial intelligence (AI) as that technology developed. Through a series of “blueprints,” voluntary guidelines, and [executive orders](#), the Biden administration has largely adopted the EU’s risk-based approach to AI, at least in its assessment of the dangers and its objectives.

This convergence in tech policy cannot be divorced from the growing transatlantic alignment on China. The Biden administration has emphasized the need for greater oversight and restrictions on transfers of technology and data to that country. The 2023 suspension of US participation in the World Trade Organization’s digital trade efforts and the [citing](#) of national security considerations in limiting data flows to “countries of concern,” including China, seem to mark a turning away from the long-held US commitment to open data flows. Moreover, the [Protecting Americans’ Data from Foreign Adversaries Act](#) passed as part of a foreign aid package for Ukraine and Israel, puts restrictions on data brokers that receive US personal data based on their foreign ownership.

In Europe, there has been a growing caution about Chinese equipment and investments in the communications and high-tech sectors, although the policy is often described as differentiating between trusted and untrusted vendors. Most recently, the EU has opened investigations into China’s subsidization of its electric vehicle (EV) battery and wind turbine industries. Although there are still differences, the last four years have seen a growing transatlantic consensus on the risks posed by China’s anti-competitive behavior and its impact on US and EU autonomy in key technologies.

## THE STRATEGIC IMPERATIVE

The US-EU digital relationship is one of the strongest and most lucrative in the world—US tech companies earn more in

Europe than anywhere else in the world. At the same time, EU rules affect those companies’ operations not only in the European market but often far beyond. The question for US and EU policymakers is how to create a more coherent transatlantic—and perhaps even global—digital marketplace, one where regulation and innovation incentives can be balanced. Can the United States and the EU find enough common ground to achieve that ambition? If they do not cooperate—and perhaps even adopt opposing policy approaches—will companies then face two distinct markets? In that circumstance, will the EU become even more focused on digital sovereignty and restrictive regulations while the United States becomes a relatively less-regulated space? Will companies be forced to choose whether to adhere to strict European regulations or forgo the profitable European market?

## LOOKING AHEAD

Whether the United States and the EU will succeed in building greater cooperation on digital and tech issues will depend in large part on two factors. First, the EU is engaged in an internal discussion on how to enhance the bloc’s economic competitiveness. A key element of that should be to provide a more business-friendly environment across the economy while encouraging citizens, governments, and businesses to participate in the digital transition and provide the protections they expect. Competitiveness does not mean no regulation, but rather that compliance with the rules does not create prohibitive burdens, especially for innovative start-ups. Europe also needs to boost its digital engagement and provide its people with the skills needed to flourish in the digital economy. In short, will it be Estonia or France that emerges as the model for how Europe balances regulation and innovation? If Europe comes to believe that the only way it can enhance its competitiveness is by restricting certain markets to European companies, transatlantic cooperation will inevitably become more challenging.

Second, the future of US-EU collaboration will also depend on the outcome of the US presidential election. Although digital and tech policy has figured little in the race to date, there are some clear differences. Vice President Kamala Harris has been deeply engaged in the Biden administration’s approach to AI, and measures such as those in the Biden administration’s [executive order on AI](#) are likely to be reinforced in a Harris administration.

The path forward is murkier if former President Donald Trump returns to the White House. He has already said that he would [withdraw](#) the Biden administration executive order on AI, a move that would distance the United States from the Group of Seven and others who seek to constrain some uses of AI. While messages from the Trump campaign have been mixed when it comes to the large tech companies, the conservative manifesto Project 2025 has called for the end of the Federal Trade

Commission and its anti-trust role, as well as removing environmental and other rules that the project’s authors believe have constrained the growth of technology companies. This position will be received with much skepticism, if not alarm, in Europe. US tech companies are already viewed in Europe as under regulated, and a relaxation of current US rules is likely to lead Europe to respond by stepping up enforcement of its new digital rules even further. Even if a Trump administration does not roll back existing regulation, all indications are that it will resist any further constraints on tech companies, including measures such as labeling AI-generated content or restricting the distribution of fake videos. Such a stance is unlikely to provide a foundation for greater US-EU cooperation.

For much of the last four years, the EU has been a world leader when it comes to tech regulation, while the United States, in some areas, has not even had a policy in place. Some would argue that the EU’s focus on regulation has hampered corporate innovation and the opportunity for European tech superstar companies to develop. That may be, but in the absence of comparable US regulation, the EU has become the default arbiter of rules that govern the digital economy, including the global behavior of US companies. Unless the United States engages more actively—including putting forward concrete legislative and regulatory proposals—Europe is likely to continue to set the pace, especially on regulating AI and disinformation. And if the United States fails to enact guardrails in the digital sector and instead decides that the digital economy should continue to be lightly regulated, the EU is likely to respond by strengthening enforcement of its own rules, especially against US companies. Consistent and constructive US-EU regulatory engagement, therefore, is an essential component of a transatlantic digital marketplace.

## POLICY RECOMMENDATIONS

The United States and the EU should focus on a few key areas to create a more coherent transatlantic digital marketplace. These do not represent the entire universe of existing digital policy. (One area omitted here is competition policy, which is governed by distinct legal processes in the United States and the EU.) It should also be noted that during the coming years, entirely new areas of digital and tech are likely to emerge as crucial in the transatlantic partnership. Thus, it is important that a mechanism exists that allows for continuous conversations about these matters. During 2021–24, the US-EU Trade and Technology Council (TTC) provided valuable opportunities for consultation and for aligning US and EU approaches. During the next US administration, a revamped TTC or similar mechanism should be available to ensure continued close communication across the Atlantic on these fast-moving issues.

**Cybersecurity:** During the past few years, the United States and Europe have experienced an increasing number

of [cyberattacks](#), although specific numbers are difficult to secure, given that not every victim reports an attack. In 2023, the [cost of cybercrime](#) was estimated at \$11.5 trillion and is expected to be almost \$15 trillion in 2024. Both China and Russia have been identified as [facilitating](#)—if not ordering—some of these attacks, demonstrating cyber’s growing role as a key area of hostile state action, in addition to the longtime involvement of criminal enterprises. Coordinating policy toward cyberattacks and developing greater cyber resilience should be a top priority for policymakers. The US-EU Cyber Dialogue has been important in facilitating dialogue about specific attacks and strategies for countering those efforts. Recently, it has also started to address the different US and EU regulatory measures aimed at creating resilience, both in critical infrastructure and in connected devices. Coordination between the United States and the EU will be essential not only in ensuring that consumers are safe but also in building the collaboration required to keep our societies secure in the face of a growing onslaught by hostile actors. Some important steps have been taken, but the threat will evolve, and so must our response.

**AI and emerging technologies:** One of the biggest successes of the TTC was the convergence it inspired on the issue of AI. While the EU led with the AI Act, the Biden administration gradually moved from inaction to establishing voluntary guidelines and then to issuing [Executive Order 14110](#) imposing rules on those seeking to do AI-related business with the US government. The commercialization of ChatGPT happened just as the AI Act was nearing completion, and a few provisions were hastily added in response, especially to ensure that generative AI was treated as high risk. While the United States will probably struggle to pass comprehensive AI legislation, some US states have started to fill the domestic breach by passing their own AI laws. For example, the [Colorado law](#) passed in May imposes similar restrictions and responsibilities on AI developers as does the EU AI Act. But there is no denying that AI is a rapidly evolving technology that will require ongoing government review and regulation. Indeed, Microsoft President Brad Smith recently [called](#) for more government regulation to combat “abusive AI-generated content.” During the next five years, as AI is integrated into people’s daily lives and as more uses (good and bad) develop, US-EU cooperation in facilitating the productive use of AI while constraining its harmful uses will be essential. As a first step, transatlantic conversations about the implementation of rules for the EU AI Act will determine how compatible US and EU rules will be in practice.

**Quantum computing:** AI is not the only technology that requires cooperation across the Atlantic. Quantum computing has already been [identified](#) by the TTC as the next emerging technology worthy of focus. Given the enhanced power and computing speed that quantum would provide for researchers and AI developers and deployers, for example, there is definite

value in the technology. But it also offers those same capabilities to those seeking to hack into critical infrastructure systems or financial or healthcare institutions. Thus, ensuring that quantum capabilities are securely held should be a top transatlantic priority for ongoing tech discussions. On September 5, the US Commerce Department [issued rules](#) establishing export controls on certain elements of quantum computing. Although some EU member states were identified as eligible for exemptions from these restrictions, the EU as a whole is not. Discussions on quantum computing are already underway in the TTC, but they are now more urgent so that the United States and the EU can maintain a united front.

**Data governance:** This topic should also be much higher on the list of US-EU priorities than it has been in the past. To date, this discussion has focused on ensuring the transfer of EU personal data to the United States in the commercial setting in a manner compatible with the EU General Data Protection Regulation. But the recent US decision to begin [limiting](#) how US data can be shared and the [continuing](#) US-EU negotiation on law enforcement access to electronic evidence make this issue one that is ripe for intensive US-EU discussions, especially as the new Commission will present a [European Data Union Strategy](#). The United States and the EU urgently need to build more consensus in the movement and governance of data.

**Online safety and combating disinformation:** In the wake of the European Parliament elections—and with the US elections looming—increased attention should be paid to the threat of intentional disinformation, as well as the harms

done by online targeting of individuals. AI has escalated this threat, as demonstrated by faked audio recordings released during the [Slovak election campaign](#) and the AI-generated fake video of [Harris](#) featured on X. While the EU has the DSA and other legislation to rein in illegal and harmful content, the United States has resisted such measures, citing free-speech protections. Once the US elections are over and the impact of online and offline disinformation can be assessed, this should become an important area of collaboration between the two democracies. But there is also great potential for transatlantic tensions in this area, especially since European and US ideas—and laws—on free and prohibited speech can vary. A Trump administration may well view EU attempts at content moderation under the DSA as efforts to censor free speech. Recent [communications](#) between then-European Commissioner Thierry Breton and X owner Elon Musk demonstrate the potential for misunderstanding, especially if the focus becomes harmful, rather than illegal, speech. In the future, close consultation will be essential if the US-EU partnership is to be effective in managing real disinformation.



*Frances G. Burwell is a distinguished fellow at the Atlantic Council's Europe Center and a senior director at McLarty Associates.*



## NAVIGATING BETWEEN DATA WAR AND PEACE

*Kenneth Propp*

### THE BOTTOM LINE

Ever since Edward Snowden revealed details on the US National Security Agency (NSA) covertly collecting Europeans' electronic communications, companies have contended with deep uncertainty over whether they may continue to transfer personal data from Europe to the United States. Washington and Brussels, in their efforts to resolve a long-running dispute with major commercial consequences, have vacillated between data war and peace. A true settlement should be the focus of the next administrations in the United States and the European

Union (EU), or the conflict could flare again. For the time being, a fragile truce prevails.

### COMMERCIAL DATA TRANSFERS FROM THE EU TO THE UNITED STATES

#### STATE OF PLAY

As a direct result of the Snowden revelations, the Luxembourg-based Court of Justice of the EU (CJEU) twice invalidated EU-US international arrangements designed to ensure transatlantic

**Photo:** A photographer takes a picture during NATO-led cyber war games 'Locked Shields 2023' in Tallinn, Estonia, April 18, 2023. Source: REUTERS/Ints Kalnins.

data transfers consistent with EU privacy law. In 2015, the EU-US Safe Harbor Framework was [struck down](#) by the court, and in 2020, a successor arrangement, the Privacy Shield, met the [same fate](#).

A third transfer arrangement, the EU-US Data Privacy Framework (DPF), concluded in 2023, put significant additional safeguards in place for Europeans’ personal data. [Another legal challenge](#) was immediately filed at the CJEU, this one by Philippe Latombe, a French parliamentarian. The court [quickly denied](#) Latombe’s request for a temporary injunction to suspend the application of the DPF. Final disposition of the case remains pending, though many commentators [believe](#) it ultimately will fail for procedural reasons.

A greater litigation threat looms, however. The European privacy advocacy organization NOYB —short for None of Your Business—headed by Austrian privacy activist Max Schrems, issued a [statement](#) last year suggesting that it also was considering a judicial challenge. There are recent signs that it could be close to doing so. Austria has just implemented a [new EU directive](#) enabling consumer protection organizations to file suits for collective redress—a European equivalent to US-style class action lawsuits. NOYB may avail itself of this new remedy in an Austrian court in an effort to block the DPF. A referral to the CJEU could follow quickly, setting the stage for a decisive legal determination by the judges in Luxembourg in the next year or two.

## LOOKING AHEAD

For the time being, there is little for European Commission and US officials to do other than to jointly ensure that the DPF’s safeguards are being rigorously applied and to sharpen their arguments for the EU legal challenge. The DPF’s prospects before the CJEU are mixed. US observers tend to be [impressed by](#) the creativity and seriousness of the reforms that the US government has put in place. However, some European counterparts are [more skeptical](#), pointing out remaining areas where the US steps still may fall short of strict CJEU fundamental rights requirements.

If the DPF, like its predecessors, were to be struck down, a new US administration—Democratic or Republican—might well hesitate whether to go back to the negotiating table with the European Commission for a fourth time. Adding even more US legal safeguards to protect Europeans’ personal data would likely require enactment of a US statute—a doubtful proposition in a new Congress—and could run up against US constitutional constraints.

A Trump administration could well conclude that enough is enough—that instead, it is time to fight back against endless European threats to transatlantic data flows. The Heritage

Foundation’s Project 2025 report, which was written by the former president’s allies though he has distanced himself from it, already has called for a [skeptical review](#) of the DPF safeguards and has mooted the possibility of curtailing US intelligence sharing with European governments if commercial data sharing is interrupted. Such an approach would once again vault data transfers into the first rank of transatlantic economic conflict.

## LAW ENFORCEMENT DATA TRANSFERS

### STATE OF PLAY

The NSA is not the only US challenge the EU sees to its [digital sovereignty](#). Running a close second is the [CLOUD Act](#), a 2018 US law. It empowers US law enforcement to demand that US cloud service providers turn over personal data companies host on foreign servers, including those located in Europe. Although several EU countries, including Belgium, give their prosecutors similar extraterritorial criminal evidentiary powers, the CLOUD Act has been heavily criticized in Europe.

However, the CLOUD Act also offers foreign governments an olive branch to accompany its unilateral offensive provisions. It authorizes the US Department of Justice (DOJ) to negotiate binding international agreements establishing the terms and limits under which each may directly seek electronic evidence from communications service providers. The United States has already reached such agreements with the [United Kingdom](#) and [Australia](#), and [negotiations](#) with other Five Eyes nations are underway.

For the past five years, the DOJ and the European Commission also have been negotiating a CLOUD Act agreement. The talks paused for several years while the EU finalized its own counterpart legislation, the [E-Evidence Regulation](#), but resumed actively last year. Progress has been slow and difficult. But in June, senior EU and US home affairs and justice officials issued an optimistic [joint statement](#) welcoming “further progress” in the negotiations and looking forward to “advancing and completing” them.

## POLICY RECOMMENDATIONS

Now that an agreement appears to be within reach, negotiators should redouble their efforts to finalize the text—or at least come to a political agreement in principle—by the end of this year, before changes in leadership on both sides. Although transatlantic law enforcement negotiations historically have been largely nonpartisan in nature, a Trump administration DOJ might nonetheless question whether to continue negotiations with the EU.

Completing the CLOUD Act agreement would neutralize EU sensitivities over judicial sovereignty in a way comparable to

how the DPF has quieted concerns over US foreign surveillance activities in Europe. The two, taken together, would bring an important measure of data peace to transatlantic digital relations.

## NATIONAL SECURITY LIMITS TO DATA TRANSFERS

### STATE OF PLAY

After four decades of propounding unrestricted international commercial data flows, in late 2023, the United States made a course correction—opting to control certain data exports to China, Russia, and other “foreign adversaries” for national security reasons. The new approach is reflected in both [legislation](#) and an [executive order](#). The measures will subject a range of data flows to these countries to either outright bans or export controls through a regime akin to what is in place for goods.

The United States similarly reversed course in a World Trade Organization (WTO) negotiation intended to liberalize services trade, the Joint Statement Initiative on Electronic Commerce (JSI). Last fall, the Office of the US Trade Representative unexpectedly [withdrew](#) its proposal that the prospective agreement guarantee the free flow of data across borders. The [final text](#) of the JSI, announced in July, not only lacks such an obligation, it also allows parties essentially unlimited scope to restrict data flows for data protection reasons, as the EU had sought.

Most notably, the United States [singled out](#) its view that the essential security exception is inadequate as a reason for deciding not to join the JSI agreement. That provision simply refers to the essential security exception in the existing General Agreement on Trade and Tariffs (GATT) and the General Agreement on Trade in Services (GATS). Although the United States traditionally had taken a broad view of the GATT/GATS provisions, it now appears to believe that its new national security data controls might not pass WTO muster. Thus, the United States has come full circle on digital trade—from being a principal proponent of free data flows to an opponent of a traditional multilateral limitation on its ability to restrict them for security reasons.

The new US multilateral posture on data transfers reflects a degree of [convergence](#) between Washington and Brussels on

the proper extent to which data protection may be invoked as a limitation, no doubt to Brussels’ satisfaction. The European Commission has acknowledged some puzzlement, however, over why the United States is no longer content with the WTO’s historic national security exception.

### LOOKING AHEAD

Neither a Democratic nor a Republican US administration is likely to alter the new approach emphasizing national security considerations in data flows to certain adversary countries.

Although Europe is not, of course, the home of “foreign adversary” countries, the new US policy could eventually pose problems there if Washington were to pressure European governments to adopt similar measures. Alternatively, the United States could seek to directly shut down data transfers from European companies to China and Russia analogous to how it has employed secondary sanctions in the financial realm.

Such steps could pose dilemmas in Europe. The EU, as an institution, largely lacks meaningful authority over export controls, which are reserved to member states, as are national security measures. Individual member states would struggle to develop coherent responses to such potential US pressure.

The United States and the EU have come far toward settling on safeguards accompanying access to personal data by their national security and law enforcement authorities, but definitive resolution in both areas still awaits. In the meantime, new concerns over foreign adversaries’ access to data have emerged, also calling for transatlantic coordination.



*Kenneth Propp is a nonresident senior fellow at the Atlantic Council’s Europe Center. He teaches EU law at Georgetown University Law Center and is a former legal counselor to the US Mission to the European Union in Brussels.*



## REENERGIZING TRANSATLANTIC TRADE DYNAMICS OVER THE COMING YEARS

*Erik Brattberg*

---

### THE BOTTOM LINE

Despite relatively friendly transatlantic ties over the past four years, trade has often been a source of tension between Washington and Brussels. Looking ahead, policymakers in the United States and the European Union (EU) should recognize the importance of the transatlantic trade relationship. Instead of bickering over tariffs or pursuing protectionist regulations, they should take practical steps to upgrade their economic relationship for a more geopolitically challenging era.

### STATE OF PLAY

The state of transatlantic trade relations today is mixed. The biggest development in transatlantic trade during the past four years was the launch of the US-EU Trade and Technology Council (TTC) in 2021. Rather than revisiting long-standing trade disputes, the TTC was conceived to offer a more future-oriented agenda to help give US-EU relations a more positive outlook in the early months of the Biden administration. While critics may point out that the TTC has failed to live up to

---

**Photo:** A crane lifts a shipping container on the quay side of Dublin Port container terminal in Dublin, Ireland, May 25, 2023.  
Source: REUTERS/Phil Noble.



its initial hype and has not delivered many headline-grabbing deliverables, the format has nevertheless [proved useful](#) in helping to rebuild trust and drive progress on more technical areas such as artificial intelligence (AI) regulation, semiconductors, and sanctions and export controls— especially in the wake of Russia’s full-scale invasion of Ukraine in February 2022.

Beyond the TTC, progress on transatlantic trade has fallen short. Some transatlantic trade tensions remain unresolved, and new ones have appeared that have tested otherwise friendly US-EU ties. Early on, the Biden team worked to alleviate trade frustrations, including the long-standing Boeing-Airbus dispute and the Trump-era tariffs on steel and aluminum products, but [both agreements](#) were only a suspension of duties. Agreements did not resolve the underlying issues of the disputes, and the Biden administration has not abandoned the logic that informed the Trump-era assumptions about trade.

In particular, the Inflation Reduction Act (IRA) served as a wake-up call for Europe: The United States was embarking on an ambitious—or [“super aggressive,”](#) in the words of French President Emmanuel Macron—domestic climate industrial policy that could undermine European green tech leadership and industrial competitiveness. The Biden administration did take steps to address some of Europe’s concerns, such as allowing European companies to [qualify](#) for the electric vehicle (EV) tax credits for leased vehicles, and a [transatlantic task force](#) has helped allay some concerns. However, one concrete opportunity to address the problems stemming from the IRA’s tax credits through a bilateral [critical minerals agreement](#) has proven more difficult than expected and is unlikely to be completed before the US elections in November. While Europe recognized the benefits of US action on climate change, Brussels has crafted its own plan in response—the [Green Deal Industrial Plan for the Net-Zero Age](#)—aimed at bolstering the continent’s green tech sector by loosening state aid rules and pouring its own money into projects to offset the impact of some of the measures from the IRA on European firms.

Finally, an increasingly important transatlantic trade topic is how to deal with the enormous challenge posed by China. Whereas the United States primarily sees China as a national security issue and is more willing to bypass World Trade Organization (WTO) rules to address trade concerns with China, Europe still primarily views China through a trade prism—though Beijing’s support for Russia’s war in Ukraine has shifted such thinking. The Biden administration has pressed the EU to commit to tougher language on China at bilateral meetings. While not as publicly prominent a topic in the TTC, China—and its non-market policies and practices—has nevertheless featured more prominently in discussions on technology standard setting and digital connectivity, among other topics. For example, in the [April 2024 TTC joint statement](#), China was mentioned three

times, while “non-market” policies and practices were featured much more frequently.

Discussions in the TTC—and in the Group of Seven—have helped forge a growing alignment between the United States and the EU on the need to more forcefully push back against Beijing in the trade domain. The United States and the EU have [strengthened](#) investment-screening regulations, imposed new export controls on dual-use technologies, and imposed tariffs to address Chinese overcapacity of EVs. However, while shared concerns about China have brought the two sides closer together in certain areas, they have also highlighted divergences in their respective strategic approaches, with Washington prioritizing a national security perspective that is out of step with many European capitals.

## THE STRATEGIC IMPERATIVE

The significance of transatlantic trade ties has become more important than ever. In 2023, transatlantic trade in goods amounted to an [all-time record](#) of \$1.22 trillion, supporting millions of jobs on both sides of the Atlantic. The United States and Europe (including both the EU and the United Kingdom) are each other’s biggest trade and investment partners, far exceeding their respective trade and investment flows with China. As both sides of the Atlantic continue to recover from inflation and seek to promote economic growth, reinforcing transatlantic trade and investment ties will be critical to their efforts. Moreover, bringing the US and EU economies closer together, along the lines of former Italian Prime Minister Enrico Letta’s [call](#) for a “transatlantic single market,” could have enormous potential—even if it remains far-fetched.

Geopolitics further underscores the strategic rationale for like-minded democracies to cooperate more closely on trade. Reducing dependencies on risky suppliers such as Russia and China and boosting supply chain resilience is critical for both Washington and Brussels, and both respective efforts need the other to succeed. Following Russia’s full-scale invasion of Ukraine in February 2022, European countries quickly reduced their dependence on Russian oil and gas, turning to other producers, especially the United States, which has since [become](#) Europe’s most important supplier of liquefied natural gas (accounting for more than half of EU imports in 2023) and a major supplier of crude oil. European countries have also invested in US nuclear energy technology and stepped up purchases of US-made weapons. Moreover, as both the United States and the EU have become more concerned about dependence on China for critical supply chains such as pharmaceuticals, critical minerals, and other key technology inputs, the concepts of de-risking—[inaugurated](#) by European Commission President Ursula von der Leyen in March 2023—and economic security—[echoed](#) by US National Security Advisor Jake Sullivan a month later— have become widely accepted by both sides.

Transatlantic cooperation will also be an asset to industrial policy. As both the United States and the EU embark on a new era of industrial policy that aims to reshore manufacturing capabilities from China and boost economic competitiveness at home, there is [untapped potential](#) to design industrial policy initiatives in a way that reinforces collaboration rather than invites unnecessary divisions. Against the backdrop of a more challenging global geopolitical environment, the logic of friendshoring by deepening dependence on trusted partners while reducing dependence on risky ones deserves greater attention from policymakers. Avoiding protectionist actions across the Atlantic—whether a trade or a subsidy war—in favor of promoting trade openness and lower transatlantic barriers is crucial to be able to compete with China from a joint position of strength. Resolving transatlantic trade disputes and pursuing coordinated approaches to industrial policy is also essential to enable the green transition.

Finally, at a time when the international economic system centered around the WTO and its rules, standards, and norms is fraying with no clear alternatives in sight, transatlantic cooperation is necessary to promote the much-needed structural reforms of existing institutions and propose new multilateral solutions, perhaps with a smaller number of like-minded countries.

## LOOKING AHEAD

The road ahead for transatlantic trade is not straightforward. There are several unresolved irritants and looming challenges that will need to be addressed by the next US administration and its EU counterparts no matter the outcome of the US election in November. Central to tackling these challenges is whether Washington and Brussels will resort to greater protectionism, causing more bilateral tensions, or whether they can seize the moment to put aside differences and deepen trade relations at a pivotal point in global geopolitics.

The consensus on trade has eroded over the past decade with both political parties in the United States. Republicans and Democrats have turned away from free trade and globalization toward overlapping variations of protectionism and economic nationalism. Whether former President Donald Trump’s “America First” or President Joe Biden’s “Buy America,” this trend is unlikely to fade regardless of who sits in the White House in 2025. While Vice President Kamala Harris would likely continue much of the Biden administration’s skepticism of free trade deals and its strong focus on domestic labor, she would also be careful about alienating traditional US allies. Conversely, Trump would likely resort to a far more aggressive trade posture against the EU with less internal opposition to such policies than during his first administration. The Republican Party platform [advocates](#) for “fair trade” over free

trade, and Trump has put [extensive focus](#) on combating the trade deficit with the EU.

More potentially protectionist winds are also blowing from the other side of the Atlantic. The next European Commission is likely to continue promoting trade but with a stronger focus on economic security and sovereignty. In her political guidelines for the next term, von der Leyen emphasized “reciprocity and a level playing field” as well as “diversified and resilient supply chains.” She [called](#) for more “Clean Trade and Investment Partnerships” rather than traditional free trade agreements. Much of the EU debate over the next five years is expected to be dominated by how to boost economic competitiveness and industrial policy, strengthen the internal market, and take a more business-friendly approach to regulations.

One of the most immediate issues incoming US and EU officials will face is addressing the suspended Section 232 steel and aluminum tariffs. In the [agreement](#) reached in late 2023, the EU set its deadline to impose retaliatory tariffs in March 2025. Unless a new agreement can be found, a further temporary suspension will be necessary to avoid a return to tit-for-tat tariffs. A Trump administration would likely seek to reinstall the 232 tariffs that his administration originally imposed, but a Democratic administration may not be any more inclined to lift the tariffs for fear of alienating crucial labor unions.

Moreover, in the event of a Trump presidency, there is a real risk of a transatlantic tariff war stretching far beyond just steel and aluminum. Trump’s [pledge](#) to impose 10 percent tariffs—or even up to 20 percent—against all imports would hurt the EU; for instance, Germany is [estimated](#) to lose 1.4 percent of its GDP by 2028, amounting to over €120 billion over the four-year period. Trump’s continued criticism of the EU and focus on the persistent US bilateral trade deficit with the bloc means he might impose additional tariffs against EU products. Brussels could [respond in kind](#). Such a scenario would be deeply detrimental not only to US-EU trade but also to transatlantic relations more broadly, leading to a loss of trust that might easily spill over into other policy areas as well. Conversely, while a Democratic administration would likely seek to avoid imposing new tariffs on the EU, it will remain reluctant to discuss greater trade openness and market access.

Sanctions policy represents another trade-related area that requires ongoing attention. During the Biden administration, there has been an unprecedented strong coordination between Washington and Brussels on sanctions and export controls in response to Russia’s full-scale invasion of Ukraine. By comparison, sanctions were often a point of tension under the Trump administration, such as the [Nord Stream 2 pipeline](#) or continued [business](#) with Iran. Should Trump return to office in 2025, the United States’ use of extraterritorial sanctions could become more expansive, possibly causing transatlantic

tensions. The EU has developed its anti-coercion instrument in recent years and may not hesitate to use it should it determine it is in its interest to defend itself against US extraterritorial sanctions going too far in targeting European entities.

Finally, as both the United States and the EU continue to focus on China’s unfair economic model, they will need to coordinate and align their respective approaches. In particular, China’s industrial overcapacity warrants a strong trade response, as already seen from both Washington and Brussels on imposing tariffs against Chinese EVs.

## POLICY RECOMMENDATIONS

- **Scale the TTC.** The TTC should be preserved but adjusted to become more effective. A TTC 2.0 should include a more streamlined working group structure focusing on promising or strategically important areas, such as economic security, AI and other emerging technology standard setting, or green industrial policy. Moving to an annual TTC ministerial meeting supplemented by occasional informal check-ins could afford working groups more time to address technical issues and prepare substantial policy deliverables and noteworthy announcements, thereby sustaining stakeholders’ interest. Finally, a [small TTC secretariat](#) could provide a focal point for external stakeholders to handle stakeholder input in a more structured way and better facilitate the sharing of data and information between stakeholders and officials.
- **Find small wins on sectoral trade and tariff reductions.** Tariffs remain an irritant for US-EU trade. Regardless of a friendly US administration or not in 2025, it is nearly implausible any US administration would unilaterally remove the tariffs given domestic politics. Even so, finding a compromise on steel and aluminum tariffs would also help address US [concerns](#) about the EU’s Carbon Border Adjustment Mechanism, which will begin to apply in 2026 fully. Beyond avoiding a confrontation over tariffs, the United States and the EU should seek to eke out smaller sectoral trade agree-

ments on things like clean energy and critical minerals as part of a transatlantic clean energy alliance.

- **Coordinate trade policy on China.** China will remain a priority for both sides of the Atlantic. Policymakers made serious progress on aligning their respective approaches to regulations and standard setting for new and emerging technologies in the past few years with China in mind. That focus should continue. Key examples include work in the TTC on a common approach to AI risk management and 6G wireless infrastructure and in the WTO on e-commerce and digital trade. Policymakers should also ensure coordination on defensive economic actions in case Beijing tries to use its economic influence to coerce either Washington or European capitals. Additionally, they should continue to align their respective approaches to tariffs against China, extending beyond the scope of EVs.
- **Avoid a subsidy race to the bottom.** As both the United States and the EU continue to develop their industrial policies, there is a pressing need to better align their approaches as part of a joint transatlantic economic competitiveness agenda. This could include identifying sectors such as AI and green energy where their industrial policies do not create a zero-sum competition, building secure supply chains, and coordinating on government investments to avoid a “subsidy race” in critical sectors as part of a WTO-compliant “club.”



*Erik Brattberg is a nonresident senior fellow at the Atlantic Council’s Europe Center. He is also senior vice president in the Europe practice of the Albright Stonebridge Group, part of DGA Group.*



## **CLOSING THE TRADE GAP BETWEEN MARS AND VENUS ON TRADE**

*L. Daniel Mullaney*

---

### **THE BOTTOM LINE**

In early 2025, a new US administration and European Commission will be in place. It will then be more critical than ever that the United States and the European Union (EU) coordinate their approaches to international trade across a wide range of issues. A significant impediment to this coordination is the persistent temptation—by a range of players in transatlantic circles—to articulate and emphasize supposedly fundamental differences between Washington and Brussels in a way that highlights the virtues of one and denigrates the other. As satisfying as that classic conflict narrative is, it has real-world nega-

tive consequences for both parties and should be reassessed by all players in favor of the reality that what unites the United States and the EU dwarfs their differences.

### **STATE OF PLAY AND THE STRATEGIC IMPERATIVE**

Leading into 2025, cascading joint challenges of supply chain vulnerabilities, climate change, deindustrialization, competitiveness, geopolitical crises, and damaging third-country non-market economy policies and practices—coupled with

---

**Photo:** A worker attaches a steel and aluminum door at GM's Chevrolet Silverado and GMC Sierra pickup truck plant in Fort Wayne, Indiana, July 25, 2018. Source: GM-SILVERADO/ REUTERS/John Gress.

an international rules system designed for another era—will increasingly drive both sides to use unilateral measures to protect and achieve legitimate policy goals. The US tariffs on steel and aluminum and the Inflation Reduction Act are two such examples; the EU Carbon Border Adjustment Mechanism (CBAM) and Deforestation Regulation are two others. Other measures risking transatlantic friction include the EU’s Corporate Sustainability Reporting Directive, the long-standing Boeing-Airbus subsidies dispute, previous tensions over the EU digital services tax, a failure to reach a critical minerals agreement, and US companies’ compliance with the EU’s Digital Markets Act.

The current trend is not abating. Unless the United States and the EU cooperate on those unilateral measures, there is a high risk that they will result in significant bilateral trade clashes. At a minimum, this will undermine achieving generally shared goals; at worst, it could result in spiraling bilateral trade retaliation.

A significant barrier to transatlantic trade cooperation is the persistent underlying narrative—among policymakers, think tankers, and others—that the United States and the EU approach the world from fundamentally different perspectives. In the [memorable words](#) of a distinguished commentator twenty years ago, the United States is from Mars, and the EU is from Venus. This can be an attractive narrative, as it allows each to claim virtues that the other supposedly lacks. It allows Washington to take pride that it is tougher and more clear eyed than a feckless EU; it allows Brussels to claim that it is more law-abiding and multilateral than the “Wild West” United States.

But this narrative is a choice, not a fact. And the strong inclination to triumphantly celebrate supposed fundamental differences has negative real-world impacts. This narrative finds its way into [public statements](#), is sometimes amplified by a [press happy](#) to report on big-picture fights, and can end up deeply embedded in the public consciousness, determining whether or not there is public support for US-EU cooperation. And this narrative of fundamental differences between the United States and the EU—each side claiming the higher virtue—undermines US-EU cooperation.

Further, US-EU cooperation is a necessary but insufficient condition for making progress on these global challenges. In a context in which cooperation with other trading partners is essential, setting up a sharp divide between the United States and the EU encourages those trading partners to take sides and discourages their cooperation with the EU and the United States.

Recent among many examples are the discussions over the Global Arrangement on Steel and Aluminum. To recall, the United States [imposed](#) tariffs on steel and aluminum from around the

world because of damaging subsidized and non-market excess capacity in China, and the EU [retaliated](#) with its own tariffs on US products. Both sides brought dispute settlement disputes to the World Trade Organization (WTO). The United States and the EU [de-escalated](#) the situation by agreeing to a temporary two-year settlement in October 2021, under which historical levels of EU steel and aluminum could enter the United States duty free, and the EU suspended its retaliatory tariffs. By the end of October 2023, the EU and the United States were to have reached a permanent arrangement to free up bilateral trade in steel and aluminum and eliminate retaliatory tariffs. It didn’t happen, amid somewhat angry recriminations, but at the last nail-biting minute, Washington and Brussels agreed to [extend the truce](#) for another fifteen months to give breathing room to negotiate a deal.

The inability to reach a final arrangement on such a tight time-frame was not surprising. Its goal is as ambitious and unprecedented as it is critical: climate change is an existential crisis, and non-market based products threaten key industries and their ability to produce sustainable products. Washington and Brussels urgently need to address these issues, and this novel arrangement is a way to tackle both simultaneously: it would incentivize bilateral trade in environmentally sustainable and market-based products and disincentivize trade that is not. US National Security Advisor Jake Sullivan [declared](#) the arrangement “could be the first major trade deal to tackle both emissions intensity and over-capacity.” Negotiating such an agreement is not only novel, but it is challenging in an international rules system that prohibits discrimination against “like” products and that was negotiated when non-market state actors were not much of a factor.

That this was a groundbreaking negotiation addressing critical new joint challenges could and should have been the explanation for the inability to reach a permanent arrangement. That narrative would have supported the parties’ continued work to reach a final arrangement.

Instead, the public explanation from Brussels for the failure was that the United States was insisting on WTO-illegal tariffs and an illegal free pass on the EU’s CBAM as part of the arrangement. The EU’s trade chief, Valdis Dombrovskis, largely stuck to the line ahead of negotiations, [stating](#), “As the EU, we’re committed to multilateralism, to the rules-based global order. We would like to avoid engaging in agreements which manifestly violate World Trade Organization rules.” Later, he [hit](#) Washington for failing to provide a clear path to end the tariffs, which Brussels deemed illegal. The United States was less vocal publicly on the failure to reach an agreement, but trade watchers [understand](#) the United States’ implied position is that the EU is institutionally hidebound, unwilling to reach beyond currently existing regulations that have failed for decades to fix the problem.

Each of these positions fit into the Mars-Venus narrative—and left each side convinced that it was right. But when talks break down with one party characterized as a rule breaker and the other as being rigid and unimaginative, it does not create an environment for further joint progress. How does the EU then justify negotiating with a rule breaker or ultimately finding a compromise along the lines of something it condemned? How does the United States justify continued discussions with a rigid institution that is unwilling or unable to be creative enough to meet new challenges?

To be clear, the United States and the EU will have good faith disagreements over their approaches to issues, even those on which they agree. There is nothing wrong with confronting and trying to resolve those disagreements. But the readiness to attribute those disagreements to values-based fundamental differences digs a virtually unbridgeable gulf.

## LOOKING AHEAD

This dynamic has shaped (and thwarted) cooperative US-EU efforts in numerous areas, including reforming WTO dispute settlement, addressing distortions caused by non-market actions of state enterprises, subsidies, excess capacity, coercion, and a host of other issues. Unless there is a change, it will continue to do so. And the number and significance of areas in which US-EU cooperation will be critical will only increase as joint global challenges mount.

## RECOMMENDATIONS

There are ways to lay a better foundation for US-EU cooperation going forward:

- **Focus messaging on common values and interests.** All proponents of stronger transatlantic ties—think tanks, academics, business and nongovernmental organization (NGO) stakeholders, and government officials alike—should emphasize publicly and privately the reality that what unites the United States and the EU in the world trade order dwarfs their disagreements. These proponents should avoid the temptation to signal the virtues of one partner by denigrating the other and creating appealing, but largely false, fundamental differences. Those narratives, setting up epic

conflicts between the forces of “good and evil,” are exciting but have profound negative effects in the real world.

- **Identify priority areas for coordination and work most intensely and cooperatively on those aspects for which there is maximum overlap of interest.** US and EU government officials should focus now, ahead of and in early 2025, on specific priority issues that require the most intense coordination. Issues represented by the Global Arrangement on Steel and Aluminum—climate change, including CBAM and similar measures—and non-market policies and practices should top the list. For each of those priority issues, the parties should identify the areas of strongest overlap in interest and work intensely on those areas. Where there are significant differences in approach that cannot be entirely bridged, those should be cabined off and addressed separately. The United States and the EU should also agree on principles of cooperation that avoid casting aspersions on the other party.
- **Build buy-in from all stakeholders.** Finally, the United States and the EU’s joint work on identified priorities, and the messaging that accompanies that work, should be strongly informed by the broad US and EU stakeholder community—including business, agriculture, labor, NGOs, think tanks, and others. This would ensure that the priority areas of work are, in fact, those that have a meaningful real-life impact, and would crystallize a positive public narrative supporting that work, both domestically and internationally.

To improve the cooperative dynamic in 2025, the United States and the EU should focus less on whether one is from Mars and the other from Venus, and more on the planet they share: Earth.



*L. Daniel Mullaney is a nonresident senior fellow with the Atlantic Council’s Europe Center and GeoEconomics Center. He served as assistant US trade representative for Europe and the Middle East in the Office of the United States Trade Representative from 2010 to 2023.*



## TREATING THE GREEN TRANSITION LIKE THE GEOPOLITICAL IMPERATIVE IT IS

*Carol Schaeffer*

.....

### THE BOTTOM LINE

The urgency of the green transition is not going away, and it is a question of security as much as it is a question of health, trade, economic and environmental stability. Climate change is driving a security crisis in the Arctic as melting ice caps open new warship routes and shift geopolitical dynamics; it is fueling economic instability as resources become scarce and weather pat-

terns disrupt industries; and it is intensifying border pressures as displaced populations seek refuge from climate disasters. The Biden administration and the European Commission made commendable progress on some climate targets and with spending programs to reach them. But more will be needed. Policymakers should adopt a NATO-style approach to long-term decarbonization and work to boost the green economies of the United States and the European Union (EU) together, not separately.

---

**Photo:** A drone view shows bifacial 540 W solar panels at a solar panels park by energy supplier Enel Green Power, next to evaporative towers of the former Galileo Ferraris thermoelectric power plant, in Trino, Italy, March 5, 2024. Source: REUTERS/Claudia Greco.

## STATE OF PLAY

The blessing of addressing climate change is the simplicity of the goal: reduce carbon emissions. The complexity lies in doing so in a way that is coordinated, fair, mutually beneficial, and, above all, maximally implemented to get as close to carbon neutral as possible. Fears concerning energy reliability, stunted economic growth, and global competitiveness are [commonly cited](#) barriers to achieving this goal. But the beauty of international cooperation is that it lightens each of those potential burdens. The problem, therefore, is also the solution.

Both the United States and the EU have put forward significant financial plans to invest in green technology and create avenues for the green transition of key industries. The US Inflation Reduction Act (IRA) was created to stimulate the US energy transition with an explicit focus on green businesses, and the EU's European Green Deal was created as a counterpoint to boost European competitiveness in green markets. While the IRA focuses on subsidies as incentives for companies to pursue green transitions, and the European Green Deal focuses on regulations rather than incentives, each plan is by design insular. The IRA, for example, [unleashed](#) \$369 billion in climate spending over the next ten years, encompassing primarily three categories of subsidies dedicated to electric vehicle (EV) purchases, clean-tech investments, and carbon-neutral electricity production. Certain green tech sectors, such as hydrogen energy or battery production, could be transatlantic and cooperative to create synergy and lower costs. Furthermore, refocusing on European and US investments to build mutual supply chains for electric vehicles or integrated power grids would allow for easier sharing of renewable energy.

At the supranational level, the EU has also made significant gains in setting climate targets. With programs like NextGenerationEU, the Fit for 55 package, and the REPowerEU Plan, which each set ambitious decarbonization goals, the outgoing European Commission showed clear political will to prioritize a green agenda.

## THE STRATEGIC IMPERATIVE

In the wake of the energy crisis sparked by Russia's full-scale invasion of Ukraine in 2022, making European economies energy self-reliant has become crucially intertwined with overall long-term geopolitical security. This is applicable to not only mitigating catastrophic climate events but also to reducing dependency on strategic adversaries. More than four decades ago, US President Ronald Reagan [foresaw](#) the strategic weaponization of Europe's, particularly Germany's, reliance on Russian natural gas and its potential implications for the national security of NATO allies. A climate coalition could begin between the longstanding defense allies established by NATO and then could hopefully expand to include other nations from

Latin America, Africa, and Asia. Such a movement would also put positive pressure on countries that have expressed reservations about supranational decarbonization goals, namely reaching net-zero emissions in order to evade global climate catastrophe.

## LOOKING AHEAD

More work has to be done on both sides of the Atlantic. While a milestone in US climate policy, the IRA alone will [not meet](#) climate targets. Early [estimates](#) indicate the United States needs to spend \$10 trillion by 2032 in order to get on track to reach net-zero emissions by 2050.

Similarly, [research](#) by the Institut Rousseau suggests that the EU will need to spend €1.5 trillion per year to meet its 2050 zero emissions target. Total [EU gross domestic product](#) (GDP) in 2023 was roughly €17 trillion, which would make this annual commitment figure as much as 8 percent of total GDP. Consequently, funding remains a consistent deficit in reaching decarbonization goals.

Beyond the EU level, most EU members do not invest enough in low-carbon energy systems. For example, the EU's Climate Action Progress Report 2023 [states](#): "Progress by Member States towards the EU 2050 collective climate neutrality objective still appears insufficient. For some Member States, progress in recent years is not consistent with the effort required in the coming decades to meet the long-term climate targets," failing to meet the [supranational objectives](#) laid out by the aforementioned plans. In Germany, although greenhouse gas emissions fell by 10 percent in 2023, experts still report that the country [will not meet](#) its 2030 goal of reducing 65 percent emissions by 2030. As a result, most EU members are not on track to meet their carbon emission targets. Drawing on a shared spending strategy enforced by a mutually accountable coalition structure could help pressure individual members to meet larger shared goals.

Allocating more resources toward meeting these obligations may prove more difficult with the shifting political winds across the continent. Far-right political parties made significant gains in European Parliament elections this year, and far- and hard-right parties have grown domestically within several key EU nations, such as the Netherlands, France, and Germany. Many of these parties have spent recent years incorporating climate policy [criticism](#) into their campaigns. Germany's far-right Alternative for Deutschland, for example, has called for Germany's complete [withdrawal](#) from all climate agreements, reinforcing its long-standing climate denialism. The rise of the National Rally in France ahead of the July snap elections highlighted [concerns](#) over the party's anti-environment agenda. While there are many divisions among the far right at the EU level, far-right parties may easily unite against green initiatives



and block key spending. And far-right parties are not the only ones to highlight skepticism toward the possibility of a climate-spending baseline.

In addressing the urgent need for a cohesive and international response to climate change, it is imperative to foster investment strategies that prioritize collaboration with nations demonstrating a commitment to cooperative engagement. A case in point is Hungary's [ambitious initiative](#) to position itself as Europe's leading producer of EV batteries. While this endeavor holds potential for significant economic growth, it raises critical concerns regarding the alignment of Hungary's political stance with the broader goals of climate cooperation.

Hungary's inclination to cultivate favorable relations with Russia, coupled with a recurrent disregard for democratic principles and a tendency toward isolationism, as well as China's [sizable investment](#) in Hungary's EV market, poses risks to the integrity of global efforts to confront climate change. Budapest's nationalist approach and its reluctance to uphold cooperative relationships within the EU—and beyond—underscore the danger of consolidating control over essential resources, such as EV battery production, in the hands of an increasingly unilateralist government.

To safeguard the efficacy of climate change policies, it is essential to ensure that investment frameworks are designed to engage with countries that demonstrate a steadfast commitment to collaboration and shared democratic values. By prioritizing partnerships with nations that embrace a cooperative mindset, we can cultivate a more resilient and unified approach to addressing the global climate crisis.

## POLICY RECOMMENDATIONS

An Atlantic Council policy memo last year outlined a proposal for a [NATO-style approach](#) to targeting long-term decarbonization. This could still be the strongest proposal for a transatlantic partnership dedicated to the shared goal of combating climate change. If climate change can be understood as a global security threat—a threat to economies, infrastructure, future growth, and a world free of conflict over resources—then the best way to tackle it is a NATO-style approach to climate change budgeting. If shared defense spending can be pooled with a target of 2 percent of GDP from member nations, why can't the same model be applied to climate change?

EU member states and the United States should set national-level spending targets based on annual GDP to fairly contribute to achieving decarbonization goals established by the [Paris Agreement](#). This coalition-style approach would ensure mutual accountability and create a forum for high-level negotiation to produce predictable funding for decarbonization-related policy in the ongoing effort to fight climate change.

A transatlantic cooperative shared-spending target based on GDP would create a fair mutual incentive that allows each country to contribute according to its economic ability, rather than distribute the responsibility piecemeal according to the domestic agendas of each member state. This is intended as a strengthened version of [Nationally Determined Contributions](#) (NDC) as outlined by the Paris Agreement, which in its current form creates a dispersed and volatile approach vulnerable to short-term political changes when the solution must be sustained, reliable, and predictable. NDCs would of course continue to exist, but an alliance structure would strengthen those contributions, and that 2 percent of GDP spending would be combined and redistributed as needed based on climate goal needs.

The EU's neighboring countries, who are currently not included in the EU's broader initiatives, would be able to join this spending coalition and could use their participation to accelerate EU membership. Turkey and Ukraine, for example, could demonstrate their commitment to EU plans and values and further their accession processes by contributing to this partnership.

### The mutual benefit of a GDP-based funding system

Using NATO as a model, it is important to remember that the Alliance is a contract of mutual security. The benefit that NATO members gain from participation is the promise of mutual aid. Therefore, a decarbonization-focused spending target must also promise common funds to aid in a series of climate-related crises. Member participation would guarantee that part of the spending would be allocated not only to future-proofing infrastructure and green technology but would also be able to be directed toward alleviating the costs borne by climate-related crises.

This would provide an obvious benefit for countries such as the Netherlands, which faces immediate threats from coastal flooding and storms. But what about nations that have expressed reservations about climate change policies as an expensive and unnecessary burden?

Take Poland, for example. What benefit would Poland gain from this partnership? It faces little of the immediate climate risks that a country like the Netherlands might face when it comes to rising sea levels, and it is traditionally heavily reliant on coal for its economy and to keep the lights on, with coal [yielding](#) 63.7 percent of Poland's energy generation mix in 2023.

Yet climate change is already impacting Poland. Changing weather patterns increase the risk of wildfires, crop failures, and water pollution. In just one example, the Oder River, which marks Germany's eastern border and Poland's west, has experienced several massive fish kills in the past two years, which experts have [attributed](#) to algae blooms caused by high levels of salinity and other pollutants from coal-powered industrial runoff and extended hot weather. A mutual spending target would

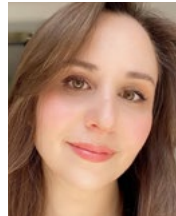
allocate resources to alleviate these and other environmental catastrophes as well as invest in solutions that protect against such disasters in the future. Climate policy spending could also be used to offset secondary climate-related expenses, such as air pollution, which leads to millions being spent on treating lung-related health concerns.

Countries applying for aid from this coalition to address damages from climate change may also need to commit to invest some of the aid in green industrial alternatives and other agendas to reach broader decarbonization goals. This reinforces the coalition's mission to prevent future climate disasters by addressing the root cause—carbon emissions—through proactive investment.

**Rather than focusing on initiatives to bolster US or EU industry separately, refocus initiatives to lower costs through cooperation.**

The IRA and the European Green Deal both create joint investment in green technologies. Both approaches utilize subsidies to boost progress in green tech and entice investment, presumably each at the other's expense. But the IRA and the European Green Deal are not mutually exclusive. Rather, they are complementary.

The United States and the EU could set a number of standards and regulations for private businesses that operate on both sides of the Atlantic, such as requirements for businesses to disclose greenhouse gas emissions and set standards for businesses to adapt to more energy efficiency rather than offsetting carbon emissions. According to a [report](#) from the Center for Active Stewardship, companies representing 71 percent of the S&P 500 by market capitalization and 87 percent of the index's direct emissions have set voluntary net-zero goals. By requiring emissions disclosure and setting energy efficiency requirements, US-EU cooperation could standardize emissions and avoid creating a competition imbalance.



*Carol Schaeffer is a nonresident senior fellow with the Atlantic Council's Europe Center and a policy fellow with the Jain Family Institute, focusing on decarbonization, the energy transition, and European policy.*



## GETTING TRANSATLANTIC COORDINATION RIGHT FOR UKRAINE

*John E. Herbst*

---

### THE BOTTOM LINE

Transatlantic support for Ukraine has been laudable, but much more is needed, particularly from Europe, given the political uncertainty in the United States. Regardless of the outcome of the US presidential election in November, policymakers must continue to supply assistance to Ukraine and eliminate restrictions placed on the use of the weapons provided. They should also make progress on the \$50 billion loan to Ukraine using Russia's state assets and secure Ukraine's electricity grid against Russia's onslaught against civilian infrastructure.

### STATE OF PLAY

The question of cooperation between the United States and the European Union (EU) regarding Ukraine can be looked at narrowly or broadly. A narrow approach focusing only on strict US-EU interaction risks missing critical elements of developing policy. So, a broad view that considers not just US-EU interaction but also the activities of NATO, key EU nations, and the Group of Seven (G7) is required.

In short, there has been closer coordination of US and EU/European policy toward Ukraine and Moscow's aggression in

---

**Photo:** A view of the EU Military Assistance Mission in support of Ukraine logo during a maintenance training on Leopard 1 A5 tanks, at the German army Bundeswehr base in Kliestz, Germany, February 23, 2024. Source: REUTERS/Liesa Johannssen.

Ukraine over the past year. This has resulted from the recognition in Washington and European capitals that they must cooperate more closely to achieve success in Ukraine and from the understanding in Europe that, with the rise of foreign policy populism in the United States, it might need to do more to ensure that Russian President Vladimir Putin does not win in Ukraine. These factors will likely extend in some fashion beyond the US presidential election. An additional complicating factor that has become evident since August is a [weakening](#) in German support for Ukraine reflected in the reluctance to pay for additional military assistance and naive talk from the Chancellery about the desirability of a [renewed peace process](#). This means other nations in Europe must do more to ensure the necessary support for Ukraine.

These developments are most clear when looking at three key issues: Western military and economic support for Ukraine, the treatment of the \$300 billion in frozen Russian state assets, and the efforts to ensure Ukraine's economic resilience in the face of Russia's infrastructure bombing campaign and to prepare for the postwar reconstruction of Ukraine.

Economic aid to sustain Ukraine has been an area of serious US-EU cooperation. Both parties have provided [significant economic aid](#) to Ukraine since Russia's full-scale invasion in February of 2022. The United States has delivered \$82.8 billion with a further \$25.7 billion to be allocated in economic aid, and Europe—as defined by EU institutions and member states, the United Kingdom, Norway, Iceland, and Switzerland—has delivered \$121.5 billion with an additional \$84 billion to be allocated. When it became clear early in 2023 that US economic aid to Ukraine was becoming politically controversial, the EU recognized that it would have to provide additional economic assistance.

This then repeated itself months later when a small group of populist Republicans in the House of Representatives began to block a \$61 billion package of US military and economic aid that was supposed to pass in the fall of 2023. The delay of US military aid was particularly dangerous for Ukraine as Moscow launched a new offensive in the fall. Individual European countries unilaterally upped their military assistance to Ukraine; Czech President Petr Pavel [announced](#) at the February 2024 Munich Security Conference an initiative to buy on global markets ordnance needed by Ukraine, and Danish Prime Minister Mette Frederiksen announced that Denmark would [transfer](#) its entire stock of artillery to Ukraine. This urgent support helped Ukraine's military hold the line until Congress [finally passed](#) the aid package in April.

## THE STRATEGIC IMPERATIVE

A repeated situation in the United States is very much on the minds of EU leaders as they look at the upcoming US election. The Republicans in Congress who opposed the aid pack-

age—outspoken supporters of former US President Donald Trump—[said immediately](#) upon passage that it would be the last one. If Trump returns to the White House and agrees with these Republicans, US military aid will cease. Europeans are mindful of this possibility and will be prepared to step up if it comes to pass. But this is by no means the only—or even the likely—outcome of a Trump win in November. The former president gave House Speaker Mike Johnson the green light to put the aid package to a vote last spring, and he [said](#) at the time that Ukraine's survival is important to the United States. If a Trump administration chose not to provide aid to Ukraine, the question immediately arises as to whether it would sell Ukraine weapons. There is no reason, in principle, for a Trump White House to reject this, and we could well face the interesting situation in which Trump would not only sell Ukraine weapons but also choose not to follow the misbegotten Biden practice of putting restrictions on their use.

There is one more security issue broader than Russia's war on Ukraine that could impact US-EU relations if Trump returns to the White House, and that is the role of the United States in NATO. In office, Trump routinely slammed allies who were not spending 2 percent of their GDP on defense, and he also called into question the utility of the Alliance. However, his national security team understood that a strong NATO was critical for US security and global leadership, and they worked hard to ensure that US support for and leadership of NATO remained strong. If a second Trump administration chose to reduce the United States' role in NATO, the EU would likely take greater steps to develop its own defense capabilities. That would be a natural development necessary for Europe's defense against an aggressive Kremlin, but a blow to US leadership that would extend beyond Europe.

While it remains uncertain what policies Vice President Kamala Harris would choose, the expectation is that she would continue to provide significant aid to Ukraine and work closely with the EU and US allies in NATO. One important question is whether, like President Joe Biden, she would be intimidated by Putin's nuclear bluff.

Regarding Russia's frozen state assets, the main venue is the G7, which includes three major EU nations—France, Germany, and Italy—and the EU itself. With some help from Canada and the United Kingdom, the Biden team did a superb job [persuading](#) the group to agree to provide Ukraine with a \$50 billion loan based on the value of those frozen assets. The question now is whether the United States will work toward providing all or the vast majority of the \$300 billion in frozen assets to Ukraine as [advocated](#) by Philip D. Zelikow, Robert B. Zoellick, and Lawrence H. Summers. Here, too, there is no certainty about what a Harris administration would do, but there is likely to be some overlap in the Treasury Department and other economic officials in the Biden and Harris teams.

With Trump there are even more questions. At one point, now-Republican vice-presidential nominee JD Vance [criticized](#) the efforts to use the frozen Russian state assets to reimburse Ukraine for the nearly \$500 billion needed for reconstruction and recovery as a result of Moscow's aggression, according to a World Bank [estimate](#), but there is no apparent reason or principle for Trump supporters to oppose this use of the funds.

Another critical area of US-EU cooperation relates to maintaining Ukraine's energy and economic resilience in the face of Moscow's massive bombing campaign against civilian infrastructure and to prepare for the country's postwar reconstruction. Here, the work together has been first rate, and the results impressive.

That work, aided by the United States, Japan, and other countries, ensured that Ukraine's energy grid could power essential services during the winter of 2022–23. Given Moscow's more intensive bombing campaign over the past several months, Ukraine is likely to face a greater energy supply deficit this coming winter. The EU and the United States are working actively right now, again with others, to avert disaster. This will continue under a Harris administration. There is less certainty about this if Trump wins.

The same can be said about US-EU work on Ukraine's postwar reconstruction. The EU and the United States have worked in a collegial fashion on reconstruction and, importantly, Washington recognizes that the EU accession process gives Brussels the lead on the critical issue of reform in Ukraine. However, the overall international reconstruction effort is focused more than necessary on abstract planning for the postwar period and not enough on the critical steps the international community should take now to bolster Ukraine's economic and social resilience while promoting reform. In office, a President Harris would continue the major US role in reconstruction, although if Republicans control either the House or the Senate, the amount of US aid for reconstruction could be at risk. What a President Trump would do on this question is not certain. But if he chose to step back, the EU's role would only grow larger.

## POLICY RECOMMENDATIONS

No matter the outcome of the US presidential election, it is in the interest of the EU to seek maximum cooperation and coordination with the United States in providing Ukraine with the means to defeat Moscow's aggression. Needed policy changes include:

- **Increase military and economic aid to Ukraine, regardless of what happens in Washington.** The countries of Europe must continue to provide the substantial military and financial aid Ukraine needs and must fight the tendency, currently [evident](#) in Germany, to withhold new assistance. Indeed, if, as a result of the presidential election, the United States decides to sharply reduce its aid to Ukraine, the EU and individual European countries must be ready to provide additional aid.
- **Lift foolhardy restrictions on Ukraine's use of weapons.** European countries in NATO should remove all restrictions on Ukraine's use of their weapons and [encourage](#) the United States to do the same.
- **Deliver frozen Russian assets to Ukraine.** The EU and relevant European states should move energetically, in coordination with the United States, Canada, and Japan, to provide Ukraine with the \$50 billion loan based on the frozen Russian state assets. They must also find an [expeditious way](#) to provide the principal of those assets to Ukraine.
- **Secure Ukraine's electric grids.** The EU has recently announced substantial financing for this goal. The United States and the EU must repeat their successful cooperation from the winter of 2022-23 to [enhance efforts](#) to help Ukraine provide enough electricity through the coming winter. The EU must enhance efforts with the United States to help Ukraine provide enough electricity through the coming winter.
- **Bury Nord Stream 2.** Germany must give up the pipedream of reviving the Nord Stream 2 pipeline to Russia and the Biden administration should cease efforts to block congressional removal of sanctions on the pipeline.



*John E. Herbst is the senior director of the Atlantic Council's Eurasia Center. He served as the United States' ambassador to Ukraine from 2003 to 2006.*



## **BRIDGING US-EU INTERESTS AND ACTION FOR THE INDO-PACIFIC AND CHINA**

*Léonie Allard*

---

### **THE BOTTOM LINE**

Europe and the United States need greater clarity in defining their common interests and policies on China. The next US administration can build on the current transatlantic agenda and benefit from some impetus in the European Commission to better frame the US-EU agenda on China and with Indo-Pacific countries.

### **STATE OF PLAY**

The past five years have seriously altered thinking toward China in Europe. For the European Union (EU), it has resulted in policy changes in an increasing number of fields beyond the traditional areas of trade and the regulation of the single market. Instead, Europe is starting to think more in terms of geopolitics, geoeconomics, sovereignty, and security, translating this into a growing appetite for action and credibility.

---

**Photo:** Flags of the European Union and China are pictured during the China-EU summit at the Great Hall of the People in Beijing, China, July 12, 2016. Source: REUTERS/Jason Lee.

Developments inside the EU specifically paint a picture of institution-wide change. The bloc's 2019 [EU-China strategic outlook](#) labels China as a three-part partner, competitor, and rival, which formed the basis of the bloc's position toward Beijing. However, as early as 2021, the European Parliament, among others, was [calling](#) for a more assertive update. While the triptych remains valid with respect to carving out space for dialogue and cooperation but also China's undermining of the international rule of law, aggressive diplomacy, and asymmetries in the relationship, the outlook fails to account for the evolution in the bloc's thinking toward China because of China's behavior in relation to the COVID-19 pandemic and its weaponization of interdependencies.

The March 2023 framework [put forward](#) by European Commission President Ursula von der Leyen to “de-risk” the relationship with China represents an effort to remedy that imbalance by providing the bloc an array of defensive tools it needs to protect its economic interests while it continues trading with China. This shift has played out with the gradual launch of probes into unfair subsidies in several energy and transportation sectors, as well as with the imposition of [provisional tariffs](#) on imports of certain Chinese electric vehicles (EVs) over the summer. The commission even drew up the legal basis to launch the probe that led to the EV tariffs for the first time in 2023. However, the de-risking effort is still a [work in progress](#) with internal divergences remaining on finalizing the framework, including disagreements over the remit of the commission's actions. This is exemplified by Germany's [last-ditch effort](#) to lower the EU's EV tariffs and the broad [debate](#) across the bloc about whether to align with US policy on China.

The measures taken by the EU and member states also depend on China's deepening partnership with Russia. US-EU alignment on their strategy towards Russia will be crucial as well. NATO allies have [labeled](#) China a “decisive enabler” of Russia's war in Ukraine. Von der Leyen [warned](#) Chinese officials of the detrimental effects of the partnership with Russia during the 2023 EU-China Summit, and the EU has been more explicitly targeting China with its sanctions regime. In June 2024, the EU [sanctioned](#) another nineteen Chinese entities, including financial services firms, for their support to Russia.

Meanwhile, China has tried to evade new rules, push back against de-risking, and repair relations on the continent. Attempts to restore relations with the EU and its members to pre-COVID levels have so far not yielded success, except in Hungary. However, China continues to try to generate leverage. Despite little success in 2024 in [France](#), Xi more recently was able to [convince](#) Spain to reverse its initial position supporting the EV tariffs. But other attempts by China to make inroads with individual states and impose contending narratives have been set back, most evident by the [departure](#) of the three

Baltic states from the “17+1” format and Italy's [departure](#) from the Belt and Road Initiative. Further, members across the bloc have gradually reduced Chinese leverage, even if the degree of de-risking varies. It was reported that the Czech central bank [liquidated](#) its renminbi bond holdings, and Romania [canceled](#) a contract with China to build one of its nuclear reactors. But Europe is a single market, and Germany's vulnerabilities are also Lithuania's, as exemplified by the use of secondary sanctions by China over the opening of a “Taiwan” rather than “Taipei” office in Vilnius in 2021.

Finally, the EU has recognized that stability in the Indo-Pacific is vital to Europe's interests. It drafted its first strategy toward the Indo-Pacific in 2021, further endorsed in the 2022 Strategic Compass. The EU's interest in the Indo-Pacific is not just tied to trade. Rather, it recognizes concerns about great-power competition as well as security. “The display of force and increasing tensions in regional hotspots such as in the South and East China Sea and the Taiwan Strait may have a direct impact on European security and prosperity,” it acknowledges. Von der Leyen has also shown greater willingness to call out more explicitly China's unilateral changing of the status quo in and around the Taiwan Strait. Rhetoric is matched with action. The new [security and defense partnerships](#) aim to elevate the EU's security cooperation in the region, including with Japan and South Korea. France was a precursor before the EU, and [Germany](#), the [Netherlands](#), the [Czech Republic](#), [Lithuania](#), and [Sweden](#) have since published their own national strategies on the Indo-Pacific or China.

This shift in Europe has all unfolded while Washington has taken similar actions toward China, including the Biden administration's tariffs against Chinese EVs, the recent [proposed ban of Chinese-developed software](#) from internet-connected cars, and work to secure high-tech supply chains. The White House even [endorsed](#) von der Leyen's “de-risking” framework. And Washington has been eager to partner with the EU on issues relating to China, primarily through the US-EU Trade and Technology Council. Should this endorsement fail to last in the next administration, negative effects on partners and allies would make a collaborative demarche more difficult.

However, the US approach is still primarily one of national security, while in Europe, institutional designs and divides between Brussels and member states can create separations between national security and economic affairs. Yet, the EU has a role to play. The bloc can leverage funding, know-how, and capabilities and has tools to impose political, economic, and reputational costs to respond to malign actors impacting its interests, including by preventing the flow of dual-use or defense technologies. A clear transatlantic agenda has yet to appear in finding ways to bridge both approaches—even if coordination exists.

## THE STRATEGIC IMPERATIVE

Europe and the United States need each other for a functional policy on China. The US focus on China relies on Europe adopting aligned de-risking policies. From the perspective of the current US administration, China still has it both ways in terms of enhancing its partnership with Russia while managing to keep accessing EU economies and technologies, as [expressed](#) by US National Security Advisor Jake Sullivan on the margins of the NATO Summit in Washington in July.

Europe cannot act on the premise that it can entirely carve out space to function outside of US-China competition. The EU's room for maneuvering is highly dependent on the United States' tariff policies, extraterritorial sanctions, or entity-based export controls, for example. Further, Washington's actions will greatly affect Europe, as shown by the Inflation Reduction Act's impact on European industries' competitiveness.

At the same time, it is in the EU's interest to keep seeking a [“differentiated, targeted approach,”](#) in von der Leyen's terms. Europe should not sit idly inside the high-fenced yard, to use the metaphor employed by Sullivan to outline the US economic approach. Europe can use issues related to China as leverage with the United States to ensure that policies are framed from the outset within the framework of transatlantic cooperation, rather than as an afterthought.

There are many aspects beyond competitiveness and trade where transatlantic cooperation could make a positive difference. Chinese leadership has showcased its ability to act against European critical infrastructure, as exemplified by a Chinese commercial vessel's [suspected rupture](#) of the Balticconnector cable. Critical infrastructure, where some allies have discussed taking action to [reclaim](#) some Chinese-owned infrastructure projects in Europe should a wider conflict with Russia break out, is a domain that would directly concern the EU and NATO. China has also shown that it can create dilemmas around Europe's borders and in its neighborhood by undermining policies oriented toward the rule of law and democracy. China's growing footprint in the High North, the Mediterranean, and its partnership with Serbia, as well as its instrumentalization of the Balkan countries to bypass EU restrictions, are [well documented](#).

There is also no space for neutrality in acknowledging that Europe needs to account for China and Russia's joint goal of contesting democracies from the outside and weakening them from the inside. Europe's societies, as much as the United States, will continue to be targets themselves of China and other competitors. Europe's democracies are fragile and under strain from populism and foreign interference. They cannot be taken for granted. Transatlantic relations should serve to strengthen our societies. In a July 2024 [speech](#), von der

Leyen called for a “European Democracy Shield,” referring to a renewed prevalence of “cases of spying, cyber-attacks, corruption and disinformation by foreign actors, in particular the Russians and Chinese.”

## LOOKING AHEAD

Europe and the United States need to be more united on China, and efforts are underway to institutionalize frameworks. This is possible if the United States approaches Europe as a partner through the EU, in addition to NATO. As US Deputy Secretary of State Kurt Campbell aims to “institutionalize” the links between the Euro-Atlantic and Indo-Pacific regions, [building](#) EU-NATO and US-EU consultation frameworks on China will be key. Some [frameworks](#) for EU-US consultations on China are already in place.

Given von der Leyen's role as a driving force behind Europe's tougher turn on China and also greater engagement with the United States during her first mandate, her renewed term is good news for Washington and specifically puts transatlantic coordination on China in a relatively good position. Von der Leyen will be joined by Kaja Kallas, the former prime minister of Estonia, who is known for her tough stance on Russia and China, as the EU's top diplomat.

The difficulties of the coming years are also of a more political nature. Transatlantic unity could be challenged by an evolution of US policy toward Russia that could leave Ukraine and Europe weakened. European unity is made particularly fragile by the Hungarian initiative toward Russia and China, and the current German government's support of the bloc's approach to mitigate Chinese economic imbalances remains ambivalent. Most importantly, the outcome of the US presidential election in November will be the defining development for any future transatlantic policy on China.

## POLICY RECOMMENDATIONS

- **Expand coordination on China as Europe expands its China policies starting with the most aligned sectors.** As Europe's de-risking framework is [crafted](#), transatlantic coordination will be necessary in an increasing number of domains. These include critical infrastructure, hybrid threats, and defense supply chains, but also [quantum computing, biotechnology, and artificial intelligence](#), where the United States is looking to develop mini-lateral groupings. Europe needs a predictable and reliable Washington on domains and segments where the Europeans can have a differentiating effect given competing systems and leverage.
- **Continue to pursue innovative defensive economic tools.** Tariffs themselves may not be enough. An increasing number of observers point to the need for a more [systemic and](#)



**offensive response** by pushing new regulations on cyber, labor, science and technology, or sustainability, and even more drastic policies of **industrial cocooning**. Taking into consideration the risk malign actors pose is made difficult by the absence of an investigative or **economic intelligence unit**, and Washington should support a push for such measures and information sharing with it.

- **Counter Chinese influence and interference together with Russia's.** As Europe must account for the increased sophistication of Chinese influence operations, especially through the **United Front**, its ability to coordinate transatlantic de-risking policies will depend on the implementation of tools to enhance resilience.
- **Push de-risking to new heights with third-party partnerships.** Washington and Brussels could continue to leverage existing free trade agreements and investment and trade partnerships with third countries to further the designs of their respective de-risking strategies against China. Friendshoring and leveraging manufacturing capabilities with emerging economies will be especially important, especially when it comes to **dual-use technologies** such as submarine cables. The next European Commission should push a greater geopolitical framing around its Global Gateway to support global infrastructure projects in key countries and coordinate with the US effort at the Group of Seven.
- **Invest in Europe's neighborhood to compete.** China's ability to create dilemmas in Europe's neighborhood, in coordination with Russia, has direct consequences for

Europe—and will impact the United States. NATO and EU neighborhood policies in the High North, Mediterranean, Balkans, and Central Asia should also account for growing Chinese influence.

- **Engage in a discussion over crisis scenarios in the Indo-Pacific.** In case of a gray-zone conflict or escalation in Asia, European states need to agree on measures to take and engage in discussion with the United States to avoid a transatlantic crisis. Coordination with the United States—and among European states—on the impact of a Taiwan Strait crisis should happen at the working level and pull in all strands of policymaking.
- **Coordinate outreach to partners in the Indo-Pacific.** In the Indo-Pacific, the EU is redefining its bilateral relations with partners through new negotiated security and defense partnerships with Japan, India, Australia, South Korea, and other states. It is also doing so within the multilateral **EU-Indo-Pacific Ministerial Forum**. Washington is doing much of the same.



*Léonie Allard is a visiting fellow at the Atlantic Council's Europe Center. She previously served at the French Ministry of Armed Forces.*



## REALIZING A BOLDER TRANSATLANTIC AGENDA FOR COOPERATION WITH AFRICA

*Rama Yade*

---

### THE BOTTOM LINE

In recent years, weak transatlantic cooperation between Europe and the United States has led to a spectacular setback of Western influence in Africa, benefiting not only China and Russia but also middle powers. Innovative recent initiatives could nevertheless be a beginning in the revitalization of cooperation between the United States and the European Union

(EU) in Africa. The success of this cooperation, however, depends on a better understanding of African needs and a greater inclusion of Africans in global governance.

### STATE OF PLAY

Despite what the United States and the EU do in Africa, their cooperation on policy toward the continent is rather limited.

---

**Photo:** Workers plant flowers under the newly constructed Nairobi expressway in Nairobi, Kenya, February 8, 2022.  
**Source:** REUTERS/Baz Ratner TPX IMAGES OF THE DAY.

The United States and the EU each have individual priorities in Africa, including in their recent infrastructure development pushes, both bilaterally and at the multilateral level. For example, the Group of Seven's (G7's) [Partnership for Global Infrastructure and Investment](#), launched in 2022, seeks to mobilize \$600 billion into sustainable infrastructure investment in the Global South by 2027.

Yet, the last time the EU and the United States specifically mentioned their cooperation in Africa, it was a relatively short, four-sentence [section](#) in the "US-EU Summit Joint Statement" in October 2023: "The United States and the European Union share a common interest in a thriving, peaceful, democratic, and resilient Africa, and welcome the accession of the African Union as a permanent member of the G20. We will work together to continue to enhance synergies in our cooperation with all our African partners. We are committed to promoting the security, stability and prosperity of North Africa. We reaffirm our commitment to tackle common security challenges in the Sahel, including the fight against terrorism, in cooperation with ECOWAS."

Other than the mention of the Group of Twenty permanent seat achieved a month earlier, this statement could have been released twenty or thirty years ago. It does not capture the African momentum reflected in the youth boom—[one in four](#) people on Earth will be African in twenty-five years—the digital and artificial intelligence revolution, the emerging markets, the climate and energy stakes, the business environment, and the strong African appetite for greater independence.

## THE STRATEGIC IMPERATIVE

From the Western perspective, the lack of cooperation with the African continent risks missing the major challenge: how to join US-EU forces to compete more efficiently with global powers such as China and Russia, as well as the growing role of middle powers such as those in the Middle East, Brazil, and India. The former seek to challenge the West's dominance on the global stage and the rules they champion, while the latter look to grow their own wealth and diplomatic influence in an increasingly multilateral world.

Africa is a strategic element of these powers' growing influence. The largest trading partners of Africa, after the [European Union](#), are China, India, the United States, and the United Arab Emirates, in that order. At the same time, the BRICS—a group that includes founding members Brazil, Russia, India, China, and South Africa—is expanding. In 2024, the bloc [welcomed](#) six new countries as members, including Egypt and Ethiopia. The group now [represents](#) a third of the world's wealth, as measured by purchasing power parity, and 46 percent of the world's population. The widening of the group's membership and depth of

cooperation matters. Their major ambitions include building an alternative multilateralism, starting with granting 30 percent of their new development bank's loans in local currency, rather than in US dollars or euros, and without conditions. With more affordable loans and no conditions such as democratic improvement, these grants may be attractive for African regimes that prefer not to provide explanations about their governance.

Africa matters for Washington and Brussels on security as well. Russia is the [largest provider](#) of weapons in Africa. Moscow uses its influence on the continent as a [key resource](#) for its war in Ukraine in both the use of natural resources for its war effort and its [propaganda campaign](#) justifying its full-scale invasion. Beijing, too, leverages its relationships on the continent to its advantage. This strategy has been fruitful. Moscow and Beijing have been able to leverage African nations' 30 percent share of votes in the United Nations to undermine Ukraine's—and the United States and the EU's—efforts to rally a global coalition against Russia. Most African countries refused to support sanctions against Russia, and only one African country, Eswatini, currently [recognizes](#) Taiwan.

The stakes are high for the West, both geopolitically and economically. As the West tries to reduce its dependence on China, Africa, which holds 30 percent of the world's [critical mineral](#) reserves, is crucial. In a market where the demand for minerals essential to electric vehicles and defense technology—such as lithium, cobalt, and copper—could increase almost fourfold by 2030, good relations with Africa will be critical for the EU and the United States' de-risking efforts.

## POLICY RECOMMENDATIONS

In the next four years, the EU and the United States will have to assert their respective Africa policies on a much larger scale to address these major shifts and embrace new opportunities on the continent. Substantial conditions are required:

- **More coordination:** Instead of being launched separately, many projects offer an opportunity for the United States and the EU—and its members—to join forces. The [Partnership for Atlantic Cooperation](#) announced in September 2023, with its thirty-nine member countries, could include the leading European Atlantic power, France. As for the EU's [Global Gateway](#), this investment project in fiber, green energy, health, energy, and transport, launched in 2021, should be better coordinated with the United States' own effort launched in the same year as part of the G7's PGII, which was launched in 2022. Given the growing importance of youth, the [Africa-Europe Youth Academy](#) mirrors similar initiatives by the US government such as the [Young African Leaders Initiative](#) and [Mandela Washington Fellowship](#) and could be merged or at least coordinated.

- **More consistency:** Competition with China in the market for critical minerals must not come at the expense of Africa’s development needs. The prioritization of value and job creation in Africa—so critical for decreasing migration flows to the north and the EU—should be a comparative advantage for the United States and the EU at a time when China is forced to reduce its spending on the continent and when Africans are increasingly aware of the need to limit their national debt levels and protect their national interests. However, the Western approach still does not prioritize Africa’s development enough. According to [some observers](#), for example, the Lobito Corridor project, launched in September 2023 under the PGII with participation from Washington and Brussels, did not distance itself enough from an extractive approach. Even worse, as far as the EU is concerned, is the continuation of an outdated strategy that flies in the face of the basic principles of human rights it is supposed to promote, as demonstrated by the surprising [agreement](#) on strategic minerals signed with Rwanda in February 2024.
- **More ambition:** The West also has a tool its competitors do not yet have that could be a game changer for Africans’ lives: the financing of African economies. The youngest continent needs millions of new jobs [generated](#) per year, yet it only creates three million. Investment is [prohibitively challenging](#) in Africa not because governments spend too much (the fifty-five African countries spent only \$60 billion on COVID-19 relief, while European countries spent \$4.2 trillion and the United States \$5.8 trillion) or because they do not perform economically (they have six of the ten [fastest-growing economies](#) in the world in 2024), but because the

cost of borrowing is much higher than elsewhere ([four times higher](#) than in the United States and nearly eight times higher than in Germany). With 80 percent of Africa’s debt denominated in dollars, a reform of the international financial system would release investment in Africa and offer the West a real opportunity to compete with China. The United States and the EU can work together with African countries to make progress on reforms addressing these structural issues.

- **More inclusivity:** Instead of remaining on the defensive, the United States and European nations could regain “moral” leadership by taking the initiative in systemic reform that would reshuffle the cards and challenge China and Russia to turn their promises to Africans into actions and test their sincerity to the Africans they claim to defend. A coordinated strategy to include two African countries in the United Nations Security Council as permanent members, building on [Washington’s support](#) for such a move, will help debunk China and Russia’s hypocrisy when it comes to Africa’s inclusion in this forum.



*Rama Yade is the senior director of the Atlantic Council’s Africa Center. She was formerly the French deputy minister of sports and also served as the ambassador of France to the United Nations Educational, Scientific, and Cultural Organization (UNESCO).*



# BETTER TOGETHER

Higher Growth and faster Convergence for the Western Balkans

## WORKING ON A NEW TRANSATLANTIC APPROACH TOWARD THE WESTERN BALKANS

*Maja Piscevic and Ilva Tare*

---

### THE BOTTOM LINE

The Western Balkans is a region neither the United States nor the European Union (EU) can afford to ignore or mishandle. Tensions are too high, and the geopolitical implications of misinformed and misaligned policy are costly. The United States and the EU must work together, and play to their own respective strengths, to prioritize democratic and economic growth and alignment with the West.

### STATE OF PLAY

Visits to the Western Balkans elicit two contradictory feelings. On the one hand, the region is vibrant and brimming with potential. The World Bank projects the regional gross domestic product growth for the Western Balkans Six—Albania, Bosnia and Herzegovina,

Kosovo, North Macedonia, Montenegro, and Serbia—to be 3.2 percent this year and 3.5 percent in 2025, [noting](#) some “cautious optimism.” On the other hand, too often the region is stuck in a disorganized and chaotic feedback loop, its violent histories seem inescapable, and its democratic culture remains lacking. Flashes of ethnic and political violence have [risked upending](#) the fragile peace between Serbia and Kosovo. Democracy ratings by international observers such as Freedom House are tracking [democratic declines](#) or stagnation in the region.

The United States and the EU have recognized the importance of the Western Balkans and have worked on engaging the region, to varying degrees of success. There has been modest progress on the region’s Euro-Atlantic integration, and there remains [moderate to strong support](#) inside the region for a European future. There has also been renewed momentum

---

**Photo:** An attendee walks at the venue on the day of the EU-Western Balkans summit in Tirana, Albania, February 29, 2024. Source: REUTERS/Florion Goga.

from the EU to make progress on enlargement to the region as Russia’s full-scale invasion of Ukraine has reinvigorated the bloc’s understanding of the geopolitics of enlargement.

Yet structural issues continue to frustrate the region’s Euro-Atlantic trajectory. The EU’s enlargement process, with single member state vetoes holding up progress, remains deeply flawed. At the same time, US policy toward the Western Balkans, particularly focusing on the normalization dialogue between Kosovo and Serbia, has not produced desired results, as local politics and nationalisms have [torpedoed](#) the Association of Serb-Majority Municipalities. These opportunities and challenges together will require leadership from the United States and the EU to realize the region’s potential.

## THE STRATEGIC IMPERATIVE

Geopolitics is the main driver of the external focus on the Western Balkans. The region for years has been Europe’s “[soft underbelly](#),” where Russia [holds](#) significant influence as both an instigator and negotiator, especially in Serbia and Republika Srpska (the Serb-majority entity within Bosnia and Herzegovina) but also in North Macedonia, Montenegro, and Kosovo. Russia’s full-scale invasion of Ukraine has raised the stakes about Moscow’s willingness to inflame conflict in the region. Securing the region within the Euro-Atlantic framework will do much to stem Russia’s influence and diminish the chances of violence on the continent.

Another geopolitical driver is the role of China. Beijing has stepped up its involvement primarily through investments in major infrastructure projects and mines. The US House Foreign Affairs Committee [estimates](#) that China has invested around \$1 billion in the region annually since 2011, and approximately \$10.3 billion in Serbia alone from 2009–2021. Five of the Western Balkans Six are members of China’s Belt and Road Initiative, and Serbia’s security cooperation with Beijing has grown to [encompass](#) overseas “police stations,” surveillance and facial recognition camera installations, and joint military exercises.

There are positive motivators for transatlantic engagement, too. The region could be a success story for the West’s [de-risking](#) agenda. Lower labor costs and the region’s strategic geographic location and physical proximity offer a twofold opportunity to help realize Europe’s—and the United States’—efforts to reshore its supply chains and investments and diminish China’s own influence.

Both the United States and the EU need a clear vision for the region. With the right strategy, the region can overcome its challenges and emerge as a stable, prosperous, and democratic part of Europe. By prioritizing democratic values and good governance, economic revitalization, and strategic part-

nerships, the United States and the EU can significantly and positively impact the region’s trajectory. Ultimately, a successful transatlantic policy in the Western Balkans requires a long-term commitment, sustained engagement, and a clear vision for the region’s future.

## LOOKING AHEAD

The Western Balkans will remain a focus on both sides of the Atlantic. Either a Democratic or Republican administration is expected to be more engaged once in office than during this past election year and will bring a focus on security issues, economic development, and regional integration, as well as on the rule of law, the fight against endemic corruption, and democracy. In Europe, too, the European Commission will focus on the region, including on enlargement, economic growth, and the rule of law.

Of crucial importance is how the new administrations will implement their policies in the region. Many of the key topics and priorities have already been identified. For example, Serbia will likely be the main focus of the next US administration due to its relatively large size, economic development, and the deteriorating state of its democracy, rule of law, and media freedom—not to mention its geopolitical role as a willing partner to both Moscow and Beijing. The European Commission’s [Growth Plan for the Western Balkans](#) will also continue to be a centerpiece of transatlantic priorities for the region.

The uncertainties are prioritization and calibration. How will policymakers prioritize the need to address economic or democratic reforms? Will the United States continue its practice of giving the lead to the EU, which all countries in the region at least nominally aspire to join?

The prioritization of democratic values will be the key to engaging the region successfully in the future. A more decisive and uncompromising insistence on the development of democratic institutions and values—such as free and fair elections, the rule of law, and the fight against corruption and organized crime—must be a priority. Uncompromising reforms in these areas are prerequisites for any sustainable economic progress and investment, and stronger democratic consolidation will do far more to reduce the impact of malign influences from Russia and China that thrive precisely in the absence of these values. Failing to prioritize democracy in the region will risk cementing the petrifying status quo.

Whatever happens in November, a much stronger and more active US role in the Western Balkans will be required. Previously, the United States has given primacy to the EU, but that strategy has not yielded convincing and sustainable results on key issues like the struggles of the Belgrade-Pristina dialogue (and the lack of implementation of the Brussels and Ohrid agree-

ments that underpin it), and the festering ethnic tensions in Bosnia and Herzegovina. This is a consequential demonstration of the EU's inability to take a leading role and bring key players to the table with the determination to reach an agreement. As a result, the process of normalization between Kosovo and Serbia has stalled—or worse, deteriorated.

The EU is an important and powerful bloc, but its institutional structure has limited its effectiveness. The bloc is a heterogeneous and loose union of twenty-seven members, many with vastly different priorities for the region. While still immensely influential, it is not decisive in some key policy areas, especially enlargement, where the current veto system has left the Western Balkans as a political punching bag for domestic politics among EU member states. A few such cases include Bulgaria and Greece blocking North Macedonia's progress, Slovenia delaying Croatia's 2013 accession over border disputes, and traditional enlargement skepticism in France and the Netherlands stemming from, among other considerations, domestic political concerns around, for example, immigration. Given that this decision-making framework is embedded in the highest legal act of the EU, it is not realistic to expect any change in the foreseeable future—even though change is much needed.

The United States is not as constrained in implementing its policy toward the Western Balkans. Provided the next administration does not change its priorities for the Western Balkans, it would be of crucial importance to take a more decisive stance in pursuing its interests, especially when it comes to security, the fight against corruption, the rule of law, media freedom, and the reduction of Russian and Chinese influence. All of these goals are achievable, but only if the next administration acts energetically and resolutely in their implementation.

## POLICY RECOMMENDATIONS

There is much that the United States and the EU can do—together and separately—to enact positive change in the Western Balkans. Recommendations include:

**Insist on the primacy of democracy and the rule of law.** The underpinning of democracy should be a prerequisite of any approach to the region. The United States and the EU, therefore, must prioritize support for democratic reforms, anti-corruption efforts, and the rule of law in the Western Balkans, specifically through:

- **Anti-corruption measures:** Corruption is a [pervasive problem](#) in the region. US and EU policymakers should provide technical assistance to develop and implement effective anti-corruption strategies, including strengthening

law enforcement, improving transparency, and protecting whistleblowers.

- **Judicial reform:** Independent and impartial judiciaries are crucial for upholding the rule of law. Plans for the region should include the provision of training for judges and prosecutors and promoting the independence of the judiciary.
- **The empowerment of civil society:** An independent and vocal civil society is essential for holding governments to account. The United States and the EU should support civil society organizations, particularly those working on good governance, human rights, and anti-corruption initiatives.

**Scale up economic engagement.** The Western Balkans region possesses untapped economic potential. The United States and the EU must significantly expand and see through economic engagement in the region. Building on the foundation set by the [Western Balkans Democracy and Prosperity Act](#), a bill introduced by US Sens. Jeanne Shaheen (D-NH) and Roger Wicker (R-MS), policymakers should aggressively pursue a strategy of investment, trade facilitation, and infrastructure development in the region by:

- **Doubling down on investment:** Policymakers should double down on investments in the region, focusing on sectors with high growth potential, such as renewable energy, technology, and agriculture. Leveraging public-private partnerships will be key to attracting private capital and creating jobs. Investments should be coordinated or at least deconflicted between Washington and Brussels.
- **Streamlining trade:** Facilitating trade, particularly between the United States and the Western Balkans, is an important signal of the West's involvement in the region. Reducing trade barriers, simplifying customs procedures, and providing technical assistance on EU standards alignment will help boost exports and attract foreign investment.
- **Driving infrastructure development:** Investing in infrastructure such as transportation, energy, and digital connectivity will help economic growth, regional integration, and the green transition. The United States can partner with the EU (and international financial institutions) to finance large-scale projects. This would be particularly welcome to counter Chinese infrastructure investments in the region.

**Refocus on regional economic competitiveness.** Increasing the Western Balkans' competitiveness will make Europe more competitive. To accomplish this, a joint effort is needed to improve the business environment, foster innovation, and develop a skilled workforce, including by:

- **Improving the business climate:** The United States and the EU should provide technical assistance to reform regulatory frameworks and improve governance with the goal of reducing bureaucratic hurdles, enforcing property rights, and combating corruption—all of which are essential for attracting foreign investment.
- **Fostering innovation:** Supporting research and development, technology transfers, and entrepreneurship can help drive innovation and create new opportunities. Establishing innovation hubs and incubators can help nurture a culture of entrepreneurship.
- **Investing in human capital:** A skilled workforce is essential for economic growth. The United States and the EU can support education and vocational training programs, particularly for young people. Instead of looking to emigrate elsewhere, the region’s youth can find incentives to stay.

**Develop a new approach to the Serbia-Kosovo dialogue.** The Serbia-Kosovo dialogue has been a long-standing and complex issue. It needs new life with incoming US and EU administrations. The United States, specifically, should play a more active role in facilitating a comprehensive and final normalization agreement. Recommendations include:

- **Introduce joint US-EU leadership:** The United States and the EU should jointly lead the dialogue, leveraging their combined diplomatic weight and expertise.
- **Focus on normalization:** The dialogue should prioritize practical steps toward normalization of relations, including economic cooperation, freedom of movement, and mutual recognition.
- **Develop conditional incentives:** Economic incentives can be used to encourage progress in the dialogue, but they should be conditioned on concrete achievements. The EU’s Growth Plan can be a crucial mechanism to promote progress and discourage stagnation, or worse—cooperation with malign actors.
- **Addressing the root causes:** The underlying issues of the conflict, such as minority rights and safeguarding territorial integrity, must be addressed to achieve a lasting peace.

**Develop policy for cybersecurity and infrastructure protection.** The Western Balkans is increasingly *vulnerable* to cyber threats, as have been documented recently in Albania, Montenegro, and North Macedonia. Protecting critical infrastructure and building cybersecurity capacity are essential for economic growth and regional stability. Recommendations include:

- **Cybersecurity capacity building:** The United States and the EU should support the development of cybersecurity capabilities in the region through training, capacity building, and technology transfers.
- **Critical infrastructure protection:** Partnering with the private sector, the United States and the EU can help protect critical infrastructure, such as energy, transportation, and telecommunications, from cyberattacks.
- **Countering disinformation:** The spread of disinformation and foreign interference is a growing challenge. The United States and the EU have successfully supported media literacy programs and fact-checking to counter these threats, but more can be done at the local level in cities outside the capitals.

**Refocus on countering malign influence.** The Western Balkans remains a geopolitical battleground, with Russia and China seeking to increase their influence in the region. The United States and the EU should develop strategies to counter these efforts. Such a strategy should include:

- **Strategic competition:** The United States should adopt a competitive approach to Russia and China, offering alternative partnerships, investments, and security cooperation.
- **Energy security:** Reducing the region’s dependence on Russian energy is crucial. The United States can support diversification of energy sources and infrastructure development.
- **Information warfare:** Countering disinformation campaigns and strengthening media literacy are essential to protect the region from foreign manipulation.
- **Strengthening NATO:** Reinforcing NATO’s presence in the region is crucial to deter aggression and reassure allies. Eventually, moving Kosovo closer to NATO membership will be an important step toward regional stability.



*Maja Piscevic is a nonresident senior fellow with the Atlantic Council’s Europe Center and representative of the center in the Western Balkans.*



*Ilva Tare is a resident senior fellow at the Atlantic Council’s Europe Center and host of the #BalkansDebrief podcast.*



**CHAIRMAN**

\*John F.W. Rogers

**EXECUTIVE CHAIRMAN  
EMERITUS**

\*James L. Jones

**PRESIDENT AND CEO**

\*Frederick Kempe

**EXECUTIVE VICE CHAIRS**

\*Adrienne Arsht

\*Stephen J. Hadley

**VICE CHAIRS**

\*Robert J. Abernethy

\*Alexander V. Mirtchev

**TREASURER**

\*George Lund

**DIRECTORS**

Elliot Ackerman

\*Gina F. Adams

Timothy D. Adams

\*Michael Andersson

Alain Bejjani

Colleen Bell

Sarah E. Beshar

Karan Bhatia

Stephen Biegun

Linden P. Blue

Brad Bondi

John Bonsell

Philip M. Breedlove

David L. Caplan

Samantha A. Carl-Yoder

\*Teresa Carlson

\*James E. Cartwright

John E. Chapoton

Ahmed Charai

Melanie Chen

Michael Chertoff

\*George Chopivsky

Wesley K. Clark

\*Helima Croft

Ankit N. Desai

Dario Deste

\*Lawrence Di Rita

\*Paula J. Dobriansky

Joseph F. Dunford, Jr.

Richard Edelman

Stuart E. Eizenstat

Tara Engel

Mark T. Esper

Christopher W.K. Fetzer

\*Michael Fisch

Alan H. Fleischmann

Jendayi E. Frazer

\*Meg Gentle

Thomas H. Glocer

John B. Goodman

Sherri W. Goodman

Marcel Grisnigt

Jarostaw Grzesiak

Murathan Günal

Michael V. Hayden

Tim Holt

\*Karl V. Hopkins

Kay Bailey Hutchison

Ian Ihnatowycz

Wolfgang F. Ischinger

Deborah Lee James

\*Joia M. Johnson

\*Safi Kalo

Andre Kelleners

Brian L. Kelly

John E. Klein

\*C. Jeffrey Knittel

Joseph Konzelmann

Keith J. Krach

Franklin D. Kramer

Laura Lane

Almar Latour

Yann Le Pallec

Jan M. Lodal

Douglas Lute

Jane Holl Lute

William J. Lynn

Mark Machin

Marco Margheri

Michael Margolis

Chris Marlin

William Marron

Roger R. Martella Jr.

Gerardo Mato

Erin McGrain

John M. McHugh

\*Judith A. Miller

Dariusz Mioduski

\*Richard Morningstar

Georgette Mosbacher

Majida Mourad

Virginia A. Mulberger

Mary Claire Murphy

Julia Nesheiwat

Edward J. Newberry

Franco Nuschese

Joseph S. Nye

\*Ahmet M. Ören

Ana I. Palacio

\*Kostas Pantazopoulos

Alan Pellegrini

David H. Petraeus

Elizabeth Frost Pierson

\*Lisa Pollina

Daniel B. Poneman

Robert Portman

\*Dina H. Powell dddMcCor-  
mick

Michael Punke

Ashraf Qazi

Thomas J. Ridge

Gary Rieschel

Charles O. Rossotti

Harry Sachinis

C. Michael Scaparrotti

Ivan A. Schlager

Rajiv Shah

Wendy R. Sherman

Gregg Sherrill

Jeff Shockey

Kris Singh

Varun Sivaram

Walter Slocombe

Christopher Smith

Clifford M. Sobel

Michael S. Steele

Richard J.A. Steele

Mary Streett

Nader Tavakoli

\*Gil Tenzer

\*Frances F. Townsend

Clyde C. Tuggle

Francesco G. Valente

Melanne Verveer

Tyson Voelkel

Kemba Walden

Michael F. Walsh

Ronald Weiser

\*Al Williams

Ben Wilson

Maciej Witucki

Neal S. Wolin

Tod D. Wolters

\*Jenny Wood

Alan Yang

Guang Yang

Mary C. Yates

Dov S. Zakheim

**HONORARY DIRECTORS**

James A. Baker, III

Robert M. Gates

James N. Mattis

Michael G. Mullen

Leon E. Panetta

William J. Perry

Condoleezza Rice

Horst Teltschik

William H. Webster

*\*Executive Committee  
Members*

*List as of  
April 24, 2024*



The Atlantic Council is a nonpartisan organization that promotes constructive US leadership and engagement in international affairs based on the central role of the Atlantic community in meeting today's global challenges.

© 2024 The Atlantic Council of the United States. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from the Atlantic Council, except in the case of brief quotations in news articles, critical articles, or reviews. Please direct inquiries to:

Atlantic Council  
1030 15th Street, NW, 12th Floor  
Washington, DC 20005

(202) 463-7226, [www.AtlanticCouncil.org](http://www.AtlanticCouncil.org)