

# Six Key Priorities for U.S. Europe Policy in a Crucial Year

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## KEY TAKEAWAYS

Key priorities for U.S. policy in Europe include bolstering the NATO alliance, confronting the Russian menace, and meeting the rising threat from China.

The U.S. should take advantage of the opportunities presented by Brexit by negotiating and implementing a U.S.-U.K. free trade agreement.

The U.S. should also support the Three Seas Initiative in a crossroads year and remain engaged in regional hotspots like the Balkans and Ukraine.

The year 2020 will have an outsized policy impact on key issues facing the transatlantic alliance. A presidential and congressional election in the United States will bring key policy questions up for debate, with the outcome of the elections certain to either reaffirm or shift current U.S. policy in Europe. In Europe, a newly selected European Commission will tackle the bloc's future trading relationship with both China and the U.S. The departure of the United Kingdom from the European Union in 2020 will offer the U.S. and the U.K. a significant opportunity to negotiate a mutually beneficial free trade agreement (FTA), while an outward-looking U.K. should serve as a reinvigorating force for the U.S.-U.K. special relationship.

Key challenges for U.S. policy in Europe in 2020 include the continued threat of Russia to U.S. interests and to American allies, Russia's continued war in

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This paper, in its entirety, can be found at <http://report.heritage.org/ib5025>

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Ukraine, the pernicious effects of Chinese investments, the Trojan horse of Chinese 5G technology putting Western intelligence sharing at risk, and failure to secure the Balkans and allowing local conflicts to metastasize.

U.S. policymakers should recognize the vital importance of this year for the transatlantic alliance and focus on six key priorities in 2020.

## 1. Negotiating a U.S.–U.K. Free Trade Agreement

On January 31, the United Kingdom will leave the European Union. The U.S. should take advantage of the opportunities presented by Brexit by negotiating and implementing a U.S.–U.K. FTA. This deal would find broad support in the U.S. and strengthen the U.S.–U.K. Special Relationship. In 2018, Heritage Foundation experts participated in drafting what an ideal U.S.–U.K. FTA would look like.<sup>1</sup>

A U.S.–U.K. FTA should:

- Eliminate tariffs and quotas on visible trade,
- Eliminate other trade distortions stemming from the U.K.’s former EU membership,
- Ensure the continuation and deepening of the investment freedom that both countries enjoy,
- Develop new approaches to trade in emerging areas, such as digital trade; and
- Develop systems of mutual recognition of standards in high-value areas, such as pharmaceuticals.

Such a trade deal would be good for both nations, and would set a valuable example of liberalization for the rest of the world.

## 2. Building on Improved NATO Deterrence

In recent years, the North Atlantic Treaty Organization (NATO) has made significant strides in advancing deterrence measures. Last year, nine member states reached the benchmark of spending 2 percent of gross domestic product on defense, and 16 member states met the benchmark of spending 20 percent of defense budgets on equipment expenditures.<sup>2</sup> While

many nations in the Alliance continue to lag behind in terms of defense spending, recent years have seen significant and important improvements.

NATO currently deploys a multinational battalion to each of the Baltic states and Poland as part of the Alliance's Enhanced Forward Presence. The U.S. has also reinvested heavily in Europe, both through force deployments, as well as through increased expenditures to improve infrastructure and to fund deployments in addition to training and exercises.<sup>3</sup>

Still, while NATO's ability to defend member states on its eastern flank has improved in recent years, it is far from mission accomplished. NATO will soon begin a strategic review. U.S. policymakers should refrain from perceiving the current steps to bolster deterrence as having achieved deterrence: It is important that NATO fully carry out its 30-30-30-30 plan for increased readiness.<sup>4</sup> The U.S. should not view NATO as a Swiss army knife capable of tackling any problem, but rather as a means to deter Russian aggression and defend the territorial integrity of the member states.

NATO's upcoming strategic review is an excellent opportunity for the U.S. to lead the alliance towards a refocusing on the core mission of territorial defense, increasing defense spending, and keeping NATO enlargement on the table for aspirant countries. Additionally, the U.S. and its NATO allies should think comprehensively about the steps which still need to be taken to ensure the ability to deter aggression for all member states, especially those in the Baltic and Black Sea regions.

### **3. Approaching U.S.-EU Trade Negotiations with Caution**

On October 16, 2018, the Trump Administration notified Congress that the President intends to negotiate an FTA with the European Union. Although an agreement on beef access was signed in August 2019, there has been no sign of wider progress on this front, and the U.S.-EU relationship has been roiled by tariffs, or threats to impose tariffs, on the part of the U.S., in retaliation for EU or European measures that discriminate against the U.S.

In the background to the Trump Administration's notification are the negotiations for the Transatlantic Trade and Investment Partnership (TTIP), the Obama-era effort to create a trade area between the U.S. and the EU. The TTIP negotiations collapsed amid mutual recriminations in 2016. If this is the best the U.S. and the EU can do, it would be better not to try again.

If negotiations do proceed, negotiators should:

- Recognize that much U.S.–EU trade is already free, or nearly free;
- Predicate negotiations on the completion of U.S. negotiations with the U.K.;
- Predicate negotiations on the satisfactory completion of U.K. negotiations with the EU;
- Avoid all regulatory harmonization in favor of mutual recognition; and
- Avoid deals that manage trade, even if the deal is liberalizing.

Negotiating a satisfactory agreement with the EU will not be easy, but an agreement based on sound, free-trading principles has the potential to benefit both parties.

#### **4. Moving Europe Toward a Robust Response to the Rising Threat from China**

2020 is a pivotal year for the future relationship between Europe and China. Germany, which holds the rotating presidency of the Council of the European Union in the second half of the year, will host an EU–China summit in September. While both Chinese and EU leaders have expressed support for a comprehensive investment agreement to be concluded by the end of 2020, the reality is that such an ambitious target is unlikely to be met.<sup>5</sup>

This year is likely to prove an inflection point for future intelligence sharing as decisions on whether to allow government-controlled Chinese companies, such as Huawei, to provide 5G networks, are expected in vital allies, such as France, Germany, and most important, the United Kingdom. U.S. officials have issued clear warnings about the risks posed by Chinese 5G technology, stating that utilizing Chinese state-controlled companies for next-generation wireless networks would be “nothing short of madness,”<sup>6</sup> and put at risk intelligence sharing with the U.S. Congress is considering legislation to ban intelligence sharing with nations that use Huawei equipment for their 5G networks.<sup>7</sup> The decision by the U.K. will likely prove a bellwether as to whether Europe will make the political decision to ensure that 5G networks are safe from Chinese eavesdropping and data collection. In addition to questions over the future of transatlantic intelligence sharing,

the European Union member states have until October 11 to comply with the requirements of the EU's new framework for screening of foreign direct investments, which came into force on April 10, 2019.<sup>8</sup>

## 5. Supporting the Three Seas Initiative

Launched in 2016 to facilitate the development of energy and infrastructure ties among 12 nations in Eastern, Central, and Southern Europe, the Three Seas Initiative (3SI) aims to strengthen trade, infrastructure, energy, and political cooperation among countries bordering the Adriatic Sea, the Baltic Sea, and the Black Sea. A strong, prosperous, and secure Eastern Europe is in America's interest, and the 3SI can play a role in making this happen.

This year will likely prove a pivotal moment for the 3SI—either with tangible outcomes starting to magnify, or with the initiative fading away as a missed opportunity due to a lack of political will. The 3SI will allow the U.S. to build strengthened transatlantic business, energy, and geopolitical ties to the region, while also counterbalancing Chinese and Russian efforts to forge regional inroads. The U.S. should work with Estonia, which is hosting the 3SI 2020 summit, to advance an agenda that enhances cooperation among the nations of the 3SI, offering top-level U.S. political support to the initiative, and when in the national interest to do so, work with countries of the 3SI to fund projects jointly.

## 6. Continued Engagement in European Hotspots

Ukraine is in the midst of a national struggle that will determine its future geopolitical orientation: toward the West or toward Russia. Modern Ukraine represents the idea in Europe that each country has the sovereign ability to determine its own path and to decide with whom it has relations and how, and by whom it is governed. No outside actor (in this case, Russia) should have a veto on membership or closer relations with organizations like the European Union or NATO. In many ways, the future viability of the transatlantic community will be decided in the Donbas, the region in eastern Ukraine where the fighting has been taking place. U.S. support for Ukraine remains vital.<sup>9</sup>

In the Balkans, the French-led decision in October 2019 to block Albania and North Macedonia from starting EU-accession talks<sup>10</sup> has only heightened the importance of continued U.S. engagement in the region. The Western Balkans is a region of Europe with unfinished business. Ethnic,

religious, and cultural differences, along with historical grievances, retain the potential to set off renewed hostilities and violence. Furthermore, the challenges posed by the destabilizing influence of Russia, rising Chinese interest and investment in the region, pockets of Islamist extremism, high unemployment, and lack of economic opportunity threaten to ensnare the Balkans in a permanent purgatorial geopolitical quicksand.

In 2020, the U.S. should encourage the nations of the Western Balkans to put aside historical, cultural, and religious complaints and work constructively to increase trade relations, settle border disputes, and forego inflammatory rhetoric for the sake of stability.<sup>11</sup>

## Conclusion

This year is full of both opportunity and risk for U.S. policy in Europe. U.S. policymakers should work to ensure successful outcomes in these aforementioned six key policy areas in 2020, helping to place U.S. policy in Europe on a favorable course for advancing U.S. interests in the region.

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## Endnotes

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