



SPRING 2021

# Transatlantic Disruption: Challenges and Opportunities

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# Contents

Authors	3
Introduction: Transatlantic Disruption	4
Charting a Better Transatlantic Alliance	5
Keynote Conversation: The Future of Transatlantic Security	7
Deterrence	10
Energy	12
Investment	14
The Bark and Bite of Right-Wing Populist Foreign Policies	16
Next Steps	18
Conclusion and Further Reading	20
Endnotes	22



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## Introduction: Transatlantic Disruption

This year, 2021, marks the 80<sup>th</sup> anniversary of the 1941 Atlantic Conference, when the Allies met to discuss the post-World War II order and emerged with a joint statement by U.S. President Franklin Roosevelt and U.K. Prime Minister Winston Churchill, now known as the Atlantic Charter.

The Charter, though neither treaty nor formal agreement between countries, nonetheless helped—even as the world remained in turmoil—sow the seeds of a postwar transatlantic order.

For decades, the transatlantic alliance has been a community built on collective defense, mutual investment and trade, and shared values. For countries on both sides of the Atlantic, this relationship has fostered an era of security, prosperity, and freedom. In the past few years, however, pundits and politicians have begun to question the stability of this alliance and the institutions that support it, and some have asked whether the end of the transatlantic relationship is nigh.

In 2021, this phenomenon—transatlantic disruption—seems only more severe. The worldwide coronavirus pandemic has claimed over a million lives in Europe and the United States, even as the rollout of safe and effective vaccines offers glimmers of hope. U.S.-E.U. relations suffered; at one point in 2020, the German interior minister even accused the United States of “modern piracy,” as the latter rerouted 200,000 N-95 masks and other personal protective equipment bound for Germany. The January 6 storming of the U.S. Capitol, too, stirred fears of democratic backsliding and even coups d’état in countries that pride themselves on their peaceful transfers of power. Questions about further aggression by the Russian government in Eastern Europe remain.

What can scholars and policy leaders on both sides of the Atlantic do about transatlantic disruption? Based on the discussions and analyses of a recent Perry World House workshop, this report makes several policy and research recommendations:

- 1. Pursue a reinvigorated arms control agenda**, including a agreements short of treaties, to strengthen the North Atlantic Treaty Organization (NATO), address emerging threats, and placate domestic opposition to nuclear weapons.
- 2. Study how to link trade and climate agendas** for transatlantic cooperation without running counter to World Trade Organization (WTO) rules;
- 3. Avoid letting overblown threats spoil transatlantic cooperation**, specifically on:
  - The E.U.-China Comprehensive Agreement on Investment (CAI). It is more limited than both supporters and detractors claim, and should not become a stumbling block for U.S.-E.U. cooperation, even as progress has been frozen since the workshop.
  - Energy coercion. The threat of energy coercion is exaggerated and distracts from the real challenge: finding a common approach to climate change.
  - Populist foreign policies. Populism can be a major domestic threat to liberal democracy, but its effects on foreign policy appear minimal.

## Workshop Background

As the transatlantic community once again found itself at a moment of upheaval and change in late January 2021—entering the second year of a devastating global pandemic, the second month after the United Kingdom’s exit from the European Union, and the second week of a new presidential administration in the United States—Perry World House convened its first Shapiro Geopolitics Workshop on “Transatlantic Disruption: Challenges and Opportunities.” Held on January 25 and 26, 2021, the workshop sought to bridge the gap between academia and policy, and focus debates on the state of transatlantic relations on three interrelated issue areas—nuclear deterrence, energy, and investment—to stimulate academic inquiry and exploit an opportunity to shape policies that can help guide transatlantic relations in new and productive ways.

The workshop opened on January 25 with a public, high-level panel of leaders from both sides of the Atlantic to discuss “The Post-

# Transatlantic Disruption: Challenges and Opportunities

Shapiro Geopolitics Workshop | Spring 2021

COVID-19 Future of Transatlantic Security.” A closed-door workshop panel on nuclear deterrence to debate the transatlantic deterrent and the political forces threatening nuclear stability in Europe followed this discussion. The day concluded with a workshop panel on energy policy, which examined the threat of energy coercion from Russia and the long-term challenge of climate change.

The workshop continued on January 26 with the third and final closed-door panel, on investment policies, which explored how Europe and the United States should approach transatlantic investment, emerge from the COVID-19 crisis, and jointly face the economic challenge of China.

The workshop concluded with the 2021 Distinguished Lecture in Global Policy, delivered by Princeton’s Professor Andrew Moravcsik on “The Bark and Bite of Transatlantic Populist Foreign Policies,” in which Moravcsik defended his thesis that right-wing populist movements have been generally ineffective in achieving their foreign policy goals. In Moravcsik’s words, populist parties “rarely wield significant influence on foreign policy. And I don’t mean just that they fail to achieve some ambitious goals. They fail to implement any distinctive policy at all.”

After sections on each part of the workshop, the final portion of this report examines policy conclusions and next steps, including roadmaps for new transatlantic cooperation identified by workshop participants. Before moving on to these sections of the report, the following chapter sets the scene with two questions: (1) Where have we been? and (2) Where are we now?

## Charting a Better Transatlantic Alliance

### 1941-2021: Where Have We Been?

To better understand the future of transatlantic relations, one must also look at its history. As Roosevelt’s and Churchill’s joint 1941 statement of the Atlantic Charter turns 80 in 2021, Perry World House asked workshop participants to rate the transatlantic community’s success in upholding and advancing the eight principles and goals outlined in the Charter over the last 80 years (Figure 1). The Charter was an ambitious, and perhaps premature, attempt by the U.S. president and U.K. prime minister

to outline a shared vision of a better world—months before the United States formally entered the war. The principles that the two heads of state articulated on August 14, 1941, from a U.S. naval base in Newfoundland, are quoted below. They have helped define the character of the transatlantic relationship for much of the 20<sup>th</sup> century and helped shape NATO, the General Agreement on Tariffs and Trade, and even the dissolution of the British empire. Some Charter principles have been more successful than others, however. For example, while all participants agreed that the “enjoyment of trade” goal was successful over the last 80 years, 72 percent felt that disarmament was “very” or “somewhat” unsuccessful.

Figure 1: Rating the Atlantic Charter

#### 1. No Aggrandizement

“First, their countries seek no aggrandizement, territorial or other;”



#### 2. No Territorial Changes Contrary to the Wishes of the People

“Second, they desire to see no territorial changes that do not accord with the freely expressed wishes of the peoples concerned;”



#### 3. Self-Determination

“Third, they respect the right of all peoples to choose the form of government under which they will live; and they wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them;”







# Transatlantic Disruption: Challenges and Opportunities

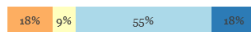
Shapiro Geopolitics Workshop | Spring 2021

## 4. Enjoyment of Trade



“Fourth, they will endeavor, with due respect for their existing obligations, to further the enjoyment by all states, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity;”

## 5. Collaboration for Labor Standards, Economic Advancement, Social Security



“Fifth, they desire to bring about the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labor standards, economic advancement, and social security;”

## 6. Peace and Freedom from Fear and Want



“Sixth, after the final destruction of the Nazi tyranny, they hope to see established a peace which will afford to all nations the means of dwelling in safety within their own boundaries, and which will afford assurance that all the men in all the lands may live out their lives in freedom from fear and want;”

## 7. Freedom of the Seas

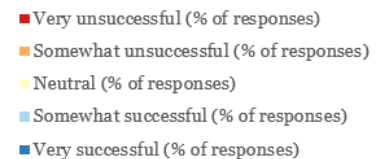


“Seventh, such a peace should enable all men to traverse the high seas and oceans without hindrance;”

## 8. Disarmament



“Eighth, they believe that all of the nations of the world, for realistic as well as spiritual reasons must come to the abandonment of the use of force. Since no future peace can be maintained if land, sea or air armaments continue to be employed by nations which threaten, or may threaten, aggression outside of their frontiers, they believe, pending the establishment of a wider and permanent system of general security, that the disarmament of such nations is essential. They will likewise aid and encourage all other practicable measure which will lighten for peace-loving peoples the crushing burden of armaments.”



The transatlantic community has had successes and failures living up to the ideals of the Charter as that document enters its 80<sup>th</sup> year. Whereas trade and freedom of the seas have been successful, according to our panelists, the community has struggled on disarmament and to some extent self-determination. This Shapiro Geopolitics Workshop on Transatlantic Disruption—originally planned for 2020 only to be itself disrupted by the COVID-19 pandemic—was designed to dive deep into these critical issues facing the transatlantic community. In 2021, the transatlantic order faces a public health crisis that claimed millions of lives, far-right nationalist attacks on democracy, and continued skepticism of traditional institutions. Policy experts, politicians, and academics gathered virtually “at” Perry World House to discuss the transatlantic political order’s disruptions. This report is divided into five parts: (1) the future of transatlantic security; three sections on (2) deterrence, (3) energy, and (4) investment; and (5) a closing section on the challenge of populism.

This workshop singled out three specific areas where there are opportunities to



# Transatlantic Disruption: Challenges and Opportunities

Shapiro Geopolitics Workshop | Spring 2021

strengthen U.S. ties with Europe and reengage the world as a leading partner with its transatlantic allies: nuclear deterrence, energy, and investment. First, the reassessment of nuclear deterrence may open possibilities for greater stability, more cooperation, and a new look at arms control. Second, new energy policies could position the transatlantic community as leaders in combating climate change while increasing the security of central Europe. New investment strategies, finally, may help jumpstart European economies while dealing with the threat of a rising China. The transatlantic community's response to these interconnected threats—deterrence, energy, and investment—will determine the trajectory of world politics for years to come.

but participants nonetheless expressed a hope for productive and innovative policy solutions. As Ambassador Alexander Vershbow noted: "With vaccines now becoming available and with a new internationalist administration in charge in Washington, the future looks a little more hopeful. But the list of problems that the U.S. and its European partners must address is truly daunting." To begin building a deeper understanding of these problems and their potential solutions, the workshop kicked off with a high-level panel on transatlantic security, outlined in the following section.

## 2021: Where Are We Now?

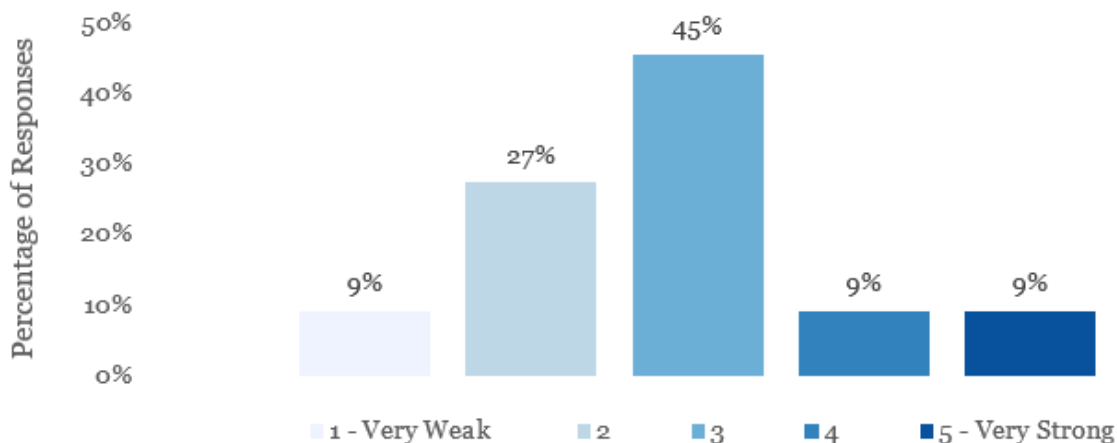
In 2021, the transatlantic order faces a public health crisis that has created untold suffering, far-right nationalist attacks on democracy, and continued skepticism of traditional institutions. To better understand the state of transatlantic relationships, Perry World House asked participants: "How would you characterize the current strength of the transatlantic relationship?" The answers are below.

One big lesson for many workshop participants was simple: The transatlantic

## Keynote Conversation: The Future of Transatlantic Security

"With vaccines now becoming available and with a new internationalist administration in charge in Washington, the future looks a little more hopeful. But the list of problems that the U.S. and its European partners must address is truly daunting." - **Ambassador Alexander Vershbow (at public event)**

Figure 2: Transatlantic Strength | How would you characterize the current strength of the transatlantic relationship?



community is not as weak as some commentators suggest, and there is hope for a reinvigorated relationship. The pre-workshop survey showed that participating experts believed that the strength of the transatlantic relationship has been weakened,

The survey showed that security issues remained a top area for improvement, even as only 20 percent of the experts agreed that NATO, the cornerstone alliance of transatlantic security, would be as important or more important over the next 70 years as



# Transatlantic Disruption: Challenges and Opportunities

Shapiro Geopolitics Workshop | Spring 2021

it had been over the past 70 years. To better understand these dynamics, the workshop kicked off with a high-level public panel on the future of transatlantic security.

The leaders engaged in a lively public discussion about the future of NATO, the implications of an aggressive China and a revisionist Russia for U.S. and European interests, recent tensions between the European Union and the United States over “strategic autonomy,” and the prospects for cooperation under the new administration of President Joe Biden, including on the challenges of nuclear proliferation and cybersecurity.

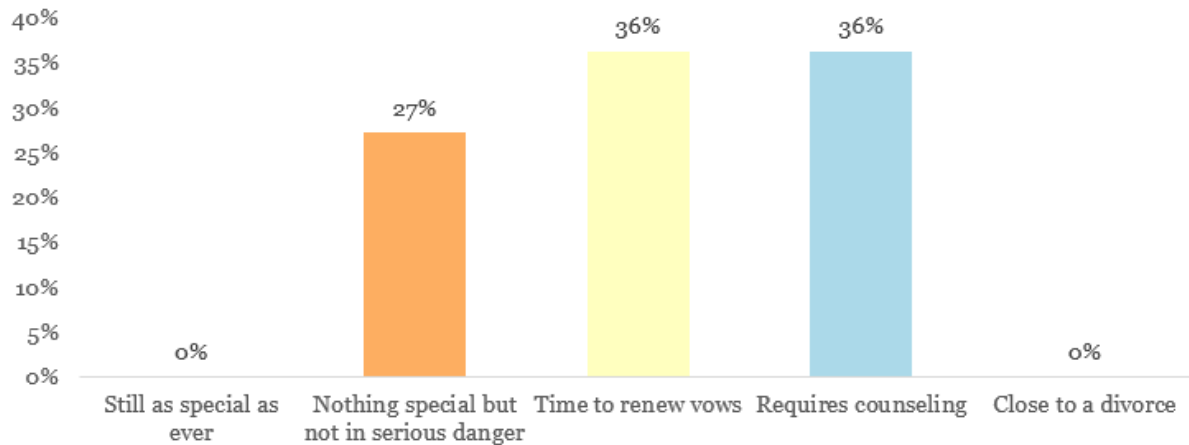
Ambassador Vershbow, the Perry World House Wolk Distinguished Visiting Fellow and former Deputy Secretary General of NATO, chaired and moderated the panel, which included: Baroness Catherine Ashton, former High Representative of the Union for Foreign Affairs and Security Policy; Dr. Karen Donfried, President of the German Marshall Fund and former Special Assistant to the President and Senior Director for European affairs on the National Security Council at the White House; Secretary Chuck Hagel, former U.S. Secretary of Defense and Perry World House Visiting Fellow; Lt. General (Ret.) H.R. McMaster, former U.S. National Security Advisor and Perry World House Visiting

exited from the European Union. In other words, any real cooperation on transatlantic security issues will need to include the United States, the European Union, and the United Kingdom. The new U.S. administration will need to leverage this three-legged stool and work with its European partners to address major transnational challenges, such as addressing the threat of nuclear proliferation with a “longer and stronger” Joint Comprehensive Plan of Action (JCPOA, or Iran Deal).

A key element of Ashton’s three-legged stool is the historical “special relationship” between the United Kingdom and the United States. Asked about the state of this relationship, respondents to the Transatlantic Disruption survey were relatively optimistic—none suggested that the two countries were “close to a divorce”—but argued that it may be “time to renew vows,” especially now that the United Kingdom has left the European Union. At the same time, Ashton stressed, “Now that the U.K. is no longer in the European Union, it nonetheless has to find a collaborative way of working closely with it, especially on security and defense questions.

## NATO and European Strategic Autonomy

Figure 3: Still Special?| What is the current status of the “Special Relationship” between the United States and the United Kingdom?



Fellow; and Ambassador Heli Tiirmaa-Klaar, Estonia’s Ambassador-at-Large for Cyber Diplomacy and Perry World House Visiting Fellow.

Baroness Ashton described the future of transatlantic cooperation as a “three-legged stool” now that the United Kingdom has

Much of the conversation focused on the idea of “European strategic autonomy.” Greater European autonomy, Karen Donfried explained, can actually be a good thing for transatlantic security, even if it is often framed in competitive terms: “It’s not obvious ... why Europeans developing greater capabilities, military or otherwise, should be





# Transatlantic Disruption: Challenges and Opportunities

Shapiro Geopolitics Workshop | Spring 2021

seen as a competitive strategy with the U.S. It seems to me, if the Europeans are more capable of acting, they are a better partner for the U.S.”

Key to the issue of a more balanced relationship between the United States and the European Union, however, is the question of funding. As one attendee asked the panelists during the Q&A session: Where is the money going to come from? After a devastating pandemic, there will be strong political pressures to cut defense spending. The infamous “2 percent” target for defense spending is to some degree even less meaningful in the economic fallout of a global pandemic, however. Donfried explained that “ironically, we may see that the percentage that some of these countries are spending on defense will increase simply because the size of their GDP is decreasing,” but that this is no cause for celebration among those who care about NATO defense spending.

Defense spending aside, panelists emphasized that NATO unity will be the key to a stronger transatlantic community. Secretary Hagel discussed the historical and present-day NATO role in the “New Liberal World Order.” Hagel argued that “NATO is as important as it has ever been.” Today, NATO faces the growing threat of right-wing populism, economic and cyber challenges from Russia and China, and a changing nuclear landscape, but public confidence appears to be low. A strong approach to emerging threats and a clear case to the public on NATO’s continued usefulness will be necessary to restore confidence in the alliance.

“In my mind, NATO and that collective security institution is as important as it’s ever been, because if for no other reason, the challenges and the threats today are far more sophisticated than they’ve ever been.”  
– **Secretary Chuck Hagel (at public event)**

“We all know this is not going to be the last pandemic we face. And I think there’s a need for NATO to make clear to our publics that it is relevant to the pressing concerns of the day.” – **Dr. Karen Donfried (at public event)**

**New Threats: COVID, Cyber, and China**

To foster transatlantic cooperation, therefore, NATO will need to change to address new and emerging threats to the security of Europe, the United States, and the world. First, NATO will need to have a stronger role in future pandemic preparedness. As Donfried explained: “I think there might be a role for military authorities in some of our countries for distributing the vaccine, but also NATO’s role in having stockpiles in future of personal protective equipment. We all know this is not going to be the last pandemic we face. And I think there’s a need for NATO to make clear to our publics that it is relevant to the pressing concerns of the day.”

Second, NATO, Europe, and the United States need to prepare for the growing threat of cyber operations. Heli Tiirmaa-Klaar shared her expertise and the methods used in Estonia to combat cyber threats. In recent years, China and Russia have engaged in massive online misinformation campaigns and hacking that undermined Western democracy. Recent years have also seen the growth of cyber operations against governments, corporations, and international institutions. Tiirmaa-Klaar argued that Estonia has successfully stopped cyberattacks because the country has a small surface area to attack. Estonia ensured that their cyber strategy defended their surface area, and they kept themselves at the forefront of new technology.

“Cyber has really changed everything.” – **Secretary Chuck Hagel (at public event)**

The European Union needs to follow Estonia’s example by building a robust, responsive cyber strategy. The European Union has begun to work on its strategy through the European Cyber Security Toolbox, while NATO has been focusing more heavily on cyber since 2016. However, no strategy will ever be complete if NATO, Europe, and the United States do not build a comprehensive military-civilian strategy that involves transatlantic cooperation. Others concurred with Tiirmaa-Klaar’s characterization of the cyber threat and the importance of cyber deterrence as well as resilience.

China, finally, loomed large in the discussion. H.R. McMaster warned viewers and panelists about China’s desire to promote an “authoritarian mercantilist” alternative to capitalism. China’s expansionist economic model has been coupled with acts of aggression, such as cultural genocide, aggression in South Asia, and the clamping down on democracy movements in Hong

# Transatlantic Disruption: Challenges and Opportunities

Shapiro Geopolitics Workshop | Spring 2021

Kong, among others. McMaster suggested: “This is not a choice between Washington and Beijing. The choice is between sovereignty and servitude.”

Ambassador Vershbow summarized the vision of the Leaders’ Roundtable with the call to “never waste a good crisis.” Acknowledging the challenges and human suffering caused by the pandemic, it also has presented an opportunity to reset and reconsider the threats facing the transatlantic community: “Knitting together a strong transatlantic coalition to deal with Russia, to deal with China in all its dimensions—the economic, the technological, the political, as well as the military—may be the most immediate challenge. And I would suggest that those are top priorities for any initial NATO summit, any E.U.-U.S. summitry that may take place.”

## Questions for Future Research

- What are the effects of European “strategic autonomy,” and how can Europe foster relations with the United States while pursuing such autonomy?
- How must NATO evolve to meet new challenges, including health security?
- How can the rules-based order and international law and norms help promote cyber stability for Europe and the United States?
- Is the battle between the United States and China an ideological contest? Could it be exaggerated?

## Deterrence

After the Leaders’ Roundtable, the first closed-door workshop panel turned to a key pillar of transatlantic security: nuclear deterrence. The panel of speakers included: Tobias Bunde, Head of Policy and Analysis at Munich Security Conference; Amy Nelson, Research Associate at the Center for International and Security Studies at the University of Maryland; Lt. Col. Alexander Vindman, Perry World House Visiting Fellow and former Director for Eastern Europe, the Caucasus, and Russia on the U.S. National Security Council; Kristin Ven Bruusgaard, Postdoctoral Fellow (Assistant Professor) of Political Science at the University of Oslo; and Alexander Vershbow, Perry World House Wolk Distinguished Visiting Fellow and former Deputy Secretary-General of NATO. The session was moderated by Michael Horowitz, Richard Perry Professor and

Director of Perry World House at the University of Pennsylvania.

Both public and political leaders, especially in parts of Western Europe, have grown increasingly skeptical of nuclear deterrence. Shortly before the workshop, on January 22, 2021, the Treaty on the Prohibition of Nuclear Weapons (TPNW) entered into force with the signatures of 50 nonnuclear states, so the strength of the anti-nuclear movement dominated much of the discussion, driven partly by the International Campaign to Abolish Nuclear Weapons. The movement has public support even among those nations who have not signed the TPNW. Tobias Bunde’s written contribution to the workshop noted that two-thirds (66 percent) of Germans believed Germany should completely abandon nuclear deterrence.<sup>1</sup> One panelist argued that political differences and misunderstandings of deterrence might even trigger “a new nuclear crisis in NATO that might bring about even more fundamental disruption.”

## Zoom Chat

### 11:55:57 (from X to everyone):

I do think arms control is ripe for a major rethinking and rebranding.

### 11:56:31 (from Y to everyone):

Worth looking at hearings for Blinken, Haines, etc. ... Europe came up as clearly working with allies ... but China was the key topic. Russia hardly came up.

### 11:57:53 (from Z to everyone):

Seeing eye to eye with our allies on a posture towards China will continue to be a formidable challenge.

How can such a crisis be avoided? Some panelists suggested that nuclear powers—the United States, United Kingdom, and France—pursue a sustained public-relations campaign that explains the reasons for nuclear deterrence. Throughout the panels, one common thread was the growing tension between Europe and the United States and the apathy among some domestic audiences about nuclear deterrence. Several panelists argued that younger generations view NATO and nuclear deterrence as relics of the Cold War. Most panelists agreed that nuclear



# Transatlantic Disruption: Challenges and Opportunities

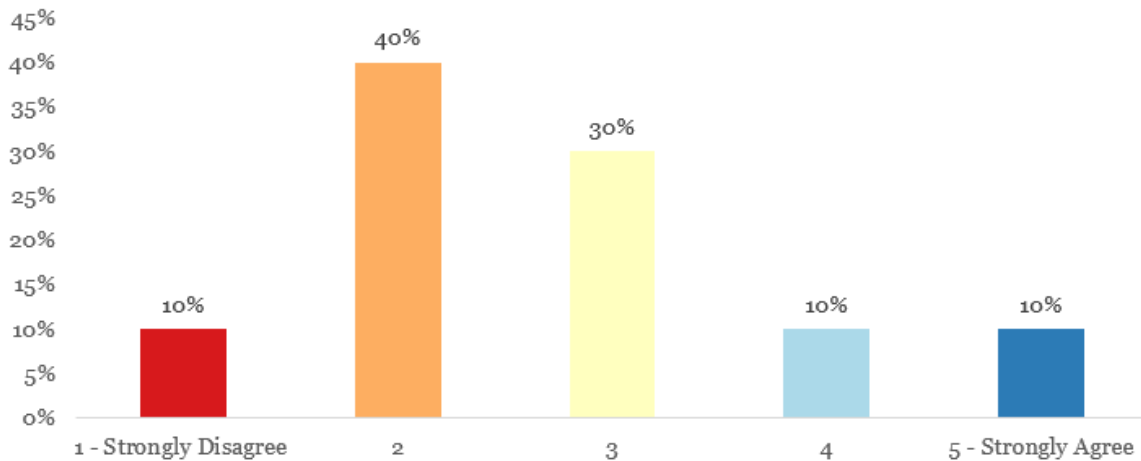
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weapons continue to play an important role in Atlantic defense, but the pre-workshop survey showed that 50 percent of participants believed that NATO will be slightly less important over the next 70 years than it had been over its first 70.

Growing opposition to nuclear deterrence may ironically be the product of successful deterrence, some panelists suggested.

Panelists suggested that over the next decade, NATO will have to upskill its military staff in cyber defense, enhance international cyber cooperation, integrate cybersecurity into all aspects of its operations, and explore avenues for cyber defense research projects. The alliance seems capable of meeting these challenges, and they can follow the lead of Estonia as a trailblazer in the field, which Tiirmaa-Klaar discussed during the Leaders'

Figure 4: NATO: The Next 70 Years | Agree or Disagree: NATO will be as important or more important for transatlantic security over the next 70 years as it has been for the past 70 years.



Successful deterrence, they argued, made the threat of war seem distant and has thereby been “undermining its very foundations—the perceived need for protection.” In short, domestic politics matter more to deterrence policy than many defense leaders would like to admit. One panelist therefore suggested, “The consensus among NATO members is more fragile than NATO communiqués suggest,” and NATO cohesion is in danger of further erosion.

“NATO leaders today are in a very tough spot: ... the return of great power competition, nuclear modernization, proliferation risks, the crisis of arms control, and the emergence of new technologies, including hypersonic weapons [and] artificial intelligence.” - **Deterrence panel participant**

Nuclear weapons, moreover, are not the only deterrent that matters, and panelists discussed how offensive cyber capabilities have given nations the power to inflict strategic damage on critical infrastructure.

Roundtable.

The idea of nuclear deterrence, Kristin Ven Bruusgard argued in her written contribution to the panel, is “old or even old-fashioned” but “the security threats it continues to mitigate are as pressing as ever.” Panelists left students and guests with an optimistic view of NATO deterrence as the panel wrapped up. The panel argued that the nuclear deterrent was a victim of its success. People in the United States, Germany, and Norway did not fear nuclear devastation, because the deterrence policy had negated it throughout the Cold War. Nevertheless, politicians and military officials understand it is vital that the NATO countries maintain their nuclear deterrents to stop hostile attacks. The United States and Europe have also increasingly committed to embracing new technology by modernizing their nuclear systems and building a comprehensive cybersecurity plan. As Bunde argued, “For a complete denial of deterrence ... the transatlantic alliance will very likely be punished.” Paraphrasing the late Justice Ruth Bader Ginsburg on a different matter, Bunde wrote that throwing out the nuclear deterrent would be akin to abandoning one’s umbrella in a rainstorm





# Transatlantic Disruption: Challenges and Opportunities

Shapiro Geopolitics Workshop | Spring 2021

because one isn't getting wet.

"We have seen that resilience as a strategy to actually respond has been somewhat effective, but not always so ... It is now time to step up our response and to also make cyber deterrence our strategy." -

**Ambassador Heli Tiirmaa-Klaar (at public event)**

## Questions for Future Research

- How can policymakers and politicians better demonstrate the importance of nuclear deterrence to elites and publics increasingly opposed to nuclear weapons?
- What historical public relations campaigns, like Project Candor, might serve as models for better communicating the continued threat of nuclear war?
- How can studies of the domestic politics of nuclear deterrence help inform smarter NATO policy?
- How will the outcomes of the September German elections affect nuclear deterrence in Europe, and how can the United States and its partners prepare for possible outcomes as they apply to

## Energy

Day one concluded with a closed-door panel on transatlantic energy policy. The panelists included Jeff Colgan, the Richard Holbrooke Associate Professor of Political Science and International and Public Affairs at Brown University; Rosemary Kelanic, Assistant Professor of Political Science at the University of Notre Dame; Anna Mikulska, Senior Fellow at the Kleinman Center for Energy Policy; Morena Skalamera, Assistant Professor of Russian and International Studies at Leiden University; and Bob Scher, Head of International Affairs at BP America and Visiting Fellow at Perry World House; and was moderated by Mark Alan Hughes, professor of practice at the University of Pennsylvania Stuart Weitzman School of Design and founding Faculty Director of the Kleinman Center for Energy Policy.

"We ought to talk about Nord Stream 2 ... we really need to have some tough conversations about how Germany is

enabling Russia's ability to exert coercive economic power in the energy sector over Germany and also to punish Ukraine." - **Lt. Gen. (Ret.) H.R. McMaster (at public event)**

Is "energy coercion" a major threat to European security? Although General McMaster raised the issue of the controversial Nord Stream 2 pipeline in the Leaders' Roundtable, some panelists on the energy panel disagreed with the notion that natural gas pipelines are real avenues for coercion. As Rosemary Kelanic's written contribution to the panel showed,<sup>2</sup> three factors decrease the potential for coercive actions: (1) "Natural gas interdependence cuts both ways because the same infrastructural constraints limit Russia's ability to turn around and export gas to alternate customers to compensate for lost sales," (2) the "gas weapon" weakens as each use triggers supply diversification, and (3) Russia has shown little interest in actually using this weapon in practice. In short, "policymakers should reject proposals that decrease coercive threat at the expense of worsening climate change."

The real and lasting challenge, all panelists agreed, will be to confront the looming threat of catastrophic climate change. Green investments therefore serve a dual purpose: They support a sustainable future and security against the effects of climate change, and they mitigate any Russian coercive threat that may exist. As Kelanic wrote, "By lowering European reliance on natural gas writ large, governments could reduce the severity of the climate change problem while also decreasing the threat of natural gas coercion from Russia."<sup>3</sup>

Climate action can be leveraged as a tool to compete with China. As Jeff Colgan's written analysis noted, "Policymakers on both sides of the Atlantic are coming to see climate change as a competitive opportunity rather than a collective burden."<sup>4</sup> The panel therefore discussed the growing three-way struggle between China, the European Union, and the United States for leadership on green investment. China has become a leader in wind, solar, and battery technology over the last decade, while the United States and Europe lagged behind. Europe has been moving toward carbon-pricing policies through Border Adjustment Tariffs (BATs). BATs, Colgan noted, might be coupled with domestic carbon-pricing mechanisms to create a transatlantic "climate club" at the intersection of trade and energy policies.

Transatlantic energy issues, many panelists



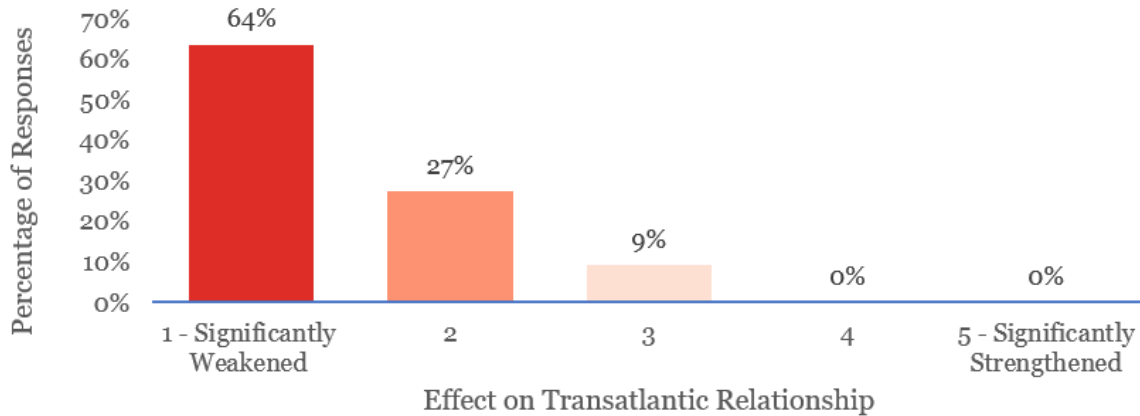
# Transatlantic Disruption: Challenges and Opportunities

Shapiro Geopolitics Workshop | Spring 2021

argued, are partly due to the reluctance of the United States to engage in a foreign policy that centers on climate action. Asked to rate how the past four years of U.S. policy had affected the strength of the transatlantic relationship, an overwhelming majority argued

change strategy to create a pathway to zero net emissions by 2050. The increased synergy involving energy policy will be fundamental to the transatlantic order's economic, political, and climate success in the future.

Figure 5: Effects of U.S. Foreign Policy | On balance, how have the past four years of U.S. policy affected the strength of the transatlantic relationship?



that it had weakened that relationship. Biden appointed former Secretary of State John Kerry to lead climate initiatives and recommitted to the Paris Agreement. Kerry has experience in the green energy movement; he has spent the past two years building a climate initiative known as World War Zero alongside Former U.K. Prime Minister Gordon Brown, former President Jimmy Carter, former President Bill Clinton, and actors such as Leonardo DiCaprio. Many panelists at Perry World House's colloquium highlighted Kerry's appointment as a positive step for U.S. energy policy and a signal of stronger climate actions to come.

Morena Skalamera's written contribution, too, suggested that Brussels and Washington could pursue a policy of linking trade and climate policy.<sup>5</sup> If the European Union and the United States coordinate their efforts on climate and trade, they will undoubtedly be able to shift global environmental standards. Countries such as India, China, and Russia would be forced to adopt positive climate policies if they feared that they would face carbon taxes and reduced trade from Europe and America. Similarly, a coordinated effort to expand research and development on both sides of the Atlantic could be mutually beneficial to producing new green technology. The Biden administration has already expressed a desire to engage in bilateral trade and climate

**“Climate change is not only the world’s single biggest global challenge, but also the biggest opportunity for the transatlantic political relationship.” - Jeff Colgan<sup>6</sup>**

Europe and the United States will be able to produce more power locally if they switch to renewable energy, but they may face new dependencies based on “inputs” for renewables, as one panelist put it. For example, Europe may rid themselves of their dependency on Russian gas and oil, but they may also end up dependent on China for hardware, rare-earth materials, and intellectual property relating to building solar panels or batteries. Thus, the transatlantic alliance's plan would have to be robust enough to tackle unearthing resources for batteries, turbines, and solar panels in the short and long term. Overall, Americans have often believed they had to choose between climate change and energy security, but the panel demonstrated that the transatlantic alliance could potentially have their cake and eat it too.

In the end, there exists real opportunities for cooperation on energy policy. As Colgan wrote, “Climate change is not only the world’s single biggest global challenge, but



# Transatlantic Disruption: Challenges and Opportunities

Shapiro Geopolitics Workshop | Spring 2021

also the biggest opportunity for the transatlantic political relationship.”<sup>7</sup>

## Questions for Future Research

- Is the choice between “energy security” and climate action a false dichotomy?
- How can the United States and Europe better leverage climate action as a competitive opportunity vis-a-vis China?
- Are green industrial policies, such as “Green New Deals,” effective ways of pursuing decarbonization?
- How can BATs be paired with domestic carbon pricing to create a “transatlantic climate club?”

## Investment

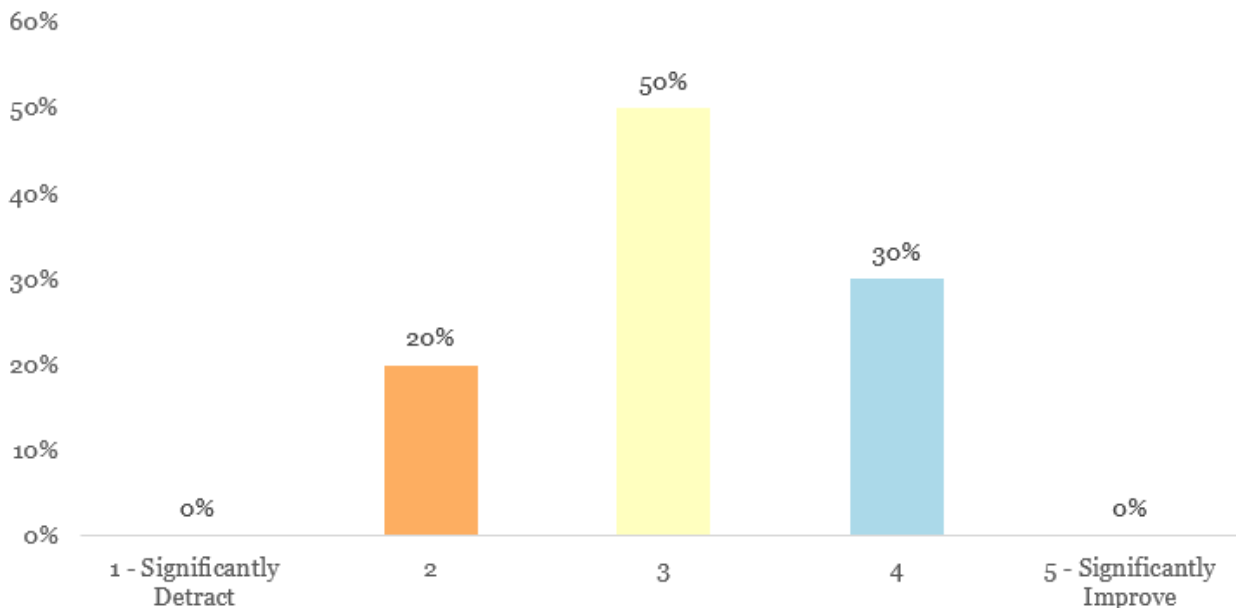
The colloquium continued with a panel discussing investment in the transatlantic alliance. The panel included Rachel Wellhausen, Associate Professor in the Department of Government at the University of Texas at Austin; Julie Chon, Senior Policy Advisor at Moore Capital Management; Valbona Zeneli, Chair of the Strategic Initiatives Department at the George C. Marshall European Center for Security Studies; and Lauge Poulsen, Associate Professor and Director of Graduate Studies at the School of Public Policy, University College

London; and was moderated by Julia Gray, Associate Professor of Political Science, University of Pennsylvania.

The transatlantic economy was purposefully designed after World War II to provide long-term stability to Europe through a partnership with the United States. Since the 1950s, the transatlantic economy has been one of the most innovative, competitive, and robust economies in human history. Indeed, panelists noted that the transatlantic economy makes up over 40 percent of the global economy with \$36 trillion in real GDP. The conversation hinged on the mutual investment relationship between the United States and Europe. The United States and the European Union are each other’s most significant investors, but their interests do not always align. The consensus among panelists suggested the United States often believes the European Union should be deferential to America’s interests. American politicians are keen to pursue Buy American or America First policies, but they fail to understand that the transatlantic partnership with the European Union is not a one-way street.

In recent years, the European Union and the United States have often bumped heads over investment and the economy. Members of the panel suggested that the tension arose due to the U.S. sense of entitlement toward Europe. American politicians often feel that

**Figure 6: Great Power Competition |** If “Great Power Competition” grows more intense, will it improve or detract from the transatlantic relationship overall?







# Transatlantic Disruption: Challenges and Opportunities

Shapiro Geopolitics Workshop | Spring 2021

Europe should be deferential to the United States despite the E.U.'s having its own economic goals. The Trump administration disrupted investment policy efforts rooted in multilateralism by pulling out of the Transatlantic Trade and Investment Partnership and pushing an America First policy. The America First agenda reflected U.S. entitlement because President Donald Trump assumed Europe would bow to U.S. demands. Panelists argued that America First left a lasting legacy on both sides of the Atlantic, with the Biden administration announcing Buy American executive orders that serve as a continuation of the Trump administration.

Nonetheless, the United States and Europe could pursue mutually beneficial reforms in the service sector. Valbona Zeneli noted in her written contribution that the service sector is the fastest-growing segment of global trade and that the United States and the European Union are leaders in the field. Zeneli contended that the transatlantic alliance could benefit from liberalizing their service-sector laws to make the partnership more profitable.<sup>9</sup> The European Union and the United States could streamline service sectors on both sides of the Atlantic by pursuing policies that standardize data privacy, allow mutual recognition of professional qualifications, and cooperate on research and development. The emergence of 5G networks, fiber-optic infrastructures, and developing mutual e-commerce software provides ample opportunity for collaboration across the Atlantic. If analysts are correct, the service sector could account for one-third of all trade across the globe by 2040, so the transatlantic alliance should consider making the process as profitable for both as possible.

China's rise as an economic powerhouse that rivals the transatlantic trade dominated much discussion within the investment panel. Panelists noted that China's real GDP increased 12-fold in the last two decades. Indeed, the pandemic has highlighted that Europe and the United States heavily rely on Chinese supply chains to facilitate their economic exchanges. One panelist demonstrated that China, Russia, and Turkey could form an economic "axis of the excluded" partnership based on their historic alienation from the transatlantic alliance.

Panelists discussed meaningful ways that the European Union and the United States could rebuild their economic momentum and compete economically with China while

addressing issues of foreign direct investment (FDI). The Atlantic alliance could combat the rise of China by harmonizing their investment policies, rebuilding their transatlantic supply chains to reduce dependence on China, and creating a coordinated U.S.-E.U. FDI screening framework for foreign investors. One panelist noted that Europe and the United States had already been working to promote more substantial investment agreements with China. The E.U.-China Comprehensive Agreement on Investment (CAI), a recent investment agreement – put on ice over a recent sanctions dispute – between the European Union and China, has potential to open up China to European investment. Critics have suggested that China benefits most from the investment agreement, but the European Union was able to negotiate strong tech deals and force China to commit to high regulatory transparency levels. Most important, China agreed to implement labor laws that neutral examiners could scrutinize. Some panelists argued that the CAI was never going to be a transformative agreement, but it surpassed the U.S.-China Phase 1 deal in drawing concessions from China. The CAI may not be the big blunder some commentators have made it out to be, even if it is ultimately ratified. Still, as General H.R. McMaster said on the first day of the workshop, the Comprehensive Agreement on Investment, "at the very least [was] very poorly timed."

## Questions for Future Research:

- What will be the long-term effects of Brexit on the transatlantic economy?
- What would a coordinated U.S.-E.U. FDI screening framework look like?
- Does the rise of the Chinese economy genuinely threaten the United States and Europe?
- What will the future of the E.U.-China Comprehensive Agreement on Investment be, and how influential will it be if implemented?
- How can the United States and Europe build a more cohesive economic platform that incorporates the goals of both Europeans and Americans?
- What linkages exist among energy, investment, and trade policies that can encourage greater green infrastructure investment?

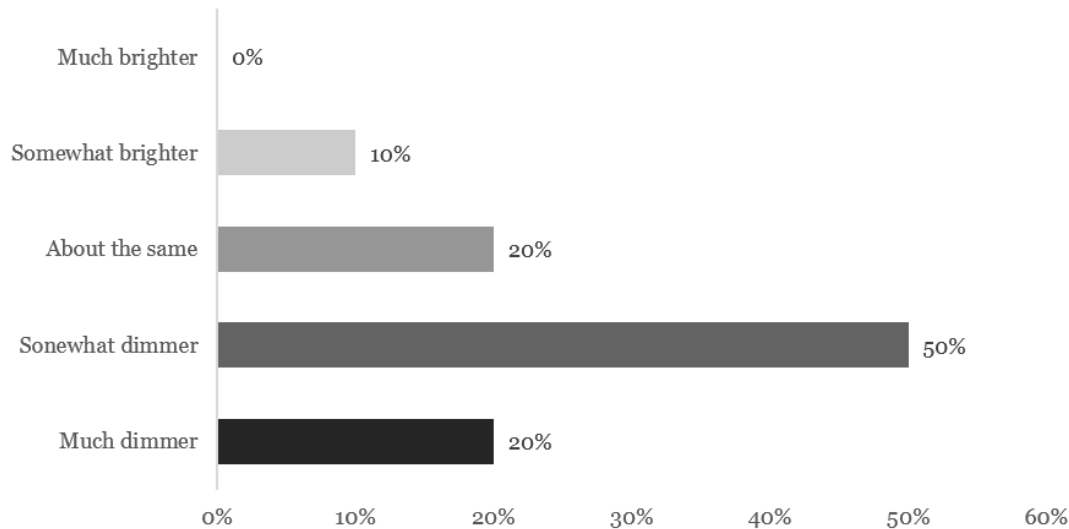


## The Bark and Bite of Right-Wing Populist Foreign Policies

The workshop concluded with the 2021 Perry World House Distinguished Lecture in Global Policy on “The Bark and Bite of Populist Foreign Policies” delivered by Andrew Moravcsik, Professor of Politics and International Affairs at Princeton University and the 2019–2020 Distinguished Scholar-in-Residence at Perry World House. Moravcsik argued that the global order witnessed an unprecedented rise of populism in the last few decades through movements that often played to overt racism, sexism, and xenophobia. On foreign policy impact, however, these movements are more “bark” than “bite”—they are largely ineffective in changing national foreign policies.

Moravcsik acknowledged, “These are scary parties in many ways” because “they’re anti-

**Figure 7: A Dim Future? | Fill in the blank: The future of the transatlantic community looks \_\_\_ than it did immediately after the fall of the Soviet Union.**



European; they engage in strident rhetoric. ... Many people think that they may be encouraging the dissolution of democracies. ... And so, there’s many reasons not to like them.” Nonetheless, scholars know little about how influential these parties are on foreign policy. To illustrate the state of the field, Moravcsik held up the 800-page Oxford Handbook on Populism. Of the 800 pages, two paragraphs are devoted to populist foreign policies, and only one sentence (on migration) discusses their foreign policy consequences.

To begin to fill this gap in the scholarship, Moravcsik began with data on 28 countries—the 27 states in the European Union, plus the United Kingdom—and a hypothesis: “These [populist leaders] are just regular politicians trying to get ahead in politics.” As actors in European political systems, Moravcsik explained, radical right populist parties have to achieve four steps to influence foreign policy:

In social-scientific terms: “The influence of populist, radical right parties on foreign policy is a function of public support, institutional bias in representing them in parliaments, their ability to dominate their coalition and their countries’ relative power in negotiations.” At each step of the way, parties need to moderate their views and adapt to mainstream political norms, because such moderation makes them electable. Even when they are elected, joining a governing coalition often leads to ineffective results; paraphrasing a conversation with a high-

ranking Austrian official, Moravcsik said that the general attitude of moderate coalition members is: “We’ll give you a bunch of civil-service positions and leave the policy to us.”

These four levels of constraints leave populist movements with a simple strategy: “You bark, but you don’t bite.” To appease their radical base, populist parties use inflammatory rhetoric, focus on symbolic but largely meaningless policy concessions, and leave the foreign policymaking to moderate actors.

# Transatlantic Disruption: Challenges and Opportunities

Shapiro Geopolitics Workshop | Spring 2021

For instance, populist parties often focus on the U.N. Global Compact for Migration, even though: “It’s not even a treaty. It can’t even be signed. It’s not binding legally. But all the populist parties in Europe jumped out against it, even though it was essentially meaningless.”

Two obvious exceptions to this theory are migration quotas and Brexit, but Moravcsik suggested that these exceptions are less damning than they appear. First, migration quotas were broadly popular across the conservative spectrum, not just the fringe right. Second, Brexit may be an exception that proves the rule, because it satisfied all four levels of becoming influential and only occurred because of a perfect storm of events that made the referendum possible and the Leave campaign successful. Answering his own question of whether far-right parties are influential in transatlantic foreign policy, Moravcsik concluded, “The overwhelming answer is no.”

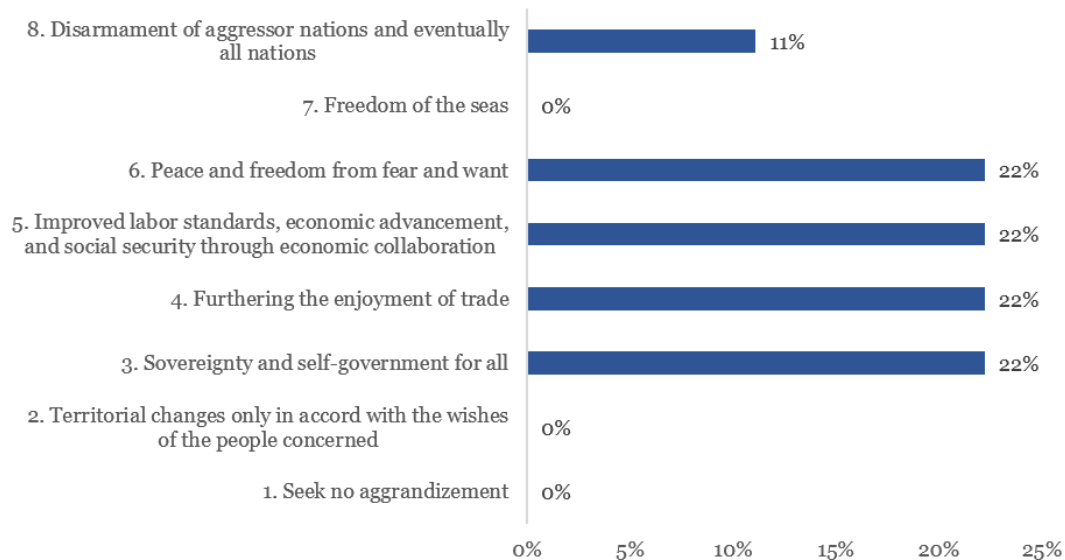
Some commentators have suggested that the rise of populist parties is linked to economic

looked much or somewhat dimmer now than it did then. Nonetheless, the future is still open. The following section outlines possible ways that Americans and Europeans might seize these opportunities and pursue improved transatlantic policies.

## Questions for Future Research:

- Is it possible that right-wing populist foreign policies have simply not been successful yet, but may be more successful in the future?
- To what extent will moderate parties continue to adopt right-wing populist talking points?
- How, if at all, should Moravcsik’s bark-and-bite hypothesis affect the new administration’s foreign policy toward European countries run by populist regimes?

Figure 8: Threatened Charter Principles | Looking forward, which of the eight principles outlined in the Atlantic Charter is most threatened?



dissatisfaction with the post-Cold War order. To better understand the future of the transatlantic community, Perry World House asked workshop participants whether they believed the future looked brighter or dimmer than it did immediately after the fall of the Soviet Union. The results were bleak: 70 percent of respondents said the future





## Next Steps

### Policy and Research Recommendations

Some commentators have suggested that “We Need an Atlantic Charter for the Post-Coronavirus Era.” It may seem too early or too ambitious, but so was the original Atlantic Charter, a sweeping proclamation on what to do after World War II, made before the outcome of that war had even been decided. To better understand how the principles of the transatlantic community are shifting – which are most under threat, which have been neglected most – and what new principles need to be added to ensure a prosperous, free, and peaceful Atlantic community for the next 80 years, we turned to our experts again. We asked workshop participants which of the eight principles are now most threatened, and how workshop participants might revise the Charter for today. Below are their responses.

#### Proposed Changes to the Atlantic Charter

If you had the option to delete one of these points, which would you choose (if any)?

- “Disarmament.”
- “Sovereignty and self-government for all.”
- “Collaboration for labor standards, economic advancement, social security.”
- “None.”

If you had the option add a ninth point, what would you add?

- “Cooperation to mitigate the impacts of climate change.”
- “Freedom from coercion or blackmail via economic, political, informational, military means.”
- “Working for the benefit of the world beyond the signatories and the responsibilities of the ‘western’ alliance/world.”
- “Inter-state collaboration in pursuit of global environment and health goals.”
- “I’d specify principle 3 (with a clear commitment to liberal democracy and the rule of law).”

Following on these proposed changes, three

concrete policy recommendations emerged from the discussions of this Shapiro Geopolitics Workshop. They are outlined below.

#### I. Misconceptions and Overblown Threats

Some threats to the transatlantic community—destabilizing developments in nuclear deterrence, climate change, and the challenge of China—are very real, and nations on both sides of the Atlantic will need to find collective solutions to these challenges. Other issues, however, have become politicized and misunderstood, and threaten to dominate discussions and derail transatlantic negotiations. These include:

1. “Energy Coercion,” especially through Nord Stream 2.
2. The E.U.-China Comprehensive Agreement on Investment (CAI).
3. The effectiveness of populist foreign policies.

First, several workshop participants argued that the threat of “energy coercion” is exaggerated and distracts from the real challenge—finding a common approach to climate change. Fear of Russian energy coercion in NATO ally countries has been a rare point of bipartisan agreement in the United States, but it has put serious strain on the transatlantic relationship and furthered a U.S. “narrative expecting EU deference,” in the words of Rachel Wellhausen’s written analysis.<sup>9</sup> As explained above, the so-called “energy weapon” is a double-edged and use-it-and-lose-it capability for Russia; any use of its coercive capability endangers Russian profits and weakens its future effectiveness. Understanding these insights from academia, as outlined in Kelanic’s contribution, makes clear the real challenge: “Policymakers should reject proposals that decrease coercive threat at the expense of worsening climate change” and should “prioritize the climate change problem over the coercion problem.”<sup>10</sup>

Second, the E.U.-China Comprehensive Agreement on Investment, although it was poorly timed and rightly criticized on issues such as human rights, must not become a stumbling block for transatlantic cooperation, even as progress has been frozen since the workshop over sanctions issues. Countering the authoritarian threat of China will need to become a priority for the transatlantic



# Transatlantic Disruption: Challenges and Opportunities

Shapiro Geopolitics Workshop | Spring 2021

community in the coming years, whether or not the CAI is ultimately implemented. This will require U.S.-E.U. cooperation on Chinese Foreign Direct Investment, on supply-chain security, and on trade policy, but the CAI has received outsized media attention in the United States. Several workshop participants expressed confusion at how a fairly limited agreement has become so politicized. As Lauge Poulsen explained in his analysis of the CAI, “Both critics and proponents should be under no illusion: this is neither a blessing nor disaster. The CAI is limited in nature and even if it should be ratified one day it will only be relevant for a small minority of European firms operating – or seeking to operate in – China ... even a ratified CAI will not be a major economic breakthrough, but it would be a meaningful ratchet.”<sup>11</sup>

Third, Moravcsik argued that right-wing populist movements, though they present a clear domestic threat, are largely ineffective when it comes to affecting foreign policy. As the storming of the U.S. Capitol on January 6 made clear, the populist challenge to the stability of Western countries is real and needs to be addressed, and extremist movements need to be monitored closely for domestic terror activity. When dealing with populist movements in foreign policy, however, Moravcsik’s empirical work on European parties suggests that they are likely to moderate their policies to remain in power. Disruption to transatlantic foreign policy, therefore, should not be exaggerated.

## II. Strengthening NATO and Pursuing Arms Control

Participants in the nuclear deterrence panel felt that calls for unilateral disarmament would likely present a major challenge for NATO unity in the years to come, but they also highlighted that arms control can serve as a means to bolster NATO security. Various proposals emerged from the discussions, including recognizing that “2 percent” is not a meaningful measurement for defense spending, especially when pandemic-related economic challenges distort such percentages; pursuing policies to strengthen NATO resilience to “gray zone” threats and prioritizing cybersecurity; and strengthening NATO preparedness for future public health emergencies. Also high on this list are renewed attempts at arms control. As Ambassador Alexander Vershbow noted in his written contribution, new arms control measures would have several advantages for the transatlantic community: “It would be to NATO’s advantage to prevent Russia from

introducing nuclear armed 9M729s and intermediate-range ballistic missiles capable of short-warning strikes on NATO targets launched from inside Russian territory.”<sup>12</sup> Arms control may also be necessary help to address any new challenges from emerging technologies like hypersonic delivery systems and artificial intelligence. As Vershbow writes:

“It is not yet clear that the reintroduction of INF missiles or the deployment of hypersonics will be game changers for deterrence. While they could make it somewhat harder to control escalation in a crisis between NATO and Russia, they will not neutralize either side’s assured second-strike capability. Nevertheless, the United States and its allies should consider how arms control could be used to mitigate the impact of these technologies and maintain strategic stability for the longer term.”<sup>13</sup>

Given the political climate in the United States and the difficulty of negotiating formal treaties, such arms control measures could, at first, take the form of informal agreements, norms-based processes, and other measures short of a treaty.

Pushing for new arms control agreements would also help to placate NATO members with anti-nuclear domestic constituencies. Again, Germany was the “elephant in the room,” as Tobias Bunde noted in his written analysis: 66 percent of Germans support completely abandoning nuclear deterrence.<sup>14</sup> The recent ratification of the Treaty on the Prohibition of Nuclear Weapons underscores the popularity of this position. Bunde likened it to throwing out an umbrella in a rainstorm because one isn’t getting wet and proposed that policymakers need to make clearer the risks of a unilateral end to nuclear sharing; as Ven Bruusgaard asked in her piece, “Should we trade known risks for unknown ones?”<sup>15</sup> For most experts at the workshop, the answer was no. New arms control measures may help satisfy the demands of anti-nuclear constituencies without trading known risks for unknown ones. At the same time, they would make Europe more secure by placing restrictions on adversary arsenals.

## III. Trade, Investment, and Climate



# Transatlantic Disruption: Challenges and Opportunities

Shapiro Geopolitics Workshop | Spring 2021

## Agendas

One thread emerged to link the investment and energy panels during the discussions on January 25 and 26: There are opportunities for the United States and Europe to link trade and climate agendas, but researchers need to find ways of making such linkages comply with existing regulations, including WTO rules. Here, too, China loomed large in the discussions, and some participants framed climate action as a competitive opportunity for the transatlantic community. As Colgan noted, “Policymakers on both sides of the Atlantic are coming to see climate change as a competitive opportunity rather than a collective burden,” and: “Perhaps the most intriguing opportunity is integrating new unilateral climate proposals into an existing multilateral trade system. Doing so would help both parties in the context of increasing U.S.-E.U.-China geopolitical rivalry.”

Transatlantic links for trade and climate agendas are already gaining traction; as Skalamera noted, “The EC [European Commission] is now calling for a joint EU-US ‘Trade and Climate initiative.’”<sup>16</sup> Coupled with green investment programs, such linkages could take national climate proposals and make them multilateral, and possibly even create a “Carbon Free Trade Zone,” and make climate action more politically palatable through BATs.

The challenge with such a carbon-border adjustment mechanism or Carbon Free Trade Zone, however, will be making it compatible with global trade rules, which “forbid policies that discriminate between manufacturers on the basis of nationality,” in Colgan’s words.<sup>17</sup> Further research will be necessary to understand specifically how this might be done. U.S. domestic opposition to climate policies, for one, continue to present a significant roadblock and, as Colgan writes, creating equivalencies between green industrial policies and carbon pricing presents serious challenges.<sup>18</sup>

## Conclusion and Further Reading

The Transatlantic Disruption workshop was held early in the Biden administration, which has signaled that reengagement with traditional allies and multilateral approaches to diplomacy will be a key part of its foreign policy. Realizing that promise will require work and commitment on both sides of the Atlantic. As Donfried said, “I do think there is a real opportunity for the U.S. to work closely with its EU partners. ... And so, the challenge is, will we Americans and Europeans seize those opportunities?”

To understand which opportunities exist and how

each can be seized, Perry World House asked participants how the new administration should prioritize its work on transatlantic relations. Below is a sample of responses.

## Transatlantic Priorities for the Biden Administration

- “Climate change”
- “Transatlantic Dialogue on China”
- “A new Trade and Investment Partnership with the E.U.”
- “Technology policy and technology cooperation”
- “Form a transnational coalition of liberal democrats and try to prevent a further erosion of the core values that have shaped the transatlantic relationship for the past decades”

The COVID-19 crisis is only one of many threats facing the transatlantic community, but the disruption wrought by the pandemic and by years of political upheaval may ultimately create opportunities to reform old policies and build a transatlantic community that is safer, more prosperous, and more just.

**“I do think there is a real opportunity for the U.S. to work closely with its EU partners. ... And so, the challenge is, will we Americans and Europeans seize those opportunities?” - Dr. Karen Donfried (at public event)**

For further reading, we asked workshop participants, “What is one book or article that scholars and policymakers, in the United States or elsewhere, should read to better understand transatlantic disruption?” Below are their responses.

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Shapiro Geopolitics Workshop | Spring 2021

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- 2 Rosemary Kelanic (2021): *Tradeoffs in Addressing Transatlantic Energy Security Problems*, Perry World House
- 3 Rosemary Kelanic (2021): *Tradeoffs in Addressing Transatlantic Energy Security Problems*, Perry World House
- 4 Jeff Colgan (2021): *Climate and Energy in the Transatlantic Relationship*, Perry World House (forthcoming)
- 5 Morena Skalamera (2021): *“Greening” Over the Transatlantic Divide - Domestic Constraints and the Possibility of Renewed Cooperation*, Perry World House
- 6 Jeff Colgan (2021): *Climate and Energy in the Transatlantic Relationship*, Perry World House (forthcoming)
- 7 Jeff Colgan (2021): *Climate and Energy in the Transatlantic Relationship*, Perry World House (forthcoming)
- 8 Valbona Zeneli (2021): *The Transatlantic Economy: It’s Time for a Renaissance*, Perry World House
- 9 Rachel Wellhausen (2021): *Bipartisan Spoilers Targeting E.U. Investment Policy: Continuity from Trump to Biden* (forthcoming)
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