



TASK FORCE 2017

CHALLENGES TO EUROPEAN UNITY

OPTIONS FOR U.S. POLICYMAKERS

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CHALLENGES TO EUROPEAN UNITY: OPTIONS FOR U.S. POLICYMAKERS

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EXECUTIVE SUMMARY



The Transatlantic Partnership

The United States and Europe have shared a long history of cooperation and mutual interests. They stand united in their commitment to the values such as liberty, democracy, and the preservation of human rights. They are aligned as world leaders, in trade, security, and politics and have formed some of the most powerful international organizations including the European Union and the North Atlantic Treaty Organization (NATO). The success of European integration and partnership with the United States serves as a successful model of cooperation in the face of shifting world orders. With complex challenges ahead, the U.S. and Europe are committed to cooperation as the most effective way forward. Rather than looking inward, the U.S. and European allies can achieve far greater results through a strong transatlantic alliance than by acting alone.

Challenges Facing Europe

The issues facing Europe today have created an unprecedented level of stress not seen in decades. The institutions established after WWII aimed to foster trust and European unity by reducing barriers between European countries. However, present challenges threaten this vision of a common European identity. Each country within Europe faces its own set of internal challenges. A more important issue is the overarching threat to Europe's unity and stability. This paper analyzes the key issues that pose the greatest threats to European unity and offer recommendations as to how the United States can offset these challenges and support a more unified Europe.

Growing instability and uncertainty in Europe's future has enabled the populist movement throughout Europe. Populist parties fundamentally oppose the values of shared sovereignty and supranational institutions, and through growing support, now have the potential to enact nationalist and protectionist policies. The United Kingdom's decision to leave the EU was the culmination of longstanding populist sentiment, done to regain national sovereignty. This single handed approach undermines the EU's vision of a prosperous, unified Europe.

Economic conditions in Europe have been difficult since the onset of the Eurozone crisis in 2009, with the spotlight pointed at Greece and now Italy. Meanwhile the region faces new challenges as China emerges as a Market Economy Status country and dominates steel and other industries. The U.S. has an opportunity to directly impact the growth in European economies and simultaneously boost its own through the continuation of negotiating a Transatlantic Trade and Investment Partnership agreement with Europe.

Europe has experienced a dramatic increase in the amount of migrants attempting to cross its borders over the past few years. The current systems that Europe has to manage migration are not adequate to handle

the severity of the situation. This has caused tensions between EU member states with uneven responsibility sharing and inconsistent policies on economic and social integration.

The United States and Europe face new and dynamic security challenges that require cooperative solutions. Hybrid threats and terrorism pose complex problems that have highlighted a need for greater coordination in intelligence sharing and nuclear capabilities. An expansionist Russian foreign policy challenges NATO, the EU, and the U.S. in terms of energy security and narratives surrounding NATO enlargement.

The uncertain futures of both Turkey and Serbia could either undermine or transform the European Union. As its hopes for EU membership fade, Turkey's strategic role as a middleman between the West and the unstable Middle East is threatened. Despite economic reform and EU membership negotiations, the region including Serbia and Kosovo remains volatile and nationalist tensions have been exacerbated with Russian support.

Policy Recommendations

- Affirm U.S. longstanding support for the European Union and its values of shared sovereignty and transnational interests, while maintaining positive relations to ensure Europe remains a prosperous transatlantic partner.
- Continue to encourage the economic unity of the Eurozone and support efforts to revitalize European economies in ways that would strengthen the transatlantic relationship and the U.S. domestic economy.
- Support existing successful migration management policies [PW1], such as the EU-Turkey agreement. Encourage improvements on those that cause disunion, mainly the Dublin Convention and social and economic policies.
- Remain committed to the European security community, addressing threats facing NATO and EU allies in order to maintain a strong transatlantic relationship.
- Encourage continued dialogue between the EU and candidate states as well as peaceful bilateral relations in order to further movement towards European integration.

▲ TABLE OF CONTENTS

Political Challenges to Europe	5
Rise of the Modern Populist Movement	5
Important Upcoming European Elections	7
Brexit: Populism in Action	10
Political Origins of Brexit	11
Negotiating an Exit Deal	12
Economic Implications of Brexit	13
Political Challenges for the UK	15
Political Challenges for the EU	16
Economic Crisis in Europe:	18
The Eurozone Crisis	19
Case Study: Greece's Debt Crisis	23
Case Study: Italy's Banking Crisis	28
Strengthening the Transatlantic Economy through TTIP	31
Chinese Investments in Europe	36
Europe's Response to the Migration Crisis	41
Migrant Integration in the European Union	42
The Social Politics of Migration	42
The Economics of Migration and the Labor Market	45
EU-Turkey Agreement	50
The Common European Asylum System: Flaws and Potential Solutions	55
Transatlantic Security	60
Emergence of Hybrid Warfare	60
Information Warfare	61
Cyber Security	63
Russian Expansion	65
Impacts of Energy Security	68
Countering Terrorism	70
Intelligence Cooperation	73
Maritime Security	75

NATO Enlargement	77
NATO Defense Spending	79
Nuclear Extended Deterrence	80
The Critical Margins of Europe:	83
Turkey	83
Serbia	87

POLITICAL CHALLENGES TO EUROPE



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Today, Europe faces an uncertain future. The migration crisis, rise in terrorism, economic downturn, mounting external pressures and a responsive populist movement, have threatened the basis of European stability. The major influx of refugees into Europe has placed immense pressure on the EU's infrastructure and capacity to integrate refugees into the European identity. Europe has experienced a growing number of terrorist attacks, leading to nationalist and xenophobic policies. Additionally, Russia's encroachment into Eastern Europe has strained Russia and Europe's relationship. The Euro crisis has furthered the divide between the core and peripheral EU countries, revealing the inequality between European citizens and growing stagnant employment and growth opportunities. Additionally, the complications surrounding EU accession and instability in Turkey and the Balkans present unique challenges to the dynamic of the EU.

These real and perceived threats have induced fear and anxiety into the European public. As these security threats have worsened with little to no progress made, Euroscepticism has grown and enabled the populist movement. By capitalizing on this sentiment, populist parties have gained increasing support throughout Europe. Populists promise to take back power from the corrupt and inefficient political elite, and give it back to the general public.¹ Europeans have increasingly turned to strongman figures who value strength and security over tolerance and unity.

Rise of the Modern Populist Movement

Populism and its political implications, have the potential to divide an already fractured Europe. Driven by nationalist ideologies and protectionist policies, European countries have buried themselves in identity politics. Nations are turning inward, rather than assuming a unified response to present threats. The United Kingdom's decision to leave the EU was the culmination of longstanding populist sentiment, driven by identity politics rather than economics. As the greatest symbol of populist defiance, Brexit is an attempt to regain national sovereignty and control amidst turbulent times. This single-handed approach threatens to undermine the European Union, and the value of unity it represents.

It must be understood that populism is more than a campaign platform or mobilizing technique to achieve votes. Populist policies hold implications that reach beyond the polls or even national governments. Populists are fundamentally opposed to the EU and the ideals of shared sovereignty, transnational

¹ Cas Mudde, "Europe's Populist Surge: A Long Time in the Making (PDF Download Available)," *ResearchGate*, December 2016, https://www.researchgate.net/publication/309643775_Europe's_Populist_Surge_A_Long_Time_in_the_Making.

interests, and supranational authority, constrain the will of the people.²

A majority of Europeans begrudge the loss of political control to an aloof and slow moving EU.³ Europeans hold great resentment towards the political elite in Brussels, leading to more support for populist parties and anti EU rhetoric. Once in power, populist leaders can fulfill campaign promises and fulfill the needs of their disgruntled constituents. Armed with the motive and means, populist parties can unravel the policies and very institutions that support European unity.

The potential for a populist victory in both France and Germany has major implications for the future of the European Union. France and Germany hold immense influence within the EU as countries with large populations and economies. Without the UK, France and Germany will assume even greater roles within the EU, in the near future. A shift to the strongly nationalist, anti-immigrant right in both countries has the potential to alter the balance of power within the EU and impact the legislative voting process. The majority of decisions within the EU are decided through qualified majority voting, which requires a 55% majority from countries that represent 65% of the European population.⁴ As heavy weights in the EU, Germany and France could prevent legislation that pushes for further integration and cooperation among states. This change could bring any meaningful legislation to a grinding halt. From within, France and Germany would have the power to undermine the credibility and delegitimize the EU, creating greater European disunity. If France and Germany were to leave the EU completely, the EU as we know it would be finished.

Smaller countries with populist leaders could also disrupt the function and purpose of the EU. Issues regarding foreign and security policy, taxation, and the accession of new members are subject to a different legislation process than qualitative majority voting.⁵ Under Common Foreign and Security Policy, a unanimous decision must be made and countries are allowed to veto decisions with impunity.⁶ This distinction in the EU voting process, allows for smaller, individual countries to maintain a greater voice in these major fields. Populist leaders in countries such as Hungary or Poland, could exploit this rule, and push their own nationalist agendas of strengthening EU borders and preventing new countries from entering the EU. This could undermine the process of consensus building that is integral to the EU's function.

The U.S. has been Europe's principal ally and the strong supporter of the European Union since its inception. Post WWII, the U.S. played a direct role in Europe's future by boosting its economy. The U.S. launched the Marshall Plan to deliver immediate economic assistance and prevent a war torn Europe from collapsing entirely. Through the multi country aid package, the U.S. promoted free trade and economic integration, effectively introducing the original framework idea for the European Union.

Contrary to populist claims, deeper integration of the European economy including better coordination of fiscal policies and financial regulation, could help Europe to restore the growth and prosperity it had lost, as well as prevent nationalist divisions from provoking another war in the future. From the creation of the European Steel and Coal Community to the formalization of the European Union and Eurozone, the U.S. has supported European economic and political integration for more than 60 years.

² Daniel Gros, "Can the EU Survive Populism?," *Project Syndicate*, January 4, 2017, <https://www.project-syndicate.org/commentary/european-union-populist-target-by-daniel-gros-2017-01>.

³ Heather Grabbe Lehne Stefan, "Can the EU Survive Populism?," *Carnegie Europe*, June 14, 2016, <http://carnegieeurope.eu/2016/06/14/can-eu-survive-populism-pub-63804>.

⁴ "Glossary of Summaries - EUR-Lex," accessed February 20, 2017, http://eur-lex.europa.eu/summary/glossary/qualified_majority.html.

⁵ Kristin Archick, "The European Union: Questions and Answers" (Congressional Research Service, February 21, 2017).

⁶ Ibid.

Today, the U.S. and EU maintain the largest bilateral trade relationship in the world, and continue to profit from having a closely integrated relationship. The U.S. benefits from both economic and political stability within Europe. However, the growing populist movement threatens to undermine the economic and political aspects that are integral to a prosperous, transatlantic relationship.

Although most European governments do not have a populist majority, voting patterns signal a strong populist standing and greater support since post WWII. The elections within key countries such as France and Germany will have far reaching implications for European politics, the future of European institutions, and the U.S.-EU relationship.

Important Upcoming European Elections

The upcoming European elections are the first major elections in Europe in which populist parties have enough supporters to have a chance at winning elections and government seats. While this populist phenomena is present across Europe, there are four key elections in particular that the U.S. should be aware of. By focusing on Germany, France, the Netherlands, and Italy, this report highlights the largest economies within the EU.

Germany: September 24, 2017

The upcoming Federal German election will be held in September of this year. Chancellor Angela Merkel will run once again as the leader of the center-right Christian Democratic Union of Germany (CDU). Despite being in office for 12 years and broad popularity among the German electorate, her position as Chancellor is threatened. The biggest problem challenging Merkel's incumbency is the growing resentment among the German people regarding her migration policies. Having opened German borders during the height of the refugee crisis, approximately 440,000 migrants have applied for asylum in Germany, making it the number one processor of asylum applications in the EU.⁷ The growing resentment for this open door policy has been an important contributing factor to the rise of the far-right Alternative for Germany (AfD) party led by Frauke Petry.

While the AfD has not proposed that Germany leave the European Union, there is strong opposition to furthering EU integration, skepticism regarding the Euro (even calling for the dissolution of the monetary union), and huge support for the increased protection of the German borders from Middle Eastern migrants. The third party at play, and more popular than the AfD, is the Social Democratic Party (SPD) lead by Martin Schulz. While the SPD has long been a major party in Germany, the addition of the well-known and popular Schulz, the former president of the European Parliament, has boosted the party's position in this election and poses a greater threat to Merkel's incumbency.

While the AfD has been growing in popularity since the 2013 election, it is still far from holding a seat majority in the Bundestag. Currently, polls show the CDU and the SPD as the two main contenders for seats. Both are hovering between 30% and 35% of the total Bundestag seat count, and the AfD is hovering between 10% and 13%, maintaining the third largest seat percentage.⁸ Regarding the chancellor

⁷ EuroStats, "Asylum in the EU Member States," March 4, 2016, <http://ec.europa.eu/eurostat/documents/2995521/7203832/3-04032016-AP-EN.pdf/790eba01-381c-4163-bcd2-a54959b99ed6>.

⁸ INSA/YouGov, "Sonntagsfrage – INSA / YouGov (German Opinion Polls)," *Walrecht.de*, February 2, 2017, <http://www.wahlrecht.de/umfragen/insa.htm>.

vote, a recent poll shows that 64% of Germans are ready to see a new face as chancellor.⁹ This number is even more striking considering 42% of the polling subjects felt strongly that there should be a new chancellor.¹⁰ These numbers show that even though AfD support is not as strong as the other parties, Merkel's reelection is not assured.

This has huge implications for the EU as Merkel has been a political leader for the EU for many years. One important example of Merkel's importance to Europe is how Russian President Vladimir Putin perceives her. Putin respects tough leaders such as Merkel, and is thus more inclined to cooperate. Without this connection, future relations will only continue to deteriorate as no other European leader can elicit the same political respect from Russia. The UK's imminent departure from the EU means the U.S. will need to make a new point of contact within the EU, and Germany will likely be the replacement. However, if Petry is elected, the U.S.-German relationship will be weakened, making future negotiations between the U.S. and the EU more difficult.

France: April 23 and May 7, 2017

France, along with Germany, is critical to the maintenance of European unity. Thus, the upcoming election will be vital in determining the direction of the EU, and the United States' relationship with Europe. Marine Le Pen, leader of the far-right Nationalist Front party, claims she will be the next president of France. She has stated that she will push for a French exit from the eurozone and the EU. While unlikely, if these policies are carried out, the long-standing political and economic structures between the U.S. and the EU will be shaken.

Le Pen ran for president in 2012, winning 17% of the vote at 4.6 million votes.¹¹ This was insufficient to move on to the runoff round of voting. The votes she earned placed her behind Francois Hollande of the Socialist Party and Nicolas Sarkozy of the Republicans. Hollande went on to barely win the 2012 runoff and now holds one of the worst approval ratings of any French president at 5%.¹² This weakens the Socialist Party's chances of gaining a position in the runoff 2017 election this May. Sarkozy had announced that he would run once again in the 2017 cycle, but failed to win the nomination as the Republican candidate.

The candidate chosen instead of Sarkozy, Francois Fillon, was projected as the front-runner of the election until a recent scandal revealed his wife was being paid for a fabricated government job. Although Fillon stated he would step down if formal investigations began, he remains in the race, albeit at a great disadvantage as reflected in recent polls. As a result of this scandal, Le Pen is now consistently leading in the polls for the first round of voting and will most likely move on to the secondary election.¹³

Emmanuel Macron, leader of the center-left En Marche party, was previously not projected to advance. However, Fillon's scandal shifted the polls, splitting Fillon's supporters between Le Pen and Macron. Despite the En Marche party being left leaning, the majority of Fillon's lost center-right voters are moving toward the center-left rather than further to the Le Pen's right wing party.

⁹ "Jahren Merkel: Mehrheit Der Deutschen Will Amtswechsel," *YouGov: What the World Thinks*, February 13, 2017, [//yougov.de/news/2017/02/13/nach-12-jahren-merkel-mehrheit-der-deutschen-will/](http://yougov.de/news/2017/02/13/nach-12-jahren-merkel-mehrheit-der-deutschen-will/).

¹⁰ Ibid.

¹¹ "Results of 2012 French Election" (Conseil Constitutionnel, French Government, 2012), http://www.conseil-constitutionnel.fr/conseil-constitutionnel/root/bank_mm/decisions/2012premiertourPDR/resultats-departements.pdf.

¹² Emily Tamkin, "Mon Dieu, François Hollande's Approval Rating Is at 4 Percent," *Foreign Policy*, November 2, 2016, <https://foreignpolicy.com/2016/11/02/mon-dieu-francois-hollandes-approval-rating-is-at-four-percent/>.

¹³ N/A, "PresiTrack," polling data, *Presicote.factoviz.com*, accessed February 19, 2017, http://presicote.factoviz.com/index/more/id/qoo_lew_1.

While Le Pen is certainly the front-runner for the first round, polling for the runoff election is a different story. Currently, both Fillon's center-right Les Republicains party and Macron's center-left En Marche party are projected to win against Le Pen in the secondary election.¹⁴ The caveat is that only Fillon or Macron will be able to run against Le Pen, as it is unlikely that the two moderate parties will run against each other.

▲ **Netherlands: March 15, 2017**

In the Netherlands, the Party for Freedom (PVV), under the leadership of Geert Wilders, has become significantly more popular within the past year and is projected to win the House of Representatives majority.¹⁵ Wilders' has gained widespread support through his strongman rhetoric. His promise to take back sovereignty through anti-Muslim immigration laws and withdrawing from the EU has earned widespread support for himself and the party. Thus if Wilders is elected in the upcoming cycle, he will have the public support and house majority to back the policies he wants to execute.

Wilders' extreme anti-immigrant campaign platform represents growing anti-immigration sentiments among EU citizens. Recently, Wilders was tried and convicted for hate speech against Moroccan immigrants, but received no official punishment.¹⁶ He has portrayed himself as a political martyr, claiming the government wants to gag him and block the PVV. Directly after his conviction, Wilders claimed that this decision by the judges "restricted the freedom of speech of millions of Dutch, and hence [has] convicted everyone".¹⁷ By convicting Wilders, the courts may have only made his campaign stronger and created even more resentment among the people toward immigrants.

While the Netherlands does not carry the same weight that France does in European unity, it is one of the top five largest economies in Europe. Thus, Wilders' promise to leave the EU would have lasting economic implications for both Europe and the U.S. As the Netherlands largest foreign investor, the U.S. would have to negotiate bilateral trade and finance deals with the Netherlands outside of the EU. U.S. businesses within the Netherlands, would also have greater difficulty conducting business within Europe, with increased restrictions outside the single market.¹⁸

▲ **Italy: By March 23, 2018**

The Italian elections are perhaps the most likely to produce a victorious populist party compared to other European elections. The Five Star Movement (M5S) is currently leading in some recent opinion polling, though by a small margin. Headed by entertainer Beppe Grillo, M5S promotes five key issues: public access to water, transportation, sustainable development, right to Internet access, and environmentalism. While these five policy priorities do not seem as disruptive as the majority of far-right parties, the M5S has also exhibited anti-globalization and Eurosceptic sentiments. Grillo has made statements supporting the mass deportation of undocumented immigrants which echoes populist demands elsewhere in Europe.

¹⁴ Dabi, Frédéric, Bruno Jeudy, Thomas Bauder, and Patrick Roger. *L'élection Présidentielle En Temps Réel*. Publication. Fiducial, 17 Feb. 2017. Web. 19 Feb. 2017

¹⁵ Peter-Paul Koch, "Dutch Polls," *Quirksmode.org*, accessed February 19, 2017, <http://www.quirksmode.org/politics/polls.html#peilnl>.

¹⁶ "Far-Right MP Geert Wilders Found Guilty of Hate Speech | Netherlands News | Al Jazeera," *Aljazeera.com*, December 10, 2016, <http://www.aljazeera.com/news/2016/12/mp-geert-wilders-guilty-hate-speech-161209103510192.html>.

¹⁷ Ibid.

¹⁸ EuroStats, "Asylum in the EU Member States," March 4, 2016, <http://ec.europa.eu/eurostat/documents/2995521/7203832/3-04032016-AP-EN.pdf/790eba01-381c-4163-bcd2-a54959b99ed6>.

The Five Star Movement is considered ‘left-wing populist’, a combination of progressivism, anti-establishment, and anti-immigration. The other major party vying for a majority in the Italian Chamber and Senate is the Democratic Party (PD) led by Matteo Renzi. The PD is a center-left party that is pro-European integration, promotes social reform, and supports progressive taxation.

What makes the Italian elections interesting, however, is the failed referendum to reform the Senate in 2016 put forth by Renzi and the PD. Renzi was the Prime Minister of Italy until he stepped down as a result of the referendum’s defeat. In his place, Paolo Gentiloni (also a PD member) was appointed by the President of the Democratic Party, Matteo Orfini. Although the party remains in control of the Prime Minister position, the fact that the public voted nearly 60% against Renzi’s referendum is telling.¹⁹ This vote may serve as a model for how the upcoming election may play out.

Polling data since early January 2017 has put the M5S and PD within 5% each other, both earning approximately 30% of the polling vote. The next two most popular parties in Italy are polling at approximately 10% to 15% of the vote.²⁰ These numbers show that the M5S has indeed solidified itself as a political power that will be part of the Italian political system for some time to come. The rise in the M5S party and the failure of the referendum to fix corruption, reveals the Italian government’s deep rooted problems.

There is one important note to make regarding the polling data provided throughout the election analysis. Polls are generally conducted in populated metropolitan or suburban areas in order to acquire a large data set. As a result, polls are not conducted in rural, less populated areas which are generally conservative leaning. This small, unaccounted for population could be just enough to tip one or more of these critical elections in the far right’s favor. This same disparity in polling was seen in the past U.S. election, and is important to remember especially since many populist parties in Europe are already gaining ground.

U.S. Policy Recommendations

- | Reiterate our long-standing support for the European Union, and emphasize the critical importance of European unity and integration to the continent’s future growth and prosperity.
- | Resist openly endorsing specific candidates and parties in upcoming elections, it nonetheless would be useful to take a stand against those voices calling for the persecution of immigrant populations and the dissolution of the European Union.

Brexit: Populism in Action

The United Kingdom’s referendum vote on June 23, 2016 was the largest manifestation of the populist movement in Europe. Brexit represented a ‘political counter-revolution’ to the European project, which has since rocked the elite establishments of Brussels, London, Washington, and the international financial market. Brexit holds serious implications for not only the EU and UK’s future strength and economic prosperity, but also for U.S. relations with Europe.

¹⁹ “Italian Constitutional Referendum Results Voting 2016,” *Wikielections.com*, December 6, 2016, <http://wikielections.com/europe-elections/italian-constitutional-referendum-results-voting-2016-live/>.

²⁰ “Sondaggio INDEX 16 Febbraio 2017 (Italian Polling Data,” *Scenaripolitici.com*, February 2017, <http://scenaripolitici.com/2017/02/sondaggio-index-16-febbraio-2017.html>.

The driving force behind the Brexit movement was immigration control: 52% of the UK voted for an EU exit to regain control of UK borders and take back political sovereignty from EU decision-making.²¹ It is for this reason that the UK has called for a ‘hard Brexit’, a complete break from the EU single market and its four freedoms of movement: goods, services, capital, and labor.²²

Brexit is a potential threat to European unity. The UK’s exit could cause a contagion effect and influence other EU member states to follow in Britain’s path. While it is in both Britain and the EU’s interests to stay integrated and open in the single market, a favorable exit deal for the UK risks incentivizing other EU members to follow suit, leading them to become more Eurosceptic and nationalist as a result of the growing populist movement.

Brexit also has the potential to impact U.S. interests in Europe. The UK’s exit from the Union will diminish the UK’s ability to affect change in Europe’s geopolitical agenda, which could have serious impacts to U.S. security interests on the continent. The recognition of the UK as a source for global leadership will also be diminished if Brexit sparks movements to unravel the United Kingdom itself.

The UK is one of the U.S.’ closest allies, and after Brexit it is critical that the U.S. government continues to maintain a positive political and economic relationship with the UK. The U.S. and U.K. have always maintained similar security objectives and it is in U.S. interests to keep the UK strong and engaged in both EU and global security and geopolitical strategy.²³ That being said, Brexit will undoubtedly shift the U.S.’ perception of the UK as a global power, as the UK is set to face large economic and political setbacks as a result of their referendum.²⁴

Political Origins of Brexit

The United Kingdom Independence Party (UKIP) was established in 1993, and has since appealed to citizens who share the same fears regarding immigration. It quickly grew in the next decade, with members increasing from 9,000 to almost 33,000 in ten years.²⁵ The main supporters of UKIP are considered as society’s ‘leftovers’: a group consisting of white, older, low-skilled, and often less educated citizens. These voters felt underrepresented and voiceless, leading UKIP to rise as a “voice for people who want to take back control of immigration policies, cut taxes for the middle class, and to pull Great Britain out of the European Union”.²⁶

The change in UK leadership could prove beneficial for the U.S. Before becoming the Prime Minister, Theresa May served as home secretary, and thus has extensive experience in domestic security and immigration. During this time, May familiarized herself with the American intelligence community, which could lead to a closer relationship between the British and American security and intelligence

²¹ Kristin Archick, “The European Union: Questions and Answers” (Congressional Research Service, February 21, 2017).

²² Theresa May, “The Government’s Negotiating Objectives for Exiting the EU: PM Speech - Speeches - GOV.UK,” accessed February 20, 2017, <https://www.gov.uk/government/speeches/the-governments-negotiating-objectives-for-exiting-the-eu-pm-speech>.

²³ “United Kingdom,” *U.S. Department of State*, accessed February 20, 2017, <http://www.state.gov/r/pa/ei/bgn/3846.htm>.

²⁴ Tim Oliver and Michael Williams, “Special Relationship in Flux: Brexit and the Future of the US-EU and US-UK Relationship,” *International Affairs* 93, no. 3 (2016): 547–67.

²⁵ Alex Hunt, “UKIP: The Story of the UK Independence Party’s Rise,” *BBC News*, November 21, 2014, sec. UK Politics, <http://www.bbc.com/news/uk-politics-21614073>.

²⁶ *Ibid.*

agencies.²⁷ It is also in U.S. interest to see May serve as Prime Minister, since she has committed to the 2% GDP contribution to NATO, and recognizes the importance of maintaining a strong relationship with the U.S.

▲ Negotiating an Exit Deal

Brexit is entering into a crucial stage as it begins negotiations with the EU on an exit deal. The future political and economic implications of Brexit on the UK and EU are fundamentally dependent on the exit package with which the UK will leave the EU.

The UK is expected to invoke Article 50 of the Lisbon Treaty, signaling a formal exit from the Union, in mid-March of this year. This will begin a two-year process of negotiations between the UK and the EU on the precise terms of the divorce, including the future of a free trade relationship between the two blocs.²⁸ The exit negotiations will center around three main areas: (1) Britain's financial commitments and exit payments to the EU, called the "Brexit Bill", (2) access and conditions for UK participation in the EU's single market, and (3) the free movement of people between the EU and UK. Essentially, "each of the UK's options involves a trade-off between degrees of access to the single market and control over economic policy levers."²⁹ The question now with these trade-offs is what deal would prove satisfactorily for both the EU and UK. There are several previous models that the EU and UK can turn to in negotiating an exit deal.

The first is Norway, a non-EU nation with full access to the single market through the European Economic Community (EEC). While UK membership into the EEC could be the best option for UK trade and industry, it fundamentally contradicts the driving force of the Brexit movement: border control. Theresa May made it clear in her recent speech that immigration control was a top priority, even if this meant a complete exit from the single market.³⁰ Any possibility of UK membership to the EEC is therefore off the table.

A second model is Switzerland, a non-EU member who enjoys limited access to the single market through the European Free Trade Association (FTA). The primary flaw in this model's applicability to the UK is, again, free movement of people. As a member of the EFTA, Switzerland has to remain open to the free movement of labor through its borders, a stipulation the UK is strongly opposed to.

A third option for negotiations is for the EU and UK to negotiate their own Free Trade Agreement (FTA) in which the UK would enjoy preferential access to EU markets, such as the EU's recently signed FTA with Canada. Reducing trade tariffs could benefit UK exports, however, the services sector, the largest portion of UK trade, could still face significant barriers into the EU's market. It would be difficult for financial firms based in London to continue to operate in the EU, as corporations' pass-porting rights could be severely hampered. The prospect of the UK FTA with the EU does remain a high possibility going forward, but this process is likely to take years to accomplish and the specific terms of a FTA are still uncertain.

²⁷ Ryan Browne, "Is Theresa May Good for the U.S.?", CNN, accessed February 22, 2017, <http://www.cnn.com/2016/07/13/politics/theresa-may-uk-pm-us-view/index.html>.

²⁸ Stephen Castle, "'Brexit' Talks Could Stretch 10 Years, British Official Warns," *The New York Times*, December 15, 2016, <https://www.nytimes.com/2016/12/15/world/europe/brexit-talks-could-stretch-10-years-british-official-warns.html>.

²⁹ Angus Armstrong, "The UK's New Trade Priorities," *Brexit Beckons: Thinking Ahead by Leading Economists*, 2016.

³⁰ Theresa May, "The Government's Negotiating Objectives for Exiting the EU: PM Speech - Speeches - GOV.UK," accessed February 20, 2017, <https://www.gov.uk/government/speeches/the-governments-negotiating-objectives-for-exiting-the-eu-pm-speech>.

Finally, if the negotiations between the UK and the EU fail, Britain will have to fall back on the WTO option. This means that the UK's trade relationship with the EU and the rest of the world will operate solely under the rules of 'Most Favored Nation' (MFN). The UK's membership in the WTO will have to be reestablished and if the UK keeps the same external tariff as the EU, then businesses operating between the EU and Britain could face tariff charges on every cross-border transaction. This could make life difficult for both EU countries and the UK as the cost of trade will rise drastically. Exiting the EU and defaulting to WTO rules of trade will also have an effect on UK trade relations with 53 other non-EU countries through 36 existing FTAs the EU engages in with the rest of the world.³¹ The UK will lose its preferential access to these third country markets and will have to begin bilateral negotiations with these regions in order to maintain favorable trade relations.

Negotiating a trade deal with the United States in particular is a top priority for the UK. It is in the interest of the U.S. to engage in these negotiations to seek a favorable and mutually beneficial agreement with the UK, as it is a major trade partner for the U.S. with trade totaling nearly 55 billion dollars annually.³² Open and liberalized trade is a longstanding political and economic policy for the United States, and it will be important for the U.S. to push for the reduction of trade barriers as free trade increases economic output of all countries involved.

Economic Implications of Brexit

Brexit supporters argue that the UK's economy will thrive after an exit from the restraints and control of the EU, but critics insist that dire outcomes are more likely to occur. The immediate financial impacts of Brexit have recovered and the near-term UK economy faces no urgent crises. However, experts and analysts fear long-term and sustained impacts of Brexit will have a significant effect on the UK's economy going forward. These impacts include lower investment, increased barriers to trade, and slower economic growth and technological innovation. If these fears are realized, the UK's role and influence in global markets will be diminished. As a critical U.S. ally, an isolationist and economically weaker UK can significantly impact U.S. foreign influence in Europe.

UK's Foreign Direct Investment

The UK's expected exit from the EU single market could drastically reduce the inflow of foreign direct investment (FDI) into the UK market, placing strains on government financing and economic growth.³³ The UK's current FDI stock is over one trillion pounds; globally this ranks third behind only the U.S. and China.³⁴ Exiting from the Union will make the UK a less desirable investment for multinational corporations (MNCs) as companies might now have to bear the large costs of tariff and non-tariff barriers, imposed from working outside of the single market. The higher costs of trading outside of the EU, will lead to an estimated 22% decrease in FDI.³⁵ This reduction of FDI will have serious impacts to the UK economy and can result in a decrease of national productivity and lead to lower economic output and wages.

The UK's loss of single market access will have important impacts on the U.S. Many American MNCs

³¹ Jackson, James, Shayerah Akhtar, and Derek Mix. "Economic Implications of a United Kingdom Exit from the European Union." Congressional Research Service, July 14, 2016.

³² US Census Bureau Foreign Trade Division, "Foreign Trade: Data," accessed February 20, 2017, <https://www.census.gov/foreign-trade/balance/c4120.html>.

³³ James Jackson, Shayerah Akhtar, and Derek Mix, "Economic Implications of a United Kingdom Exit from the European Union" (Congressional Research Service, July 14, 2016).

³⁴ Swati Dhingra et al., "The Impact of Brexit on Foreign Investment in the UK" (London School of Economics and Political Science, 2016).

³⁵ Ibid.

will consider relocating their headquarters to other EU capitals in order to remain in the European single market.³⁶ The impact of Brexit on the international finance and trade market could threaten U.S. companies and investments in the UK, weakening the economic and political relationship between the two countries.

Impacts on Trade Relations

The UK represents an important trading partner for the EU. A UK exit from the single market is therefore expected to hurt economic growth in both the EU and UK. An OECD study estimates that by the year 2030, the UK GDP will be 5% lower than had it remained in the EU.³⁷ The same study estimates the EU will also face a GDP drop of 1%.³⁸ The EU is also set to lose its second largest economy after the UK leaves, which could weaken the EU's economic position on the world stage. This, of course, has implications for the U.S., as an economically powerful EU is ultimately in the U.S.' geopolitical interests.

The UK's trade relationship with the rest of the world will undergo major restructuring after their exit. The complete loss of unrestricted access to the EU's single market will prove extremely consequential to the UK's economy, and place significant strains on key UK export industries.³⁹ One supply chain of particular concern is the UK's automobile industry. Under WTO rules of trade the automotive sector, which makes up 4% of the UK's GDP, would be subject to a 10% tariff. Exit from the single market will decrease UK car production by an estimated 101,000 cars (12%).⁴⁰ Even in the case of a comprehensive trade deal to keep tariffs at zero, production is still estimated to fall by around 36,000 cars.⁴¹

Brexit also has the potential to impact the EU's Transatlantic Trade and Investment Partnership (TTIP) with the U.S., a trade deal that "would create the world's largest free trade zone and free movement of capital" between the U.S. and EU, constituting half the world's GDP and a third of world trade activity.⁴² Already in its third year of negotiations, Brexit has the potential to postpone and prolong TTIP negotiations as Brussels will have to divert serious time and attention away from TTIP in order to focus on the UK's exit deal once May invokes Article 50.

In addition to slowing negotiations, a British exit has the potential to lower the EU's bargaining power against the U.S. in TTIP negotiations. When the UK exits, the EU market for U.S. products could shrink by almost 16%.⁴³ Overall, "this could make the EU a less attractive trade partner after Brexit".⁴⁴ However, it is in the interest of the U.S. that TTIP negotiations press forward, regardless of the UK. TTIP will strengthen economic ties between the two blocs, by reducing barriers to trade and increasing export productivity. This will benefit U.S. strategic and economic concerns.

³⁶ Ibid

³⁷ Rafal Kierzenkowski et al., "The Economic Consequences of Brexit: A Taxing Decision" (OECD Publishing, April 2016).

³⁸ Ibid.

³⁹ Alicia Garcia-Herrero and Jianwei Xu, "Is the UK's Role in the European Supply Chain at Risk? | Bruegel," accessed February 20, 2017, <http://bruegel.org/2016/12/is-the-uks-role-in-the-european-supply-chain-at-risk/>.

⁴⁰ Swati Dhingra et al., "The Impact of Brexit on Foreign Investment in the UK" (London School of Economics and Political Science, 2016).

⁴¹ Ibid.

⁴² Valentin Katasonov, "Brexit's Potential Impact on the Transatlantic Trade and Investment Partnership (TTIP)," *Global Research*, July 8, 2016, <http://www.globalresearch.ca/brexit-potential-impact-on-the-transatlantic-trade-and-investment-partnership-ttip/5534908>.

⁴³ Geethanali Nataraj, "Will TTIP Survive Brexit? | Bruegel," accessed February 20, 2017, <http://bruegel.org/2016/07/will-ttip-survive-brexit/>.

⁴⁴ Ibid.

Restricted Immigration

Immigration restriction is another long-term consequence of Brexit with the potential to affect the UK's economy. As barriers to immigration rise, there will be a smaller pool of skilled workers and expertise in the market, resulting in a lower capacity for innovation, technical progress, and economic output. A smaller workforce resulting from immigration restrictions could also greatly affect the UK's research and development sector (R&D). Brexit has the potential to "be a disaster for UK science and universities" since the UK receives 5 billion euros from the EU for R&D.⁴⁵ The loss of this funding, as well as the loss of thousands of non-UK nationals in academic and research staff will have negative effects in science, research, and innovation, as 76% of EU academics are now more likely to leave the UK.⁴⁶

The Future of Economic Unity

The biggest economic implication of Brexit for the EU may have less to do with specifics of trade and investment dependencies and more to do with what Brexit will ultimately signal to the European Union. For the past 60 years the project of European integration has pushed for closer economic interdependence, cooperation, and freedom. The result of the UK's June 23rd referendum has represented the first significant step to countering this long process. Such a signal has the potential to change European economic integration moving forward, where more member countries may start to adopt anti-globalization and anti-immigration policies. This could have serious effects for European economic and trade performance in the future.

▲ Political Challenges for the UK

Shifting to the political perspective, there are a few implications the UK is facing, including the question of Ireland's borders and Scotland's interest in independence. These circumstances threaten the unity and collectiveness within the United Kingdom itself.

Ireland

The referendum results in Northern Ireland also has implications for the future of Northern Ireland membership in the United Kingdom. A majority of Northern Ireland (56%) voted in the referendum to remain in the EU. The result of Brexit means that Northern Ireland will no longer be able to freely trade with EU member states, which could potentially impact export industries in the North, which could face increased barriers to trade. Northern Ireland specifically, is highly dependent on trade with the Republic of Ireland, where two thirds of all EU exports from the North are to the Republic of Ireland.⁴⁷ In addition, an exit from the Union will also eliminate important funding Northern Ireland receives from the EU. The UK will lose subsidies from the Common Agricultural Policy (CAP), which have funded farmers in the North for the past 30 years. The UK will now be responsible for replacing these farmer subsidies, which may cut too deeply into the 350 million Euro per week that the British claim to save by not paying taxes to the EU.⁴⁸

Ultimately, the UK's exit from the EU could increase the likelihood of a united Ireland, as citizens in Northern Ireland might instead opt for uniting with the Republic of Ireland in order to continue benefiting

⁴⁵ Maria Demertzis and Enrico Nano, "The Impact of Brexit on UK Tertiary Education and R&D | Bruegel," February 14, 2017, <http://bruegel.org/2017/02/the-impact-of-brexit-on-uk-tertiary-education-and-rd/>.

⁴⁶ Ibid.

⁴⁷ Filippo Biondi and Ines Goncalves Raposo, "The Impact of Brexit on Northern Ireland: A First Look | Bruegel," December 22, 2016, <http://bruegel.org/2016/12/the-impact-of-brexit-on-northern-ireland-a-first-look/>.

⁴⁸ Kate Rooney, "Closing This Huge, Open Border Could Be Very Messy Indeed," CNBC, July 1, 2016, <http://www.cnbc.com/2016/07/01/brexit-spooks-ireland-as-borders-change.html>.

from EU membership.⁴⁹ Political stability in allied countries is crucial for the United States. The potential for violent nationalist conflict like that seen just 20 years ago is a major concern for the U.S.

Scotland

The UK also faces a conundrum regarding its relationship with Scotland. With 62% of the Scottish voting against leaving the EU, the Brexit outcome was not the decision most Scottish citizens wanted.⁵⁰ However, it will not be possible for Scotland alone to remain in the EU as Scotland would need to follow Article 49 of the Lisbon Treaty to officially seek membership. For Scotland to do so, they would need to commit to joining the Eurozone instead of retaining the British pound sterling.

In addition, policy makers will need to create a plan to decrease Scotland's huge financial deficit, which runs larger than that of the Greek government.⁵¹ This situation would further complex the process of Brexit, but fortunately is unlikely since European Commission President Jean-Claude Juncker stated there would be no further enlargement of the EU during his term.⁵² Furthermore, the UK is the biggest trading partner of Scotland, consisting of more than half of Scotland's international exports.⁵³

Scotland's interest in leaving the UK affects the U.S. in multiple ways. First, because the UK is an important long-term partner, Scotland's vote for independence would disrupt both the economic and political stability of one of the U.S.' biggest allies. Scotland's economy, including North Sea oil and gas, accounted for 9.3% of the UK's economic output in 2012⁵⁴, which the UK would lose if Scotland voted for independence.⁵⁵

Second, Scotland's secession would affect Britain's contribution to global security, changing their contributions to NATO. The Scotland National Party has a clear stance against nuclear weapons, and with nuclear weapons being removed from the Faslane Naval base on the River Clyde⁵⁶, Scotland will likely disregard NATO's request to access Scotland's naval bases and information.⁵⁷ Thus, the U.S. would be unable to access security information from Scottish naval bases. If Scotland were to declare independence from the UK, the U.S. and NATO would lose Scotland as an ally in support of NATO missions and values.

Political Challenges for the EU

Brexit has a broad range of potential political implications that will impact the EU's influence on the world state, the structure of EU power, the future of European unity, and the role of the UK as a critical

⁴⁹ "Farage Wants to Be 'Bridge' between UK and Trump," *BBC News*, December 18, 2016, sec. UK Politics, <http://www.bbc.com/news/uk-politics-38355108>.

⁵⁰ "Scottish Referendum: Scotland Votes 'No' to Independence," *BBC News*, September 19, 2014, sec. Scotland, <http://www.bbc.com/news/uk-scotland-29270441>.

⁵¹ Simon Johnson, "European Commission: Independent Scotland Would Have to Join Queue for EU Membership," *The Telegraph*, 00:01, sec. 2017, <http://www.telegraph.co.uk/news/2017/02/10/european-commission-independent-scotland-would-have-join-queue/>.

⁵² *Ibid.*

⁵³ St Andrew's House Scottish Government, "Export Statistics Scotland - Publication," Website Section, (January 12, 2016), <http://www.gov.scot/Topics/Statistics/Browse/Economy/Exports/ESSPublication>.

⁵⁴ "Scotland Referendum 2014: The Impact of Independence on the UK Economy," UK Parliament, accessed February 27, 2017, <https://www.parliament.uk/business/publications/research/scotland-the-referendum-and-independence/impact-on-uk-economy/#jump-link-0>.

⁵⁵ *Ibid.*

⁵⁶ "SNP Members Vote to Ditch the Party's Anti-Nato Policy," *BBC News*, October 19, 2012, sec. Scotland politics, <http://www.bbc.com/news/uk-scotland-scotland-politics-19993694>.

⁵⁷ David Frum, "America's Stake in the Scottish Referendum," *The Atlantic*, September 15, 2014, <https://www.theatlantic.com/international/archive/2014/09/americas-stake-in-the-scottish-referendum/380228/>.

ally for the U.S.

Brexit will weaken the overall perception of the EU as a global power. Not only is the EU set to lose its second largest economy, it will also lose its second UN Security Council seat and its second nuclear weapons state. France will be left as the sole permanent UNSC member and nuclear weapons country. Brexit will thus “reduce the EU’s role and influence on the world stage, given that the EU will find itself without the UK’s diplomatic, military, and economic clout.”⁵⁸

The UK’s vote to leave could also change power dynamics within EU institutions. Germany and France, will take on an even bigger roles within the union after the UK exits.⁵⁹ The political makeup of the European Parliament will also be altered from Brexit. The UK has one of the largest contingents of MEPs, constituting nearly 10% of the governing body.⁶⁰ For liberals, the exit of the UK will be a crippling loss.⁶¹ The influence of economically liberal and center-left parties will be reduced and the Eurosceptic right party of the Europe of Nations and Freedom party will become more prevalent.⁶² This shift could threaten the stability of European unity going forward.

The political change of the EU after Brexit could also be a concern for the U.S. With the UK gone, the U.S. will lose its strongest ally within the EU, significantly reducing the U.S. voice and interests inside EU decision-making. Even though Germany is a long-term ally of the United States, their interests do not completely align with that of the U.S. In regards to monetary policy, Germany leans towards a deflationary policy.⁶³ After the UK referendum, President Barack Obama stated that “both the UK and the EU would remain ‘indispensable’ U.S. partners”.⁶⁴ Some policymakers are concerned that the U.S. “is losing its best advocate within the EU for policies that bolster U.S. goals and protect U.S. interests” as the “UK’s absence could lead to greater U.S.-EU divergence on...policies toward Russia or the centrality of NATO to European security.”⁶⁵ The shifts in power within the EU will potentially change the U.S. relationship and influence within the union.

U.S. Policy Recommendations

Engage in negotiating a favorable and comprehensive free trade agreement with the UK. It is important that the UK remain an open and liberalized trading economy, and the U.S. should assist the UK in opening up their markets.

Urge the EU to offer a favorable trade deal to the UK in which free market and single market access would remain open. Discourage the EU from seeking a punitive deal towards the UK, as this will harm both UK and EU economic trade and investment.

Encourage the UK to remain committed & invested in European affairs despite its leave from the EU.

⁵⁸ Kristin Archick, “The European Union: Questions and Answers” (Congressional Research Service, February 21, 2017).

⁵⁹ David Frum, “America’s Stake in the Scottish Referendum,” *The Atlantic*, September 15, 2014, <https://www.theatlantic.com/international/archive/2014/09/americas-stake-in-the-scottish-referendum/380228/>.

⁶⁰ Angelos Chryssogelos, “How Brexit Will Affect the Balance of Power in the European Parliament,” *EUROPP*, June 29, 2016, <http://blogs.lse.ac.uk/euoppblog/2016/06/29/brexit-balance-of-power-european-parliament/>.

⁶¹ *Ibid.*

⁶² *Ibid.*

⁶³ David Frum, “America’s Stake in the Scottish Referendum,” *The Atlantic*, September 15, 2014, <https://www.theatlantic.com/international/archive/2014/09/americas-stake-in-the-scottish-referendum/380228/>.

⁶⁴ Kristin Archick, “The European Union: Questions and Answers” (Congressional Research Service, February 21, 2017), <https://fas.org/sgp/crs/row/RS21372.pdf>.

⁶⁵ *Ibid.*

ECONOMIC CRISIS IN EUROPE IMPLICATIONS FOR THE: UNITED STATES



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Current issues in Europe that impact U.S. economic interests include the Eurozone Crisis, the potential successful negotiation of the Transatlantic Trade and Investment Partnership, and the radically evolving relationship that the EU has with China.

The interdependency of the European and American economies means that threats to European affluence and stability are inherent hazards to U.S. and global economic prosperity. Since 2009, the European Union has faced the collapse of financial institutions, high government debt, and rising bond yield spreads in government securities in several of its countries. The Eurozone Crisis jeopardizes the stability and unity of the region, as debt levels and banking problems that persist in Greece and Italy fuel ongoing debates over austerity and debt forgiveness, and increase the long existing tensions between the union's periphery and core countries.

The transatlantic relationship likewise has the potential to greatly benefit the U.S. economy. An exhaustive trade agreement with the scale and scope like that of the Transatlantic Trade and Investment Partnership (TTIP) would greatly expand U.S. trade, investment, and prosperity. It would concurrently improve economic conditions in Europe by creating jobs, lowering costs for businesses and consumers, and increasing GDP.

Meanwhile, the enhanced economic activity and shift in the nature of Chinese trade and investments serves to greatly alter Chinese-EU relations. China's transition into a bigger global economic player in recent years has proven reason for concern on the topic of reciprocity and over-investment by foreign entities within the EU, putting pressure on European economies to safeguard its industries and economic interests from external influence.

It is important that the U.S. continues to take a position in support of continued European economic integration despite financial hardships that the region has been facing, in order to avoid a spill-over of European economic crisis that would harm U.S. growth. The U.S. also has a valuable opportunity to enhance growth and revitalize economies in both the U.S. and EU by striking a comprehensive trade deal with Europe through the TTIP. As China emerges as a new economic force in the world, the U.S and EU can demonstrate a united transatlantic front in working together towards measures to ensure fair and regulated global trade and investments.

The Eurozone Crisis

▲ History of the Eurozone; the origins of the crisis

The Eurozone has been, and remains in crisis. Large amounts of sovereign debt, failed bailouts, high unemployment rates, stagnant or backward growth, and discussion of a possible withdrawal of Greece from the Eurozone, are but a few of the many problems encapsulated within the broader Euro crisis. “The prolonged depression has helped fuel the rise of right-wing nationalists and Eurosceptics.”⁶⁶ Weak economies and slow growth are major factors influencing the rise in populism, which threatens the stability of the EU. Likewise, the failure of a single bank or government could lead to rapid and destructive financial contagion and have a dramatic impact on the U.S. and the world, similar the collapse to the Lehman Brothers in the U.S.

The Euro crisis, like many other economic crises, is at its core due to underlying imbalances between the member nations of the EU. The primary imbalance is between the core and peripheral countries, separating the larger economies such as Germany from the smaller ones such as Greece. When the Euro was established, the idea of convergence was greatly promoted because it was perceived that if lending and investment from the core countries flowed into the peripheral countries, the imbalances would decrease.⁶⁷

However, in many cases, these capital flows did not go towards investments such as infrastructure or export development that would further growth.⁶⁸ Rather, they went into things such as housing programs which helped to fuel asset price bubbles.⁶⁹ These capital flows ramped up debt and pushed current account deficits deeply into the red. “Since 2007, the German economy has grown by almost 7%, whereas the economies of Belgium, France, and the Netherlands have remained stagnant, and those of Finland, Greece, Ireland, Italy, and Portugal have all contracted more than they did during the Great Depression.”⁷⁰ Despite a slow recovery in most of the Eurozone, the debt overhang and weak banking systems continue to undermine investment and growth. The longer the crisis remains an issue, the larger the threats to European unity will be, whether through political repercussions of the crisis, or continued economic problems.

▲ The Causes of the Euro crisis

Throughout the history of the EU there has been significant differences in the economies between the “core” and the periphery” countries. The core countries (Germany, France, and the Netherlands) and the EU periphery countries, Portugal, Spain and Greece (GIIPS) have drastically different economies both in size, productivity and specializations. Europe, in the same way as other nations or economic unions, is prone to issues due to these imbalances. “The size and duration of the crisis typically depends upon: (i) the size of the initial imbalances; (ii) how the initial shock gets magnified by a variety of ‘amplifiers’; and

⁶⁶ Andrew Moravcsik, “Europe’s Ugly Future,” *Foreign Affairs*, October 19, 2016, <https://www.foreignaffairs.com/reviews/review-essay/2016-10-17/europe-s-ugly-future>.

⁶⁷ Agnès Bénassy-Quéré, “Maastricht Flaws and Remedies,” *VoxEU.org*, September 7, 2015, <http://voxeu.org/article/maastricht-flaws-and-remedies>.

⁶⁸ Richard Baldwin and Francesco Giavazzi, “The Eurozone Crisis: A Consensus View of the Causes and a Few Possible Solutions,” *VoxEU.org*, September 7, 2015, <http://voxeu.org/article/eurozone-crisis-consensus-view-causes-and-few-possible-solutions>.

⁶⁹ Ibid.

⁷⁰ Moravcsik.

(iii) how rapidly and effectively policy responds.”⁷¹

When the Eurozone was created, the Maastricht Treaty was signed in order to control the imbalances within what would become the Eurozone. The Maastricht Treaty contained several criteria, the first being a cap on inflation rates, the second being a cap on annual budget deficits, and the third being a cap on government debt as it relates to GDP.⁷² When countries initially joined the Eurozone many believed that by abiding by these guidelines they would make enough reforms for the currency union, but without a cohesive fiscal plan, these regulations did not go far enough to ensure stability.⁷³ This outlines the U.S. position that without a more cohesive fiscal policy in Europe there will be continued instability in the Eurozone. Greater integration, both in fiscal policy and crisis response will alleviate many of the imbalances and further European unity.

Upon the creation of the Eurozone, “government bond yields for all prospective Eurozone members converged to the German rate which itself fell substantially and remained low until the start of the financial crisis.”⁷⁴ This means that as countries joined the Eurozone it would cost them significantly less to borrow money.

Before the Eurozone the respective bond yields for each country reflected the faith that investors had in their economy. However, when the Eurozone was created countries with smaller economies or other problems such as corruption, as was the case in Greece, were given loans at a much lower rate than they should have.⁷⁵ The convergence of bond yields within the Eurozone members is important as despite the common currency, the various members still had vast differences in their economies. This huge cheapening of credit for all Eurozone members made it much easier for them to borrow money recklessly.⁷⁶

As a result of converged bond yields, capital flows between the core countries towards the periphery countries dramatically increased. Loans were given and periphery countries borrowed more money than before and invested in their own economies in pursuit of convergence between the core and the periphery.⁷⁷ A large section of these capital flows were invested in non-tradable sectors, such as housing, or government services. As a result, these assets did not help pay off the debt.⁷⁸

The perception of Eurozone countries as advanced and reliable allowed countries within the Eurozone to amass large amounts of debt and maintain current account deficits. “All nations that eventually ended in bailout programs- Greece, Ireland, Portugal and Spain ran substantial and increasing current account deficits.”⁷⁹ Conversely, “The nations who had to contribute to the bailouts were all significant net lenders to other EZ nations.”⁸⁰

The buildup of non-tradable investments, paid for by foreign investment and borrowing, was not sustainable as it did not help the current account deficit in those countries. Worse yet, the inflows tended to feed asset price bubbles.⁸¹ These inflows also drove up wages and costs, resulting in losses of

⁷¹ Baldwin, Giavazzi.

⁷² Agnès Bénassy-Quéré.

⁷³ Ibid.

⁷⁴ Baldwin, Giavazzi.

⁷⁵ Ibid.

⁷⁶ Ibid.

⁷⁷ Ibid.

⁷⁸ Ibid.

⁷⁹ Baldwin, Giavazzi.

⁸⁰ Ibid.

⁸¹ Ibid.

competitiveness and inflation. However, many economists predicted that these capital flows would actually help the GIIPS and create an impetus for economic reform. Unfortunately, while the euro led to a boom it led to little economic reform.⁸² As the crisis would later unfold, the capital flows between the Core countries and GIIPS would be a huge problem as the core countries were in many cases financing the peripheral countries debt.

From a U.S. perspective these imbalances represent the unfinished nature of the Eurozone project. Without more cohesive fiscal policies and plans for crisis the Eurozone will remain at risk. Because of this, the U.S. should continue its support of increased integration.

▲ **Institutional Faults and Further Issues**

A main issue is the lack of a “Lender of Last Resort” in the event of a crisis, in this case the ECB, which has a provision forbidding it from purchasing government bonds on the primary market.⁸³ “This ruled out one of the classic ways out of avoiding government default- having the central bank print the money to serve the debt.”⁸⁴

Like in the U.S., European banks were considered “too big to fail”, meaning that in the event of a crisis they needed to be saved. Yet, the size of the banks in Europe were so large that an attempt to bail them out by the host nation could lead to a “double-drowning scenario”. When the bank goes down, and the nation attempts to save it, the nation goes down itself.

A third amplifier is a “doom-loop”, a vicious cycle, or self-fulfilling prophecy in which fears about the ability of a government to remain solvent then creates fears about the bank’s ability to pay its debt, which then weakens both the economy and the banks.⁸⁵

The final multiplier is that EZ members could not devalue their currency to make their currency, labor, and exports more competitive.⁸⁶ This has led to large rates of unemployment in many EZ nations (particularly the GIIPS) as their labor and exports are less competitive than they should be due to an overvalued currency. Within the Eurozone, the nations have abandoned control of the famous Mundell-Fleming trilemma, and do not control their own monetary policy, a fixed exchange rate, or capital flows.

▲ **The Catalyst of the Euro crisis**

A “sudden stop” is when the sudden stoppage of capital inflows into a country leads to a crash in the economy. This was the case in Europe as inflows needed to fuel the boom stopped. “As boom turned into bust, governments lost their tax base and had to assume private debt, thus creating a public debt crisis. The highly leveraged banks system of the Eurozone, tightly linked to national government provided a multiplier, which made the crisis systemic.”⁸⁷ When Lehman brothers collapsed in the U.S. it sent the whole world into a shock. Investors then began to look at financial institutions and governments worldwide in fear of problems like in the U.S.

Many of the banks and governments are interconnected in so many ways, where if even a single bank fails it can create a contagion which can bring down entire economies and create a major crisis, as

⁸² Ibid.

⁸³ Ibid.

⁸⁴ Ibid

⁸⁵ Ibid

⁸⁶ Ibid

⁸⁷ Ibid.

Lehman Brothers did in the U.S.

Likewise, the capital flows between the core countries to the periphery meant that countries such as Germany were financing the debt of the periphery. When the crisis began to emerge it became clear that the core would be responsible for bailing out the periphery. This gave Germany huge influence in the debates moving forward on whether to move towards austerity or debt forgiveness.

▲ Austerity and Debt Forgiveness

The ECB took two approaches towards the crisis, standard methods that had been used in the past, and new ideas. “The standard reaction of monetary policy was to adjust our key interest rates downwards owing to a less benign macroeconomic outlook and downward risks to price stability. Short term interest rates are now close to zero in the euro area...”⁸⁸ The second aspect was non-standard measures such as quantitative easing. “Quantitative easing increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity”.⁸⁹ In addition, there were bailouts for Ireland, Portugal, Spain and Greece so that the economies and banks within those countries would not collapse. These loans are used to recapitalize banks, buy sovereign debt, and provide aid to struggling economies.⁹⁰

These different methods of responding to economic crisis have long been under debate in Europe. The Germans have historically been in favor of austerity and fiscal responsibility.⁹¹ Other nations, such as France have recently proposed fiscal stimulus, debt forgiveness, and other elements of Keynesian counter-cyclical policy as better solutions.⁹² Additionally, the U.S. has been a supporter of fiscal stimulus and debt forgiveness.

The German government has been pushing austerity measures on the struggling economies within the Eurozone in order to make their economies more balanced in hope that this will lead to balanced budgets, leading to a decline in sovereign debt. These measures include raising taxes and lowering government spending, especially in large government programs and welfare policies. The basic idea is that these painful policies will lead to stability in the future. However, there are considerable problems with austerity, as austerity directly shrinks the economy. When considering debt problems, it is always important to look at the overall debt/GDP ratio rather than the total raw number of the debt.⁹³ While austerity may decrease the raw number of debt at the moment, if the economy is not growing or is shrinking the debt/GDP ratio may actually get worse as debt becomes a larger portion of GDP.⁹⁴

Realizing these problems with austerity, the French and the U.S. have suggested increased debt forgiveness and fiscal solutions. Counter-cyclical economic policy is the belief that in difficult economic times nations should increase government spending in order to boost the economy and help it remain stable or grow, and then essentially grow away the debt as GDP rises. Additionally, in bad times nations should cut spending and increase interest rates so that the economy does not fall into a trap of bubbles and

⁸⁸PeterPraet. "The Crisis Response in the Euro Area." Speech, “The Challenges Ahead” at Pioneer Investments’ Colloquia Series “Redrawing the Map: New Risk, New Reward” organised by Unicredit S.p.A., China, Beijing, April 17, 2017. <https://www.ecb.europa.eu/press/key/date/2013/html/sp130417.en.html>.

⁸⁹Brent Radcliffe, “Quantitative Easing,” *Investopedia*, April 12, 2009, <http://www.investopedia.com/terms/q/quantitative-easing.asp>.

⁹⁰ Ibid.

⁹¹ Markus K. Brunnermeier, Harold James, Jean-Pierre Landau, Chapter 13. Page 284. *The Euro and the Battle of Ideas* (Princeton, 2016).

⁹² Ibid., 135.

⁹³ Ibid., 136.

⁹⁴ Ibid.

inflation.

The U.S. believes that fiscal policy should be done before structural adjustments so that the economy can get back on a pattern of growth. While growth is rising, changes can be made to increase the stability of the economy, which when combined with debt forgiveness can alleviate and solve recessions. With austerity and adjustment first, a downward spiral of economic shrinkage can occur, which would diminish the effects of fiscal stimulus or debt forgiveness. This is why past lending and bailouts for Greece have not been effective.

▲ The Eurozone Today

The Eurozone remains on the edge as economic growth stays stagnant, youth unemployment remains high and several countries are still on the verge of crisis.

Fifteen years ago, when the EU established its single currency, European leaders promised higher growth due to greater efficiency and sounder macroeconomic policies, greater equality between rich and poor countries within a freer capital market, enhanced domestic political legitimacy due to better policies, and a triumphant capstone for EU federalism. Yet for nearly a decade, Europe has experienced just the opposite.⁹⁵

While many of the countries that previously needed bailouts are stable and recovering such as Ireland and Spain, others remain at risk. Greece is still under an unsustainable debt burden, and without fiscal stimulus and debt relief, it will never get out from under its sovereign debt. Likewise, Italy's banking system remains on the edge of collapsing. These threats to the Eurozone remain a concern for the U.S.

Economic problems strongly relate to political instability and the rise of fringe parties. Furthermore, if Italy or another major European economy fails the integrity of the Eurozone as a whole could fail. Additionally, the U.S. economy, especially the banking sector, is so connected to Europe that a collapse in Europe could lead to a collapse in the U.S. Europe remains one of the largest trade partners of the U.S., and a stagnant Europe hurts U.S. export opportunities. For all of these reasons the U.S. should continue to follow developments within the Eurozone and influence policy when possible. The crisis is still ongoing and most prevalent in Greece and Italy which still pose active threats towards financial collapse or leaving the Eurozone.

Case Study: Greece's Debt Crisis

▲ Background

"Greece's affair with the euro began with the grandest of hopes."⁹⁶ Greece was one of the first 12 countries that launched physical euro notes in 2002. At that time, Greece had demonstrated that they had achieved "economic convergence" with other Eurozone members, including a budget deficit of less than 3% of the nation's GDP, to ensure the members would not jeopardize the currency.⁹⁷ However, when Karamanlis' regime took over office in 2004, the budget deficit was already way above the limit at

⁹⁵ Morasavik.

⁹⁶: Don Melvin, "Between rock, hard place, Greece picks austerity. How did it get into this mess?" CNN News, July 13, 2015. Retrieved from <http://edition.cnn.com/2015/07/13/europe/how-greece-reached-this-point/>

⁹⁷ Ibid.

8.3%.⁹⁸ It was also the time when Greece was hosting the Athens Olympics, so the government chose to remain silent while government spending multiplied. The U.S. financial crisis in 2008 lit the fire and Greece's financial bomb finally exploded in Papandreou's hand in 2009.⁹⁹ The new socialist government revealed that the current budget deficit had reached 12% of the GDP.¹⁰⁰ Fitch downgraded Greece's credit to BBB+, and strikes occurred everywhere in the country in response to the austerity plan.¹⁰¹ In 2010, Greece officially requested the first bailout package from the EU and IMF. In less than one year, two bailouts were issued by the IMF and Greece was rescued by its European partners. However, the capital flows from the funds went into housing programs that fueled asset price bubbles instead of progressing the economy. Furthermore, the austerity resulted in more debt as the decrease in consumption, the tax hikes, and reduction in government spending added more pressure on the GDP.

Greece has failed to meet the previous conditions set by the IMF. Without funds from the IMF, Greece's European partners will not approve additional disbursements. The governments of Greece and peripheral countries are too indebted to finance their debt and pay back their bonds. The banking systems of the peripheral countries are in trouble as many banks have "bad bonds" that caused the collapse of real estate markets. Most importantly, the economies are not progressing. These factors feed off one another, resulting in a negative feedback cycle. If no further steps are taken, the pressure of the debt will either pull down Europe's economy or push Greece to drop out of the Eurozone. This will then cause a domino effect and threatens to dissolve Europe's unity.

On December 5, 2016, nineteen ministers of the euro bloc gathered in Brussels to discuss the reforms needed for the release of the next 86 billion euro loan to Greece.¹⁰² Along with the previous two loans, the three bailouts added up to approximately 320 billion euros.¹⁰³ It is unrealistic for Greece to pay its loan without debt relief as Greece has not managed to recover sustainable levels of growth. Greece's output has contracted by more than 25% since 2008, investment has gone down by more than 60%, and the unemployment rate has remained the highest within the Eurozone.¹⁰⁴

On Feb 7 2017, the IMF released an annual report on Greece. The report states that there are still fundamental challenges within the nation, including: (i) public finances with vulnerable structures; (ii) significant tax evasion and an ineffective tax administration; (iii) impaired bank and private sector balance sheets; and (iv) obstacles to investment and growth.¹⁰⁵ Without the debt relief provided by Greece's European partners, the public debt remains highly unsustainable. If Greece continues to fail to meet the conditions requested by the IMF, it is likely that either the whole Eurozone would falter, or Greece would be forced to exit. These repercussions would be detrimental to the U.S. as a creditor of the IMF and a key player in global economy, because it would trigger a domino effect causing a financial contagion that would harm the global economy, and harm U.S. interests in European Unity.

⁹⁸ Katie Allen, "Greek debt crisis: the 20 key moments" The Guardian, June 25, 2015. Retrieved from <https://www.theguardian.com/business/2015/jun/25/greek-crisis-20-key-moments-eurozone>

⁹⁹ Ibid.

¹⁰⁰ Ibid.

¹⁰¹ Ibid.

¹⁰² Francesco Guarascio and Alastair Macdonald, "Euro zone grants Greece short-term debt relief; no deal with IMF" Reuters, Dec 5, 2016. Retrieved from <http://www.reuters.com/article/us-eurozone-greece-eurogroup-idUSKBN13T0ZN>

¹⁰³ Alanna Petroff, "Greece: Third Bailout to Start Thursday" CNN News, Aug. 91, 2015. Retrieved from <http://money.cnn.com/2015/08/18/news/greece-germany-bailout-vote/>

¹⁰⁴ International Monetary Fund. European Dept. "Greece: 2017 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Greece." February 07, 2017. Accessed February 09, 2017. Retrieved from <http://www.imf.org/en/Publications/CR/Issues/2017/02/07/Greece-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-44630>.

¹⁰⁵ Ibid.

▲ Crisis Unresolved: Why is it still happening?

One root of Greek unrest is the vulnerable structures of public finance, which is ridden with corruption. Non-transparency in public sectors, clientelism, lack of audits, lack of regulation, and weak law enforcement has led to inefficiency, loss of international subsidies, bad reputation, and distrust from the people. Clientelism¹⁰⁶ is regular, and patronage practices are common. This partisan practice causes problems, especially in areas where professional training and knowledge are required.

Corruption also causes inefficiency in running the public sector. For example, public hospitals have been overdue in records for years.¹⁰⁷ If changes are not made, hospitals will fail to qualify for EEC subsidies.¹⁰⁸ At this current state, hospitals cannot run without international aid. According to the Corruption Perception Index (CPI), Greece was ranked at 58th in 2015, far behind its Northern European counterparts; Scandinavian countries, the UK, and Germany scored in the top 10.¹⁰⁹ This gap between the core and peripheral countries is the pivotal reason for Greece's struggle in reforming.

There is consensus among the Greek people that clientelism and corruption have to be overcome.¹¹⁰ Yet over the past three decades, parties in power were embroiled in scandals, handed out blank checks, and were involved in other corrupt activities.¹¹¹ This has damaged public trust in politicians and in the efficacy of new law and regulation reform. As a result, public concern of a "Grexit" has risen.

Another cause of Greece's problems have to do with tax evasion and tax administration. Tax evasion in Greece adds up to 16 billion euros each year.¹¹² The inefficiency, corruption, and weak law enforcement enables tax evasion because there is no supervising power or audits. This inefficiency and non-transparency in the public sector is a complex problem that results in a negative feedback cycle: the economy was so bad that without tax evasion people could not make ends meet; yet without tax revenue, the government cannot keep the economy progressing.

Another cause of the crisis is that Greece has failed to reduce non-performing loans (NPLs).¹¹³ This has prevented the banks from providing new loans to effective firms for economic recovery. At the same time, the non-financial private sector needs to strengthen its balance sheet to borrow and invest again.¹¹⁴ The impaired balance sheets between the bank and the private sector has prevented a return of sustainable credit growth.¹¹⁵

Lastly, failing to create a notable increase in productivity, Greece has difficulties competing in the

¹⁰⁶ a social order that depends upon relations of patronage; in particular, a political approach that emphasizes or exploits such relations.

¹⁰⁷ David Close, "Greece since 1945," 232.

¹⁰⁸ Ibid.

¹⁰⁹ "Corruption Perceptions Index 2015" (Transparency International), accessed January 31, 2017, <https://www.transparency.org/cpi2015/>.

¹¹⁰ David Close, "Greece since 1945," 232.

¹¹¹ Ibid.

¹¹² A Markris, "Tax Evasion in Greece Estimated at 6-9% of GDP, Say Independent Analysts" Greek Reporter, June 23, 2016. Accessed February 23, 2017. Retrieved from <http://greece.greekreporter.com/2016/06/23/tax-evasion-in-greece-estimated-at-6-9-of-gdp-say-independent-analysts/>

¹¹³ *Non -Performing Loan*: a loan that is close to being in default or already in default

¹¹⁴ International Monetary Fund. European Dept. "Greece: 2017 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Greece." February 07, 2017. Accessed February 23, 2017. Retrieved from <http://www.imf.org/en/Publications/CR/Issues/2017/02/07/Greece-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-44630>.

¹¹⁵ Ibid.

Eurozone.¹¹⁶ Greece is unable to narrow the gap in its real per capita income, which makes it impossible for the economy to prosper.¹¹⁷ There is no flexibility in the exchange rate, and reducing the unemployment rate is difficult. At the same time, large numbers of strikes have been performed in response to the current framework, which is costly as productions are halted.¹¹⁸ In Greece, reforming markets for goods and services has been slow and uneven. Economic inefficiency limits consumers' benefits and restricts the potential FDI that might have flown into the economy.¹¹⁹ Thus, a solution to close these gaps is needed as soon as possible.

Although Greece's economic statistics are improving, Greece's debt remains highly unsustainable. Significant debt relief is required in order to keep the economy progressing, yet the situation is extraordinarily challenging as multiple factors are involved.

▲ **Debate between Austerity and Bailouts**

The *troikas*¹²⁰ have a diverse view on Greece's situation recently. The IMF annual report has acknowledged that austerity reduces growth and would put Greece into inescapable debt traps: the EU aids goes to Greek banks, then the fund bails out to the creditors, which are EU banks.¹²¹ This has made Greece's economy incapable of progress. The IMF claims that Greece's highly unsustainable debt will reach 275% of Greece's GDP by 2060 unless the country's loans are significantly restructured with debt relief.¹²² Thus, the IMF states that unless Greece agrees to a more austere reform and the Eurozone agrees on debt relief when the bailout expires, the IMF will not join the third bailout (although it previously joined the first two).¹²³

The EU and the ECB have been reluctant and skeptical of economic studies on debt relief.¹²⁴ Debt forgiveness would suggest monetary financing, which violates the EU Maastricht Treaty. Most importantly, the European governments have lost confidence in Greece. So, unless the IMF participates in the bailout, Germany and the Netherlands will not approve further disbursement.¹²⁵ Austerity would be the only option the Greeks have left.¹²⁶ This will cause an immediate outflow of human capital, including newly graduated students and professionals.¹²⁷ Following that, banks will continue to be clogged with

¹¹⁶ Ibid.

¹¹⁷ Ibid.

¹¹⁸ Ibid.

¹¹⁹ Ibid.

¹²⁰ the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF)

¹²¹ William Black, "When will the EU and the ECB Stop Torturing the Greeks?", *New Economic Perspective*, Jan. 31, 2017. Accessed February 23, 2017. Retrieved from <http://neweconomicperspectives.org/2017/01/will-eu-ecb-stop-torturing-greeks.html>.

¹²² Ibid.

¹²³ The Economist editors, "Greece's creditors are now the main impediment to solving the country's woes", *The Economist*, Feb. 18, 2017. Accessed February 23, 2017. Retrieved from <http://www.economist.com/news/europe/21717043-biggest-difference-now-between-imf-and-europeans-greeces-creditors-are-now-main>

¹²⁴ William Black, "When will the EU and the ECB Stop Torturing the Greeks?", Jan. 31, 2017. Accessed February 23, 2017. Retrieved from <http://neweconomicperspectives.org/2017/01/will-eu-ecb-stop-torturing-greeks.html>.

¹²⁵ The Economist editors, "Greece's creditors are now the main impediment to solving the country's woes", *The Economist*, Feb. 18, 2017. Accessed February 23, 2017. Retrieved from <http://www.economist.com/news/europe/21717043-biggest-difference-now-between-imf-and-europeans-greeces-creditors-are-now-main>

¹²⁶ Neil Irin, "Greece Wanted to Reframe Europe's Austerity Debate. It Failed.", *The New York Times*, July 1, 2015. Accessed February 23, 2017. Retrieved from <https://www.nytimes.com/2015/07/02/upshot/greece-wanted-to-reframe-europes-austerity-debate-it-failed.html>

¹²⁷ Ibid.

NPLs, and tax revenue will fail to increase. Since most of Greek debts are owned by the ECB,¹²⁸ failure to pay back the debt would shift the burden onto other European countries. As Greece continues to be trapped under its high debt burden, its situation threatens to damage the whole euro system in the long run.¹²⁹

▲ **U.S. Interests: Why Greece Remaining in the Eurozone matters**

The Greek question of whether to Grexit or not, is an extraordinary situation for Europe and the U.S. While Germany and the Netherlands are inflicting austerity on the Greeks without substantial debt relief¹³⁰, the IMF has refused to join future bailouts without debt forgiveness. The uncertainty of the coming elections in Europe, namely Germany, France, and the Netherlands, makes solving the Greek question even more challenging. Greece is again on the verge of quitting the eurozone as the Greek government rejects austerity methods, even if that is the only way they will get bailed out. If Greece cannot get out of the debt trap, a Grexit is likely to occur.

It is possible that a domino effect could happen if Greece drops out of the Eurozone. As the periphery countries are increasingly becoming more isolated by the core countries, it is likely that periphery countries will follow in the footsteps of Greece. If Greece or any country is forced to exit, the whole Eurozone will falter, and through financial contagion the global economy will be affected. This could have a detrimental impact on the U.S., as U.S. is a creditor of the IMF and a key player in global economy. Despite the effect Greek economic problems have on the rest of the Eurozone, Greece's membership in the Eurozone is still important.

▲ **Solutions for Greece**

Comprehensive reforms are necessary in Greece to achieve sustainable growth and competitiveness. This includes fiscal reforms in order to prevent tax evasion, the strengthening of bank governance in order to preserve financial stability, and reformation of the labor, production and service markets in order to enhance competition and growth in the economy.¹³¹

To overcome tax evasion, tax systems should be upgraded and reformed. Transparency must be promoted and practiced in order to regain the trust between the government and the people. Authorities must strengthen institutions and send a strong signal that Greece does not tolerate tax evasion.¹³² An independent revenue agency can be put in place to prevent political interference¹³³

Greek authorities should also take further steps to privatize state assets, to signify to investors that Greece is ambitious in opening markets, and to strengthen the support for the labor market.¹³⁴ Since there is no flexibility in the exchange rate, institutional reforms are needed. The institutional reforms are a key

¹²⁸ Silvia Amaro, "Debt crisis 2.0? Worries return to Europe as ECB could be forced to continue with stimulus", CNBC, Feb. 13, 2017. Accessed February 23, 2017. Retrieved from <http://www.cnbc.com/2017/02/13/debt-crisis-20-worries-return-to-europe-as-ecb-could-be-forced-to-continue-with-stimulus.html>

¹²⁹ Ibid.

¹³⁰ William Black, "When will the EU and the ECB Stop Torturing the Greeks?", New Economic Perspective, Jan. 31, 2017. Accessed February 23, 2017. Retrieved from <http://neweconomicperspectives.org/2017/01/will-eu-ecb-stop-torturing-greeks.html>.

¹³¹ International Monetary Fund. European Dept. "Greece: 2017 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Greece." February 07, 2017. Accessed February 23, 2017. Retrieved from <http://www.imf.org/en/Publications/CR/Issues/2017/02/07/Greece-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-44630>.

¹³² Ibid.

¹³³ Ibid.

¹³⁴ Ibid.

priority to the economy due to its large impact on growth.¹³⁵ Other than improving the efficiency of the judicial system and the banning of corruption, it is essential that authorities develop ways to promote innovation, patents, and university-industry collaborations.¹³⁶ Existing reforms should also be complemented with EU funds to support training programs for the unemployed to join the labor force.¹³⁷ While worker's rights to strike should be preserved, authorities will need to align their industrial action framework by setting appropriate requirements for calling strike.¹³⁸

Case Study: Italy's Banking Crisis

Unlike Greece, Italy's NPLs are on a larger scale and have reached 360 billion euros. These account for one-third of the total amount of bad assets in the Eurozone's banking sector.¹³⁹ At present, the Italian banking industry has 200 billion euros of loans that cannot be recovered, of which 85 billion euros are not yet written down, which occupies 1/5 of Italy's GDP.¹⁴⁰

The banking crisis in Italy originated from the financial crisis of 2008, and NPLs have increased steadily since then. Italy's financial sector has been mired by the legacy of bad loans and its economy has been growing by less than 1% since 2015. In fact, Italy's economic growth is 8% slower than it was during the 2008 financial crisis.¹⁴¹

Italy is one of the largest economies within the Eurozone. As such, a disruption in the economy, or a financial collapse would have hugely detrimental impacts on the entire Eurozone. Financial contagion could potentially spread to the U.S. and other parts of the world. Italy is also a key trading partner with the U.S., whose banks hold approximately 42 billion euro worth of increasingly risky Italian bonds.¹⁴² The situation is further escalated by the timing of European elections this year, as Italy's crisis threatens to cause unmanageable disruptions in production. Ergo, the threats the Italian banking crisis poses to European unity is a crucial topic for Europe and the U.S. in the coming months.

▲ Banks of Italy

At the core of Italy's banking is Banca Monte dei Paschi di Siena (MPS) that now holds 50 billion euros of bad loans.¹⁴³ In 2016, it spent the year struggling to shed 28 billion euros in NPLs (accounting for 36% of the bank's loan portfolio). The bank's financial crisis worsened with the addition of a liquidity problem when investors and depositors began withdrawing their money.¹⁴⁴

¹³⁵ Ibid.

¹³⁶ Ibid.

¹³⁷ Ibid.

¹³⁸ Ibid.

¹³⁹ "Hard Times for Italian Banks," 2015, accessed February 24, 2017, <http://bruegel.org/2016/02/hard-times-for-italian-banks/>.

¹⁴⁰ Ibid.

¹⁴¹ Ibid.

¹⁴² "Financial Stability Report," November 02, 2016, accessed February 25, 2017, <https://www.bancaditalia.it/pubblicazioni/rapporto-stabilita/2016-2/en-FSR-2-2016..>

¹⁴³ "The Australian," July 15, 2016, accessed February 25, 2017,

<http://www.theaustralian.com.au/business/financial-services/new-crisis-revolves-around-worlds-oldest-bank-monte-dei-paschi/news-story/b3fa9e0defb617fad2fd013b094d9cb5>.

¹⁴⁴ Cheyenne Ligon and Allison Fedrika, "The Evolution of Italy's Banking Crisis," *Geopolitical Futures*, December 30, 2016, <https://geopoliticalfutures.com>.

Atlante, a government created and privately backed government rescue fund,¹⁴⁵ made bankers momentarily optimistic by raising 4.25 billion euro from 70 mostly private investors to save the weaker banks. However, it failed to accumulate any more capital once investors began downgrading the values of stakes in Atlante, just months later.¹⁴⁶ Thus, MPS' failure to privately solve its financial problems left the government as the banks only remaining source for rescue. It formally requested aid from the Italian government, and on December 23, 2016 and the Italian cabinet announced that the bank would be rescued through a 20 billion euro fund.¹⁴⁷

In addition to the problems at MPS, other Italian banks are also in trouble. Rome is also looking to inject a 5 billion euro loan into Veneto Banca and Banca Popolare di Vicenza, two banks that rapidly spent large amounts of money and "suffered a plunge in liquidity and capital."¹⁴⁸ This "precautionary recapitalization"¹⁴⁹ plan to bail-in the banks still needs regulatory approval. Italy is already in talks with Brussels about using the same mechanism for an 8.8 billion euro rescue of MPS.¹⁵⁰

▲ **How to rescue the banks; Who gets the haircut?**

The conflict over whether to put the burden for recapitalizing troubled Italian banks on creditors and depositors (the EU Commission view) or through the ECB on European taxpayers, continues to delay resolution of the Italian crisis. The ECB wants to ensure the wellbeing of the lender irrespective of the cost to the taxpayer. Meanwhile the Commission, where taxpayer support matters, is concerned that any sign of preferential treatment for MPS will spark complaints from other EU lenders.¹⁵¹ As a result, the approval process of Rome's proposal to recapitalize MPS has been moving slowly since December as the ECB (MPS bank's supervisor) and the European Commission (which policies state aid) "have different views on the responsibilities and merits of taxpayer bailouts."¹⁵²

▲ **Stuck In Limbo**

Another reason for the delayed state rescue of MPS is that the Commission and ECB are also at odds over MPS' capital plans. The ECB thinks that MPS should get 8.8 billion euro in capital. "But the EU sees it as essential to have a more detailed plan from the Single Supervisory mechanism (SSM), to set out levels of expected losses, and explain how capital needs were calculated, in order to approve the legal use of state support."¹⁵³ Thus "the Commission is unwilling to advance discussions on restructuring measures required as a condition of receiving state aid before a capital plan is agreed."¹⁵⁴ However, the ECB has yet

¹⁴⁵ "Bank of Italy Governor Visco on the Atlante Fund: 'It's the effective response' to the Financial System's NPL Problem," April 14, 2016, accessed February 24, 2017.

¹⁴⁶ Zoie O'Brien, "There's NO STRATEGY' Extraordinary Outburst from Italy's Bailout Boss amid Banking Crisis," *Express*, February 8, 2017, <http://www.express.co.uk/news/world/764564/Italy-s-bailout-banks-crisis-Alessandro-Penati>

¹⁴⁷ Ligon and Fedrika, 1.

¹⁴⁸ Lana Clements, "Italian Banks on Brink of Running DRY: Rome Forced to Bend EU Rules in Emergency Bailout," *Express*, February 15, 2017, <http://www.express.co.uk/finance/city/767721/Italy-banks-bailout-Rome-EU-rules>.

¹⁴⁹ *Precautionary Recapitalization*, a measure for states to pump money into banks without infringing on state aid rules

¹⁵⁰ Alex Barker, Claire Jones, and Rachel Sanderson, "Brussels and ECB Split on Monte Dei Paschi's Capital Proposals," *Financial Times*, February 23, 2017.

¹⁵¹ *Ibid.*

¹⁵² Alex Barker, Claire Jones, and Rachel Sanderson, "Brussels and ECB Split on Monte Dei Paschi's Capital Proposals," *Financial Times*, February 23, 2017,

¹⁵³ *Ibid.*

¹⁵⁴ Rachel Sanderson, Alex Barker, and Claire Jones, "Italy Considers €5bn State Bailout of Regional Banks," *Financial Times*, February 14, 2017, <https://www.ft.com/content/b7b55e26-f2a1-11e6-95ee-f14e55513608>.

to receive such a capital plan from MPS as part of its bailout. Consequently Italy is at a bizarre stand-off; while Brussels is waiting for the SSM to approve a capital plan with MPS in order to finalise the restructuring terms, Frankfurt is waiting for the Commission to accent to a plan to restructure MPS and approve state aid.¹⁵⁵

▲ Italian Problems are European Problems

The Italian banking crisis is expected to have risks greater than Brexit. If not dealt with correctly, it has the potential to take down the entire Eurozone economy as risk-averse investors will avoid Italian assets and consequently impact the value of the euro. Failures of MPS and other banks would also have systemic effects on the euro and have negative repercussions for other economies in the eurozone.¹⁵⁶

The divergence between Italy's national needs and the EU's needs makes finding a solution to the banking crisis especially challenging. While Italy wants to protect its taxpayers, the EU wants depositors to assume the burden of debt instead of the ECB.¹⁵⁷ Italian lenders are stuck and the economy only grew 0.2 percent in the final quarter of 2016- "but under EU rules brought in after the financial crisis, retail investors must be hit before state money is used for bailouts; this would be devastating for savers and pensioners."¹⁵⁸ Article 32 of the EU "Banking Recovery and Resolution Directive," states that banks must go through precautionary recapitalization or a "bail in" before they can receive state funds. This is meant to protect the taxpayers from assuming whole encumbrance of the bail-out, but means bank bondholders will have to take an 8 percent loss in assets.¹⁵⁹

Italy is the "swing state" of the Eurozone, in that the impact of the decisions made in the euro crisis will have a major political impact on the rest of the EU. Italy is not far away from having a parliament with a majority that will want to leave the euro.¹⁶⁰ The rejection of Prime Minister Renzi and his negotiator approach to the EU at the December 4 referendum reflects the increasing public opinion that "Italy should do what is best for Italy, even at the expense of the EU" (A).¹⁶¹ If the EU doesn't allow the Italian government to protect its retail investors through a bailout, national parties that have promised a Brexit style referendum will likely gain momentum. This would severely escalate the political tensions already underway.¹⁶²

On the other hand, Germany is the main force behind the ECB's opposition to bailouts. In the face of its own imminent exporter crisis, as well as the political elections in 2017, it cannot afford to shoulder the high burden of bolstering the Eurozone. Thus, the "EU needs to be flexible enough to avoid the financial collapse, but at the same time stringent enough to preserve the union's institutional integrity."¹⁶³

▲ Lessons from Italy's banking crisis

Three lessons can be learned from Italy's banking crisis: i): Delaying the reform of the banking system was costly; it made Italian banks complacent and the crisis more complicated to deal with.¹⁶⁴ ii): It seems

¹⁵⁵ Barker, Jones, Sanderson.

¹⁵⁶ Ligon and Fedrika.

¹⁵⁷ Ibid.

¹⁵⁸ Clements.

¹⁵⁹ Ligon and Fedrika.

¹⁶⁰ Clements.

¹⁶¹ Ligon and Fedrika.

¹⁶² Ibid.

¹⁶³ Ibid.

¹⁶⁴ "An Italian Take on Banking Crisis," 2015, accessed February 26, 2017, <http://bruegel.org/2016/10/an-italian-take-on-banking-crisis/>

that Italian approach to the EU Bank Recovery and Resolution Directive (BRRD) is not long-term, such as the creation of Altante that was meant to be “a shareholder of last resort,”¹⁶⁵ but ultimately failed. iii): The crisis now is not liquidity but solvency, showing how quickly liquidity crisis could lead to a long-term solvency problem.

As Brussels, Frankfurt, and Rome continue to debate on how to rescue Italian banks and who will pay for it, the recurrent narrative of the discrepancies between the core and periphery countries is yet again at play. This time, the approaching elections escalate the stakes- every economic problem is another rallying call for Eurosceptics. As the Eurozone makes attempts to learn from its previous crisis through measures meant to prevent bail-outs, bail-ins have become the default option for Italian banks in distress. Europe will have to navigate the delicate lines between evading the collapse of its financial sector, maintaining the financial probity and legitimacy of its institutions, and dissipating the increasingly anti-EU rhetoric of populist movements.

U.S. Policy Recommendations for the Eurozone Crisis

Encourage the EU to take steps to stabilize crisis economies (through debt relief) and restore growth potential, in tandem with needed structural adjustments.

Support greater reliance on expansive fiscal policies in surplus countries (especially Germany) to stimulate demand and step up exports from deficit countries in crisis.

Encourage debt relief or grace extensions from Greece’s European partners and the IMF as austerity is not the solution to Greece’s massive debt.¹⁶⁶

Promote the creation of a single banking supervisory system for the Eu, and assist where possible in strengthening the harmonizing transatlantic financial supervision.

Strengthening the Transatlantic Economy through TTIP

The negotiation of a comprehensive trade and investment agreement with the EU to resolve remaining tariff and nontariff barriers to transatlantic trade, is one way the U.S. can support European economies while simultaneously improving its own.

▲ Expanding Trade and Investment Across the Atlantic

TTIP, is unprecedented in its scope. If successful, it will converge the world’s two largest economies, responsible for 45% of global trade,¹⁶⁷ to create the biggest free trade in the world by lowering barriers to trade and investment between the U.S. and Europe. TTIP would lower tariffs, harmonize regulations, eliminate custom duties, red tape, and restriction of investments, between the EU’s 28 countries and the

¹⁶⁵ Ibid.

¹⁶⁶ International Monetary Fund. European Dept. "Greece: 2017 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Greece." February 07, 2017. Accessed February 23, 2017. Retrieved from <http://www.imf.org/en/Publications/CR/Issues/2017/02/07/Greece-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-44630>.

¹⁶⁷ Tyson Barker, “How TTIP Lost Steam,” *Council on Foreign Affairs*, September 28, 2016, 1.

U.S., across a multitude of sectors and industries. Through the reduction of trade tariffs and nontariff barriers such as regulation that slow the supply chain transactions which are critical to U.S.-European trade, the agreement would establish a framework that will make the interaction between the two sets of systems more efficient. It would increase access to services and government procurement markets, create jobs, widen choices and lower prices, and boost both U.S. and EU economies.¹⁶⁸

Since President Obama's mandate of TTIP in 2013, the U.S. trade representatives have met with the EU Commission in 15 negotiating rounds.¹⁶⁹ There has been considerable progress in exchanging offers to eliminate duties on 97% of tariff lines and to reduce delays at borders by removing unnecessarily burdensome requirements. Negotiators have also agreed on the importance of transparency and due process in the trade remedy procedure, and to include strong obligations to protect the environment and labor rights.¹⁷⁰ There has been some push back and criticism of the deal by misinformed organizations and the public in both regions. However, the continuation of TTIP negotiations is imperative to U.S. economic interests.

▲ **U.S. Interests: Revitalizing the U.S. Economy**

The reduction in costs for businesses that result from the elimination of the redundancies, and unnecessary differences in regulatory processes across the Atlantic will make American goods, services, and markets more competitive. The quality of goods and services will still be preserved however, as both highly developed regions have strict standards that will simply be harmonized. Thus, American goods and services could become cheaper, more innovative and increase in variety, from negotiating TTIP.¹⁷¹

Harmonizing or mutually recognizing each other's regulations could also massively stimulate U.S.-EU trade, especially supply chain components, and two-way investment. The U.S. and EU are each other's primary destination for foreign direct investment (FDI), and their mutual investment ties out-size the trading relationship as the mainstay of the transatlantic economy. Thus, even a marginal improvement in efficiency in the area of investment rules will benefit sales and jobs.¹⁷²

TTIP will democratize transatlantic trade by increasing the involvement of Small and Medium Sized Enterprises (SME) who do not currently have the funds to deal with the high costs of building a product according to the different European and U.S. standards. Greater inclusion of SME into the market through the reduction in layers of regulatory systems, will allow smaller firms and entrepreneurs to stimulate the market through job growth, competition and the introduction of innovative products and services.

The macroeconomic strategic logic for the U.S.-EU free trade area is clear. Independent assessments indicate that both sides could gain significantly in terms of GDP growth over ten years.¹⁷³ The trade deal could add in total over \$106 billion to United States economy and all 50 states would increase exports to

¹⁶⁸ Questions and Answers (TTIP) - Trade - European Commission," *European Commission*, accessed February 22, 2017, <http://ec.europa.eu/trade/policy/in-focus/ttip/about-ttip/questions-and-answers/>.

¹⁶⁹ Michael McKeon, "B|Brief: TTIP Negotiators Make Small Gains, No Major Breakthroughs in Final Round before US Elections | Bertelsmann Foundation" (Bertelsmann Foundation, October 21, 2016), <http://www.bfna.org/publication/bbrief-ttip-negotiators-make-small-gains-no-major-breakthroughs-in-final-round-before-us>

¹⁷⁰ "US-EU Joint Report on TTIP Progress to Date" (Executive Office of the President of the United States, the European Commission, January 17, 2017).

¹⁷¹ Barker, 1.

¹⁷² Andrea Montanino and Earl Anthony Wayne, "Ten Arguments for TTIP and the Concerns to Address" (Atlantic Council, April 2016), 5.

¹⁷³ Karel De Gucht, "Aiming High: The Values-Driven Economic Potential of a Successful TTIP Deal," in *Debate the Issues: Investment*, by OECD (OECD Publishing, 2016), 66, doi:10.1787/9789264242661-14-en.

the EU. It would also add jobs related to the TTIP with nationwide net employment gain of 750,00 new jobs in the U.S. alone due to increased trade.¹⁷⁴ “The American household will gain approximately 865 dollars annually because of higher wages with export oriented jobs and additional disposable income available to families from lower costs of imports from Europe.”¹⁷⁵

▲ American Global Leadership by Example

TTIP represents another key strategic opportunity for the U.S. and EU to establish high standard practices in investment, trade, and protections for other trading partners to emulate.¹⁷⁶ It will help other countries see the advantages of high standards rules based on an international economic system¹⁷⁷ that has strong protections for workers, the environment, and intellectual property.¹⁷⁸ It will also be a model for emerging markets that typically subscribe to a different economic model, on how to treat trade and foreign investment¹⁷⁹ with the U.S. and EU. U.S.-EU harmonization of standards will make it more worthwhile for other countries to develop their own policies similar to the transatlantic model; TTIP will subsequently be reshaping how world trade and investment is conducted.¹⁸⁰

Additionally, TTIP could become a significant political tool for the U.S. It would be a reminder to Russia of the power of a market based democratic system and a sign of economic vitality linking the two sides of the Atlantic.¹⁸¹ The U.S. would be able to negotiate with both China and Russia from positions of strength in sectors from internet governance to energy.¹⁸² TTIP’s chapter on energy could furthermore provide options for increased U.S. energy sales to Europe and consequently reduce the vulnerability of European allies to political or economic coercion from a dominant energy suppliers like Russia.¹⁸³ It would be a clear that Europe and the U.S. stand together on trade, like they do on security and politics.¹⁸⁴

TTIP also has the potential to reinforce the shared values of Europe and the United States of democracy, liberty, rule of law, market based systems, human rights and environmental protection, and a global rules-based trading system.¹⁸⁵ In a time when many of these “values are under attack and there are competing models of what should be, the TTIP will build a mutually reinforcing virtuous circle that strengthens each other’s ability to work together on crisis issues.”¹⁸⁶ “The negotiations will signal the deepened relationship,”¹⁸⁷ between the U.S. and EU and demonstrate a united transatlantic front.

▲ Challenges to TTIP: Addressing the Concerns

TTIP has received some negative press due to misunderstandings around the agreement’s potential features. Opponents have assailed the Investor-State Dispute Settlement (ISDS) that allows foreign

¹⁷⁴ Tyson Barker, “How TTIP Lost Steam,” *Council on Foreign Affairs*, September 28, 2016 1

¹⁷⁵ Garret Workman, Jordan Smith and Atlantic Council, “Bridging the Transatlantic Economy: The Transatlantic Trade and Investment Partnership in Historical Perspective” (2013 Mortimer Caplin Conference on the World Economy: Miller Center, university of Virginia, Decemeber 2, 2013), 1.

¹⁷⁶ Ibid.,2.

¹⁷⁷ Ibid.,3

¹⁷⁸ Ibid., 4.

¹⁷⁹ Ibid., 6.

¹⁸⁰ Workman and Smith, 9.

¹⁸¹ Montanino and Wayne, 2-3.

¹⁸² Barker, 2.

¹⁸³ Montanino and Wayne, 7.

¹⁸⁴ Ibid., 13.

¹⁸⁵ De Gucht, 66.

¹⁸⁶ Montanino and Wayne, 9.

¹⁸⁷ Workman and Smith, 1.

investors and firms to challenge government impose conditions on business they regard as discriminatory. Critics claim that ISDS is, “an extrajudicial and undemocratic shortcut for the private sector to manipulate daily life to the advantages of foreign business,” and will undermine the power of local courts to overturn good regulations.¹⁸⁸

However, the provision is meant to “encourage foreign investment in states where there is some political risk,”¹⁸⁹ and both European and American negotiators have already insisted on the inclusion of investment protections in the TTIP accords.¹⁹⁰ Furthermore, there has never been any ISDS case brought against the three largest TTIP economies (France, Germany, and U.S.) that has ever succeeded.¹⁹¹ “Any actual awards from dispute settlements have had extremely limited impacts on existing regulations.”¹⁹²

Other concerns around TTIP contend that the negotiations are actually about “lowering standards to benefit corporate interests at costs of consumer’s health, workers’ rights, and environmental safety.”¹⁹³ These anxieties are especially applied to the European agricultural sector around subsidies and genetically modified organisms. However these accusations are unfounded; TTIP is not about lowering regulatory standards.¹⁹⁴ Where the U.S. and EU agree, they will see what can be achieved together; where they will continue with their own approach.¹⁹⁵ TTIP would include strong obligations to protect the environment, consumer health, and labor rights to prevent any diminishment of the high levels of consumer, worker, health, safety, and environmental protection.¹⁹⁶

European anxiety that TTIP will limit the government’s control over corporate activities regarding data and privacy has also triggered resistance.¹⁹⁷ The EU’s protectionist stance in digital areas to shield its citizens from excessive corporate and state intrusion, has prompted suspicion that trade deals with the U.S. will water down European data protection laws.

However global trade increasingly relies on data as a new vital commodity, and digitally delivered services will grow fast in the next ten years.¹⁹⁸ Europe lags behind the U.S. on *digital density*¹⁹⁹ but “if 6 of Europe’s leading economies were to raise their digital density to match that of America’s they would produce \$460 billion of additional economic output per year.”²⁰⁰ The success of American companies like Facebook, Twitter and Google were due to their ability to establish services that led the market in groundbreaking innovations. Europe should be encouraged to bolster its businesses by stimulating the same culture of entrepreneurship that produced the American companies that the EU now fears.²⁰¹

¹⁸⁸ Barker, 3.

¹⁸⁹ Ibid.

¹⁹⁰ Montanino and Wayne, 6.

¹⁹¹ Barker, 3.

¹⁹² Montanino and Wayne, 6.

¹⁹³ Ibid., 14.

¹⁹⁴ Workman and Smith, 9.

¹⁹⁵ De Gucht, 67.

¹⁹⁶ “US-EU Joint Report on TTIP Progress to Date” (Executive Office of the President of the United States, the European Commission, January 17, 2017).

¹⁹⁷ Evgeny Morozov, “What Happens When Policy Is Made by Corporations? Your Privacy Is Seen as a Barrier to Economic Growth,” *The Guardian*, July 12, 2015, sec. Opinion, <https://www.theguardian.com/commentisfree/2015/jul/12/ttip-your-data-privacy-is-a-barrier-to-economic-growth>.

¹⁹⁸ Carl Blidt, “EU Should Resist Urge to Rig the Rules of Cyber Space,” *Financial Times*, May 3, 2015, <https://www.ft.com/content/5d626a4e-f182-11e4-88b0-00144feab7de>.

¹⁹⁹ Digital Density: The level at which countries consume, process, and share data.

²⁰⁰ Morozov.

²⁰¹ Ibid.

▲ Where TTIP Negotiations Stand Now

TTIP represents the recognition that the current liberalization model is stuck and in need of a jump start. The multilateral nature of the World Trade Organization (WTO) has made it so that it is unable to move ahead with new rounds, and both Europe and the U.S. need new ways to spur economic growth and employment.²⁰² At this time when monetary institutions have few additional tools to deploy, bilateral or regional agreements that draw on comparable economic structures between the U.S. and EU like the TTIP would be an effective means to stimulate economies.²⁰³

The most recent round of negotiations, held last October, saw forward movement in areas of customs and trade facilitation, state to state dispute settlement, energy in raw materials, SME, and sustainable development. More than 20 negotiating groups made progress in resolving the “conceptual and technical differences in previously tabled texts,” and the TTIP chapter on competition is reportedly near completion.²⁰⁴

However, six of the nine sectors under negotiation, including chemical cosmetics, information and communication technology, pesticides, and engineering and textiles, require more attention. Additionally, the more politicized issues of the agreement such as market access services, and government procurement investment production, were left to resolve. Should TTIP deliberations continue, negotiators would have their work cut out for them. The scope and goals of TTIP are ambitious, but negotiators from both sides have reaffirmed their commitment to continue deliberations under a new U.S. administration.²⁰⁵

U.S. Policy Recommendations

Continue TTIP negotiations. To neglect this agreement would be to miss an enormous opportunity to boost the U.S. economy and to demonstrate world leadership at the forefront of global trade.²⁰⁶

Work to meet the interests of all the stakeholders during negotiations.²⁰⁷ The most important issues for stakeholders include the convergence in process by which regulations are designed and implemented, the convergence in regulations and standards for manufactured goods, work on sanitary and phytosanitary measures, the lowering and eliminating tariffs, and the convergence in financial service regulation. Data protection and privacy is also important, as well as the protection of environmental and labor standards. Keep these concerns at the core of negotiations to ensure that TTIP is successful.

A high level of political commitment by the U.S. officials at the presidential and senior ministerial level is vital to ensure that negotiations do not get bogged down in the details. Both the U.S. and the EU must be willing to learn the value of compromise and deep and sustained leadership on both sides at the presidential level will be required.²⁰⁸

²⁰² Montanino and Wayne, 4

²⁰³ Ibid., 20.

²⁰⁴ Michael McKeon, “B|Brief: TTIP Negotiators Make Small Gains, No Major Breakthroughs in Final Round before US Elections | Bertelsmann Foundation” (Bertelsmann Foundation, October 21, 2016), <http://www.bfna.org/publication/bbrief-ttip-negotiators-make-small-gains-no-major-breakthroughs-in-final-round-before-us>

²⁰⁵ Ibid.

²⁰⁶ De Gucht, 68.

²⁰⁷ Ibid., 66.

²⁰⁸ Kara Sutton, “TTIP Negotiations: A Summary of Round 1,” Report (Washington: Bertelsman Foundation, August 2013).

Chinese Investments in Europe

Preceding the Eurozone crisis, European-Chinese economic relations were developing dynamically. Since the 70s, China's economy has been working rapidly towards a market based model, indicating a shift in the nature of Chinese trade arrangements with international groups²⁰⁹. Yet, this transition itself warrants certain apprehension. With Chinese domination of steel posing challenges to European industry and rising debates over safeguarding protective measures against Chinese Market Economy status. It is apparent that enhanced Chinese economic activity will radically alter Chinese-EU relations.

The economic deterioration of Eurozone has enhanced China's importance to Europe as European desires to seek alternative economies for investment grow. China is now the EU's second biggest trading partner, with the EU as China's largest trade partner. Although the increasing liberalization of the global market has brought these two traders closer, it has also created reason for concern on the topic of reciprocity and foreign investment within the continent.²¹⁰

As of 2016, trade with China was worth one fifth of EU imported goods, however the EU only exports one tenth, indicating a clear imbalance in their trading relationship. Additionally, Chinese investment flows into the EU rose to a record high of €40 billion last year, while EU investment into China fell to €8 billion.²¹¹ Today, Chinese influence in the global market and financial system has enlarged tenfold. Seemingly unaffected by the Global Financial Crisis and Eurozone Crisis, continuous Chinese economic growth suggest its own dialogue on visions of a new global financial and economic order.²¹²

▲ **Greater Importance**

Since the formation of the European Coal and Steel Commission in 1952, the U.S. has been adamant on two goals: facilitating free trade amongst the transatlantic nations and supporting further European integration.²¹³ As the EU's largest trading partner, the economic prosperity and integrity of the EU is imperative to the U.S and symbiotically promotes U.S. economic prosperity. The economic strength of the EU and individual EU states is not only essential on a trade basis, but also on a political and stabilizing basis, as it legitimizes the Transatlantic Alliance. As a steadfast advocate of trade globalization, the U.S. also applauds trade policy instruments and comprehensive negotiations as a means of ensuring a level global playing field.²¹⁴

▲ **Chinese Interference in the European Steel Industry**

Until 2005, the EU was a leading net exporter of steel.²¹⁵ This came to an end with significant increases in steel imports from China. Europe's steel industry has lost one fifth of its workforce and demand remains at 25% below the levels before the 2008 financial crisis, while Chinese production of steel has risen by more than 300%.²¹⁶ Following this rise in Chinese production capacity, there has been a movement of

²⁰⁹ Derek E. Mix, "The United States and Europe: Current Issues," *Congressional Research Service*, no. 7-5700 (n.d.).

²¹⁰ "Accessing Markets - Trade - European Commission." Accessed February 20, 2017. <http://ec.europa.eu/trade/policy/accessing-markets/>.

²¹¹ Zalan, Eszter. "EU Countries Agree to Reinforce Trade Defence." Accessed February 19, 2017. <https://euobserver.com/economic/136260>.

²¹² Ibid.

²¹³ Mix, 16.

²¹⁴ Mix, 14.

²¹⁵ Ibid.

²¹⁶ Lagneaux, Frédéric, and David Vivet. "The Belgian Iron and Steel Industry in the International Context. NBB Working Papers. No. 160, 11 March 2009." Working Paper, March 2009. <http://aei.pitt.edu/10971/>.

producers relocating their capacities toward these areas of high growth potential. Although this phenomenon applies throughout all BRIC²¹⁷ countries, the Chinese steel industry is of the largest concerns to European industry in size, status, and geographical proximity.

Executives within the European steel community accused China of using its overcapacity at steel mills to dump goods into the European market beneath costs of production.²¹⁸ Whereas it is true that Chinese steel has acquired increasing shares within the global market, the U.S. does not face the same threats to domestic steel industry as Europe. A simple explanation to this identifies geography as a main differentiator between the two trading bodies. Higher transport costs act as a brake on the international steel trade, rendering Chinese steel exported to the U.S. as less competitive compared to steel produced directly within the U.S.²¹⁹ Thus, by mere cost of travel, the U.S. steel industry is less vulnerable to Chinese interference.

Our partners in Europe do not share this same sense of geographic protection. Furthermore, current dialogue between the EU and China on the topic of a potential infrastructure project linking Europe and Asia by rail, as well as formal recognition of China as a full Market Economy only furthers European vulnerability.

The Belt and Road initiative, aims to improve cross-border infrastructure in order to reduce transportation costs between China and Europe. However, movement towards an infrastructure policy as such lessens the barrier of transportation cost.

Concerns regarding the steel industry have also been central to the heavy political debate in Brussels over whether the EU and WTO should award market economy status to China. This debate hinges on the terms of China's accession agreement to the WTO in 2001. Within the agreement, Beijing interpreted the accord to indicate automatic status by the end of 2016.²²⁰ To join the WTO, Beijing accepted the condition that in justified cases the EU may impose anti-dumping tariffs on goods manufactured in China. Some of these procedures were thought to lapse after 15 years, significantly limiting EU anti-dumping tariffs imposed on Chinese-made goods. The process for imposing retaliatory tariffs is considerably more difficult upon a market economy, as their price structures are, by definition, to be set fairly.²²¹

▲ Trade Defense Measures

Although the EU is committed to preserving the global liberalization of trade, the reformation of trade defense instruments has become a recent key priority of the EU Commission.²²² Coming into 2017, the EU agreed to reinforce the bloc's trade defense instruments in order to better protect European businesses and markets. These instruments are primarily aimed at targeting the damage that Chinese overcapacity in steel has caused European business. The EU has looked to increase tariffs on Chinese steel after manufacturers were forced to cut jobs due to falling prices and demand for the material amid an influx of cheap imports from Asia.²²³

Although discussions on the topic of modernizing trade defense tools were present within the Commission since 2013, the meeting last December was the first fundamental review of the EU's trade

²¹⁷ BRIC – Emerging economies of Brazil, Russia, India, China

²¹⁸ Lagneaux, 4.

²¹⁹ Garcia-Herrero, 3.

²²⁰ “EU States Call for Action against China Steel Dumping.” *Financial Times*. Accessed February 19, 2017.

²²¹ Ibid.

²²² Ibid.

²²³ Françoise Nicolas, “China’s Direct Investment in the European Union: Challenges and Policy Responses,” *China Economic Journal* 7, no. 1 (January 2, 2014): 103–25, doi:10.1080/17538963.2013.874070.

defense instruments since 1995.²²⁴ However, with large scale changes in the world market since the late mid-90s, Europe must re-evaluate its current trade environment in order to defend its interests, especially in case of dumping.

However, a point of concern surrounds the Slovak Compromise – which stated that within its trade defense policies the EU wishes to keep the lesser duty rule, imposing tariffs at the lowest level possible, but suspend it in justified cases of “state-induced distortions” in raw material and energy – discussed at the December 2016 Commission meeting.²²⁵ This ruling has appeared to cause divisions amongst EU nations as Britain and several Nordic Countries are in opposition to modifying the lesser duty rule on the grounds that it provided adequate protection for industries. The U.S. has no such lesser duty rule, meaning that it retains the ability to impose tariffs of 266%, while the EU is limited to 21% on Chinese steel dumping.²²⁶

In protecting the security of EU industries and business the U.S. should encourage the EU to engage in negotiations that further regulate trade between the EU and China as well as support the reinforcement of trade defense measures. The U.S. should also reevaluate existing trade defense measures, leading by example, in support of free and fair trade.

These efforts sufficiently act to encourage reciprocity of Chinese investments in Europe. Additionally, with concerns over EU recognition of China as an open market, it is clear that BITs are a necessary tool in enforcing fair trade practices. With the nullification of the Trans Pacific Partnership agreement, the U.S. can seek to strengthen relations with a new transpacific partner, China, while concurrently facilitating a dialogue between the EU and China.

▲ German Concerns with Chinese FDI

With the deterioration of the economic situation within the Eurozone, German producers have begun to seek other non-European markets. Cooperation with emerging economies became an attractive alternative, specifically in China. Although a large portion of global economies were heavily affected by the Global Financial Crisis (GFC), China’s economy continued to grow at a rapid pace. While the average GDP growth rate for EU states from 2009-2015 was only 0.3%, the Chinese growth rate was 8.4%.²²⁷ Chinese shifts towards an increasingly open market, also increased its attractiveness. Therefore today, China is Germany’s third biggest export market, with a German trade deficit of 15 billion.²²⁸

Recently, German-Chinese relations are transforming into a rocky friendship due to an increased economic rivalry between the two nations. German politicians are frustrated with concerns with China abusing the German market’s openness by overinvesting and absorbing German businesses. In response to recent Chinese takeovers of German tech companies, Germany has begun to view the process of Chinese investments in a much more critical manner.²²⁹

Germany fears that its strategic economic interests in the region may be threatened in the long term. There is also worry that should Germany continue to block Chinese acquisition of German companies, China will look to heighten their investments in other Central European companies that operate as sub-vendors to German companies as a secondary attempt at gaining access to German technologies. This friction over

²²⁴ Françoise, 33.

²²⁵ Ibid.

²²⁶ Garcia-Herrero, Alicia, and Jianwei Xu. “China’s Belt and Road Initiative: Can Europe Expect Trade Gains? Bruegel Working Paper ISSUE 5/2016.” Working Paper, September 2016.

²²⁷ Garcia-Herrero, 11.

²²⁸ Ibid.

²²⁹ Ibid.

German and Chinese business also feeds back into the discussion over the status of the Chinese economy. The expectation as of 2001 was that Germany would consent to achieving some kind of compromise with Beijing regarding China's market economy status, fearing a situation of a trade war between Brussels and Beijing that would incite potential losses of German companies operating in the Chinese market.²³⁰

Systematic approaches to regulating inbound foreign investment may help guard against the risk of a protectionist drift inside the EU, as well threats to EU interests. Berlin is becoming increasingly aware of the need to devise and pursue a common EU policy towards China.

The ability to block the acquisitions of domestic companies at an EU level also provides a solution and a mechanism to protect internal economies against hostile takeovers by external investors. This instrument will be effective only when precise regulations are adopted which allow the European Commission to act fully at its discretion.

▲ Chinese BITS

Within the past 30 years, China has adopted a more active role in international diplomacy and treaty making. Chinese investment policy has transitioned from a closed economy to an 'open-door' policy.²³¹ Transformation in Chinese investments and Bilateral Investment treaties (BIT) has resulted in the creation of over 140 treaties.²³² Generally, BITs are used to promote and attract foreign investments by granting protection once established.

China has progressively become an economy that actively encourages foreign direct investment (FDI) as well as outward direct investment.²³³ The surge in Chinese FDI into Europe has the potential to influence and shape a new EU foreign investment regime by exerting both centripetal and centrifugal pressures. Additionally, the rapidly-changing nature of Chinese negotiations draws a point of concern in regards to integrity and reciprocity in newly drafted BITs.

Before the Lisbon Treaty of 2009, BITs were negotiated and drafted by the individual member states of the EU. Individually, these states negotiated over 1,200 bilateral investment treaties (BITs) with third countries.²³⁴ The absence of EU cohesiveness created difficulties for Europe in leveraging market access and shaping international trade norms. The Lisbon Treaty transferred the competence over FDI agreements to the EU, creating a unified European actor.²³⁵ Thus, the European Commission is now able to arrange a fair and mutually beneficial BIT with China.

China today has one of the largest networks of BITs in place, as well as a growing number of very modern free trade agreements (FTAs).²³⁶ China currently has ongoing bit negotiations with the U.S and Europe. Negotiations on the topic of a U.S.-China BIT began in the 1980s and have yet to produce an agreement.²³⁷

Recently, Chinese observers have also noticed a shift in China's approach to BITS and FTAs. Chinese

²³⁰ Ibid.

²³¹ Françoise Nicolas, "China's Direct Investment in the European Union: Challenges and Policy Responses," *China Economic Journal* 7, no. 1 (January 2, 2014): 103–25, doi:10.1080/17538963.2013.874070.

²³² Françoise, 20.

²³³ Françoise, 19.

²³⁴ Konrad Poplawski, "Capital Does Have Nationality: Germany's Fears of Chinese Investments. OSW COMMENTARY NUMBER 230 | 25.01.2017," Policy Paper, (January 2017).

²³⁵ Ibid.

²³⁶ Françoise, 31.

²³⁷ Ibid.

BITs today are lengthier, with increased protective measurements.²³⁸ This has been influenced, in large part, by FTAs and BITs arranged and conducted by the U.S. such as the North American Free Trade Agreement (NAFTA). For example, the China–Mexico BIT, has many similarities to the NAFTA including the definition of ‘investment’ and “the fair-and-equitable treatment provision”.²³⁹

Although attempts to establish a common EU-wide review mechanism may be overly complex, coordination of national policies under the EU Commission, as well as a more systematic and coordinated use of existing mechanisms may appear to be the most realistic option to harmonizing interactions with external investors.²⁴⁰

Developments towards an EU-China BIT, provides an avenue for enhanced American-European cooperation. As it is apparent that Chinese policymakers look to established U.S. BITs when conducting their own negotiations, the U.S. can set precedent for an EU-China arrangement through prior U.S.-China BIT negotiations. Although not involved in the TTIP process, China will no doubt be watching the negotiations with interest while formulating its own BIT with the European Union.

▲ Policy Options

China, as an emerging economy, is a young actor within the global economy. Transitioning from a closed economy to an open door policy, China is still attempting to mold its economic practices to current market standards. Additionally, Chinese practice is less transparent to longstanding and highly globalized economies. As a steady advocate for globalization liberalization, the U.S. encourages China to continue to further trade within the global market and Europe.

However, the U.S. must acknowledge concerns surrounding the integrity and reciprocity of current trade arrangements between the EU and emerging external partners. The U.S. must assess measures of protecting and preserving Trans-Atlantic trade relations against these new external influences in Europe. The U.S. should therefore consider the following when seeking to preserve interests in Europe:

U.S. Policy Recommendations

Encourage a re-enhancement of trade defense measures, ensuring integrity and reciprocity between the two trading entities.

Support EU efforts towards developing a systematic and cohesive policy towards China, enhancing the EU’s bargaining leverage.

Engage in comprehensive and mutually beneficial negotiations on the topic of a UK-U.S. trade arrangement while also re-prioritizing efforts toward a TTIP.

Support dialogue towards a fair and regulated China-EU BIT, aimed at fairly regulating inbound foreign investment.

²³⁸ Françoise, 32.

²³⁹ Ibid.

²⁴⁰ Ibid.

EUROPE'S RESPONSE TO THE MIGRATION CRISIS



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Migration remains a sensitive issue in Europe, as crises all over the world increase the flow of migrants to its core. The UK, Germany, and France are the main recipients of migrants in Europe, each with over 7.8 international million migrants in 2015.²⁴¹ With the increasing population of ethnic minorities came a growing shift towards the far-right, spurring anti-immigration movements in Europe. This is a threat not only to the domestic unity of each respective nation but to EU unity as well. A strong, integrated Europe is ultimately beneficial to the United States and its own national interests.

The term “integration,” is used to describe “the process of economic mobility and social inclusion for newcomers and their children.”²⁴² As such, integration touches upon the institutions and mechanisms that promote development and growth within society.²⁴³ The terms refugee and migrant are often used interchangeably, but their meanings differ because one is within the jurisdiction of international law, and the other is within the domestic jurisdiction of a country’s immigration policies and procedures. The UN Convention Relating to the Status of Refugees defines “refugee” as “someone who has been forced to flee his or her country because of persecution, war, or violence” and “they cannot return home or are afraid to do so.”²⁴⁴ An “asylum seeker” is someone who flees his or her own country to seek sanctuary in another country and applies for asylum, or the right to be recognized as a refugee and receive legal protection and material assistance. “An asylum seeker must demonstrate that his or her fear of persecution in his or her home country is well-founded.”²⁴⁵ “Migrant” describes any person who “moves, usually across in international border, to join family members already abroad, to search for a livelihood, to escape a natural disaster, or for a range of other purposes.”²⁴⁶ On the other hand, an irregular migrant lacks legal status because of unauthorized entry, a breach of a condition of entry, or an expired visa.²⁴⁷ These classifications

²⁴¹ "Twenty countries or areas hosting the largest numbers of international migrants (millions)." Chart. UN.org. 2015. Accessed February 19, 2017.

<http://www.un.org/en/development/desa/population/migration/data/estimates2/estimatesgraphs.shtml?3g3>.

²⁴² “Immigrant Integration.” Migrationpolicy.org. Accessed February 20, 2017.

<http://www.migrationpolicy.org/topics/immigrant-integration>

²⁴³ Ibid.

²⁴⁴ “What is a Refugee? Definition and Meaning.” USA for UNHCR. Accessed February 20, 2017.

<http://www.unrefugees.org/what-is-a-refugee/>.

²⁴⁵ Ibid.

²⁴⁶ “UNHCR|Emergency Handbook.” UNHCR|Emergency Handbook. Accessed February 20, 2017.

<https://emergency.unhcr.org/entry/44938/migrant-definition>.

²⁴⁷ Cenderello, Alessandro, and Julie McQueen. *Managing the EU migration crisis: From panic to planning*. Report. Ernst & Young Global Limited. Ernst & Young Global Limited. 2.

overlap greatly and are often exacerbated by EU disorganization in the process of asylum application. For the purposes of this paper, the general term “migrant” will be used to encompass all of these groups.

Migration as a process has two main areas for discussion. First there is the process of migrants leaving their home country, and attempting to enter the host country. This is the aspect that is generally highlighted in the mainstream media, with photos of thousands of people crossing the sea in ramshackle boats. The second issue is how to manage the flow of migrants once they arrive in the host country, the focus of this chapter. This includes national, and supranational policies towards asylum applicants, integration, and how to manage such large influxes of vulnerable people. Within this narrowed lens, issues that threaten European stability will be given the most attention.

Policies that encourage the unity between EU member states should be strongly supported. It is significant that the United States demonstrate support in this ongoing migration crisis, as it will help relieve the pressures member states are experiencing, as well as help mend existing tensions. The cohesion, stability, and cooperation of European Union serve a key interests of the United States. With these aspects, a more unified European Union can strengthen its position as a global actor, as well as strengthen its existing relations with the United States. This can further United States’ objectives of security and stability throughout the international community.

The challenges to migrant integration will be addressed in three parts. First, the economic, social, and political aspects of integration are outlined. This includes the ways in which migrants can benefit Europe, implications of detention centers, European public sentiment, and the rise of political polarization surrounding the migrant crisis. Further, the success of the EU-Turkey agreement and the burden perspective between Turkey and Greece will be assessed. Finally, the Dublin Convention and the issues of uneven responsibility sharing will be assessed. All of these sections are discussed in respect to American interest in European solidarity and unity, followed by policy recommendations to this enduring crisis.

Migrant Integration in the European Union

One of the most difficult and most faceted issue both migrants and host countries face is the integration process. With social, political, and economic boundaries both parties must overcome, the process has become intensified, undermining EU unity, solidarity, and stability. Among the EU member states, the search for solutions to the migrant crisis has been challenging, as social and political differences between member states has become more and more apparent.

The Social Politics of Migration

European Public Sentiment

Attitudes towards migrants remain a highly controversial and publicized debate in Europe. While the EU is providing humanitarian assistance and development aid, problems remain within the system that are hindering European integration. With this new population of migrants, governments have many concerns regarding their domestic sovereignty and ways of life.

These attitudes are also reflected in the current public opinion. Many are concerned about job loss, wage

competition, and the costs of social programs. Other reasons relate to cultural alienation and fear that immigrants will undermine the normal ways of living and the culture of the native population.²⁴⁸

This year, Pew Research conducted surveys covering 10 countries that account for 80% of the EU population and contributes to 82% of the EU's gross domestic product. When asked if diversity had made their country "a better place to live," more than 70% of people in 10 EU countries said multi-culturalism their country a "worse" place to live, or made "no difference" at all.²⁴⁹ Furthermore, in eight out of 10 European nations, more than 50% of people said they felt that incoming refugees increased the likelihood of terrorism in their country.²⁵⁰

A 2015 Gallup study of attitudes toward immigration in 142 countries found Europe, on average, to be the most negative in the world toward immigration.²⁵¹ 52% of European residents said immigration levels in their countries should be decreased.²⁵² Generally, in Europe, those with the highest form of education (university degree) are more likely to have positive views on migration while those with less education (secondary or lower) are more likely to favor decreasing migration over increasing it or keeping it the same.²⁵³

In a study published in 2014 by British Social Attitudes (BSA), surveys and polls were conducted in representative samples of the adults in the UK about their views on immigration. The studies showed that migration is unpopular, with approximately three quarters of the British public favoring reduced levels.²⁵⁴ However, when specifically asked about the impacts of immigration on cultural life, in 2015, equal proportions chose either response (20% chose neither).²⁵⁵ The discrepancy in attitudes reveals a significant problem: there lacks one consistent definition of "migrant." This is a challenge to understanding public opinion, but also to defining and interpreting a particular term. It indicates that many are not aware about migration trends and policies, and this can have negative implications for public opinion towards migrants on a personal level. If the host country's citizens are resistant to the integration of migrants, this creates a divide within the population, inhibiting the country's unity and stability. Furthermore, it puts a strain on its relationships between EU member-states.

Increasing EU Polarization

Debates over migration have also altered the national political landscapes of Europe, and in turn, its overall stability. The same Pew Research surveys mentioned above highlight Europe's political divisions, with the rising popularity of radical and Right-wing parties and their rising sentiments of xenophobia. In

²⁴⁸ Alberto Cervone, "The EU Migration Challenge" (PowerPoint Presentation, Rome, Italy, January 9, 2017)

²⁴⁹ Bruce Drake and Jacob Poushter comments, "In Views of Diversity, Many Europeans Are Less Positive than Americans," *Pew Research Center*, July 12, 2016, <http://www.pewresearch.org/fact-tank/2016/07/12/in-views-of-diversity-many-europeans-are-less-positive-than-americans/>.

²⁵⁰ Ibid.

²⁵¹ Gallup, Inc. "Europeans Most Negative Toward Immigration." *Gallup.com*, accessed February 25, 2017, <http://www.gallup.com/poll/186209/europeans-negative-toward-immigration.aspx>.

²⁵² Ibid.

²⁵³ Ibid.

²⁵⁴ Robert Ford and Anthony Heath, "Immigration," *British Social Attitudes 31* (London: NatCen Social Research, 2014), <http://www.bsa.natcen.ac.uk/latest-report/british-social-attitudes-31/immigration/introduction.aspx>.

²⁵⁵ Ibid.

Italy, center-left politicians like Matteo Renzi have been forced to the right by anti-establishment groups and populist movements, pinning him against both Brussels and Berlin.²⁵⁶ In Greece, the far-left party Syriza, which advocates for migrant rights, ended decades of established leadership in 2015, disrupting Europe's political establishment and bringing Greece to the brink of a "Grexit."²⁵⁷ In Spain, the left-wing Podemos party who is at odds with the EU after Frontex, has led to the country being Europe's fifth-largest economy without a government for nearly six months.²⁵⁸ Similar phenomena are happening in Ireland, Croatia, and Austria. In the Netherlands, Geert Wilders' anti-immigrant Party for Freedom (PVV) is leading the polls, while Wilders is cited backing a "patriotic spring" in the works, as a result of fed-up Europeans over "terrorism... asylum seekers... the loss of sovereignty... and billions... spent on asylum seekers."²⁵⁹ In Germany and France, the rise of nationalist and anti-immigration sentiment is also changing their domestic politics. Lastly, in Britain, the rise of populism has ultimately led to the UK vote for Brexit. The rise in radical parties and ongoing surges of public support throughout the EU countries are contributing a combination of xenophobia and anti-immigration sentiment to the mishandling of the migrant crisis in Europe.

After the European Commission announced last May that it will impose fines of hundreds of millions of pounds on countries that do not take in refugees, EU states have accused Brussels of "blackmail," exposing the political limits of the EU and the strains created by the migrant surge in 2015.²⁶⁰ An EU that is breaking down internally is a less robust and effective partner for the U.S., and threatens the credibility of a strong U.S.-EU relationship.

Case Study: Sweden

Sweden is an example of a European country that arguably has the most successful migration integration policy yet, according to its MIPEX III ranking.²⁶¹ Sweden has been shaping its integration policy for years. Since 1950, the numbers of migrants integrated within the Swedish workforce has been increasing.²⁶² Its policies' focus is to promote socioeconomic inclusion and independence of migrants within the context of a society based on the principle of diversity.²⁶³ The official objectives are (1) equal rights, responsibilities and opportunities for all, regardless of ethnic or cultural background; (2) a community based on diversity; and (3) a society characterized by mutual respect and tolerance, in which everyone can take an active and responsible part, irrespective of background.²⁶⁴

²⁵⁶ Peter Foster, "Why is Europe so fed up?" *The Telegraph*, May 31, 2016, <http://s.telegraph.co.uk/graphics/projects/europe-ref-fed-up-vote/>.

²⁵⁷ Ibid.

²⁵⁸ Ibid.

²⁵⁹ Ibid.

²⁶⁰ Foster.

²⁶¹ Indermit S. Gill and Martin Raiser, "Golden Growth: Restoring the Lustre of the European Economic Model" (Washington, DC: The World Bank, January 1, 2012).

MIPEX measures migrant policy integration. It covers the following countries: Sweden, Canada, Belgium, Finland, Norway, Portugal, United Kingdom, United States, Luxembourg, Denmark, Netherlands, Estonia, Spain, Switzerland, Austria, Czech Republic, Germany, Italy, Cyprus, France, Poland, Ireland, Slovakia, Slovenia, Romania, Latvia, Lithuania, Malta, Bulgaria, and Hungary.

²⁶² Ibid.

²⁶³ Anja Wiesbrock, "The Integration of Immigrants in Sweden: Model for the European Union," International Organization for Migration (Oxford, UK: IOM International Organization for Migration, 2011), <http://archives.cerium.ca/IMG/pdf/72-immigration-wiesbreck.pdf>.

²⁶⁴ Ministry of Industry, Employment and Communications, "Swedish Integration Policy for the 21st Century," The Integration 2001 Report (Stockholm, Sweden: Regeringskansliet, June 2002),

Migrants who travel to Sweden will receive an initial visa, in which within two years of its issuance can access the same education and job market opportunities as Swedish citizens.²⁶⁵ They also have the right to vote in local and regional elections.²⁶⁶ Migrants can also sponsor their families immediately if they deliver proof of a sufficient income and housing prior to their families' arrival.²⁶⁷ After arrival, migrants can receive a full range of programs targeted at their integration into the labor market, including assistance in the job application process, language classes, and initial training with a part-time job.²⁶⁸

Since the 1980s, the number of migrants in Sweden has risen considerably, and Sweden now has a higher percentage of people born abroad than the UK and close to the percentage of that in the U.S.²⁶⁹ Sweden proves that migration integration can be successful in the long-term, and that the direct inclusion of migrants in the workforce against a multicultural backdrop can mitigate issues that migration may create within a country's sovereign border.

Despite recent reports on Fox News regarding a false Swedish defense and national security advisor, criminal migrants are not an issue in Sweden and the man has no ties to Sweden's security establishment.²⁷⁰

The Economics of Migration and the Labor Market

The phrase burden sharing carries a negative connotation that does not include the potential economic opportunities that immigration brings, such as boosting growth and improving stagnant population growth. As Europe's population ages, the working age population in Europe will reduce from four working-age people for every person 65 and over to two people.²⁷¹ Individual European states have built up impressive welfare systems that can only survive if their population is being replaced at a sustainable rate. Currently, the average EU nation is not meeting the average population rate goal of 2.1 children per woman. If this trend continues there will be an overall loss of working class citizens, with less people to replace the retired workers.

The vast majority of migrants to Europe are young, providing a potential solution to Europe's aging working class. Young migrants can make up for the loss of older, experienced workers, and immediately help care for the ageing population through tax and other economic contributions. This support of the host country's population can help spur economic growth and investment.²⁷² For example, in Germany, the potential contribution from migrants to labor in the next five years could provide a net benefit to the German economy. By 2030 this could boost the average income of the existing German population by

<http://www.temaasyl.se/Documents/Övrigt/Engelskt%20material%20om%20Sverige/integration%20policy.pdf>.

²⁶⁵ Gill.

²⁶⁶ Ibid.

²⁶⁷ Ibid.

²⁶⁸ Ibid.

²⁶⁹ Wiesbrock.

²⁷⁰ Liam Stack and Christina Anderson, "Sweden's Defense and National Security Advisor? 'We Don't Know This Guy'," *The New York Times*, February 26, 2017, <https://www.nytimes.com/2017/02/26/world/europe/sweden-fraud-fox-news-commentator-trump.html>.

²⁷¹ Clémentine D'outremont and Anna Martin, "The Migration Crisis: A Stress Test for European Values," European Policy Brief 38 (2015), pp. 6.

²⁷² Phillipe LeGrain, "Refugees Work: A Humanitarian Investment That Yields Economic Dividends," *The Tent Foundation* (The Tent Foundation, 2016), pp. 34.

0.5%.²⁷³ Even relatively pessimistic views find relatively stable German growth. However, the IMF has found that long-term growth heavily depends on the speed migrants are able to integrate into the labor markets.²⁷⁴

Considering this finding, it is within European interests to integrate migrants into the work force shortly after arrival. Though it requires initial investment, once migrants can participate in the market they prove beneficial to the economy. This additional spending can provide a much-needed boost to Eurozone states' low-growth economies. Oftentimes, these migrants are incredibly creative, inventive, and hardworking.²⁷⁵ In demand-depressed economies, migrants have proven themselves to be a fiscal stimulus as they enter the labor force and begin to open businesses.²⁷⁶ In particular, refugees have had particularly distinctive, often traumatic, experience and their perspectives may be especially valuable.²⁷⁷ Their desire for prosperity is cemented by the fact that many do not have the option to return to their country of origin; for many refugees, failure is not an option. However, migrant labor market access depends on the host country. Although the EU dictates that host countries are required after 9 months to open labor markets to asylum-seekers, this is generally not enforced.²⁷⁸

Once they start working, migrants can contribute to the economy on the same level as locals. Migrants can also create jobs in the local economy. Once migrants spend wages in the local economy, this boosts demand for goods and services, causing job creation in many lines of work.²⁷⁹ Furthermore, migrants fill the jobs that locals do not want but must be filled. To meet this employment gap, migrants often take these "dirty, difficult, relatively dangerous, and dull jobs".²⁸⁰ This allows locals to take the higher-skilled and better paid jobs they would rather fill.

Even though migrants can contribute positively to the economy, anti-migrant sentiment still persists. The common theme is that migrants are stealing European jobs, and detracting from the economy through additional fiscal spending. Integration is a two-way process in which both groups must accommodate. The first and most important step in the integration process is employment. Migrants tend to rush to countries with little need of low and unskilled labor.²⁸¹ Generally, it is true that locals do lose their low-skilled jobs to migrants that will accept different working conditions and wages.²⁸² In the long term however, refugees that take low-skilled jobs may actually encourage the previous low-skilled natives to move upward to higher- skilled employment.²⁸³ This low-skilled job loss has caused unrest amongst native Europeans that feel migrants are preventing them from taking care of themselves and their family. If locals are

²⁷³ Ibid., 22.

²⁷⁴ Kim Hjelmgaard, "IMF Says Europe's Refugee Crisis to Boost Region's GDP," U.S.A TODAY, January 21, 2016, <http://www.usatoday.com/story/money/2016/01/20/imf-says-europes-refugee-crisis-boost-regions-gdp/79053292/>.

²⁷⁵ Clémentine D'outremont and Anna Martin, "The Migration Crisis: A Stress Test for European Values," European Policy Brief 38 (2015), pp. 6.

²⁷⁶ Phillipe LeGrain, "Refugees Work: A Humanitarian Investment That Yields Economic Dividends," The Tent Foundation" (The Tent Foundation, 2016), pp. 11.

²⁷⁷ Ibid., 33.

²⁷⁸ *A Working Solution; Integration*, "The Economist; London, May 28, 2016. <http://search.proquest.com.offcampus.lib.washington.edu/docview/1794574349/citation/D43F239A6A284B66PQ/1>.

²⁷⁹ Phillipe LeGrain, "Refugees Work: A Humanitarian Investment That Yields Economic Dividends," The Tent Foundation" (The Tent Foundation, 2016), pp. 26.

²⁸⁰ Ibid., 24.

²⁸¹ *The Economist; London*. 2016. "A Working Solution; Integration," May 28. <http://search.proquest.com.offcampus.lib.washington.edu/docview/1794574349/citation/D43F239A6A284B66PQ/1>.

²⁸² Ibid.

²⁸³ Ibid.

unwelcoming of migrants, integration will be a much longer and more difficult process for both sides.

When migrants settle in the European Union, they must be assimilated into European labor markets. These markets vary, but all have limitations for immigrants. The countries that are initially most attractive have flexible labor markets, lower minimum wages, and fewer trade unions.²⁸⁴ Post-arrival, many migrants tap into the local migrant networks to make connections to jobs. By going through their community, they are often limited to lower-paying jobs.²⁸⁵ However, this can do more harm than good, especially when it pertains to migrant economic participation. Frequently, these networks become detrimental to growth rather than a source of social and economic improvement. These networks can also be exploitative due to the fact that more established migrants may disassociate themselves from newcomers with unstable legal and weak social status,” while “younger generations may be unwilling to participate in the networks of older generations”.²⁸⁶ Ineffective migrant networks may lead to migrant isolation, as groups are excluded from society or do not integrate. Migrant communities can also unintentionally create sectors of work that are predominated by migrants, creating more employment limitations.²⁸⁷ This been found to hinder the integration process.

Migration can be perceived as a threat to European unity, as many Europeans are concerned about social spending on migrants and have fears of job loss to these arrivals. While these fears have some validity, the migration crisis can provide an opportunity for growth in Europe. Migrant populations, once they are allowed to enter the labor market, contribute to their local economy, support the welfare system, and take pressure off the shrinking working class in Europe.

Migrant Services Accessible in Host Countries

EU member states establish their own integration policies. While the EU has established standards that member states should meet, integration policies primarily function at the national level.²⁸⁸ These policies include access to labor markets, education, vocational training, healthcare, housing, equal treatment in working conditions, recognition of diplomas and qualifications, social security and tax benefits, and goods and services.²⁸⁹ Local municipalities often must make up for weak national integration policies that don't cover areas such as housing, education, employment, etc. For instance, only “11 out of 25 European states (the UK, Ireland, the Netherland, Austria, France, Germany, Italy, Portugal, Spain, Sweden and Switzerland) have provided specific national health policies for migrants.”²⁹⁰ But national health policies are useless unless they are enforced.

Though social services do exist for migrants, fundamental rights are often unavailable to irregular migrants. The level of language, education and knowledge of the services are all limiting factors for migrants, and restrict access in European labor markets. In many school systems, children of irregular migrants are impeded from attending school due to the potential risks that may come from enrollment. Though all children are guaranteed the right to education, many become victims of their parents' fears of being detected if their children are enrolled, if the school requests proof of residency as in some European

²⁸⁴ Guia Gilardoni, Marina D'Odorico, and Daniela Carrillo, “Evidence on Migrant's Integration in Europe” (King: Knowledge for Integration Governance, March 15, 2015).

²⁸⁵ Ibid., 48.

²⁸⁶ Ibid., 49.

²⁸⁷ Armando Aliu, “The Theory of Interhybridity: Socio-Political Dimensions and Migration Experiences,” Munich Personal RePEc Archive, 2013.

²⁸⁸ “Immigration Policy | EU Fact Sheets | European Parliament,” accessed March 1, 2017, http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_5.12.3.html.

²⁸⁹ Guia Gilardoni, Marina D'Odorico, and Daniela Carrillo, “Evidence on Migrant's Integration in Europe” (King: Knowledge for Integration Governance, March 15, 2015), pp. 51.

²⁹⁰ Ibid., 73.

countries, or fears over lack of funding for school supplies due to their legal status.²⁹¹ For children that are not able to attend school, integration is further hindered by a decrease in opportunity.

Language barriers are another challenge for migrants. When a migrant lacks fluency in the host country's language, this can hurt job prospects and create communication problems between the migrant and government officials. Furthermore, medical treatment can be difficult to access because of language; this can lead to migrants' further alienation from the local society.

To help, some nations offer language courses with various levels of success. The problem with these language courses becomes access and the level of quality.²⁹² In order to take or access these benefits, migrants must present documentation, which irregular migrants do not have. Many European countries have adopted strict measures towards irregular migrants, which criminalizes irregular migrants that try to access their fundamental rights. This deters migrants for "fear of detection, sanction and removal..."²⁹³ This has become problematic to the integration process, as irregular migrants cannot access their fundamental rights in the receiving countries. These exclusionary policies can be detrimental, and will be enduring as long as the migrant remains irregular. Many Europeans consider language a step in integration. As Achim Dercks of the Association of German Chambers of Commerce and Industry stated, "What is integration? It's a job, and speaking German."²⁹⁴ In many states, the combination of the two produces opportunities of upward mobility, which can be beneficial for European growth and integration projects.

While many nations uphold fundamental rights and standards for migrants, inadequacy and lack of enforcement are common. It is often left up to local integration policies to successfully integrate migrants, but this varies across states. This presents a threat to European stability and security, as integration is uneven and inconsistent across Europe.

Detention Centers in Europe: Irregular Migrant Criminalization

Many irregular migrants find themselves in detention centers once they enter the EU, or when they are in the midst of repatriation. Some irregular migrants arrive in Europe and are promptly sent to detention centers, with a majority housed on Greek islands. Here, they must wait until Fortress Europe opens doors for them, which may last years, or wait to be repatriated. Meanwhile, the detention centers are overwhelmed by the rapid increase in migration over the last three years.²⁹⁵

These detention centers have been criticized for the criminalization of irregular migrants without trial. Irregular migrants, and those that aid them in their journey, qualify for the protections under international and regional human rights laws.²⁹⁶ Though the laws allowing detention of irregular migrants are administrative law, they have taken on characteristics more similar to "criminal sanction (such as detention or having the objects of punishment and deterrence)."²⁹⁷ Generally, these practices are done

²⁹¹ Ibid., 68

²⁹² Ibid., 78.

²⁹³ Mark Provera, "The Criminalization of Irregular Migration in the European Union," CEPS Paper in Liberty and Security in Europe 80 (n.d.), pp. 27.

²⁹⁴ "A Working Solution; Integration," *The Economist*; London, May 28, 2016. <http://search.proquest.com.offcampus.lib.washington.edu/docview/1794574349/citation/D43F239A6A284B66PQ/1>.

²⁹⁵ Mark Provera, "The Criminalization of Irregular Migration in the European Union," CEPS Paper in Liberty and Security in Europe 80 (n.d.).

²⁹⁶ Mark Provera, "The Criminalization of Irregular Migration in the European Union," CEPS Paper in Liberty and Security in Europe 80 (n.d.), pp. 27.

²⁹⁷ Ibid., 27.

with the intention of encouraging repatriation and creating a disincentive to migrate in the first place.²⁹⁸ However, such a purpose may only succeed with short detention periods with high rates of removal and limited repeated detention. However, data trends do not reflect this.²⁹⁹ Instead, data shows extended periods of detention, with repeated attempts to migrate to the European Union, illustrating inefficient and overwhelmed facilities.

Detention can do significant damage to mental health of migrants, which can become a security concern within Europe. For migrants, these camps do not consider the immediate, medium, or long term consequences, especially regarding integration.³⁰⁰ They often involve harsh conditions with little opportunity and mistreatment, making integration into Europe challenging. Many have argued that the EU has not sufficiently scrutinized migrant maltreatment in periphery states.³⁰¹ This can hurt EU-migrant relations in the long-term. This uncertainty adds months and years to migrants' journey between their departure and their arrival into a resettlement country.

The situation has even more impact on asylum seekers that are still traumatized from persecution in their country of origin. The detainment experience ends up becoming a further contributor to post-traumatic stress disorder, anxiety and depression.³⁰² In order to keep families together, and prevent unaccompanied minors, children also stay in detention centers. Some children remain in detention centers until their age can be verified, causing mental distress without access to education during their stay. This may last several months.³⁰³

Life within the camps can be detrimental to psychological and physical health, with many choosing to leave the queue for European resettlement. The documented degrading and inhumane mistreatment³⁰⁴ brings up legality questions, and questions regarding the European Union's founding principles of human dignity, solidarity, freedom, democracy, equality and human rights.³⁰⁵ Those that arrive in detention centers are often the most vulnerable, but are not treated as such. The damage done by detention centers has been found to lead to "a possible increase in their propensity to engage in crime" and "both increased vulnerability to exploitation of irregular migrants and impunity for crimes."³⁰⁶ Migrant mental disorders, resentment towards Europe, and distrust of authority all provide a threat to European stability and security.

United States Interests

Migrant integration into the European labor market can be prosperous for Europe, and for the U.S. as well. Historically, the United States has benefitted from strong European integration policies, particularly

²⁹⁸ Ibid., 27.

²⁹⁹ Mark Provera, "The Criminalization of Irregular Migration in the European Union," CEPS Paper in Liberty and Security in Europe 80 (n.d.), pp. 26.

³⁰⁰ Guia Gilardoni, Marina D'Odorico, and Daniela Carrillo, "Evidence on Migrant's Integration in Europe" (King: Knowledge for Integration Governance, March 15, 2015), pp. 39.

³⁰¹ Armando Aliu, "The Theory of Interhybridity: Socio-Political Dimensions and Migration Experiences," Munich Personal RePEc Archive, 2013, pp. 5.

³⁰² Crépeau François and Anna Purkey, "Facilitating Mobility and Fostering Diversity Getting EU Migration Governance to Respect the Human Rights of Migrants," CEPS Paper in Liberty and Security in Europe 38 (2015), pp. 11.

³⁰³ Ibid., 13.

³⁰⁴ Mark Provera, "The Criminalization of Irregular Migration in the European Union," CEPS Paper in Liberty and Security in Europe 80 (n.d.), pp. 29-31.

³⁰⁵ Clémentine D'outremont and Anna Martin, "The Migration Crisis: A Stress Test for European Values," European Policy Brief 38 (2015).

³⁰⁶ Mark Provera, "The Criminalization of Irregular Migration in the European Union," CEPS Paper in Liberty and Security in Europe 80 (n.d.), pp. 27.

in economics. Europe's population is aging rapidly with dwindling worker numbers, shrinking birth rates below population-replacement levels. If this trend continues, Europe will be facing an exhausted welfare system.³⁰⁷ The potential net yield from migrant assimilation into European labor markets is well worth further efforts and investment. Additionally, migrants continuously prove to be a form of economic stimulation, producing net yields for their demand and market contributions. Proper market assimilation is a critical step in the integration of migrants into the life of the host nation.

Irregular migrants will continue to exist in society and must be assured of their security in the host country. This is a step in the orderly integration process, just as European citizens must be assured of their own security during the migration crisis. If integration is to fail, this presents a security threat to the EU and to EU unity. Many irregular migrants have experienced trauma in their country of origin or second country of resettlement and the poor conditions of detention centers. Suffering from mental disorders and possessing anti-European values, these irregular migrants who enter European society are more likely to commit crimes for the sake of acting against European authority,³⁰⁸ presenting a security threat to the EU and to migrant integration into European society. This creates resentment and distrust on both sides.

U.S. Policy Recommendations

- | Support existing success models of EU migration management programs, like those of Sweden, in all EU member states to facilitate a more transparent and streamlined integration policy in Europe overall.
- | Encourage education programs to educate migrants on their host country's language and culture.
- | Encourage more flexible labor markets leading to a reduction in time between arrival and entrance into European labor markets.
- | Support harmonization methods of integration standards by European national governments and their local municipalities.
- | Encourage refocusing detention centers away from criminalization, repatriation, and lengthy detainment, and support the move towards better facilities for migrants, especially for migrant families.

EU-Turkey Agreement

Over recent years, the Syrian War has elicited a massive migration movement which has significantly impacted global actors such as Turkey and the European Union. The number of Syrian refugees has been reported as "the second largest" refugee phenomena in history, only falling behind that of the refugee movement in World War II. Over 12 million people have been displaced and 4 million have taken refuge in other countries.³⁰⁹ The influx of these refugees and asylum seekers has made migration management in the European Union especially difficult, to a point where it has become a major crisis. In March 2016 Turkey and the European Union created a bilateral policy to better manage the influx of migration flows,

³⁰⁷ Phillipe LeGrain, "Refugees Work: A Humanitarian Investment That Yields Economic Dividends," The Tent Foundation" (The Tent Foundation, 2016).

³⁰⁸ Ibid., 27.

³⁰⁹ Kim Rygiel, Feyzi Baban, and Suzan Ilcan, "The Syrian Refugee Crisis: The EU-Turkey 'Deal' and Temporary Protection," *Global Social Policy* 16, no. 3 (n.d.): 315–20, doi:10.1177/1468018116666153.

prevent migrant smuggling, and discourage arrivals to the Greek islands.³¹⁰ This agreement has been a major and seemingly effective step in managing the flow of irregular migrants seeking asylum in the EU today.

▲ The Details of the Agreement

The EU-Turkey agreement outlines a 1:1 burden sharing process between the two actors, where Europe will send an irregular migrant from the Greek islands to Turkey in exchange for a registered Syrian refugee.³¹¹ It also raises the need to collaborate in improving “humanitarian conditions inside Syria” in attempts to further stem migration movements.³¹² Turkey’s role is to provide “temporary protection” to the refugee and asylum seekers, which grants the refugee or asylum seeker the right to remain in the country due to a clear threat in their home country.³¹³

In exchange for its involvement, the EU has agreed to provide a 6 billion euro financial package, as well as accelerating talks on visa free travel for Turkish citizens.³¹⁴ The EU also released a statement that Turkey’s participation would open up negotiations of accession into the EU.³¹⁵ As an effect of the EU-Turkey agreement, the amount of arrivals in the Greek islands dropped significantly; there has been an overall 97% decrease in the number of arrivals to Greece as of January 2017 compared to the year prior.³¹⁶ As of December 2016, 2,718 Syrian refugees were resettled throughout the EU under the 1:1 agreement.³¹⁷

The agreement between the EU and Turkey has been questioned in its legal merit, for it has the potential to violate EU international law. Both Greece and Turkey can be liable for violating the principles of collective expulsions and non-refoulement.³¹⁸ As defined by the European Commission of Human Rights, collective expulsion involves “compelling aliens as a group to leave the country,” given that there was an absence of a complete examination of asylum seekers’ claims.³¹⁹ Non-refoulement is the principle that member states cannot send asylum seekers to a country that holds a threat of persecution or harm.³²⁰ In this case, the EU has been criticized for refoulement because refugee and asylum seekers are being sent to Turkey. In order to avoid these cases, Greece must carefully analyze each individual asylum claim before deciding whether or not to send the asylum seeker to Turkey. The European Union has also dismissed criticisms of refoulement, for they claim that Turkey is a safe third country. In being a safe third country, refugee and asylum seekers can arrive and have access to protection and refugee rights; such that the “life and liberty ... are not threatened on account of race, religion, nationality” and “the right to freedom from

³¹⁰ “Statement of the EU Heads of State or Government, 07/03/2016 - Consilium,” accessed February 25, 2017, <http://www.consilium.europa.eu/en/press/press-releases/2016/03/07-eu-turkey-meeting-statement/>.

³¹¹ Rygiel et al, 316.

³¹² “Statement of the EU Heads of State or Government, 07/03/2016 - Consilium,” accessed February 25, 2017, <http://www.consilium.europa.eu/en/press/press-releases/2016/03/07-eu-turkey-meeting-statement/>.

³¹³ Rygiel et al, 316.

³¹⁴ Fernández Arribas, Gloria, and Research Centre for European Law, “Unitelma Sapienza” - University of Rome. “The EU-Turkey Agreement: A Controversial Attempt at Patching up a Major Problem.” 2016.

³¹⁵ “Statement of the EU Heads of State or Government, 07/03/2016 - Consilium,” accessed February 25, 2017, <http://www.consilium.europa.eu/en/press/press-releases/2016/03/07-eu-turkey-meeting-statement/>.

³¹⁶ International Organization for Migration, “Compilation of Available Data and Information Reporting Period 12 Jan - 8 Feb 2017,” n.d.,

http://migration.iom.int/docs/Mediterranean_Flows_Compilation_Report_No2_9_February_2017.pdf.

³¹⁷ International Organization for Migration, “Migrant Presence Monitoring Situation Report, December 2016,” n.d., http://migration.iom.int/docs/Sitrep_Turkey_December_2016.pdf.

³¹⁸ Gloria Arribas, “The EU-Turkey Agreement: A Controversial Attempt at Patching up a Major Problem,”

European Papers 1, no. 3 (October 2016): 1097–1104, doi:10.15166/2499-8249/80.

³¹⁹ Ibid, 1098.

³²⁰ Ibid, 1099.

torture and cruel, inhuman or degrading treatment is respected.”³²¹

It is thus critical to examine whether or not Turkey is a credible partner in the agreement and meets the necessary conditions to be considered a safe third country. One key concern for Europe is that its laws do not apply to Turkey, for it is not a current member of the EU.³²² The country is thus not legally tied to the same legal and humanitarian standards as the EU. This can place the safety and quality of the refugees’ lives in danger. The credibility of the deal could be diminished if Turkey chooses not to abide by the same laws of the EU. Such experiences where the asylum seekers sent to Turkey are not granted certain rights, or face threats of persecution would fall back on the expense of the EU. Consequently, the EU could be held responsible for refoulement and sending asylum seekers to a country that is clearly not safe.

Red flags are raised in some actions made in Turkey that demonstrate how they may not be a safe third country; the Amnesty International Annual Report reveals that Turkey has pressured refugees to agree to return to Syria.³²³ It is also claimed that the country lacks “proper access to asylum procedures” as well as “proper domestic mechanisms ... to ensure substantive ... protections.”³²⁴ Refugees sent to Turkey may face the risk of being sent back to the country of persecution.

The Burden of Turkey and Greece

Turkey’s domestic situation determines its capability to further allow refugees into the country. Turkey has historically been known as a haven for migration as it has faced migrant flows since the 1990s.³²⁵ They have also been the most affected by the refugee crisis; with over 3 million refugees in the country today, it hosts the most refugees than any other country.³²⁶ The number of irregular migrants coming into Turkey have also significantly increased over the past years. The International Organization for Migration reported that the yearly trends of irregular migrants residing in Turkey jumped from 58,647 in 2014 to 146,485 the following year. The numbers continued to increase to over 172,800 in 2016.³²⁷ Due to the massive influx that has and will continue to arrive, the U.S. and EU must weigh in on whether or not Turkey can efficiently maintain its share of the agreement.

As a result of Turkey’s overwhelming refugee and asylum seeking population, efforts to provide resources for refugee and asylum seekers at an acceptable level have been strained to the breaking point. Refugee and asylum seekers have reportedly experienced inadequate services and rights such as the right of access to work, healthcare, and education; many individuals have faced insecurity and exploitation.³²⁸ Out of the total Syrian population residing in Turkey as of December 2016, 73% are not living in refugee camps.³²⁹ Along with the influx of refugee and asylum seekers Turkey is currently handling, there are concerns of whether or not visa free travel or accession talks will be realistically achievable. Turkey has threatened to end the agreement if the promised benefits seem unlikely. A major gain for Turkey from this deal is that it can be used as a bargaining tool in furthering relations with the European Union. However,

³²¹ Jenny Poon, “EU-Turkey Deal: Violation Of, or Consistency With, International Law?,” *European Papers* 1, no. 3 (December 2016): 1195–1203, doi:10.15166/2499-8249/96.

³²² Ibid.

³²³ Arribas, 1100.

³²⁴ Poon, 1198.

³²⁵ Hamburg Institute, “Turkey, Migration and the EU: Potentials, Challenges and Opportunities,” Hamburg University Press 5 (n.d.): 113–33.

³²⁶ European Commission, “Turkey: Refugee Crisis Echo Factsheet,” n.d., http://ec.europa.eu/echo/files/aid/countries/factsheets/turkey_syrian_crisis_en.pdf.

³²⁷ International Organization for Migration, “Turkey - Overview of the Situation With Migrants Quarterly Report (December 2016),” n.d., http://migration.iom.int/docs/Turkey_Quarterly_Situation_Report_Sept_Dec_2016.pdf.

³²⁸ Rygiel et al, 318.

³²⁹ International Organization for Migration, 1.

the uncertainty of receiving any real cooperation paired with the ongoing pressures of hosting migrants can negatively impact Turkey's role and participation in this agreement.

Greece is also experiencing issues in the 1:1 agreement. The country struggles with "underfunded" asylum services along with a lack of necessary workers, and as an effect the asylum seeking process has become significantly slower than desired.³³⁰ Its capacity to efficiently manage migration is diminishing due to the growing refugee population, overloading of facilities, weakened economy, and the austerity program implemented by the European Union.³³¹ Although the number of arrivals to Greece have significantly stagnated since the effect of the agreement, the number of those stranded in Greece have consequently risen by 47%.³³² Greece's overall economic state has placed the country in a position where it may not be stable enough to meet the expectations required in the EU-Turkey agreement. Along with just financial assistance, the country needs support with implementing better "structural capacity" so that it can more effectively manage the irregular migrant processes.³³³

It is in the interest of the United States to support migration management overseas, specifically through the EU-Turkey agreement. If the U.S. participates in relieving the burden sharing among member states, the European Union may have the ability to refocus on new policies toward how to address issues influenced by migration, such as general mismanagement of displacement, imbalances in burden sharing between member states, and Eurosceptic attitudes influenced by anti-immigration sentiment. The European Union can also strive to mend tensions among member states and further embrace European integration. Unity among member states is a key priority for both the European Union and the United States, for cohesion will allow the European Union to strengthen its position as a global actor. Internal security and cooperation are also critical for the European Union; this can be achieved by means of supporting European integration. The threat to unity among member states has largely been influenced by the migration crisis; therefore, the United States' contribution to migration management is imperative. The European Union is a highly-prioritized partner in international relations; its success, security, and unity as a political entity are critical in stabilizing both United States and overall global relations.

U.S. Policy Options

Assisting Greece in its management processes, along with ensuring that Turkey has the capacity to effectively and safely host refugee and asylum seekers is critical. Both parties in this bilateral agreement have displayed signs of being overwhelmed; U.S. support can thus be key in addressing the migration crisis overseas. The EU-Turkey agreement has shown to demonstrate effectiveness in its purposes; however, it is not a complete solution to the migration crisis and further management still needs to be demonstrated. The agreement has simply divided the burden sharing between Europe and Turkey, and has ultimately illustrated Turkey's participation in furthering EU relations. Nonetheless, it is still a key agreement that allows Europe to move onward and focus on internal issues, such as creating new policies regarding migration management.

Supporting both Greece and Turkey can allow the one-for-one process to function more quickly and efficiently. Such support includes assisting Greece's institutions that manage asylum-seeking processes. Even though this may entail significant investment, it is critical for Greece to be a stable partner in this agreement. The U.S. has illustrated past support in Greece toward the refugee crisis; Washington Office of the Press Secretary reported that the U.S. "contributed over \$44 million in humanitarian aid through

³³⁰ Tania Karas, "'Warehouse of Souls': How the EU Abandoned Greece," Duke University Press 33, no. 4 (n.d.): 55–60, doi:10.1215/07402775-3812979.

³³¹ Ibid., 60.

³³² International Organization for Migration, 5.

³³³ Ibid.

international organizations” throughout the course of the migration crisis.³³⁴ The U.S. should thus continue its economic support in Greece and focus on areas that can help relieve Greece’s burden. Because Greece has displayed struggles in its economy and resources, Greek facilities should be further supported in efforts that refugee and asylum seekers can be properly admitted or relocated. If the institutions in Greece are overloaded and incapable of performing its portion of the agreement correctly, the European Union could be subject to violations of non-refoulement. This could entail damaging effects on its credibility as an overall global actor.

It is also imperative to focus on Turkey, and its overall capacity to host refugee and asylum seekers. Because the country is currently the largest host in the refugee crisis, it is significant that Turkey’s migration burden be lifted. Thus, it is imperative for external actors such as the United States to extend its assistance. Such assistance can include financial support toward refugee and asylum-seeking funds. Throughout the migration crisis, the EU has already provided €588 million in humanitarian assistance, and continues to plan for the implementation of new projects for the refugee and asylum seekers in Turkey.³³⁵ Further supporting the country with economic or humanitarian assistance will be of great benefit as it can be used to stimulate the one-for-one exchange process, further ensure that the refugee and asylum seekers are experiencing the proper protection, and ultimately enhance Turkey’s capacity to continue working with the European Union. United States support – either financial or political - can also be implicated to reinforce that Turkey is in fact a safe third country.

If Turkey continues to experience overcrowding in its country, cooperation in the agreement with the European Union may be threatened. This can be especially likely if talks of visa-free travel and accession are not promising. If Turkey were to pull out of the agreement due to feelings that they are not receiving adequate benefits, the European Union can be subject to facing more issues in migration management and burden sharing. Therefore it is significant to maintain this agreement and enhance its effectiveness so that the European Union can continue to manage its own internal capacities as well as focus on producing more policy initiatives to address the issue.

Conclusion

In addressing the refugee crisis, the European Union has created a bilateral agreement with Turkey to divide the responsibility of hosting refugee and asylum seekers. The 1:1 initiative has allowed the European Union to redirect the influx of irregular migrants from Greece to Turkey, while receiving a registered Syrian migrant in exchange. To a relative extent, this has eased some of the pressure off the European Union. Although the number of irregular migrants arriving into Greece has decreased, the agreement has not been completely effective. This is due to the overwhelming load that both Greece and Turkey are experiencing. There are also questions on how legitimate the agreement is, due to Turkey’s questionable position as a safe third country.

Aside from these issues, the one-for-one agreement still holds value; it is in the United States’ interest to support the agreement. Such support includes financial assistance, support of Greek infrastructures, and the encouragement of new refugee schemes. The combination of these aspects will further ensure that the deal is efficient, credible, and legitimate. Through the United States’ support, the burden of both Greece and Turkey may be eased, allowing both parties to continue managing the migration crisis. Any measure to relieve the pressures the European Union are facing are significant for the United States’ foreign objectives; the pressures the European Union are facing today, especially from the migration crisis, have paved a narrative that can potentially threaten overall unity and cohesion between member states. Support and encouragement for new migration management policies can enhance European integration. This will ultimately serve to further peace and stability throughout the international community.

³³⁴ The White House, “FACT SHEET: U.S. - Greek Partnership,” Whitehouse.gov, November 15, 2016, <https://obamawhitehouse.archives.gov/the-press-office/2016/11/15/fact-sheet-us-greek-partnership>.

³³⁵ European Commission.

U.S. Policy Recommendations

- | Support the EU-Turkey agreement and the key actors involved.
- | Support Greece in its asylum-seeking institutions and management processes.
- | Provide financial support to relieve Turkey's burden of hosting refugee and asylum seekers and encourage a resettlement scheme to enhance its capacity to continue the agreement

The Common European Asylum System: Flaws and Potential Solutions

▲ Dublin Convention

In 1990 the Dublin Convention was established to increase solidarity between European Union countries through two objectives. The first was to quicken and ease the process of examining asylum claims, and the second was to prevent asylum seekers from applying in multiple states.³³⁶ To address this first objective, the State of First Arrival rule was established which stated that a refugee's asylum claim must be processed in the first state in which they landed in the European Union.³³⁷ If a refugee first lands in Italy, but submits their application in Germany, they will be sent back to Italy for their asylum claim to be processed. If the applicant has family in another EU country their application may be relocated, but in most cases they are mandated by the State of First Arrival. In regards to the second objective, there was an effort to establish similar asylum policies at a supranational level to lessen the impetus for refugees to initiate secondary movement.

Behind both these objectives was the same rationale. Member states were concerned that asylum seekers would take advantage of the freedom of movement within the Schengen zone. There were also concerns that once a refugee crossed the European Union's external border, they would be able to submit their claim in the country of their choosing. As a result, certain countries would be unevenly impacted by migrant flows. Depending on the desirability of their asylum policies, refugees flow to those countries that have a more generous offer (due to the desirability of asylum policies, etc.), or a higher rate of acceptance. The State of First Arrival was meant to solve this issue.

▲ Issues with the Dublin Regulation

There are two main issues with the Dublin Regulation. The first is that it fails to address the differences between countries, such as their capacity to process large amounts of asylum claims.³³⁸ Even though the asylum directives dictate the basic outline for what countries must do, countries do not always comply or follow through.³³⁹ As mentioned earlier, one of the main goals of the Dublin Convention was to help coordinate laws between member states and reduce differences in the processing of asylum claims. However, this has not been successful. For example in 2010, one out of four asylum applicants was accepted on average by the European Union as a whole, whereas in Greece only 3 out of 100 were accepted.³⁴⁰ These numbers demonstrate the disparity of a refugee's chance of gaining asylum between states. Because the EU is comprised of 28 sovereign states, there are 28 sets of national laws that also

³³⁶ Lillian Langford, "The Other Euro Crisis: Rights Violations Under the Common European Asylum System and the Unraveling of EU Solidarity," *Harvard Human Rights Journal* 26 (2013): 223.

³³⁷ *Ibid.*, 224.

³³⁸ *Ibid.*, 239.

³³⁹ *Ibid.*

³⁴⁰ Langford, 240.

have to be taken into consideration. EU member states' national laws must conform to that of the EU; however the level of which this actually occurs varies from state to state.³⁴¹

The second more pressing concern is the failure of Dublin to allocate refugees evenly throughout member-states. During times of crisis, external border countries endure most of the responsibility. Recently this has been countries on the edge of the Central Mediterranean and Western Balkans route. In their quarterly report of April-June 2016, the European Union Border Agency of Frontex reported that the Central Mediterranean route accounted for 69% of the total amount of irregular border crossings.³⁴² The majority of the travelers were coming from Nigeria, Eritrea, and Sudan. The next largest number of border crossings was through the Western Balkan route, accounting for 15% of the total with refugees coming mainly from Afghanistan, Pakistan and Syria. As seen in Figure 1, Italy is the most affected by the Central Mediterranean Route whereas Slovenia, Austria, and Hungary are the recipients of the Western Balkans Route.

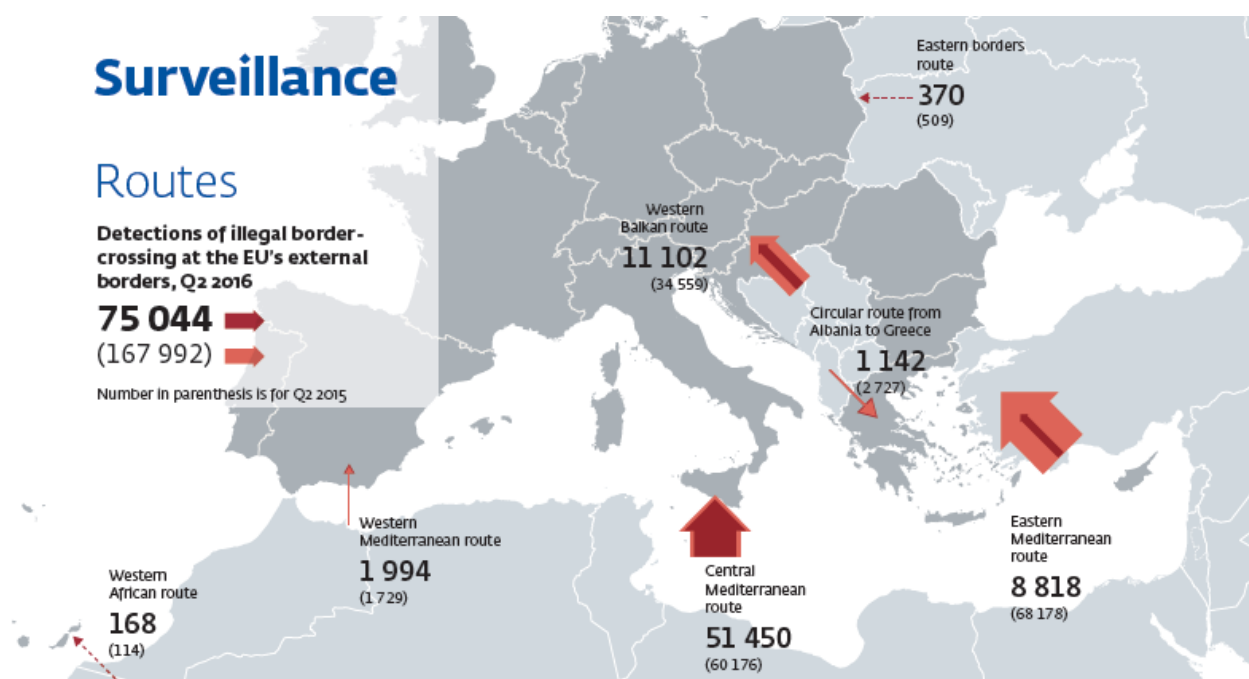


Figure 1: Detections of illegal-border crossings at the EU's external borders³⁴³

When there is an overwhelming amount of asylum seekers flowing into a country, the responsibility to protect everyone seems impossible. In 2015, more than one million people arrived in Southern Europe. Out of this total, 850,000 crossed the Aegean Sea from Turkey and arrived in Greece.³⁴⁴ This is just one example of how migrant flows disproportionately affect certain border countries.

During these times of mass movement, the strain is not only felt by border countries but by the refugees as well. Due to overcrowding, people that arrive in a first arrival state do not always apply for asylum

³⁴¹ Türk, Volker. "Envisioning a Common European Asylum System." *Forced Migration Review*, no. 51 (2016): 57.

³⁴² "Frontex Risk Analysis Network Quarterly" (Frontex), accessed February 4, 2017, http://frontex.europa.eu/assets/Publications/Risk_Analysis/Fran_2016_Q2.pdf.

³⁴³ Ibid.

³⁴⁴ United Nations High Commissioner for Refugees, "UNHCR Global Report 2015 - Europe Regional Summary," *UNHCR*, accessed February 18, 2017, <http://www.unhcr.org/publications/fundraising/574ed7b24/unhcr-global-report-2015-europe-regional-summary.html>.

there. Rather, they move and apply to states with better conditions.³⁴⁵ Consequently, the Dublin Regulation is not meeting its goal of providing a system to evenly allocate responsibility among member states.

▲ Disunion between member states

The unequal burden-sharing and other flaws in the Dublin regulation cause disunion between member states. Because European stability is at risk, the United States has an inherent interest to improve the situation. In January 2016, the French Prime Minister declared that the refugee crisis was “destabilizing Europe.”³⁴⁶ The situation in Greece has been so dire that in 2011 it was ruled that asylum seekers could not be sent back if they were found to apply for asylum in another country. In the detention centers, the conditions were ruled to be “degrading treatment,” which just shows how overwhelmed the country was in supplying resources for refugees.³⁴⁷ More recently, in January 2017 Italy called for a mass deportation of economic migrants because of increasing pressures.³⁴⁸ Differing attitudes towards refugees in separate nation states also cause tension.

The European Union attempted to shift some responsibility from border states through their Relocation Proposal of May and September 2015.³⁴⁹ It was agreed that a total of 160,000 refugees would be relocated from Member States under exceptional strain, such as Greece and Italy.³⁵⁰ However as of January 13, 2016 only 272 refugees have actually been transferred.³⁵¹ Figures 2 and 3 below show the numbers relocated from Greece and Italy respectively as of May 2016. Even though the numbers have slightly increased from January, the total is only 0.9% of the original goal. It can be concluded that relying on countries to volunteer to take increased numbers will not function on a large scale, and that a more comprehensive and pragmatic approach is needed.

³⁴⁵ Elspeth Guild et al., “Enhancing the Common European Asylum System and Alternatives to Dublin” 83 (September 2015): 44.

³⁴⁶ “French PM Manuel Valls Says Refugee Crisis Is Destabilising Europe | World News | The Guardian,” accessed February 19, 2017, <https://www.theguardian.com/world/2016/jan/22/french-pm-manuel-valls-says-refugee-crisis-is-destabilising-europe>.

³⁴⁷ Jennifer Rankin, “EU Met Only 5% of Target for Relocating Refugees from Greece and Italy,” *The Guardian*, December 8, 2016, sec. World news, <https://www.theguardian.com/world/2016/dec/08/eu-met-only-5-of-target-for-relocating-refugees-from-greece-and-italy>.

³⁴⁸ Zoie O’Brien, “‘Time to Act’ Italy Calls for Mass Migrant Deportations as Half a Million Refugees Arrive,” *Express.co.uk*, January 3, 2017, <http://www.express.co.uk/pictures/galleries/4469/Migrant-fighting-police-clash-riot-sexual-assault-pictures>.

³⁴⁹ “European Commission - PRESS RELEASES - Press Release - Refugee Crisis: Commission Reviews 2015 Actions and Sets 2016 Priorities,” accessed February 18, 2017, http://europa.eu/rapid/press-release_IP-16-65_en.htm.

³⁵⁰ Ibid.

³⁵¹ Ibid.

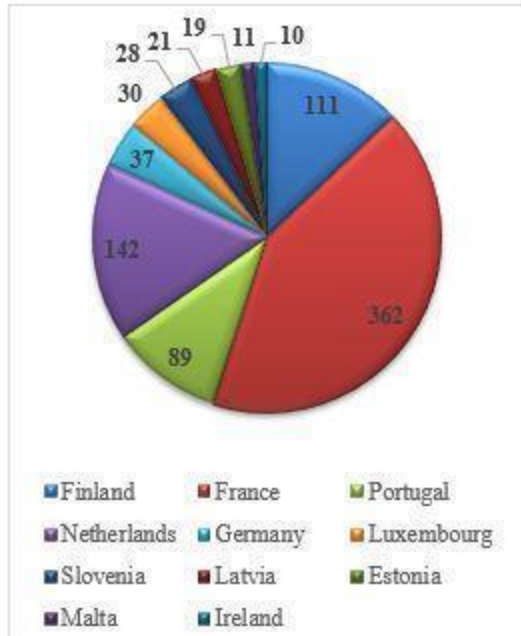


Figure 2: Total relocations from Greece by destination country

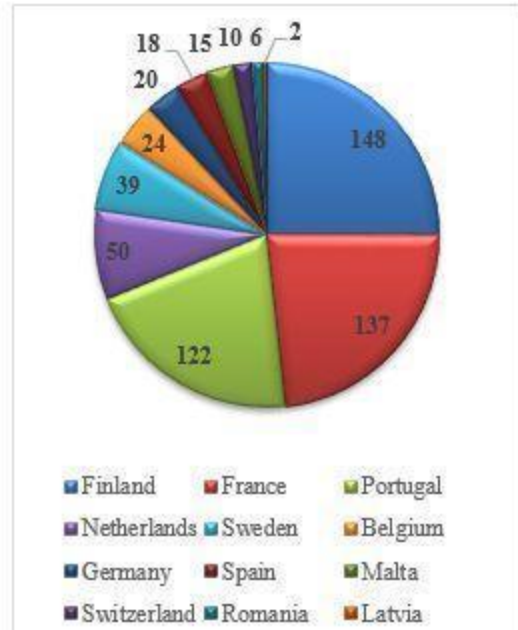


Figure 3: Total relocations from Italy by destination country

It is clear that the Dublin Regulation framework for processing and designating refugees to certain member states is flawed. This may not be obvious during times of normal migration levels, but it is undeniable amidst a crisis. Dublin was created with the intent to harmonize asylum processes between EU states, set common standards, and simplify allocation of applications and settlement. In practice however, there have been major problems with unequal responsibility among member states for receiving and processing refugees because of the State of First Arrival Rule. This, coupled with varying capabilities of member states to handle the influx has led to tensions in the EU. The United States must be committed to a unified Europe, and therefore should offer improvements by supporting mutual recognition and an EU Asylum Agency.

Conclusion

In summary, there are two main flaws with the Dublin Regulation. First, all 28 member states have very different standards for processing asylum applications. Second, the State of First Arrival Rule under Dublin creates an uneven distribution of responsibility. Considering that the issues embedded in the Dublin Regulation contribute to strains within the European Union, it is crucial that the United States take action to help improve this framework. The Center for European Policy Studies (CEPS) offers a well-researched, credible option to reform the Dublin Regulation and implement a European Union wide processing system.

The first recommended reform would assist in reducing the current unequal sharing of responsibility between member states. When an asylum application is approved in a Member State, it is only recognized in that country. The refugee cannot travel, work, or live in other EU countries. However when an asylum application is denied in a country, that decision is mutually recognized in other countries. If a refugee's application is denied in Italy, they cannot reapply in another EU country. It is recommended that the European Union adopt mutual recognition for positive decisions as well as negative. According to the CEPS mutual recognition would;

"...reduce the importance of the particular Member State in which an asylum claim is determined:

*regardless of where a person might be recognized as a refugee or subsidiary protection holder, she or he could in principle seek to take up residence in another Member State, where she or he might have close ties or language or professional skills that could be in demand in the local labor market, at an earlier stage than currently possible under the LTR rules.*³⁵²

This would take the majority of the responsibility from border states such as Greece and Italy, which would help tensions decrease within the EU. It would also benefit member states by allowing refugees to move where their skills can be best applied in the economy.

The second recommendation is to create a centralized European Union agency in charge of processing asylum claims and allocating accepted refugees to their respective member state.³⁵³ Because the issue is at a supranational level, the solution needs to be supranational. Not only would this institution help harmonize the processes of the individual member states, but would also be much better equipped to designate refugees evenly among the EU based upon certain factors such as population size, GDP etc.³⁵⁴

The United States' role in these improvements would essentially be diplomatic. All U.S. ambassadors should be briefed on the recommendations given here, and should make an effort to encourage and support these outcomes in the relevant countries. Because the European Union Commission is already in the midst of reforming the Dublin Regulation, the timing for the United States to contribute input is ideal.

U.S. Policy Recommendations

| Support a model of mutual recognition for accepted asylum applications between all European Union member states under a newly reformed Dublin Regulation.

| Encourage a supranational European Union Asylum Agency that would be responsible for processing asylum applications and allocating refugees to EU member states.

³⁵² Elspeth Guild et al., “Enhancing the Common European Asylum System and Alternatives to Dublin” 83 (September 2015): 32.

³⁵³ Ibid., 43.

³⁵⁴ Ibid., 47.

TRANSATLANTIC SECURITY



Justin Collins, Brian Crist,
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The United States has been interconnected in a vital transatlantic partnership with Europe since the end of WWII. Europe has a long history of shared values and mutual reliance in meeting security challenges. There is a strong connection between the United States and Europe through organizations such as the European Union and the North Atlantic Treaty Organization. Looking ahead, the U.S.-Europe community faces emerging threats that transcend borders, requiring cooperative solutions.

On the forefront of security concerns, the threat of hybrid warfare has played an increasing role in influencing national policies, as well as prompting NATO, the EU, and the U.S. to adopt new strategies. Cyber security and information warfare have the greatest potential to destabilize Europe, which directly impacts the strength of the transatlantic partnership. The threat of territorial expansion of the Russian Federation is impinging on the borders of European NATO members. As a result, the necessity for solidarity within the security community has driven new strategies to address issues such as energy security and terrorism.

The threat of terrorism continues to affect the United States and its European allies, calling for coordination in intelligence sharing and improved maritime security. With a larger security role for organizations like the EU and NATO, there are political impacts surrounding issues like the U.S. role and NATO enlargement. One of the centerpieces of security within NATO is the U.S. commitment to nuclear extended deterrence. As the costs of collective defense against rising threats continues to increase, there is the continued debate around NATO countries meeting the defense spending guideline. Regardless of equal burden-sharing, the security environment is becoming more complex. It is in the best interest of the United States to promote a strong, unified Europe that will strengthen collective security.

Emergence of Hybrid Warfare

The U.S. and Europe face a relatively new threat variant called hybrid warfare. Methods of hybrid warfare as defined by the NATO Defense College include but are not limited to “political, economic and energy pressure as well as deliberate coercion, extending to information warfare and propaganda, ideological warfare and other possible means of influencing local populations [and governments].”³⁵⁵ The concept of hybrid warfare is not new, but the term has most recently come into use with Russian tactics in Ukraine. Russia used these methods to wage an unconventional war in eastern Ukraine to include the annexation of Crimea in early 2014. Russia’s actions in Ukraine caught NATO and the U.S. off-guard, as Russia seemingly transitioned from regional counterpart to aggressor. As a result, there has been limited U.S. and NATO cooperation with Russia on areas such as counterterrorism since 2014.

³⁵⁵ NATO Defense College, “When Hybrid Warfare Supports Ideology: Russia Today,” November 2016, <http://www.ndc.nato.int/news/news.php?icode=994>.

NATO has developed a “Readiness Action Plan” designed to enhance the NATO Response Force, as well as establish a doctrine to respond to hybrid and cyber threats as outlined in the Warsaw Summit Communiqué.³⁵⁶ These responses are aimed at adapting to the multidimensional threats involved in hybrid warfare in contrast to an ‘action-reaction’ strategy of the past. Though these efforts to solve the challenges posed by hybrid threats are a first step, the effects of information warfare and cyber security stand out as important variables that could dramatically destabilize the integrity of a unified Europe.

▲ Information Warfare

The manipulation of information through political sabotage, propaganda campaigns, and coercive diplomacy threatens to undermine the stability and institutional legitimacy throughout Europe. The influence on the political system in countries pursuing reform and integration with Europe has a direct effect on European nations, institutions, and the United States. If these challenges are not addressed, the international community will be setting the precedent that manipulation of information is an effective - and tacitly accepted - means to destabilize governments. In terms of grand strategy, the “weaponization” of information drastically increases the potential damages inflicted by hybrid warfare and the use of conventional force.³⁵⁷ Additionally, the ill-defined nature of information warfare presents a challenge for European and American efforts to combat crime and institutional corruption, particularly in disputed European territories. As the European community is affected heavily by information warfare campaigns, it is in the best interest of the United States to work with its allies in crafting a coordinated approach so as to ensure a strong transatlantic alliance.

▲ Techniques

Political sabotage is an historic mechanism used by foreign entities to assert themselves into internal affairs.³⁵⁸ The techniques employed by the Russian government promulgated a narrative of abuse and neglect of the ethnic Russian minority in Crimea, thereby justifying the enforcement of their protection.³⁵⁹ This was aided by public support for traditional Orthodox values embodied by the Russian government in opposition to imposed Western values, which were seen as an illegitimate moral authority. Since the annexation of Crimea in 2014, the de facto government of Russian-installed Sergey Aksyonov has shown its vulnerability to manipulation from the Kremlin. The events in Crimea have led to a system that perpetuates Russian influence, the main objective of an information warfare campaign.³⁶⁰

Propaganda uses deliberately biased and carefully selected information to achieve a political goal, and is a frequently-employed technique within information warfare.³⁶¹ The power of propaganda lies in its appeal to human emotion, making it difficult to identify due to its subjective nature. The framing of issues in a particular way through government-sponsored narratives has the power to disrupt popular reform, as recently seen in Ukraine and Georgia.³⁶² This technique was bolstered by the Russian government’s

³⁵⁶ NATO, “Warsaw Summit Communiqué,” July 8, 2016,

http://www.nato.int/cps/en/natohq/official_texts_133169.htm.

³⁵⁷ Keir Giles, “Handbook of Russian Information Warfare” (NATO Defense College, Research Division, November 2016), https://krypt3ia.files.wordpress.com/2016/12/fm_9.pdf.

³⁵⁸ Political sabotage refers to “acts of one political camp to disrupt, harass, or damage the reputation of a political opponent, usually during an electoral campaign”- “Sabotage,” New World Encyclopedia, accessed February 24, 2017, http://www.newworldencyclopedia.org/entry/Sabotage#Political_sabotage.

³⁵⁹ Robert Ortung and Christopher Walker, “Putin’s Frozen Conflicts,” *Foreign Policy*, February 13, 2015, <https://foreignpolicy.com/2015/02/13/putins-frozen-conflicts/>.

³⁶⁰ Ibid.

³⁶¹ “Cambridge English Dictionary: Propaganda,” accessed February 22, 2017, <http://dictionary.cambridge.org/dictionary/english/propaganda>.

³⁶² Ortung and Walker, “Putin’s Frozen Conflicts.”

support of separatist groups and movements in the Georgian disputed territories of Abkhazia and South Ossetia within a larger hybrid warfare campaign.³⁶³ The popular distrust of the Georgian government was exploited in a manner that prevented further European integration and created a virtual Russian monopoly of influence in the region.

Coercive diplomacy refers to the pursuit of influence over the actions of a state or non-state actor using “either the threat to use force or the actual use of limited force”.³⁶⁴ This policy of hard persuasion is not new for the Russians - it is a long-standing political tool that dates back to the Soviet era.³⁶⁵ This is indicated by the necessity to expand the Russian sphere of interest and influence through its eastern neighborhood in order to reinforce its relevance as an elite world power. Illustrating the effects of threatening posture, Russian “Snap” exercises have involved the quick and unannounced massing of Russian troops on borders within Eastern Europe. President Putin’s use of coercive diplomacy to advance national objectives has included exercises along the borders of the Baltic States as well as significant troop deployments to the Russian Kaliningrad Oblast area.³⁶⁶ As the most vulnerable NATO members, the Baltic States rely heavily on the strength of the Alliance to deter Russian aggression. Since Estonia could be infiltrated within 36 hours, Estonian President Toomas Ilves has called for a “credible deterrence policy.” This emphasizes that an attack on Estonia would constitute an attack on all NATO members under Article 5 of the Washington Treaty, a cost that is much too high for Russia.³⁶⁷

▲ Challenges

The nature of information warfare is more elusive than conventional threats primarily due to the question of attribution.³⁶⁸ Without definitive intelligence on the source of weaponized information, it is impossible for the transatlantic community to respond. It is necessary for the United States to cooperate with its European allies in working towards a cohesive policy that will deal with information warfare effectively. While disinformation in wartime is not a new phenomenon, its use in peacetime to influence international politics presents a problem that necessitates innovative solutions. The United State could work toward a strictly national policy of addressing these threats on its soil, but it would be limited both in scope and applicability to the broad range of information warfare campaigns that impact the U.S. and Europe today. Furthermore, through affirmation of the commitment to the territorial sovereignty and political independence of Eastern European nations, the U.S. is in a position to reinforce its commitment to a strong, stable Europe that will strengthen the transatlantic alliance.

U.S. Policy Recommendations

Create a hybrid warfare task force with the mission of interfacing with NATO efforts to define levels of information warfare attack.

Further outline the American response to information warfare attacks that complements NATO response below the level of Article 5 invocation. This should be done in coordination with the NATO Incident Response Capability Rapid Reaction Teams in order to address other elements of hybrid war such as cyber.

³⁶³ Ibid.

³⁶⁴ Robert J. Art and Patrick M. Cronin, eds., *The United States and Coercive Diplomacy* (Washington, DC: United States Institute of Peace Press, 2003).

³⁶⁵ Ibid.

³⁶⁶ “Russia’s June 2016 Snap Exercise: Same Old Story, but With a New Touch,” *Jamestown*, June 29, 2016, <https://jamestown.org/program/russias-june-2016-snap-exercise-same-old-story-but-with-a-new-touch/>.

³⁶⁷ Jorge Benitez, “NATO Summit Special Series: Estonia and Latvia,” *Atlantic Council*, July 3, 2016, <http://www.atlanticcouncil.org/blogs/natosource/nato-summit-special-series-estonia-and-latvia>.

³⁶⁸ Giles, “Information Warfare.”

Maintain support for troop deployments in Eastern Europe as reassurance of American commitment to stability in the region.

Cyber Security

As national infrastructure has become increasingly dependent on the cyber sphere, the widespread interconnectedness has proven not only a benefit, but a vulnerability. Since the cyberspace domain was made public two decades ago, its growth has been exponential. This has become central to the function of everything from electrical grids and communications to national defense and international banking. To maintain the effective operation of most nations, the cyber sphere must remain consistent, widespread, and most of all, secure.

The United States, as a major economic and military power, has public and private assets spread throughout the world. Nearly all of these assets, from information technology of U.S. multinational corporations to military command and control systems, rely on the open, secure and reliable transmission of electronic information. Therefore, cyber security is central to U.S. interests as it aims to maintain stability and control of the cyberspace. The nature of the cyber domain is that of complete interconnection around the world. The U.S. not only has to be concerned with its own cyber security, but must pay attention to that of its allies in the EU and NATO. Living in globalized world, EU and NATO countries are inherently interconnected with the U.S. through economic and military alliances. As the threat of cyber-attacks and cybercrime increase, the need for cooperation among allies is increasingly important.

As a way forward, the U.S. is highly interested in transnational cooperation towards cyber security norms. The 2011 release of the *International Strategy for Cyberspace* by the U.S. to its partners is an example of such a vision.³⁶⁹ Currently, there is an absence of agreed-upon international norms for cyberspace as its prevalence and exploitation is relatively new. As threats of cyber-attacks and cyber-crimes continue to increase, there is a rising need to create a framework to deal with these problems. Nations must cooperate to clarify definitions and policies internationally in the same manner that conventional conflict is regulated through the *Law of Armed Conflict*.³⁷⁰ In the present absence of international norms for the cyber domain, the U.S. seeks make forward progress in cooperation with the long-term goal of establishing norms with its transatlantic partners, the EU and NATO.

▲ **Cyber-attacks in Estonia, Georgia, and Kyrgyzstan**

In 2007, the first historical cyber war occurred in Estonia where its government systems were attacked and subsequently shut down.³⁷¹ Between 2007 and 2009 Georgia and Kyrgyzstan were also hit by major cyber-attacks that directly impacted their government's communications and ability to operate critical infrastructure. In the circumstances of Estonia and Georgia, both countries received help from other countries, including the U.S., to re-establish their Internet relatively quickly. This allowed their critical government systems to become operational again. In these two cases, the cyber attackers were unable to achieve their objectives of political change because the countries were able to recover quickly and prevent further attacks. Conversely, it took over two weeks for Kyrgyzstan to recover from their cyber-attacks, as

³⁶⁹ "White House International Strategy for Cyberspace," *Public Intelligence*, May 2011, <https://publicintelligence.net/white-house-international-strategy-for-cyberspace/>.

³⁷⁰ "War and International Humanitarian Law - ICRC," *International Committee of the Red Cross*, October 29, 2010, <https://www.icrc.org/eng/war-and-law/overview-war-and-law.htm>.

³⁷¹ Andrzej Kozłowski. "Comparative Analysis of Cyber Attacks on Estonia, Georgia, and Kyrgyzstan." *European Scientific Journal* 3 (February 2014): 237–45.

it remained isolated without help from other countries.³⁷² Lastly, while Estonia and Kyrgyzstan incidents were absent of conflict, the case with Georgia included simultaneous cyber and conventional attacks, which proved the effectiveness of a comprehensive hybrid approach.

There are several key lessons inherent in these case studies. First, it demonstrates the vulnerabilities of modern governments that are dependent upon the cyber sphere. To avoid sabotage of critical civil and military infrastructure, the cyber domain must be highly secure. Second, these incidents provide examples for states to consider the different ways in which in which cyber-attacks can be used. In the Georgian case it included not only the objective of political influence, but also the coordinated use of cyber with conventional force in a hybrid manner. Lastly, these examples demonstrate the vital importance of international cooperation in cyber security crisis response and resiliency in the global cyber domain.

▲ **EU-NATO-U.S. Cyber Security Cooperation**

The European Union and NATO have made significant headway in cyber security programs and international cooperation in recent years. After the 2007 cyber-attacks on Estonia, NATO created the NATO Cyber Defense Center of Excellence in Tallinn, Estonia (CCD COE). The CCD COE currently works side by side with the U.S. Naval War College in cooperation towards defining international norms and aligning national legal frameworks for cyber-crime. Most significantly, this has resulted in the Tallinn Manual, which provides a common language and legal framework which is proposed to be the basis for international cyber law.³⁷³ Another aspect of NATO cooperation is they host the world's largest international cyber defense exercise in Tallinn, Estonia, which in its 6th iteration in 2016 saw more than 550 specialists and 26 nations participate.³⁷⁴ All of this is significant in the sense that there is real progress in defining norms, seeking cross-border cooperation, and securing the cyberspace domain.

The European Union has also done significant work towards cooperation for cyber security. In 2014, the first EU-U.S. Cyber Dialogue took place where the European Union and the United States worked towards regulatory norms and combating cyber warfare and cyber-crime.³⁷⁵ Since the first round, the dialogue has met annually and continues to push forward cooperation. The most recent result of this event was the creation of the *Transatlantic Cyber Policy Research Cooperation* in an attempt to align public-private partnership in cybersecurity regulation and approach.³⁷⁶ The EU has also taken a number of measures towards establishing cyber security norms through diplomacy with numerous countries outside of the transatlantic community, especially in the private industry.³⁷⁷ In the case of both the EU and NATO, the significant steps taken with regard to cooperation along the transatlantic alliance demonstrates a continued willingness to pursue a cooperative approach for cyber security.

▲ **Challenges for Cyberspace cooperation**

Despite the progress being made between the U.S., NATO, and the EU, each have a different focus in

³⁷² Kozlowski. "Cyber Attacks on Estonia, Georgia, and Kyrgyzstan."

³⁷³ "About Cyber Defence Centre," NATO Cooperative Cyber Defence Centre of Excellence, accessed February 24, 2017, <https://ccdcoe.org/about-us.html>.

³⁷⁴ "World's Largest International Technical Cyber Defence Exercise Takes Place Next Week," NATO Cooperative Cyber Defence Centre of Excellence, April 15, 2016, <https://ccdcoe.org/worlds-largest-international-technical-cyber-defence-exercise-takes-place-next-week.html>.

³⁷⁵ "EU-U.S. Cyber Dialogue," European Union External Action Service, December 16, 2016, https://eeas.europa.eu/headquarters/headquarters-homepage_en/18132/EU-U.S.%20Cyber%20Dialogue.

³⁷⁶ Ibid.

³⁷⁷ Luukas K. Ilves et al., "European Union and NATO Global Cybersecurity Challenges" (PRISM 6, July 28, 2016), <http://cco.ndu.edu/Publications/PRISM/PRISM-Volume-6-no-2/Article/840755/european-union-and-nato-global-cybersecurity-challenges-a-way-forward/>.

cyber security. For example, in contrast to the unilateral ability of the U.S. to have cyber defensive and offensive cyber operations, NATO has no offensive operational protocol. Currently, NATO only has a policy of “cyber defense.”³⁷⁸ This poses a challenge for the U.S. to be able to cooperate with NATO to make a preemptive attack on a common adversary, similar to the STUXNET malware used on Iran that came from a combined approach by U.S. and Israel.³⁷⁹

At the same time, the EU continues to grapple with agreement on approaches to cyber security because of diverging views at the national level. Some countries within the EU view cyber security as a homeland security responsibility over a unified cross-border EU approach. Some EU countries see cybersecurity through a private sector lens, and some see it through a national security lens. Additionally, the EU and NATO approach cyber security differently. While the EU has more of a cyber-crime focus, NATO has more of a comprehensive cyber defense approach.³⁸⁰ The overall difference in approaches from the EU and NATO highlights the overall complexity to align the U.S., NATO, and the EU in a common agreeable integrated vision for cyber security policy.

The United States could take a neutral role in pushing for cyber security policy norms in Europe, and leave it up to the individual countries. The implication of remaining stagnant in communication regarding cyber security has the potential for creating international misunderstanding due to the attribution problem. Like information warfare, the attribution of attack is a difficult task in cyber, as it is very common to mask the origin of attacks as a third party. A lack of communication could lead to a loss of trust between two nations and damage to diplomatic, economic, and military cooperation.

In a more engaged manner, the U.S. should push for the development of improved norms through the bilateral and multilateral platforms that already exist. For example, the cyber exercises at the CCD COE in Tallinn, Estonia provide an opportunity for engagement and coordination in a real-world setting. The EU-U.S. Cyber Security Dialogue platform is essential to reaching an international consensus on norms and an opportunity to reinforce the U.S. commitment to Europe. The U.S. has much to offer the EU and NATO in regards to cyber security because of its robust private and military sectors in the field. Most of all the United States and Europe would be strongest with common defense capabilities and approaches within NATO, in a U.S.-EU-NATO triangle.

U.S. Policy Recommendations

- Continue to support in the EU-U.S. Cyber Security Dialogue with the European Union.
- Work closely with the NATO Cyber Defense Center of Excellence in Tallinn, Estonia.
- Encourage a unified approach of establishing common cyber defense capabilities and approaches through NATO in an EU-NATO-U.S. triangle.

Russian Expansion

Following the illegal and illegitimate annexation of Crimea in March 2014, the United States, the EU, and NATO each took separate but coordinated steps in showing their dissent towards the Russian Federation’s

³⁷⁸ “NATO - Cyber Defence,” NATO, February 17, 2017, http://www.nato.int/cps/en/natohq/topics_78170.htm.

³⁷⁹ Ellen Nakashima and Joby Warrick, “Stuxnet Was Work of U.S. and Israeli Experts, Officials Say,” The Washington Post, June 2, 2012, https://www.washingtonpost.com/world/national-security/stuxnet-was-work-of-us-and-israeli-experts-officials-say/2012/06/01/gJQAlnEy6U_story.html?utm_term=.7ed6e3154593.

³⁸⁰ Ilves et al., “European Union and NATO.”

aggressive action. The result was a range of U.S. and EU sanctions against Russian institutions, industries, and even individuals, as well as a NATO reaffirmation of its partnership with Ukraine. Most of these actions persist today, but they have had limited success in achieving their intended effect.

The preservation of positive diplomatic relations with Ukraine is favorable for the U.S. as it helps preserve regional stability and limits Russian influence on domestic affairs in Eastern Europe. In 1991, after the end of the Cold War, the Ukraine agreed to surrender its Russian nuclear stockpiles, and showed alliance with U.S. policy in nonproliferation policy through withdrawing from nuclear plant construction in Bushehr, Iran, provided the fourth-largest contribution to the coalition forces in Iraq in 2003, and in 2012 removed the last of their stockpiles of highly-enriched uranium for destruction.³⁸¹ Thus, the preservation of bilateral U.S. cooperation with Ukraine will continue to serve the interests of both nations.

After the fall of the Soviet Union, the Russian sphere of influence diminished significantly, leaving the Russian government internally fragile. Hence, Russia pursues territorial and influential expansion in reaction to what the state perceives as threats to its national interest, often justifying their actions with alleged historical possession or poor treatment of ethnic Russian minorities.³⁸² Continued Russian expansion threatens territorial integrity in Eastern Europe, where stability is critical to a strong transatlantic partnership with the United States.

▲ Crimea

The annexation of Crimea began with the ostensible Ukrainian revolution in early 2014. In an attempt to form a closer relationship with Europe, there were student protests intended to pressure then-President Viktor Yanukovich to sign an association agreement between Ukraine and the EU to liberalize trade.³⁸³ President Putin repeatedly expressed dissatisfaction with the Ukrainian interest in establishing closer relations with the EU, which would hinder Russian efforts to keep its Ukrainian neighbors within the Russian sphere of influence.³⁸⁴ Under pressure from Putin, Yanukovich deserted the EU negotiations, which outraged the Ukrainian population as they watched their opportunity to integrate into the West disappear. The conditions of social and political unrest that followed in Ukraine set the conditions for the external intervention in Crimea. The Russian Federation entered Crimean territory on 27 February 2014, acting under the military command of President Putin, who sought to reassert control over the territory under the auspices of protecting the ethnic Russian minority in the country. Shortly after the intervention, the hastily-formed new Crimean government held a referendum, reporting 97% support for reunification.³⁸⁵

From the Russian perspective, the annexation was a reaction to Western threat to its legitimate sovereign authority in Ukraine. President Putin justified his government's actions in Ukraine by declaring NATO enlargement as a provocative threat to Russia. This narrative is belied by the fact that, led by the governments of the UK, France and Germany, there was consensus that Ukrainian accession to NATO was not feasible at the time of annexation and therefore posed no real threat to Russia at that time.³⁸⁶

³⁸¹ Steven Pifer, "Ukraine, Russia and the U.S. Policy Response | Brookings Institution," *Brookings*, June 5, 2014, <https://www.brookings.edu/testimonies/ukraine-russia-and-the-u-s-policy-response/>.

³⁸² Orttung and Walker, "Putin's Frozen Conflicts."

³⁸³ Pifer, "Ukraine, Russia and the U.S. Policy Response."

³⁸⁴ Daniel Treisman, "Why Putin Took Crimea: The Gambler in the Kremlin," *Foreign Affairs*, June 2016, <https://www.foreignaffairs.com/articles/ukraine/2016-04-18/why-putin-took-crimea>.

³⁸⁵ Paul Roderick Gregory, "Putin's 'Human Rights Council' Accidentally Posts Real Crimean Election Results," *Forbes*, May 5, 2014, <http://www.forbes.com/sites/paulroderickgregory/2014/05/05/putins-human-rights-council-accidentally-posts-real-crimean-election-results-only-15-voted-for-annexation/>.

³⁸⁶ Treisman, "Why Putin Took Crimea."

Furthermore, the publicized narrative in Russia cites the protection of national interest through restoring the Russian reputation following the dissolution of the Soviet Union, an event which President Putin referred to as the “greatest political catastrophe of the twentieth century.”³⁸⁷ This call for a return to Soviet-style diplomacy is worrisome for Russia’s neighbors in Eastern Europe and most of the European community.

Immediately prior to annexation, the Russian government had renewed a 75-year lease on its naval base in Sevastopol, Ukraine, whose crucial location gives Russian fleet access to the Black and Mediterranean Seas.³⁸⁸ Therefore, the decision to annex Crimea was likely driven by the short-term protection of strategic positioning and concern for domestic political strength rather than the long-term achievement of national interest.

▲ **Legality**

The legality of the Russian intervention has been challenged in association with the Budapest Memorandums on Security Assurances, signed in 1994 by the presidents of Ukraine, Russia, the U.S., and the UK. This memorandum commits the signatories to the protection of Ukraine's territorial sovereignty while adding Ukraine to the Treaty on the Nonproliferation of Nuclear Weapons.³⁸⁹ The Crimean annexation was in clear violation of international law under the Budapest Memorandum.

▲ **International Response**

In choosing not to recognize the annexation on legal grounds, the EU responded in July 2014 by imposing travel and visa administration bans, as well as freezing the assets of 149 persons and 37 entities “involved in actions against Ukraine’s territorial integrity.”³⁹⁰ These sanctions persist in facilitating European commitment to “assisting Ukraine in ensuring a stable, prosperous and democratic future for all its citizens.”³⁹¹

NATO’s response has been a refusal to resume “business as usual” with the Russian government until the Federation removes its troops from Ukraine and allows the Ukrainian government to pursue a legitimate democratic future. However, NATO has retained open lines of communication through the NATO-Russia Council on the ambassadorial level in order to discuss further implementation of the Minsk Agreements on a ceasefire in Ukraine.³⁹²

On 6 March 2014, U.S. President Barack Obama signed Executive Order 13660 authorizing sanctions against Russian “entities or individuals” involved in violations of international law. In response to the outbreak of violence from political unrest, these sanctions represented the U.S. commitment to protecting Ukraine’s sovereignty, territorial integrity, and assets of the populace through the “continued efforts to impose a cost on Russia and those responsible for the situation in Crimea.”³⁹³ Further, the U.S. issued

³⁸⁷ Steven Lee Myers and Ellen Barry, “Putin Reclaims Crimea for Russia and Bitterly Denounces the West,” *The New York Times*, March 18, 2014, <https://www.nytimes.com/2014/03/19/world/europe/ukraine.html>.

³⁸⁸ Treisman, “Why Putin Took Crimea.”

³⁸⁹ “Budapest Memorandums on Security Assurances, 1994,” *Council on Foreign Relations*, December 5, 1994, <http://www.cfr.org/nonproliferation-arms-control-and-disarmament/budapest-memorandums-security-assurances-1994/p32484>.

³⁹⁰ European Commission, “EU Sanctions against Russia over Ukraine Crisis,” Text, *European Union Newsroom*, (January 3, 2017), https://europa.eu/newsroom/highlights/special-coverage/eu_sanctions_en.

³⁹¹ Ibid.

³⁹² NATO, “Statement by the Secretary General on NATO-Russia Council Meeting,” *NATO*, April 8, 2016, http://www.nato.int/cps/en/natohq/news_129818.htm.

³⁹³ Administration of Barack Obama, “Executive Order 13660 - Blocking Property of Certain Persons Contributing

Executive Order 13685 to continue *Prohibiting Certain Transactions with Respect to the Crimea Region of Ukraine*, preventing financial transactions to and from the region of the Crimean peninsula.³⁹⁴

By means of an informal summit in Berlin in November 2016, the U.S., along with five EU heads of government, agreed to extend sanctions against Russia in response to the continuation of Russian military aggression in Ukraine.³⁹⁵ Despite these actions in cooperation with European allies, Russia has not withdrawn from Crimea, and the situation remains largely unchanged.

As one of the contributors of NATO-mandated troop deployments in Eastern Europe, the U.S. support for nations threatened by Russian expansion plays an integral role in Alliance operations. Should the U.S. further its commitment through bilateral deals with nations in the region, it will strengthen the unified forces opposing Russian expansion. While this may reassure Eastern European nations, this runs the risk of further provoking Russia to increase troop levels on the borders. An additional American presence in the region could be exploited by a Russian narrative citing the threat of American aggression. A more tempered approach regarding status of forces may prove to be less provocative and achieve the same goals of reassurance. Regardless, the Russian Federation must continue to be held accountable for its illegal actions, and the United States is in solidarity with Europe to pursue a solution that aligns with international law.

U.S. Policy Recommendations

Remain committed to the 1994 Budapest Memorandum on Security Assurances through meaningful support of the legitimate Ukrainian government under President Petro Poroshenko.

Maintain sanctions against the Russian Federation and its affiliates until a reliable diplomatic agreement can be met to cease violence in the region and allow for the reunification of Ukraine and Crimea under the legitimate Ukrainian administration.

Reaffirm the commitment to stand by EU and NATO partners in support of threatened nations, emphasizing that violations of international law are not tolerated.

Impacts of Energy Security

Due to the European Union's lack of abundant natural resources to produce energy, they have to import it from somewhere else. As of 2014, foreign gas to the EU accounted for 66% of the total.³⁹⁶ Many countries within the EU and the NATO Alliance are dependent on Russian natural gas and oil, which puts them in a delicate position to defy the Russian Federation in foreign policy. European dependence on Russian gas effectively ties the hands of U.S. allies in their relationship with Russia. European allies are not operating from a position of strength, and this directly affects the United States' bargaining power vis-a-vis transatlantic methods of negotiation. In essence, each member of NATO is first and foremost

to the Situation in Ukraine" (The White House, March 6, 2014), <https://www.gpo.gov/fdsys/pkg/DCPD-201400147/html/DCPD-201400147.htm>.

³⁹⁴ Administration of Barack Obama, "Executive Order 13685 - Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to the Crimea Region of Ukraine" (The White House, December 19, 2014), <https://www.gpo.gov/fdsys/pkg/DCPD-201400947/html/DCPD-201400947.htm>.

³⁹⁵ "US and EU Agree to Keep Sanctions against Russia over Ukraine," *Financial Times*, November 18, 2016, <https://www.ft.com/content/4a9083ae-ad99-11e6-9cb3-bb8207902122>.

³⁹⁶ The European Commission, "European Energy Security Strategy," EUR-Lex, accessed February 19, 2017, <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52014DC0330&from=EN>.

responsible for their own national interest, and must prioritize the wellbeing of their populations over a disagreement with Russia in the foreign policy arena.

This balance makes it difficult for affected countries to take political actions that could be perceived by Russia as threatening. Eastern European countries are not the only ones subject to dependency on Russian natural resources, as the Russian Federation also supplies gas to most of Europe.³⁹⁷ This dependency must be addressed as a potential for instigating disunity within a unified Europe, especially within organizations like the EU and NATO.

The majority of countries in Central and Eastern Europe are dependent on Russian oil and gas.³⁹⁸ Latvia, Lithuania, Hungary, Slovakia, and the Czech Republic (to name a few) are so dependent on Russia that if it were to cut the gas supply to these countries, they would likely be forced to capitulate to Russian demands.³⁹⁹ Since the 1990s, Europe's dependence on Russian gas has increased while only the Netherlands and Denmark have effectively achieved energy independence from Russia.⁴⁰⁰ As such a powerful national tool, energy security is an essential national security priority for the the EU, NATO, and the U.S.

▲ Past Strategy

The cut-off of natural gas is a tool that Russia has used in the past to accomplish specific objectives. There have been two major cases in which Russia has cut the natural gas supply to Europe passing through Ukraine.⁴⁰¹ These two events occurred after Russia's incursion into Georgia and the annexation of Crimea. In order to avoid repercussions, Russia effectively blackmailed its European counterparts by cutting off the natural gas supply. In 2009, a year after their incursion in Georgia, Russia completely cut the gas supply to six countries (Greece, Moldova, Turkey, Hungary, Croatia, and Romania) in the middle of winter. By that time 25 percent of the gas to the European Union came from Russia.⁴⁰²

A similar tactic was used once again by Russia in early 2015, a year after its annexation of Crimea. As Russian troops crossed the border, it cut Ukraine's gas which also served to supply forty percent of Europe. Russia claimed that Ukraine had cut gas to rebels in Crimea, Donetsk, and Luhansk. Putin went as far as to say that what Ukraine was doing was a "genocide" and such actions would cause famine.⁴⁰³ As a result, the Russian Federation cut all gas supplies to Ukraine, allegedly in retaliation for the rebel gas embargo. Putin was well aware that further sanctions against Russia were imminent and sought to remind Europeans of their dependence on Russian gas.

Fortunately, not all the gas that Europe needs comes from Russia; a significant amount of the total comes from North Africa. However, in the beginning of 2017, the gas supply from North Africa was reduced by

³⁹⁷ Chi-Kong Chyong and Vessela Tcherneva, "Europe's Vulnerability on Russian Gas," *ECFR*, March 17, 2015, http://www.ecfr.eu/article/commentary_europes_vulnerability_on_russian_gas.

³⁹⁸ *Ibid.*

³⁹⁹ "Elering Chief Says Estonia No Longer Dependent on Russian Gas," *New Europe Investor*, January 7, 2016, <http://www.neweuropeinvestor.com/news/elering-chief-says-estonia-no-longer-dependent-on-russian-gas-10751/>.

⁴⁰⁰ Markus K. Brunnermeier, Harold James, Jean-Pierre Landau, Chapter 13. Page 284. *The Euro and the Battle of Ideas* (Princeton, 2016).

⁴⁰¹ Robert Lea, "Europe Plunged into Energy Crisis as Russia Cuts off Gas Supply via Ukraine," *Mail Online*, January 7, 2009, <http://www.dailymail.co.uk/news/article-1106382/Europe-plunged-energy-crisis-Russia-cuts-gas-supply-Ukraine.html>.

⁴⁰² *Ibid.*

⁴⁰³ Zachary Boren, "Putin Threatens to Cut off Gas Supplies to Europe," *The Independent*, February 26, 2015, <http://www.independent.co.uk/news/world/europe/ukraine-crisis-putin-will-cut-gas-to-europe-unless-russia-is-paid-by-the-end-of-the-week-10071475.html>.

3.7% by the end of 2016.⁴⁰⁴ The biggest providers are Medgaz, Trans-Mediterranean, and Maghreb. These are the companies with whom the European Union as a whole or as individual nations could enter negotiations to improve the gas supply.

▲ Moving Forward

Even though the problems are complex, there are options that the EU and the U.S. could take in order to help Europe. Continuing with the status quo and allowing Russia to manipulate European countries would entail risk. If this is the course to be taken, Russia will continue to gain political leverage when negotiating with Europeans. However, the United States could aid Europe in improving energy supplies. For example, Europe could import more gas from North Africa, this would reduce gas imports from Russia and reduce dependency.

This would only serve as a short term solution to the problem meanwhile these countries work to achieve energy independence. In addition to these imports, other sources of alternative energy could be explored. Countries in Northern Europe have the capacity to aid less advanced countries in Eastern Europe in the field of renewable energy. In addition, the EU Commission has the capacity to keep oil and gas supplies in storage in case of an emergency. This would allow EU members to mitigate the initial shock should Russia again threaten to turn off energy supplies.

U.S. Policy Recommendations

- | Support the energy security strategy proposed by the EU Commission that each member state should keep 120 days crude oil and natural gas supply.⁴⁰⁵
- | Encourage the EU and NATO countries to become less dependent on Russian natural gas through the diversification of gas imports and pursuit of alternative sources such as solar, wind, and thermal.

Countering Terrorism

Terrorism poses a security threat that transcends national borders and often involves non-state actors. In order to combat this threat, the United States cannot act alone: only broad cooperation on the issues of capacity-building, resilience, and robust intelligence gathering can mitigate the effects of terrorist attacks. Strengthening of the European capacity to combat terrorism will inherently strengthen the transatlantic alliance, and will therefore pay dividends for United States national security. With the defense capabilities made available to NATO members as well as the interoperability among Alliance members, the U.S. benefits directly from remaining a firm supporter of the North Atlantic Treaty Organization. Additionally, there are emerging threats that operate outside the legal mandate of NATO which are being addressed by the European Union, as well as through coalitions of like-minded nations. It is in the United States' best interest to participate, contribute, and enhance these efforts to combat terrorism.

⁴⁰⁴ Verity Ratcliffe, "North African Gas Exports to Europe Fall via All Routes," *Interfax Global Energy*, February 7, 2017, <http://interfaxenergy.com/gasdaily/article/23863/north-african-gas-exports-to-europe-fall-via-all-routes>.

⁴⁰⁵ European Commission, "European Energy Security Strategy"

▲ Evolution of Strategy

The American approach to terrorism since 2001 has hinged heavily upon the strategy of combating violent extremism outside of the territorial United States. As opposed to a reactionary approach, the U.S. has found success in attacking the networks and infrastructure of terrorist groups abroad. Unfortunately, the same degree of geographic separation is not a possibility for America's European allies. As such, ensuring a strong transatlantic partnership must involve a United States commitment to maintaining a strong security environment in Europe. The offering of national capabilities to NATO provides tactical and strategic-level assets to a joint approach to international terrorism. This coordinated multinational approach has worked historically, and is the best method for achieving security objectives for the United States and Europe.

The World Trade Center attacks on 9/11/2001 prompted the first ever invocation of NATO's Article 5 response.⁴⁰⁶ This enabled the United States to take advantage of the special capabilities offered by NATO and its member nations. From a massive inflow of intelligence to NATO Airborne Warning and Control System (AWACS) surveillance flights over the United States, the overall crisis response was enhanced significantly by partner assets. As coordination between nations affected by terrorism has progressed in the last 15 years, there has been increased sharing of strategy, intelligence, and joint military training that has heightened efficacy of counterterrorism operations.

Having waged the Global War on Terror for over a decade, the United States brings a plethora of lessons learned and a pragmatic strategy to the Alliance. In order to address threats posed by violent extremism, the United States and her allies must agree that cooperation is the most effective strategy, which must be strengthened by a robust intelligence network and the application of a broad spectrum of operations from direct action to counter-insurgency doctrine. When interfacing with Europe on security matters, NATO is the logical choice as it is both efficient and effective. Interoperability is a key component of the Alliance, and provides for a broad platform of military capabilities designed to maximize efficiency in joint operations. This is achieved through a standardization entity, the NATO Standardization Office (NSO), which is responsible for coordination of policies, procedures, and equipment between the member nations.⁴⁰⁷

As a highly unfocused and dynamic form of warfare that transcends borders, terrorism challenges NATO's ability to flex its military power in a conventional manner. Therefore, the Alliance focuses on an indirect strategic approach: awareness of the threat through strong partnership between countries, capacity-building to increase resilience, and intelligence sharing.⁴⁰⁸ This emphasizes the evolving role of NATO's framework that allows national security capabilities to be made available to member nations.

▲ Successes

The success of security collaboration has been demonstrated by the Global Coalition to Counter ISIL. Operating within NATO's capacity to support coalitions of like-minded countries on specific issues, the United States works with 68 partner nations to address the challenges posed by the Islamic State of Iraq and the Levant (ISIL).⁴⁰⁹ Turkey has allowed members of the Counter-ISIL Coalition to use Turkish land and air bases for campaigns against the Islamic State since 2015.⁴¹⁰ NATO officially supports this

⁴⁰⁶ Colonel Brian H. Brady, "The North Atlantic Treaty Organization Legal Advisor: A Primer" (The Army Lawyer, October 2013).

⁴⁰⁷ "NATO Standardization Office Background," NATO Standardization Office, accessed February 18, 2017, https://nso.nato.int/nso/nso_background.html.

⁴⁰⁸ "Countering Terrorism," NATO, February 6, 2017, http://www.nato.int/cps/en/natohq/topics_77646.htm.

⁴⁰⁹ "The Global Coalition to Counter ISIL: Partners," accessed February 18, 2017, <https://www.state.gov/s/seci/c72810.htm>.

⁴¹⁰ Kathleen J. McInnis, "Coalition Contributions to Countering the Islamic State" (Congressional Research Service,

initiative with AWACS surveillance aircraft, which provide command and control (C²) and Intelligence, Surveillance, Reconnaissance (ISR) capabilities to the joint military operations.⁴¹¹ The positive results of this cooperation in countering violent extremism demonstrates the value of a strong transatlantic alliance.

▲ Capabilities

NATO provides training and educational tools available to member states in the form of the Defence Against Terrorism Programme of Work (DAT POW).⁴¹² This operates under three main capacity umbrellas: Incident Management, Force Protection and Survivability, and Network Engagement. In order to develop the response capability of member nations to terrorist attacks at home, the Incident Management umbrella focuses on the protection of harbors and ports. In an effort to harden the elements considered vulnerable to terrorist attack, the Force Protection and Survivability umbrella is designed to increase resilience.

From addressing threats to wide-body civilian and military aircraft to the detection/protection against Chemical, Biological, Radiological, Nuclear (CBRN) weapons, DAT POW is dedicated to mitigating the effects of potential attacks. Under this umbrella, there is also training on Counter-Improved Explosive Device (C-IED) tactics, Route Clearance (RC), and Explosive Ordnance Disposal (EOD) capabilities that allow member states to respond effectively to attack. Lastly, Network Engagement offers the capability to develop Intelligence, Surveillance, and Reconnaissance (ISR) as well as target acquisition. This takes the counterterrorism fight on the offensive, and includes tools such as biometric data networks and special operations forces to limit the freedom of movement for violent extremist groups.⁴¹³

▲ Challenges

While the threat of terrorism shifts across borders and is addressed through operational cooperation by nations affected, this joint approach has limitations. Both the United States and Russia have similar definitions of terrorism, but both define it at the national level and do not include legal boundaries as outlined by international law. The NATO legal definition exists, but since NATO does not have the jurisdiction to take action within NATO countries this is effectively pointless.

The differences between legal definitions range from the specific acts that constitute terror to ideological strategies that are aimed to instill fear. This applies to the International Criminal Court, which was designed to prosecute serious international crimes but has no jurisdiction over terrorism due to disagreements on definitions.⁴¹⁴ The concept that nation-states can only prosecute violent extremists using national laws indicates the limits of the sovereign national structures. With the persistence of nations in addressing the prosecution of terrorism on a strictly national basis, there are inherent obstacles to international cooperation.

August 24, 2016), <https://fas.org/sgp/crs/natsec/R44135.pdf>.

⁴¹¹ NATO, "NATO Secretary General Attends Meeting of Counter-ISIL Coalition," NATO, July 25, 2016, http://www.nato.int/cps/en/natohq/news_134216.htm.

⁴¹² NATO, "Defence Against Terrorism Programme of Work (DAT POW)," NATO, April 9, 2015, http://www.nato.int/cps/en/natohq/topics_50313.htm.

⁴¹³ NATO, "Defence Against Terrorism Programme of Work (DAT POW)."

⁴¹⁴ International Criminal Court, "ICC - Some Questions and Answers," accessed February 28, 2017, <http://legal.un.org/icc/statute/iccq&a.htm>.

▲ Moving Forward

The United States is now in a critical position to contribute to or weaken the European security environment. If the United States were to significantly reduce contributions to NATO or withdraw completely, the organization would be forced to redefine itself with objectively less military capability. The undermining of the Alliance would allow violent extremism far greater freedom of maneuver in areas with NATO presence, such as in Iraq.⁴¹⁵ At the same time, this would damage the relationship between the U.S. and all NATO allies, which would hinder existing bilateral agreements that benefit the United States. Above all, a lessening of the U.S. commitment to NATO would signal a lack of commitment to Europe. This would leave a vacuum to be filled by nationalist agendas, actions by non-state actors, and the opening of security arrangements with other world powers. All of these would effectively diminish the U.S. role on the global stage and prove a detriment to U.S. national security interests.

Should the United States redouble efforts to reinforce European security through economic and political means, the effect would be a further increase in collective security for all members. Addressing the challenges that face European security can best be accomplished through the existing institutions that operate in this field. U.S. doctrine on counterterrorism includes attacking the terrorist network on many levels, including communication, finance, and logistics. If the U.S. were to help expand European capacity to attack terrorist networks through cyber, conventional, and special operations forces while simultaneously building resilience to attack, the result would be an improved dynamic capability to counter terrorism that would serve U.S. interests both at home and abroad.

U.S. Policy Recommendations

- | Firmly support NATO to further enhance the European security capacities in an effort to strengthen the transatlantic ability to counter violent extremism.
- | Share best practices and tactics with European allies to allow these countries a larger role in combating terrorism.
- | Continue to pursue bilateral security arrangements with non-NATO/EU member states in such a capacity to benefit both parties without undermining the transatlantic relationship.

Intelligence Cooperation

The intelligence gathering and sharing among NATO members provides a significant increase in the ability for Europe and the United States to predict, deter, and respond to security threats. Despite the proficiency of the American intelligence engine, the United States is incapable of monitoring all threats across the globe. With the capabilities offered by NATO and coordination of the European Union, it is in the United States' best interest to work with European partners in a way that shares the costs of intelligence-gathering. It is possible for allied nations to monitor the situation in their area of operations, and share intelligence with the United States in return for similar information. While cooperation is the end goal, America must protect nationally-sensitive intelligence that may become exposed through the joint collection process. However, more can be gained from intelligence cooperation among NATO members than is risked by the shared gathering of this information.

⁴¹⁵ NATO, "NATO Launches Training Effort in Iraq," NATO, February 8, 2017, http://www.nato.int/cps/en/natohq/news_140607.htm.

▲ Existing Framework

After September 11th, 2001, the United States and NATO have worked diligently to increase cooperation on intelligence-gathering on terrorism-related issues. The crisis situation enabled intelligence to flow more freely between nations working towards the same objective. The 2002 NATO Prague Summit directly addressed the matter of intelligence-sharing, and culminated in the creation of the Terrorist Threat Intelligence Unit (TTIU) in 2003.⁴¹⁶ This unit covered all aspects of intelligence related to terrorism, and formed key relationships with national intelligence agencies to facilitate cooperation. The TTIU also strengthened the Partnership for Peace (PfP) program, sharing terrorism-related intelligence with partner nations.⁴¹⁷

The 2004 Istanbul Summit established two new entities: an intelligence liaison cell at the Supreme Headquarters Allied Powers Europe (SHAPE), and an Intelligence Liaison Unit (ILU) at the NATO Headquarters in Brussels. NATO's TTIU was taken over by a new Intelligence Unit activated in 2010. This coordination has strengthened partnership between member nations, civilian and military intelligence, and the relationship with partner nations with the common goal of countering terrorism.⁴¹⁸

▲ Case Study - Paris Attacks

November 13, 2015 Paris Terror Attacks - The attacks by the ISIL in Paris highlighted a number of key weaknesses in European security. On the most basic level, the complexity and impact of the attacks proved that ISIL has the capacity and willingness to conduct deadly attacks within Europe. The free movement of persons enabled through the Schengen zone means that an intelligence failure at the border of one country signifies a security risk for all. That the chief of the operation, Abdelhamid Abaaoud, had reportedly moved freely between Syria and France despite European knowledge of his risk proves that the security measures in place were inadequate.⁴¹⁹ Turkey had warned France twice about the presence of one of the suicide bombers presence in 2014 and 2015, with no response or action from the French government.⁴²⁰

The European Union has pursued several measures to address these failures, strengthening external border checks, coordinating airline Passenger Name Records (PNR) information, and facilitating greater intelligence-sharing.⁴²¹ Greater intelligence cooperation and the national commitment to act upon it is essential to the security of all European countries, especially those within the Schengen zone. The lessons from intelligence successes and failures paint a picture for guiding U.S. policy on intelligence sharing.

▲ Future of Cooperation

If the United States were to pursue a policy of improved intelligence cooperation with European allies, it could gain regional expertise, share the burden of gathering and analyzing intelligence, and increase reaction time in the event of a crisis. The framework of such a cooperation could be mirrored upon that existing within the Five Eyes intelligence alliance between the U.S., UK, Australia, New Zealand, and

⁴¹⁶ NATO Multimedia Library, "NATO LibGuides: Intelligence/Information Sharing in Combating Terrorism," accessed February 18, 2017, <http://natolibguides.info/intelligence/home>.

⁴¹⁷ Ibid.

⁴¹⁸ Ibid.

⁴¹⁹ Kristin Archick and Paul Belkin, "European Security and Islamist Terrorism," Congressional Research Service, CRS Insights, July 18, 2016, <https://fas.org/sgp/crs/terror/IN10209.pdf>.

⁴²⁰ NATO Review, "The Paris Attacks. A Case of Intelligence Failure?," *NATO Review*, accessed February 18, 2017, <http://www.nato.int/docu/review/2015/ISIL/Paris-attacks-terrorism-intelligence-ISIS/EN/index.htm>.

⁴²¹ European Council, "Response to Foreign Terrorist Fighters and Recent Terrorist Attacks in Europe," Consilium, accessed February 18, 2017, <http://www.consilium.europa.eu/en/policies/fight-against-terrorism/foreign-fighters/>.

Canada.⁴²² Such a package would serve the U.S. and Europe well, as the spectrum of conflict shifts from conventional to more complex threats. A second-order effect of decreased coordination between nations comes with the communication of time-sensitive intelligence, which reduces the reaction time nations may have, highlighting the importance of cooperation. While risking a certain degree of advantage in keeping specific intelligence in American hands, the United States stands to gain considerably more through an effective joint intelligence package.

U.S. Policy Recommendations

Contribute to NATO's Intelligence Unit with a greater proportion of U.S. foreign military aid allocated to joint intelligence infrastructure.

Create a liaison unit to mirror and integrate with NATO's Intelligence Liaison Unit to facilitate integrated intelligence gathering.

Support further coordination between intelligence-gathering assets of NATO and the practical measures taken by the European Union.

Maritime Security

Piracy in the Gulf of Aden, immigrant influx, terrorism in the Mediterranean, and Russian activity in the Baltic Sea are posing danger to European sea commerce and undermining NATO members' security. Piracy remains a threat in the Gulf of Aden, this disrupts commerce and requires constant action by affected nations. Italy, Greece, and Turkey have seen a dramatic rise in the influx of immigrants coming via the Mediterranean Sea, and have been particularly active in posing solutions to the large numbers of immigrant deaths at sea. It is in the United States main interests as well as its European Allies to access to the sea; especially to critical commerce and geostrategic locations.

The Gulf of Aden and the Mediterranean Sea are key commerce routes to and from Europe. By exercising freedom of movement in these waterways, NATO ensures that economic losses due to piracy are reduced and that no nuclear material is deployed to unstable areas in the Middle East and North Africa. Moreover, it is critical to continue naval exercises in the Baltic in order to show NATO's commitment to ensuring a stable security environment in Eastern Europe.

▲ Current Operations

Maritime security has become one of NATO's main concerns in its ability to mitigate the security threats of its members. The three major geographical areas in which NATO has focused its efforts are around the Arabian Peninsula, the Mediterranean and the Baltic Sea. NATO has focused on those areas because they are important passages of trade and because strategic control of those areas ensures security for the Alliance. In 2009, two major counter piracy operations were launched by NATO: Operations Allied Protector and Ocean Shield. These focused on securing the Suez Canal, where much of the trade from Asia to Europe passes through. "Between 2008 and 2016, NATO helped to deter and disrupt pirate attacks, while protecting vessels and helping to increase the general level of security in the region."⁴²³ However, Operation Ocean Shield was terminated on December 15, 2016 and was not replaced by

⁴²² Paul Farrell, "History of 5-Eyes," *The Guardian*, December 2, 2013, sec. World news, <https://www.theguardian.com/world/2013/dec/02/history-of-5-eyes-explainer>.

⁴²³ NATO, "Counter-Piracy Operations (Archived)," *NATO*, December 19, 2016, http://www.nato.int/cps/en/natohq/topics_48815.htm.

another operation.

NATO is also committed to securing the Mediterranean and has launched Operation Sea Guardian. This is the successor of Operation Active Endeavor, and both were launched with the same objective. One of the only key differences is that Operation Active Endeavor was under Article 5 of the North Atlantic Treaty and Operation Sea Guardian is a Non-Article 5 mission. Operation Sea Guardian's main purpose is to "prevent the transport and deployment of weapons of mass destruction...[ensure] freedom of navigation... and the protection of critical energy infrastructure and sea lines of communication."⁴²⁴ The main area of operations is the Aegean Sea which serves as a very important geostrategic location due to the high commerce that goes through the Mediterranean. In addition, naval exercises have been carried out in the Baltic Sea in order to show NATO's commitment to the Baltic States. From June 5 to June 20 2016, the annual BALTOPS exercise took place with the participation of 5,600 troops from many different members of the Alliance.⁴²⁵ It important to recognize that despite claims of NATO aggressive intentions, these numbers are far smaller than the number of troops Russia has recently used in Snap exercises close to the Baltic states' borders.⁴²⁶

Each of these regions require different approaches by NATO. In the Gulf of Aden, NATO could continue patrolling the area so that piracy remains contained. This will allow European and American commerce to continue without major disruption. While that could be a solution, is also important to keep in mind that such operation will require more resources and some members of the Alliance might not be in an economic position to contribute heavily. In the Mediterranean, the U.S. could enhance Operation Sea Guardian by expanding the area of operation and not just on the Aegean Sea.

The intelligence information that Sea Guardian provides to the Italian, Greek, and Turkish governments is key for the humanitarian assistance to refugees to prevent further fatalities in the Mediterranean. If Operation Sea Guardian can detect boats of immigrants closer to the African coast, it will be easier for entities such as Frontex to come to their rescue.

However, the Mediterranean is not the only maritime area on which NATO should be focused. In terms of security, the most important strategic sea at the moment for NATO is the Baltic due to Russia's heavy military presence in the area.⁴²⁷ By continuing with BALTOPS and other sea exercises, NATO shows its commitment to the Baltic countries, while at the same time, demonstrating to the Russian Federation that its buildup of military forces has not gone unnoticed. United States policy in the region must balance factors of diplomacy and reassurance in establishing an appropriate status of forces in the Baltic region.

⁴²⁴ NATO, "Alliance Maritime Strategy," *NATO*, June 17, 2011, http://www.nato.int/cps/en/natohq/official_texts_75615.htm.

⁴²⁵ "NATO Allies Begin Naval Exercise BALTOPS in the Baltic Sea," Supreme Headquarters Allied Powers Europe, June 6, 2016, <https://shape.nato.int/2016/nato-allies-begin-naval-exercise-baltops-in-the-baltic-sea>.

⁴²⁶ 1. Tucker Reals, "Putin Planning to Send 100K Troops to Baltic Border for Drills?," CBS News, February 10, 2017, <http://www.cbsnews.com/news/putin-100k-russian-troops-belarus-zapad-drill-baltic-nato-allies-phillip-breedlove/>.

⁴²⁷ Anna Wieslander, "NATO, the US and Baltic Sea Security," ULPaper 3 (2016), <http://www.ui.se/eng/upl/files/126872.pdf>.

U.S. Policy Recommendations

- | Support counter-piracy operations in the Gulf of Aden.
- | Propose an extension of the area in which NATO Operation Sea Guardian covers, to include international waters closer to North Africa in an effort to gather further intelligence on the migration crisis.
- | Continue to support NATO-BALTOPS exercises in the Baltic Sea.

NATO Enlargement

In 1949, NATO was founded by twelve states under the principles of democracy, individual liberties, and the rule of law.⁴²⁸ To this date, these same principles drive the organization's commitment to the stability of member nations and partners. One of NATO's core characteristics is the ability for aspiring states to join the organization as long as they meet certain criteria. After the collapse of the Soviet Union, NATO saw a major enlargement as many former Soviet bloc countries joined the Alliance. As it stands today, excluding Montenegro's impending accession, NATO is composed of twenty-eight states.⁴²⁹

Enlargement of NATO, while open to any country that meets the criteria, poses challenges within NATO as well as political costs outside of the Alliance. It is critical for the U.S. that NATO remains a strong alliance in order to act in collective defense should the need arise. Being part of the Alliance not only benefits small countries, but also large contributors like the United States. When the U.S. takes action abroad, it can ask its NATO allies for assistance in the form of national capabilities offered to the Alliance. The Balkans, Afghanistan, and Iraq are examples on where the Alliance members been able to help the U.S. in a multitude of capacities. By being part of NATO, the United States has to commit fewer resources into other geographical areas where its allies can cover.

▲ Alternative Narrative

In recent years, NATO enlargement has been framed in an aggressive light by countries such as Russia. While it was formerly a regional counterpart in counterterrorism operations, Russia has promoted the narrative that NATO enlargement is a form of Western aggression and a way to undermine Russia's territorial integrity and sovereignty. This narrative portrays Russia as the victim and NATO as the aggressor, a contrary view than that of NATO members who view it as a political organization with a collective defense responsibility.

In contrast to NATO enlargement in security cooperation, Russia has been active in influencing the political and security situation in Eastern Europe. Several countries that have shown interest in joining NATO or the larger European community have been impeded by Russian influence. In Moldova, Russia has backed an independence movement in the region of Transnistria, creating a de facto government which has had a destabilizing effect on the region. Similarly, in Georgia and Ukraine, Russia has supported rebel groups in order to destabilize these countries. In Georgia, the regions of Abkhazia and South Ossetia are in a tenuous position and there may be a risk of annexation, similar to Ukraine's

⁴²⁸Twelve founding members: Belgium, Canada, Denmark, France, Iceland, Italy, Luxemburg, the Netherlands, Norway, Portugal, the United Kingdom, and the United States.

⁴²⁹ In 1952: Greece and Turkey. 1955: Germany. 1982: Spain. 1999: Czech Republic, Hungary, and Poland. 2004: Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia. 2009: Albania and Croatia. Montenegro soon to become the 29th member.

Crimea.

After the events in Crimea, Alliance members in the Baltics are worried that Russia may continue an expansionist foreign policy in the region. Linas Antanas Linkevicius, the Foreign Minister of Lithuania, has stated that Russia is “a super problem...I’m afraid and concerned about this period, [and] about the regions that are near [Russia].”⁴³⁰ Concerns have been raised by the Baltic States and Poland that Russia might use 100,000 troops for their next Exercise Snap Check which will take place in Belarus close to the Lithuanian border.⁴³¹ It is true that a sovereign state has the liberty of carrying out military exercises in their territory, but this is seen as very threatening to Lithuania, whose standing armed forces are composed of less than 20,000 troops.⁴³²

▲ Challenges to Enlargement

A challenge of NATO enlargement and commitment to Eastern Europe comes with the Russian narrative surrounding NATO’s deployment of troops to the Baltic countries and Poland.⁴³³ Russian Snap Exercises are justified by the Russian Federation as a response to the 5,000 troops that are to be deployed this summer of 2017 to Poland and the Baltic states. NATO views this deployment as part of annual exercises that have taken place for decades. The armed forces that will be stationed in these countries by NATO will be there to “help train local forces and add to NATO intelligence gathering operations”⁴³⁴ It is worth noting that the status of forces and equipment present in these areas are grossly insufficient to defend territory in an armed conflict with Russia.

Another challenge inherent in NATO enlargement is based on the consensus format of decision-making. As it stands, all countries in NATO must not break silence on decisions put forth in the North Atlantic Council for each decision to be put into action.⁴³⁵ Logically, the more countries present at the table, the more complex the consensus process becomes. As more countries are included into the Alliance, such as Montenegro’s accession currently, the greater the potential for political deadlock on NATO actions in the future.

The United States, as a major troop and equipment provider to NATO, is in a key position to affect NATO status of forces in Eastern Europe. If it were to support greater troop buildup in the region, the result will surely be further reactionary massing of troops by Russia. Additionally, there is a political cost associated by further militarizing the Balkans and Poland. If history is any indicator, this solution will likely become a classic security dilemma. While the combined conventional military power of NATO far outweighs that of the Russian Federation, the elevation of hostilities benefits no one.

⁴³⁰ Catharine Tunney, “Concerns over Russian Aggression in the Baltics Justified, NATO General Says,” *CBC News*, November 18, 2016, <http://www.cbc.ca/news/politics/petr-pavel-nato-putin-baltics-1.3857362>.

⁴³¹ Reals, “Putin Planning to Send 100K Troops.”

⁴³² “Facts and Figures: Lithuanian Troops,” Ministry of National Defence Republic of Lithuania, accessed February 20, 2017, http://kam.lt/en/human_resource_policy_1062/facts_and_figures.html.

⁴³³ “Russia Vows Response to NATO Plan in Poland and Baltics,” Al Jazeera English, May 4, 2016, <http://www.aljazeera.com/news/2016/05/russia-hit-nato-east-europe-expansion-plan-160504175351330.html>.

⁴³⁴ Tom Batchelor, “America Sends Troops to Russia’s Border,” *The Independent*, January 4, 2017, <http://www.independent.co.uk/news/world/europe/us-special-forces-russia-border-lithuania-latvia-estonia-putin-scared-to-death-a7509736.html>.

⁴³⁵ NATO, “Consensus Decision-Making,” NATO, March 14, 2016, http://www.nato.int/cps/en/natohq/topics_49178.htm.

U.S. Policy Recommendations

Support the reinforcement of NATO entry criteria, ensuring that those countries who wish to join the Alliance serve only to strengthen it.

Maintain a commitment to Baltic countries and Poland by supporting the existing status of forces in the region.

NATO Defense Spending

Within the North Atlantic Treaty Organization, there is a pledge on the part of all nations to spend 2% of national Gross Domestic Product on national defense, a commitment that will raise the overall military capability of the organization. The United States contributes far more than any other NATO member.⁴³⁶ This concern is cited as an unfair share of the operational burden which must be rectified by member nations' expenditure of 2% of their GDP on defense that can be used in a NATO capacity. The operational capability of NATO is in the United States' best interest, even if it must pay for a larger share of the budget. This being said, the power behind an Article 5 obligation is not to be taken lightly. All members of the Alliance are receiving support of the United States of America's full military weight up to and including nuclear force. The United States would benefit from a return on their investment, symbolized by all nations' 2% of GDP spending on defense that will increase the operational capacity of NATO.

As of 2016, only 5 countries in NATO meet or exceed the 2% of GDP guideline as defined by the Alliance.⁴³⁷ These statistics were recently used by U.S. President Trump to criticize the Alliance, threatening to distance the United States if members did not pull their own weight.⁴³⁸ There is significant discussion as to what constitutes qualified spending, as national definitions of defense spending differ greatly from the NATO definition.⁴³⁹ There is divergence on the definitions of personnel expenditures that include a large portion of pensions paid to retirees. Additionally, research and development is cited in many nations under equipment expenditures, but in reality offer little in the way of actual support.⁴⁴⁰

NATO countries have agreed that they need to spend more on defense, and have pledged to meet the guideline as part of the NATO 2020 agreement.⁴⁴¹ From a pragmatic standpoint, it must be noted that NATO is not the only priority for European countries. Former Italian Prime Minister Matteo Renzi has cited the difficulty in balancing an increase in military spending for countries that do not have the economic conditions to support it.⁴⁴² As most NATO countries are members of the European Union, they must also factor in a commitment to a less than 3% budget deficit as well. There have been proposals to exclude defense spending from budget deficits in the EU, which would surely make it more feasible to

⁴³⁶ NATO, "Defence Expenditures of NATO Countries (2009-2016)," July 4, 2016, http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2016_07/20160704_160704-pr2016-116.pdf.

⁴³⁷ Ibid.

⁴³⁸ Krishnadev Calamur, "NATO Shmato?," *The Atlantic*, July 21, 2016, <https://www.theatlantic.com/news/archive/2016/07/trump-nato/492341/>.

⁴³⁹ NATO, "Defence Expenditures of NATO Countries (2009-2016)," July 4, 2016, http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2016_07/20160704_160704-pr2016-116.pdf.

⁴⁴⁰ Ibid.

⁴⁴¹ NATO, "NATO 2020: Assured Security; Dynamic Engagement," May 17, 2010, http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2010_05/20100517_100517_expertsreport.pdf.

⁴⁴² "For NATO, Washington's Support Comes at a Price," *Stratfor*, accessed February 19, 2017, <https://www.stratfor.com/geopolitical-diary/nato-washingtons-support-comes-price>.

increase European commitment to NATO.⁴⁴³

The United States can push NATO to concretely define what constitutes a 2% of GDP commitment, as it is not fully clear. Some nations define this in terms of military salary, support to forward deployed troops, or defense research and development. A more concrete definition of 2% will create a standard under which individual nations can build a plan to fulfill their commitments in the future. This will further allow benefits of specialization, diversifying the NATO capabilities offered to member nations. This measure should take into account those countries that lack the economic infrastructure to expand, emphasizing higher spending in other areas that will benefit the Alliance (such as cyber, administration, etc.).

U.S. Policy Recommendations

- | Maintain a position that all NATO members must pull their own weight by meeting the 2% of GDP guideline.
- | Encourage NATO to create a standardized assessment of what constitutes a 2% of GDP commitment to the Alliance, clarifying questions of salary, research and development, and logistical support to operations.
- | Recommend to the European Union that defense spending be excluded from the budget deficit stipulation within the EU framework.

Nuclear Extended Deterrence

In a multipolar world of nuclear weapons and increasing tension from various threats across Europe, the United States currently maintains an extended deterrence nuclear umbrella over all NATO countries. The function of nuclear weapons as a deterrent to prevent wars and major conflicts is just as important today as it was when nuclear weapons came on the world stage. The U.S. promise of a potential nuclear retaliation in conjunction with its conventional defense commitment inherent in Article 5⁴⁴⁴ of the NATO treaty acts as a deterrent against adversaries. In addition to deterrence, this commitment by the U.S. is an assurance to its NATO allies

It is essential for the United States to assure its allies in the nuclear field for two reasons. First, it discourages these nations from conducting preemptive strikes on adversaries that may escalate to nuclear war. Secondly, the U.S. aims to minimize proliferation and uphold the integrity of the Non-Proliferation Treaty.⁴⁴⁵ The assurance of nuclear commitment removes the necessity for nations to pursue independent nuclear weapons programs.

In contrast to bipolar nature of the Cold War, the world is increasingly multipolar with nine nuclear weapons states. This makes the game of deterrence significantly more complicated than in the past. Nonetheless, nuclear weapons still play a critical role in deterrence. In the 2010 Nuclear Posture Review, U.S. nuclear policy stated that, “as long as nuclear weapons exist, the United States will sustain safe, secure, and effective nuclear forces. These nuclear forces will continue to play an essential role in

⁴⁴³ Ibid.

⁴⁴⁴ “Collective Defence - Article 5,” NATO, March 22, 2016, http://www.nato.int/cps/en/natohq/topics_110496.htm.

⁴⁴⁵ “Treaty on the Non-Proliferation of Nuclear Weapons (NPT),” United Nations Office for Disarmament Affairs, accessed March 1, 2017, <https://www.un.org/disarmament/wmd/nuclear/npt/>.

detering potential adversaries and reassuring allies and partners around the world.”⁴⁴⁶

Aside from the need to strategize for the interconnected relationships of the nine nuclear weapons states, Russia with the largest nuclear arsenal has recently been pursuing an expansionist foreign policy. Russia’s actions in countries without nuclear capabilities confirm the essential need for the U.S. to maintain its nuclear umbrella over NATO, especially in Eastern Europe. In 2009, NATO and the United States viewed Russia as a regional partner, not an aggressor.⁴⁴⁷ These perceptions of Russia have changed dramatically since the events in Ukraine in 2014 and the recent troop buildup on the Estonian border.⁴⁴⁸

▲ **Tactical Nuclear Weapons**

U.S. policy makers are now concerned that Russia has broken the Intermediate-Range Nuclear Forces (INF) treaty and is actively pursuing tactical nuclear weapons.⁴⁴⁹ Since 2014, Russia has been showcasing its nuclear capacity, asserting that it is one of the major nuclear powers and has the right to use them.⁴⁵⁰ In 2016, Russia deployed its nuclear-capable Iskander missiles to the Kaliningrad Oblast area on the border between Poland and Lithuania.⁴⁵¹ The positioning of tactical nuclear weapons within range of hitting Berlin dramatically heightens the concern of all EU and NATO members. Prior to 2014, Russia was viewed as counterpart by the West in nuclear non-proliferation through arms control agreements like the New START treaty, the Plutonium Disposition Agreement, nuclear research and more. However, since 2014, Russia’s relations with Europe and the U.S. have seen a pattern of decline.

▲ **Adaptive Strategy**

NATO policy has been forced to change in response to Russia’s aggressive actions in Ukraine and continuation of expansionist foreign policy. To address the change in Russia’s behavior, NATO held the Wales Summit in 2014 and the Warsaw summit in 2016. The result of the Wales summit was a list of declarations to reorient and move towards a more comprehensive strategy as threats from Russia and other regions of the world evolve. The Warsaw summit focused on assurance of its members of the Alliance’s commitment to Article V. Most significantly, all 28 members of NATO came to a consensus and made a nuclear declaratory statement on a topic that NATO usually treads very lightly: “any employment of nuclear weapons against NATO would fundamentally alter the nature of conflict... NATO has the capabilities and resolve to impose costs on an adversary that would be unacceptable and far outweigh the benefits that an adversary could hope to achieve.”⁴⁵² Statements of this nature have not been issued by the Alliance since the height of tensions in the Cold War. This signals the seriousness in which NATO views Russia’s actions and the important role in which nuclear weapons play in deterrence.

⁴⁴⁶ “2010 Nuclear Posture Review.” Department of Defense, 2010.

https://www.defense.gov/Portals/1/features/defenseReviews/NPR/2010_Nuclear_Posture_Review_Report.pdf.

⁴⁴⁷ Steven Pifer et al., “U.S. Nuclear and Extended Deterrence: Considerations and Challenges” (Brookings Institute, June 6, 2016), https://www.brookings.edu/wp-content/uploads/2016/06/06_nuclear_deterrence.pdf.

⁴⁴⁸ Larisa Brown and John Stevens, “NATO Deploys Biggest Show of Force since Cold War against Russia,” *Daily Mail Online*, October 27, 2016, <http://www.dailymail.co.uk/news/article-3876672/Nato-squares-Putin-Russia-beefs-military-Europe-s-border-West-responds-biggest-force-Cold-War.html>.

⁴⁴⁹ Amy F. Wolf, “Russian Compliance with the Intermediate Range Nuclear Forces Treaty: Background and Issues for Congress,” Congressional Research Service, (January 27, 2017), <https://fas.org/sgp/crs/nuke/R43832.pdf>.

⁴⁵⁰ “Russia Threatens to Use ‘Nuclear Force’ over Crimea and the Baltic States,” *The Independent*, 2015, <http://www.independent.co.uk/news/world/europe/russia-threatens-to-use-nuclear-force-over-crimea-and-the-baltic-states-10150565.html>.

⁴⁵¹ “Russia Deploys Nuclear-Capable Missiles in Kaliningrad,” BBC News, October 9, 2016, <http://www.bbc.com/news/world-europe-37597075>.

⁴⁵² “Deterrence and Defence Posture Review,” NATO, May 20, 2012, http://www.nato.int/cps/en/natohq/official_texts_87597.htm.

While the United States extends its deterrence to countries across the world, it is ever more important to maintain its credibility to provide the nuclear assets it promises. Currently, U.S. statements of intent in policy reports like the Nuclear Posture Review as well as programs like the Stockpile Stewardship Program to maintain its weapons, give U.S. allies reassurance of its capability and will to act. Reassurances like these of U.S. deterrence have been successful in preventing nuclear war through the Cold War and beyond. Today, nuclear weapons still play a significant role in maintaining relative stability between major nuclear powers and ensuring the safety of the United States and NATO partners.

▲ **Role of U.S. Nuclear Arsenal**

The United States plays a critical role in regards to security of its partners in the EU and NATO. Were the U.S. to take a reduced role in a nuclear umbrella over NATO, this would damage the credibility or “will to use” argument that is central to deterrence logic. Additionally, any precedent set by withdrawing support could influence other NATO members, undermining the fundamental principle of collective defense. As political trends are showing nations that are looking increasingly inward, the U.S. has the opportunity to act as a leader, committing to solidarity and avoiding unnecessary division.

In specific terms, the United States can take the lead in initiating bilateral talks towards a new arms control treaty as the New START treaty is set to conclude in 2020. This bilateral initiative for dialogue between the U.S. and Russia would be beneficial as relations are currently at a low point. Opening talks with Russia would also send signals to members of the Alliance that the U.S. is committed to progress in Russian relations. As Russia often justifies its actions as a response to U.S. pressure from within NATO and the EU, these talks could help start conversation to reduce any misunderstanding between the two countries. At the same time, the U.S. could reassure its NATO counterparts of its commitment to the Alliance, especially in the capacity of extended deterrence.

The new U.S. administration has the capacity to conduct a new Nuclear Posture Review for 2017. The last nuclear posture review was in 2010, when international political dynamics and view on the role of U.S. nuclear weapons were very different. Looking forward, it would be useful to define a clear deterrence strategy that would signal the credibility of America’s nuclear power.

U.S. Policy Recommendations

- | Open bilateral dialogue with Russia and seek negotiations to extend the New START treaty.
- | Conduct a new Nuclear Posture Review for 2017. This should clarify a nuclear strategy that reflects the new and changing dynamics of the threats facing the U.S. and its allies.
- | Reassure NATO allies of the U.S. commitment to extended deterrence through diplomatic channels.

THE CRITICAL MARGINS OF EUROPE: TURKEY & THE BALKANS



*Haoru Deng,
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The United States supports the unity and stability of the European Union, therefore activity on its periphery poses a constant concern to policy makers and leaders alike. Two countries orbit just outside the EU's borders with conflicting interests. The future of Turkey and Serbia could either undermine or transform the European Union. Turkey's strategic regional power continues to stem the tide of migration and stands as a secular, well-armed island between the West and the unstable Middle East. The political, social, and economic environment of Turkey will continue to impact EU unity and economic stability. With their histories of Russian and NATO intervention and violent nationalism, Serbia and Kosovo are critical spaces in the Western Balkans. Both Turkey and Serbia sit on the fence between EU accession and the Russian sphere of interest. As accession talks stall and dialogue with Russia accelerates it is imperative that the West remain the more attractive partner.

It is in U.S. interest that eventual EU accession remain a viable option for Serbia. Similarly, a mutual beneficial compromise in Turkey with forward motion and tangible results must be supported and continued. The Administration must be equipped to take an informed position on the political environment in these key regions. The future of the European Union lies not only within its borders but in its backyard.

Turkey

“Turkey's decision to ally itself with the Western grouping of states shaped its apprehension of regional and world politics in decades to come. Turkey's choice, however, was neither adequately perceived nor fully appreciated.”

- Yusuf Turan Çetiner, *Turkey and the West*

Although tensions are high as a result of Brussel's decision to halt accession negotiations, it is crucial to acknowledge Turkey's vital role in the protection and security of Europe and the Middle East. Accession negotiations were officially halted in December 2016, yet it is in U.S. and EU interest to continue to support Turkey as an indispensable partner. From mitigating the migration crisis to combating terrorism, Turkey's role is as the great stabilizer between Europe, the Middle East, and Russia. It is in U.S. interest to support Turkey's continued mitigation and assistance in stemming the tide of migrants into Europe. The U.S. must not only continue to support counter terrorism but reinforce Turkey's role in NATO and

the burden-sharing agreement. Turkey's commitment and importance to the West can be observed in its efforts to attain accession, its role in the refugee crisis, and its strategic location and contribution to counterterrorism. The current political climate in Turkey and its human rights violations have complicated foreign policy yet dialogue channels between the EU, the U.S., and Turkey must remain open.

▲ The EU and Turkey

EU Accession

Turkey has been knocking on the EU's door for decades. In 1996 Turkey became the only non-EU member to form a Customs Union with the EU for industrial goods and processed agricultural products.⁴⁵³ EU accession negotiations began in 2005 and 15 out of the 35 *acquis* chapters are open. Turkey's progress towards meeting the benchmarks established by the European Union has been slow and only one *acquis* has been officially negotiated and closed. In 2006 custom union negotiations were frozen due to the Turkey's non-compliance on the Additional Protocol to the Ankara Agreement – which involved opening a customs union with Cyprus. Turkey has been focusing on developing its economic and fiscal policy in order to improve employment and income levels and establish a market economy. Turkey has noticeably decreased state involvement in banking, communication, industry and transportation. The government has implemented social measures that have significantly raised the country's literacy rate and education. But these positive measures have not been enough.

Human rights violations are on the rise in Turkey with the disintegration of the Kurdish peace process and a suppression of Erdogan's media and political opponents. In November 2015, the European Commission criticized Turkey's violations and asked Turkey to address its failings on human rights and democracy.⁴⁵⁴ In 2016 a military coup failed to overthrow Erdogan. In response, Erdogan fired over 100,000 public officers and government officials and closed schools. In November 2016 European Parliament suspended the Turkey-EU negotiations as a direct result of Turkey's human rights violations. The European Council reaffirmed that currently no new negotiating chapters will be opened and no new initiatives will be taken in relation to Turkey's EU Negotiation Framework. Turkey is now considered unlikely to join the EU in the future.⁴⁵⁵ Echoing the recent increase in anti-accession sentiments among the Turkish population and a rise of Euroscepticism Turkish President Recep Tayyip Erdogan has commented that a referendum may be held in Turkey next year over the continuation of membership talks with the EU.⁴⁵⁶

Mitigation in Migration

As a result of the civil war in Syria, 3 million Syrian refugees have reached Turkey's shores making it the largest host of refugees in the world.⁴⁵⁷ It is estimated that 81 migrants arrive each day.⁴⁵⁸ A joint action management plan entitled the EU-Turkey Statement was implemented in 2015. Between 2016 and 2017 3 billion Euro will be dispersed to Turkey to fund the Facility for Refugees. Funds go directly to founding

⁴⁵³ William Chislett, "Turkey's 10 Years of EU Accession Negotiations," *Royal Institute*, accessed February 26, 2017, http://www.realinstitutoelcano.org/wps/portal/riecano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/wp14-2015-chislett-turkeys-10-years-of-eu-accession-negotiations-no-end-in-sight

⁴⁵⁴ "EU Criticises Turkey over Human Rights and Democracy," *BBC News*, November 2015, sec. Europe, <http://www.bbc.com/news/world-europe-34774624>

⁴⁵⁵ Zia Weise, "EU Parliament Votes Overwhelmingly in Favour of Scrapping Turkey Accession Talks," *The Telegraph*, November 24, 2016, <http://www.telegraph.co.uk/news/2016/11/24/eu-votes-overwhelmingly-favour-scrapping-turkey-accession-talks/>

⁴⁵⁶ "Erdogan Signals EU Accession Referendum," *Press TV*, November 2016, <http://www.presstv.ir/Detail/2016/11/15/493623/turkey-eu-erdogan-referendum>

⁴⁵⁷ "Turkey: Refugee Crisis" (European Commission, January 2017), http://ec.europa.eu/echo/files/aid/countries/factsheets/turkey_syrian_crisis_en.pdf

⁴⁵⁸ "Fourth Report on the Progress Made in the Implementation of the EU-Turkey Statement" (European Commission, December 8, 2016).

schools which will benefit over 70,000 Syrian refugee children primarily in Turkey's Southern and South-Eastern provinces.⁴⁵⁹ According to the fourth report on the EU-Turkey Statement: "Much progress has been achieved already, including Turkey's opening of its labor market to Syrians under temporary protection, the introduction of new visa requirements for Syrians and other nationalities, stepped up security efforts by the Turkish coast guard and police and enhanced information sharing."⁴⁶⁰

The EU established the One-for-One Policy as part of the EU-Turkey agreement in March 2016. This initiative to reduce the movements of irregular migrants in this area and towards Europe has been difficult to implement. In fact, the promise that asylum seekers would receive fair asylum procedure has not materialized.⁴⁶¹ Mismanagement and uneven implementation has led to Turkish skepticism of Europe's dedication to resolving the crisis in Turkey and resulted in frustration with stagnating accession negotiations. In response to the massive influx of Syrian refugees, President Erdogan has built a wall on the Turkish border to Syria. "Turkey and the region pays the price and everybody else preaches what we should do," Turkey's former Prime Minister Ahmet Davutoğlu has stated. "This is not fair and it is not acceptable."⁴⁶²

Mitigating the crisis effectively in Turkey involves concession by all parties. Turkey's interests are in EU interest. In March 2016 Turkey was promised visa-free travel for its nationals and accelerated membership talks in exchange for the EU-Turkey agreement however visa-free travel did not progress and talks are now frozen. When the president heard of the upcoming suspension of accession talks post-July coup he lashed back in November 2016. Erdogan waved his bargaining chip under European noses and threatened to open Turkey's borders allowing a flood of migrants into the EU. The president accused European officials of not keeping their word.⁴⁶³

Regional Power

As demonstrated by the migration crisis, Turkey's geographic location operates as a critical buffer for Western Europe. Additionally, Turkey acts as a secular, intermediary state in the unstable Middle East. Permanent instability would be dangerous for both the country, the region, and ultimately for Europe. Turkey's ability to act as a mediator in regional conflict can be seen in the Turkish involvement in the Syrian civil war. Operation Euphrates Shield is an ongoing Turkish operation in Syria against the extremist Islamic State. Turkish soldiers have deployed to Syria to crush ISIL and to bring down Bashar Assad.

At the Wales Summit in 2014, the NATO allies formed the Very High Readiness Joint NATO Task Force. This organization was established as a "spearhead force" ready to deploy quickly in response to security changes. As a NATO ally with a Task Force Turkey is capable of mobilizing large forces in the

⁴⁵⁹ "Facility for Refugees in Turkey: The EU Invests in the Education of 70,000 Syrian Refugee Children - European Neighbourhood Policy And Enlargement Negotiations - European Commission," *European Neighbourhood Policy And Enlargement Negotiations*, December 2016, https://ec.europa.eu/neighbourhood-enlargement/news_corner/news/facility-refugees-turkey-eu-invests-education-7000-syrian-refugee-children_en

⁴⁶⁰ "EU-Turkey Statement, 18 March 2016 - Consilium," European Council, March 18, 2016, <http://www.consilium.europa.eu/en/press/press-releases/2016/03/18-eu-turkey-statement/>

⁴⁶¹ Patrick Kingsley and Eiad Abdullatif, "Syrian Refugees: We Were Tricked into Returning to Turkey," *The Guardian*, November 1, 2016, sec. *World news*, <https://www.theguardian.com/world/2016/nov/01/syrian-refugees-tricked-into-returning-to-turkey-greece-eu>

⁴⁶² "Why America Should Build Bridges to Turkey," *Turkish Coalition of America*, July 2007, <http://www.tc-america.org/issues-information/tca-issue-papers/bridges-to-turkey-311.htm>

⁴⁶³ Safak Timur and Rod Nordland, "Erdogan Threatens to Let Migrant Flood Into Europe Resume," *The New York Times*, November 25, 2016, <https://www.nytimes.com/2016/11/25/world/europe/turkey-recep-tayyip-erdogan-migrants-european-union.html>

Middle Eastern region. Proximity to conflict zones in an important factor.

Under NATO's nuclear burden-sharing agreement, U.S. nuclear weapons are on Turkish soil. Turkey agreed to host the weapons as well as X-band radar. These weapons are intended to act as a disincentive to non-state actors with biological warfare capabilities in the Middle East. Additionally they offer a "bargaining chip to pressure Moscow to be more transparent about, and to reduce, its menacing non-strategic nuclear stocks."⁴⁶⁴ In the face of recent Russian westward territorial encroachment and an increasing threat from terrorism, Turkey's military capabilities allow it to act firmly and assume a role of mediator in the Middle East.

Terrorism

There are four main terrorist groups in Turkey: Kurdistan Workers Party (PKK), Revolutionary People's Liberation Party (DHKP), Hezbollah, and Al Qaeda. Recent acts of terrorism include the double bombings of Besiktas stadium, a suicide bombing at Ataturk Airport, and a bombing in Ankara. Large numbers of foreign fighters have crossed into Turkey and mingled with refugees. ISIS has also used Turkey as a base for recruitment and training of foreign fighters.⁴⁶⁵

The U.S. and Turkey established a \$200 million fund to combat extremism and co-founded a program in 2015 to train and equip Syrian rebels to defend themselves against ISIS under the name of the Counter Extremism Project. The Global Community Engagement and Resilience Fund is a joint EU/U.S. operation aimed at strengthening community and local forces at defending against terrorism. The continued stability of Turkey relies on counterterrorism efforts. Its continued partnership with its Western allies to eradicate terrorist cells within Turkey and the Middle East will avoid future attacks and the channeling of terrorists through migrant paths.

Current Prospects

The volatile political situation in Turkey continues to develop. Erdogan's manipulation of the press includes misinformation regarding the downing of a Russian aircraft and blaming the recent assassination of the Russian diplomat to Turkey on Turkish exile Fethullah Gulen now residing on U.S. soil. In response to his jailing of journalists Chancellor Angela Merkel has urged President Erdogan to respect free speech. Negotiations with Russia's Vladimir Putin on Syria at the exclusion of the U.S. has given rise to concerns about Turkey's movement towards Moscow and away from a traditional Western alliance.⁴⁶⁶ Turkey questions the conditional accession process and Europe's commitment to their promises. Perhaps Turkey is worth more than Europe can afford to lose.

Visa liberalization is a commitment with mutual benefits. Turkey has upheld its end of the EU-Turkey agreement and demands EU reciprocity. Continued dialogue with Turkey regarding the migrant crisis cannot result in the EU's approval or a blind eye toward the current repression in Turkey. However, the consequences of complicated diplomacy with Turkey post-accession halt could be destructive to future dialogue regarding the migrant crisis and collaboration on counter terrorism.

⁴⁶⁴ Can Kasapoglu, "Does Turkey Still Belong in NATO?" *The New York Times*, July 18, 2016, <http://www.nytimes.com/roomfordebate/2016/03/29/does-turkey-still-belong-in-nato/turkey-is-vital-to-nato-militarily>

⁴⁶⁵ "Turkey: Extremism and Counter Terrorism" (Counter Extremism Project), accessed February 27, 2017, https://www.counterextremism.com/sites/default/files/country_pdf/TR-01242017.pdf

⁴⁶⁶ Andrew Osborn and Nick Tattersall, "Putin and Erdogan Push for Syria Talks without U.S. or U.N.," *Reuters*, December 16, 2016, <http://www.reuters.com/article/us-mideast-crisis-syria-putin-truce-idUSKBN1450NQ>

U.S. Policy Recommendations

- | Maintain commitment to the Global Community Engagement and Resilience Fund in training and preparing local communities in combatting terrorism.
- | Encourage Turkey's development of democratic government and a market economy.
- | Urge the EU to uphold the visa free travel stipulation of the EU-Turkey agreement.

Serbia

“If the West intervenes, will you Russians help us?”
- Borisav Jovic, Serbian Parliament, BBC Documentary

The United States supports a stable and secure European Union. Therefore EU efforts to enlarge and its continued involvement in strengthening the infrastructure of candidate countries is in U.S. interest. Democracy, economic, and institutional reform, and European integration will allow for peace and stability in former communist countries in Russia's traditional sphere of interest that may be lured by the possibility of Russian military and economic support. EU Enlargement in the Balkans is designed to first support and then accept democratic states into the European Union distinct from Russia's sphere of interest and influence. “The U.S. will continue to support the Government of Serbia's efforts to progress in EU accession talks, and to broaden its engagements in pursuit of Euro-Atlantic integration.”⁴⁶⁷ To this end, the U.S. has established bilateral economic relations with Serbia with significant investment by American companies. Under the Generalized System of Preferences Program (GSP), the U.S. has eliminated duties on Kosovo's imports. The U.S. must support Serbia and Kosovo's westward development and their continued democratization. The U.S. will continue its investments in both Serbia and Kosovo in order to ensure that they have sustainable, inclusive economic growth that promotes their stability and eventual integration with Europe.

The Importance EU Enlargement

Since the end of the Cold War, former Soviet states have declared independence and formed democratic states. Europe has implemented a plan of integration by granting eventual membership to former Soviet nations into the EU. EU policy is to support the gradual integration of former communist countries and former satellite states. So far EU enlargement has included the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. The EU added Croatia in 2013. Many of the Balkan countries await accession. Negotiations have begun with Montenegro and Serbia while Bosnia and Herzegovina and Kosovo remain potential candidates. “Since the collapse of the Warsaw Pact and the disintegration of the Soviet Union, the key issues in Eastern and Central Europe and in U.S. and European policy toward that area have been achieving peace and stability, building democracy, accomplishing economic and institutional reform, accelerating growth and modernization, and anchoring and integrating the countries into the European Union.”⁴⁶⁸

The Copenhagen Criteria established the terms of eligibility to join the European Union in 1993. A

⁴⁶⁷ “U.S. Relations with Serbia,” *U.S. Department of State*, accessed February 23, 2017, <http://www.state.gov/r/pa/ei/bgn/5388.htm>

⁴⁶⁸ “The Politics of European Enlargement: NATO, the EU, and the New U.S.-European Relationship,” *World Affairs* 164, no. 4 (2002): 178.

candidate for membership must have democratic governance and preserve human rights, with a market economy, and accept the obligations and intent of the EU. Official accession requirements can be found under Article 49 of the Treaty of the European Union: “It must be a European state and it must respect the common values of the Member States and undertake to promote them. These are human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities.”⁴⁶⁹ The process of accession is defined by a branch of the European Commission called the European Neighborhood.

The European Commission has established 35 negotiation chapters as the foundation for EU accession negotiations. Each candidate country must meet the requirements laid out in the *acquis* – the conditions for membership. The European Bank of Reconstruction and Development offers financial assistance to candidate countries in order to support their infrastructure and boost the economy. The process of grooming a candidate for membership has been called a “disciplining process” which is the preparation of a country through negotiation to eventually become a full-fledged member of the EU. For the Western Balkans this entails cooperation with the ICTY – the International Criminal Tribunal for the Former Yugoslavia. The European Commission has tailored their approach to the Western Balkans to emphasize regional stability as a key policy framework.⁴⁷⁰ Negotiations can be postponed or halted due to noncompliance.

Simultaneously, the EU has moved forward with its relationship with Russia post-Cold War, seeking to maintain and preserve a peaceful relationship beneficial to both. The Russian Federation states their aims to be to “develop close and comprehensive partnership with the European Union based on the principles of equality, mutual benefit and respect for each other’s interests.”⁴⁷¹ In fact, Russia benefits from its economic relationship with Europe as its primary trading and investment partner, while Russia is the EU’s source for oil, gas, uranium and coal. However, EU enlargement to former USSR countries has increased tensions with Russia. Under Putin, Russia has sought to expand. EU-Russian relations have become strained with annexation of the Crimea in 2014. Russian maneuvers in Baltics also include missiles in Kaliningrad which have required the response and deployment of NATO troops. In the increasingly antagonistic European order...Serbia’s pro-Russian position will inevitably lead to tension with the European Union.⁴⁷²

Ultimately, EU Enlargement has been about maintaining stability in the European backyard. EU policy is to support the gradual accession of former communist countries. It was after all in the Balkans that the power vacuum after the Soviet Union’s collapse left room for the Yugoslav Wars, war criminals, corruption, and violent nationalism which required the intervention of NATO. “Democracy, economic and institutional reform, and European integration-were all means to the end of achieving peace and stability in this critical and historically volatile area and of securing a buffer zone on Europe’s eastern frontiers that would also function to limit any future Russian resurgence.”⁴⁷³ Enlargement in the Balkans is therefore first and foremost an intentional act to first support and then accept democratic states into the European Union distinct from Russia’s sphere of interest and influence.

⁴⁶⁹“Accession Criteria - European Neighbourhood Policy and Enlargement Negotiations - European Commission,” *European Neighbourhood Policy And Enlargement Negotiations*, accessed February 17, 2017, https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/accession-criteria_en

⁴⁷⁰ “Regional Cooperation in the Western Balkans: A Policy Priority for the European Union” (European Commission, 2005).

⁴⁷¹ “Brief Overview of Relations | Russian Mission,” accessed February 19, 2017, <https://russiaeu.ru/en/brief-overview-relations>

⁴⁷² Sarah Wohlfeld, “Headed for Brussels Without a Compass? Serbia’s Position between Rapprochement with the EU and Russian Influence,” *German Council on Foreign Relations* 18 (2015): 1–7.

⁴⁷³ World Affairs, 180

Since enlargement in 2013 and with 28 member states, the EU has become divided on extending its borders. The conservative, Eurosceptic Tory party in the UK voiced its anti-enlargement stance before influencing Brexit in 2016. “By expanding eastwards – so the Tories believed – the European Union would become so big that political union would be impossible. A bigger EU would evolve into a looser union of free trading nation states, with weaker institutions at its centre.”⁴⁷⁴ However, Germany’s Angela Merkel has continued to voice support. It is no coincidence that Merkel singled out Serbia from the Western Balkans. Sarah Wohlfeld describes Serbia: “Large parts of the country’s population and its political elite regard Russia as a natural ally and protecting power, and good relations with Moscow are part of the government’s foreign policy directive.”⁴⁷⁵

The European Bank of Reconstruction and Development (EBRD) has invested €9.5bn into the Balkans and over four billion in Serbia specifically. “In Serbia we focus on enhancing the role and competitiveness of the private sector especially in the agribusiness value chain, bolstering the banking sector, supporting privatization processes, deepening financial intermediation and improving utilities' and energy efficiency” the bank states.⁴⁷⁶ At the July 2016 Paris Western Balkans Summit the Western Balkans were encouraged to continue to strengthen regional stability.

The Importance of Serbia

This portion of the report will focus primarily on Serbia and the newly independent region of Kosovo. Serbia’s EU accession or lack thereof is of concern to the EU. Serbia is of critical importance yet it remains distressingly outside Western political, economic, and security institutions.⁴⁷⁷ Serbia is one of the largest Balkan States not yet admitted to the EU and remains the last bastion of Russian influence in the Balkans. Despite economic reform and EU membership negotiations, the situation in Serbia remains volatile and is exacerbated by Russian military support. After multiple peace agreements, current tensions reveal that the flame of Serbian nationalism never died and the Serbian-Russian bond is not easily broken.

The civil wars in the former Yugoslavia were spurred on by Moscow allied with Serbian nationalists and corrupt president Slobodan Milošević.

As Moscow tilted toward the Serbs, critics argued that Russian policy was encouraging Serb aggression and helping to protect their subsequent territorial gains. Russian opposition to any form of external military intervention was felt to have delayed the end of the war and made a just settlement more difficult to achieve.⁴⁷⁸

With Milošević’s resignation and ensuing imprisonment for war crimes in 2001, Russia provided political asylum to Milošević’s family. The Kosovo War and the Federal Republic of Yugoslavia’s (FRY) ethnic cleansing of Albanians ended in 2000 with the controversial military intervention of NATO, which ultimately forced the withdrawal of FRY troops from Kosovo. Kosovo soon became a UN protectorate under UNSCR 1244.

In 2006 the European Union suspended Stabilisation and Association talks with Serbia because of refusal

⁴⁷⁴ Toby Helm, “How the Tory Right Turned against EU Enlargement,” *The Guardian*, December 21, 2013, sec. World news, accessed Feb 16 2017 <https://www.theguardian.com/world/2013/dec/21/tories-conservatives-eu-enlargement-bulgaria>

⁴⁷⁵ Wohlfeld, 1

⁴⁷⁶ “The EBRD in Serbia” The European Bank for Reconstruction and Development. <http://www.ebrd.com/serbia.html>

⁴⁷⁷ John Schindler, “Europe’s Unstable Southeast,” *Naval War College Review* 61, no. 4 (2007): 16.

⁴⁷⁸ Mike Bowker. “The Wars in Yugoslavia: Russia and the International Community.” *Europe-Asia Studies* 50, no. 7 (1998): 1245-261

to hand over war criminal Ratko Mladić. Talks recommenced in 2007 after cooperation with the International Criminal Tribunal of the Former Yugoslavia. But tensions between Serbia and Kosovo lingered. After multiple postponed negotiations, Serbia and Kosovo signed the historic Brussels Agreement in 2013 in which each agreed not to impede one another's accession process through continued aggression. However, even though Kosovo's Parliament declared independence in 2008 and is now recognized as sovereign state by most UN member states and the U.S., Belgrade recognizes only the government institutions of Kosovo but not state legitimacy. In 2003, the EU-Western Balkans Summit produced the Thessaloniki Declaration, which stated that “the future of the Balkans is within the European Union.”⁴⁷⁹ Serbia officially applied for European Union membership in 2009, per the European Commission’s recommendation making it an official candidate in 2011.

Nevertheless, progress towards Serbian EU accession has been slow and appears increasingly out of reach. Currently 6 *acquis* chapters are open with Serbia and so far only one has been met. Chapter 32 is open and dedicated to Financial Controls and Chapter 35 “Other Issues” is open and has been devoted to “Normalisation of Relations between Serbia and Kosovo.” Along with pursuing the eventual fulfilment of the EU conditions outlined in the *acquis*, Serbia is developing a market economy but faces massive corruption. Despite the Brussels Agreement and continued negotiations, tensions remain between Serbian nationalists and Kosovo Albanians. In a recent Gallup Poll survey reported by the InSerbia Network Foundation 58% of Serbian citizens reported being in support of enlargement of the EU.⁴⁸⁰

Although not currently a candidate country, both the EU and the U.S. contribute to Kosovo’s regional stability. With a Stabilisation and Association Agreement in 2015 the EU committed to the stabilization of Kosovo and aiding its progress towards meeting accession criteria. As a landlocked country Kosovo benefits from contributions by the World Bank and has made consistent economic progress since 1999. NATO troops remain stationed in Kosovo to defend against Serbian aggression.

Today

As EU accession continues to stall, Serbia has maintained its strong relations with Moscow. In 2015, Serbia rejected EU sanctions against Russia regarding the annexation of the Crimea. “By stressing the common Slavic identity of the two nations, drawing on shared anti-Western resentment, and making a point of supporting Serbia on the matter of Kosovo, the Kremlin manages to assert its influence in Serbia, despite the crisis in Ukraine,” writes Wohlfeld.⁴⁸¹

In 2014 in a meeting between Serbian President Tomislav Nikolic and Vladimir Putin, Nikolic described Russia as Serbia’s “greatest ally.”⁴⁸² In a news article on the subject BBC news stated that Serbia’s relationship with Russia “sits awkwardly with its EU ambitions.”⁴⁸³ As a result accession is rocky and tensions are high. The EU has demanded that the Serbian-Russian humanitarian center be closed down before it can gain membership accusing the center of being a “spy’s nest.”⁴⁸⁴ In December 2016 an opening of the Education and Culture chapter with the European Commission was delayed due to an objection voiced by Western Balkans EU member Croatia. Prime Minister Aleksandar Vučić walked out

⁴⁷⁹ “The European Future of the Western Balkans: Thessaloniki @ 10 (2003-2013),” *European Union Institute for Security Studies*, accessed February 20, 2017, <http://www.iss.europa.eu/activities/detail/article/the-european-future-of-the-western-balkans-thessaloniki-10-2003-2013/>

⁴⁸⁰ InSerbia Network Foundation, “Serbia: Citizens Dissatisfied with Their Life – Survey,” accessed February 20, 2017, <https://inserbia.info/today/2014/12/serbia-citizens-dissatisfied-with-their-life-survey/>

⁴⁸¹ Sarah Wohlfeld, 1

⁴⁸² Putin Guest of Honour at Serbia Military Parade,” *BBC News*, October 16, 2014, sec. Europe, <http://www.bbc.com/news/world-europe-29641642>

⁴⁸³ Ibid

⁴⁸⁴ “Brief Overview of Relations | Russian Mission,” accessed February 19, 2017, <https://russiaeu.ru/en/brief-overview-relations>

of negotiations because of Croatia's complaint that Croatian textbooks were not available in Serbian schools. Vučić, who is the Russia-backed presidential candidate of Serbia, claimed that Croatia should not determine if Serbia joins the EU. "My interest just dropped somehow," Serbian foreign minister Ivica Dacic told the press revealing that the tensions of the Yugoslav Wars have not died.⁴⁸⁵

Vucic met with Russia in December to discuss Russian military support and armament against the alleged threat of Croatia.⁴⁸⁶ In fact, the Kremlin is now the EU's competitor for Serbia's economic dependence. According to businessman and Strength of Serbia Movement leader Bogoljub Karic located in Moscow: "Vučić enjoys the trust of the President of the Russian Federation Vladimir Putin and is seen in the Moscow circles as a man who is committed with his whole being to protecting our country and to its economic recovery."⁴⁸⁷ A meeting between Vladimir Putin and President Tomislav Nikolic is scheduled for March 9. The two will meet to discuss an economic merger with the Eurasian Economic Union.⁴⁸⁸ U.S. Ambassador to Serbia, Kyle Randolph Scott has urged that Serbia should not feel it has to choose between Moscow and Washington.⁴⁸⁹

With its historical connection to Russia and current bilateral diplomacy between the two nations, Serbia could swing towards Russia and away from EU influence and support, therefore the U.S. should express support for the Serbian government to continue negotiation talks in order to meet the criteria for membership. Ultimately, halting accession negotiations would result in the isolation of Serbia and a strengthening of the Serbian-Russian alliance. Weakening economic support would cause Serbia to rely on Russian investments, therefore support of continued U.S. and EU economic investment in Serbia is crucial. The reduction of NATO troops in Kosovo could result in renewed conflict between Albanian and Serbian forces and therefore requires the continued presence of NATO in Kosovo.

U.S. Policy Recommendations

- | Maintain U.S. commitment to the NATO mission in Kosovo to maintain regional stability and deter Serbian nationalist aggression.
- | Support Brussels in continuing to offer Serbia definitive membership prospects in order to rebuild this fragile post-communist state to avoid the risk of Serbia returning to the Russian sphere.
- | Continue economic investment in Serbia and the GSP in Kosovo in order to ensure that both have sustainable economic growth that supports their stability and eventual integration with Europe.

⁴⁸⁵ Andrew Rettman, "Russia Courts Serbia amid EU Dispute," accessed February 19, 2017, <https://euobserver.com/enlargement/136255>

⁴⁸⁶ Serbia Says Russia to Provide Arms to Counter Alleged Threat from Croatia," *RadioFreeEurope*, accessed February 19, 2017, <http://www.rferl.org/a/serbia-says-russia-provide-arms-counter-threat-nato-croatia-/28173046.html>

⁴⁸⁷ "Kremlin Fully Supports Vucic against Nikolic," *B92.net*, accessed February 24, 2017, http://www.b92.net/eng/news/politics.php?yyyy=2017&mm=02&dd=17&nav_id=100546

⁴⁸⁸ "Russia Serbia Brothers to Meet in Moscow, Putin, Nikolic and Patriarch Kirill On March 9th," *Novorossia Today*, accessed February 12, 2016, <http://novorossia.today/102569-2/>

⁴⁸⁹ Milivoje Pantovic, "Serbia Must Uphold Western 'Values,' Ambassador Says." *Balkan Insight*, November 2016, <http://www.balkaninsight.com/en/article/realtions-between-us-and-serbia-are-stable-us-ambassador-sai-10-31-2016>

CONCLUSION



Looking Forward

This task force report advises the U.S. administration to maintain its longstanding partnership with Europe in all political, diplomatic, and security concerns. Today, Europe faces a multitude of challenges, threatening the institutions and regions that are integral to its stability and unity.

Growing nationalism and Euroscepticism among the European public, has enabled the populist movement throughout Europe. Populist governments are turning inward in their policies, threatening to undermine the purpose and effectiveness of the European Union. The U.S. must emphasize the importance of European unity and integration to the region's future growth and success.

As these populist movements gain support, economic problems in Europe have increased political stakes. Continued financial instability in the Eurozone impedes European prosperity and threatens the legitimacy of existing structures of the European Union. It is critical for the U.S. to support European efforts to rescue failing financial institutions, further the economic integration of European countries, and revitalize European economies by strengthening the transatlantic trade relationship.

Migration policies currently in place cause disunion between European Union nation states. Improving Europe's integration process is critical to mitigating the humanitarian crisis and maintaining stability within Europe. The U.S. must offer its support in managing the migration crisis, integrating migrants, and reaffirming the economic and social benefits of migration.

The future of transatlantic security faces challenges from both conventional and unconventional threats. U.S.-Europe cooperation on all fronts, from intelligence sharing to joint military operations is the most effective means for achieving a strong, secure Europe. The transatlantic alliance must respond in solidarity to European security issues.

The widening gap between Europe and its marginal countries has increased anti-Western sentiment and Euroscepticism. The EU must maintain open dialogue with Turkey, Serbia, and Kosovo to prevent isolating regions vital to EU stability.

Founded from the collective memory of two world wars, the European Union was established with the vision of peace and stability achieved through European unity. It was formed to be a long standing European institution capable of surviving multiple crisis. The EU maintains the integrity and opportunity to bear recent challenges, emerge as a closer union, and prove its importance to the future of Europe.

As Europe's principal ally and supporter, now more than ever, the U.S. must offer its hand in support. Looking forward, the U.S. remains steadfast in its mission to promote peace and unity, to ensure a strong transatlantic alliance.

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