

Summit on the Future of Europe 2016

Europe and the Forces of Disunion

Highlights from the Panel Discussions

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2016 Summit

Session Overview

Overview

The *Summit on the Future of Europe* is an initiative of Harvard University's Minda de Gunzburg Center for European Studies (CES). Launched in 2014, this annual conference aims to convene eminent scholars and public leaders at Harvard in order to debate critical challenges facing Europe.

Since 2008, the terms crisis and Europe have become inseparable. As the crisis has deepened and persisted and its dimensions multiplied, the future of a united Europe and its core values have been called into question. Yet, there is wide divergence of views among experts and politicians on the causes, symptoms, implications and policies needed to resolve it. Is it necessary for Europe and the European Union to discard old models and principles in order to find a way out of crisis? Or should traditional European approaches simply be refined and applied more consistently in order to find solutions? The 2016 Summit, entitled *Europe and the Forces of Disunion*, will examine the adverse political, economic and social trends that have both fueled the crisis and/or resulted from it. The proceedings will assess the options open to Europe in confronting its multiple challenges and reflect on Europe's future.

Session 1:

Is European Democracy in Crisis?

Welcome remarks by: Grzegorz Ekiert, Laurence A. Tisch Professor of Government, Harvard University; Director, CES

Wolfgang Merkel, Director, Democracy and Democratization Research Unit, Berlin Social Science Center (WZB); John F. Kennedy Memorial Policy Fellow, CES

Pippa Norris, McGuire Lecturer in Comparative Politics, Harvard Kennedy School; ARC Laureate Fellow and Professor of Government and International Relations, University of Sydney; Director, Electoral Integrity Project

Joseph Weiler, President, European University Institute; Senior Fellow, CES

Daniel Ziblatt, Professor of Government, Harvard University, Resident Faculty Member, CES

Chair: Charles S. Maier, Leverett Saltonstall Professor of History, Harvard University; Resident Faculty Member, CES

Session 2:

Is the Eurozone Crisis Over?

Jeffrey Frieden, Professor of Government, Harvard University

Peter A. Hall, Krupp Foundation Professor of European Studies, Government Department, Harvard University; Resident Faculty Member, CES.

Hans-Helmut Kotz, Professor of Economics, Freiburg University; Visiting Professor of Economics, Harvard University; Resident Faculty Member, CES

Christopher Smart, Senior Fellow, Mossavar-Rahmani Center for Business and Government, Harvard Kennedy School; Special Assistant to the President for International Economics (2013-2015); Deputy Assistant Secretary of Treasury for Europe and Eurasia (2009-2013)

Chair: Dante Roscini, Professor of Management Practice, Harvard Business School; Faculty Associate, CES

Keynote Address

Pierre Moscovici, European Commissioner for Economic and Financial Affairs, Taxation and Customs

Chair: Grzegorz Ekiert, Laurence A. Tisch Professor of Government, Harvard University; Director, CES

and Political Science, Boston University; Founding Director, Center for the Study of Europe, Boston University; Local Affiliate, CES

Sir Paul Tucker, Chair, The Systemic Risk Council; Senior Fellow, Mossavar-Rahmani Center for Business and Government, Harvard Kennedy School; Former Deputy Governor, The Bank of England (2009-2013); Senior Fellow, CES

Chair: Peter A. Hall, Krupp Foundation Professor of European Studies, Government Department, Harvard University; Resident Faculty Member, CES

Session 3:

Europe's Security and Foreign Policy Challenges

Rawi Abdelal, Herbert F. Johnson Professor of International Management, Harvard Business School; Director, Davis Center for Russian and Eurasian Studies, Harvard University; Faculty Associate, CES

Graham Allison, Douglas Dillon Professor of Government; Director, Belfer Center for Science and International Affairs, Harvard Kennedy School

Serhii Plokhii, Mykhailo S. Hrushevs'kyi Professor of Ukrainian History, Harvard University; Director, Harvard Ukrainian Research Institute

Jessica Stern, Research Professor, Frederick S. Pardee School of Global Studies, Boston University

Chair: Mary Sarotte, Dean's Professor of History and Professor of International Relations, University of Southern California; Senior Fellow, Transatlantic Academy, German Marshall Fund; Associate, CES

Event Sponsors

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Session 4:

From Enlargement to Brexit: The Future of the European Union

George Alogoskoufis, Karamanlis Chair of Hellenic and European Studies, The Fletcher School of Law and Diplomacy, Tufts University; Minister of Economy and Finance of Greece (2004-2009)

R. Daniel Kelemen, Professor of Political Science and Jean Monnet Chair in European Union Politics, Rutgers University

Vivien Schmidt, Jean Monnet Professor of European Integration, Professor of International Relations



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Session 1: Is European Democracy in Crisis?

By Aleksandra Sojka, Visiting Scholar, CES

The inaugural session of the *2016 Summit on the Future of Europe* at Harvard tackled a key issue faced by the continent – the crisis of democracy. The panel composed of four distinguished European and US scholars reflected on the notion of democratic crisis in Europe and analyzed specific threats – populism, the crisis of representative institutions, and the possibility of democratic regime breakdown. The initial observation by the chair of the session, Charles Maier, Leverett Saltonstall Professor of History at Harvard and Resident Faculty Member at CES, that “these are desperate but not hopeless times” correctly anticipated the tone of the discussions that followed. As the session progressed, it became clear that the multilevel character of European democracy requires an analysis of the roots and implications of current challenges both at the national and the EU level, as well as their transatlantic parallels and links.

Wolfgang Merkel, Director of the WZB’s Democracy and Democratization Unit and Short-Term Kennedy Policy Fellow at CES, initiated the discussion with a theoretically robust examination of the ways in which different conceptualizations of both “crisis” and “democracy” might lead to contrasting conclusions regarding the severity of current challenges faced by Europe. His own diagnosis of the threat carried by right-wing populism emphasized its more perilous effects for unstable democracies, as well as the necessity to consider its position, within government or in opposition, with the latter possibly offering a corrective for the representational gap.

Pippa Norris, McGuire Lecturer in Comparative Politics at the Harvard Kennedy School, further elaborated on this theme, as she addressed the conceptual ambiguities of the notion of populism and analyzed the sources of electoral support for populist parties in Europe. While most political analysts point to the relevance of the economic resentment rooted in growing absolute and relative inequalities in a globalized world, Norris made a compelling argument for the consideration of the effects of a transatlantic cultural backlash, triggered by the older generations feeling left out in a world where progressive values have become more and more widely accepted.

While Norris looked at the threat to democracy within the national context, Joseph Weiler, President of the European University Institute and CES Senior Fellow, contributed an analysis on the supranational level of the European Union (EU). Weiler highlighted the chronic character of the problems of democratic legitimacy within the EU, rooted in a serious misalignment between its institutions and the underlying community. He argued that while EU institutions and policies have a growing impact on society, the absence of a European demos poses an insurmountable obstacle to their democratic quality. Even European Parliament’s increased relevance and influence in the political system of the EU does not help to solve this “chronic condition,” as voters’ choices are not translated into the direction of policies at the European level, decreasing the motivation to participate in the political process.

Finally, Daniel Ziblatt, Professor of Government at Harvard and Resident Faculty Member at CES, offered a reflection

**“These are desperate
but not hopeless times.”**

**— Charles Maier, Leverett
Saltonstall Professor of History at
Harvard and CES Resident Faculty**

on the current importance of being “intellectually prepared for the unexpected.” Ziblatt recalled the work of the late Juan Linz who argued that a growing perception that the society is facing problems which cannot be solved by politics, together with the erosion of stable political parties and the rise of “disloyal opposition” in the form of populists, ultimately creates an unstable environment which may lead to the breakdown of democratic regimes. Based on his own recent research on conservative parties, Ziblatt contended that the responsibility for preventing such developments lies in the right of the political spectrum and their strategy to control and contain the more radical trends.

The debate with the public which followed focused on the issues of political participation, the character of economic and political inequalities, and opportunities in democracies, in a broad transatlantic perspective. Undeniably, this first engaging session set the intellectual agenda for the summit and established a sound theoretical framework for the discussions on more specific policies and political crises in Europe which continued during the rest of the day.



Wolfgang Merkel, Pippa Norris, Charles Maier, Joseph Weiler and Daniel Ziblatt. (From left to right)

Session 2: Is the Eurozone Crisis Over?

By Benjamin Braun, John F. Kennedy Memorial Fellow, CES

Although it has recently been joined by other potentially existential challenges – refugees, Brexit – the Eurozone crisis still has pride of place in any discussion on the future of Europe. Since the onset of the crisis in 2010, the European Union has made considerable progress in filling the governance gaps that have both contributed to the crisis and hampered crisis management. The most notable achievement, banking union, is nearly complete – while the future of European Deposit Insurance Scheme remains uncertain, the Single Supervisory Mechanism and the Single Resolution Board are in place. But other problems remain unresolved, above all Greece's sovereign debt and the lack of a European fiscal capacity.

Dante Roscini, Professor of Management Practice at Harvard Business School, set the scene by briefly summarising this state of play. Jeffrey Frieden, Professor at the Department of Government, noted that in light of the historical data provided by Harvard's own Carmen Reinhart and Kenneth Rogoff, we should not be surprised that the Eurozone crisis has gone on for as long as it has. If the economic consequence of this classical debt crisis has been a large debt overhang, the political question concerns the distribution of the costs for dealing with that debt. So far, the creditor countries have managed to place virtually the entire burden on the shoulders of the debtor countries. However, this approach has not worked in the past and will not work in the future – Greece's debt will ultimately have to be restructured or inflated away. Frieden concluded by highlighting the enormous political damage in the form of an extraordinary collapse of citizen confidence both in national governments and in the European Union.

"Scores for policymakers' handling of each of them – a sovereign debt crisis (9/12), a banking crisis (6/12), and a growth crisis (4/12). The biggest problem, however, lies in a political crisis that not only remains unresolved but that continues to deepen."

– Peter Hall, Krupp Foundation Professor of European Studies at the Government Department at Harvard and CES Resident Faculty

Hans-Helmut Kotz, Visiting Professor of Economics at Harvard and Resident Faculty

Member at CES, focused his remarks on the monetary policy and its interaction with fiscal policy. The designers of the European Economic and Monetary Union (EMU) had hoped that the lack of a fiscal counterpart would strengthen the European Central Bank (ECB) in its independence. However, the continuing divergence between monetary easing and fiscal contraction has proved this thinking illusory. Since in practice monetary and fiscal policy cannot be separated, Professor Kotz sees a centralized fiscal counterpart to the ECB as a highly desirable – if unlikely – element in the institutional architecture of EMU.

Peter Hall, Krupp Foundation Professor of European Studies at the Government Department and Resident Faculty Member at CES, took aim at the politics of post-crisis Europe. He began by acknowledging the consensus that the Eurozone crisis really consists of three crises, and by assigning scores for policymakers' handling of each of them – a

sovereign debt crisis (9/12), a banking crisis (6/12), and a growth crisis (4/12). The biggest problem, however, lies in a political crisis that not only remains unresolved but that continues to deepen. In Hall's reading, European policymakers have fallen into a trap by treating the crisis as an economic crisis rather than as a fundamental challenge to the underlying political formula of the European Union. Driven by their pedigree in federalist ideals and theories of spillover, they have relentlessly transferred authority from the national to the European level, thus taking away the economic and political safety valve that every polity needs in order to cope with situations of crisis. In light of this diagnosis, Hall argues that the EU should loosen the strictures on national governments and put responsibility for national economic performance back in the hands of national governments and their electorates.

Finally, Christopher Smart, Senior Fellow at the Harvard Kennedy School and former Special Assistant to the President for International Economics, asked which would be the key actors and the key policy areas that would drive the future of the Eurozone and of the EU more generally. As for the key actors, he mentioned the Commission's DG Competition and DG Trade while putting extra emphasis on the ECB, the "hero of euro crisis that has been there from the start." Regarding policy areas, he emphasized that the success of the European project would crucially depend on whether the EU would get a grip on the problems in its banking system – not least because the next banking test case could arrive sooner rather than later.

In sum, the panelists painted a picture of major design and policy errors in the past and of major policy challenges lying ahead. Moreover, Peter Hall's intervention was a prescient reminder that even if the economic problems are addressed, the real challenge is going to be political.



Peter Hall, Krupp Foundation Professor of European Studies at the Government Department and CES Resident Faculty Member

Panel 3: Europe's Security and Foreign Policy Challenges

By Aaron Donaghy, EU Marie Curie Global Fellow, CES

Mary Sarotte: "Where does the defense of the United States begin? Is it on the far – or the near – side of the Atlantic Ocean?"

Europe today is at a crossroads. From Brexit and the rise of terrorism, to migration tragedies and Russian aggression, the political union is confronted with a series of foreign and security crises. Further challenges will emerge next year. The surprise election of Donald Trump as U.S. President has raised doubts as to whether or not the transatlantic relationship can endure – still less be reconstituted – to combat the multifaceted problems. Critical events will also unfold closer to home. National elections take place in France, Germany, and the Netherlands, each of which has seen far-right parties make significant political gains amid Europe's troubles. This in turn has prompted fears of further exits by member states. The concerns are not unfounded. When Boris Johnson belatedly threw his support behind 'Brexit' last spring – eyes fixed on higher office – he was reflecting the nascent re-emergence of a political process. In a global environment wrought with popular disaffection, decision-makers are increasingly tempted to opt for electorally bankable strategies at the expense of external considerations, as Commissioner Moscovici observed in his keynote speech. Against this backdrop, issues in which the foreign is entwined with the domestic (e.g. immigration, national security, trade) become ripe for political exploitation, as events in Britain and the United States have shown. 'Intermestic' politics, it seems, is alive and well.

A panel of security and foreign policy experts considered these various challenges at Harvard's 2016 Summit on the Future of Europe. Jessica Stern, Research Professor at Boston University's Pardee School of Global Studies, warned that the forthcoming elections are being strongly influenced by the terrorist acts that have taken place over the past year. Geert Wilders' Party for Freedom, Marine Le Pen's Front National, and Frauke Petry's Alternative für Deutschland have actively sought to foster a linkage between immigration and terrorism, blurring the distinction between international and domestic threats.

Centrist parties have in turn been pressurised to harden their traditional policies – not in a bid to outflank the right – but rather to demonstrate to the public that they can meet the security challenges (the 'burkini ban' controversy in France being a case in point). Unsurprisingly, Stern reflects, the perception in the United States, and indeed parts of Europe, is that 'terrorism is winning'.

Serhii Plokhii, Mykhailo S. Hrushevs'kyi Professor of Ukrainian History at Harvard and Director of Harvard's Ukrainian Research Institute, addressed a different sort of security problem. The military threat posed by Russia to Ukraine and other territories along its western border is, he affirms, 'the worst crisis in East-West relations since the end of the

"Who would fight for Estonia in the event of a Russian occupation?" Assuming Trump Administration would come to its rescue "would mean failing to recognize the 'revolution' that has just taken place in the United States."

– Graham Allison, Douglas Dillon Professor of Government and Director of the Belfer Center for Science and International Affairs at the Harvard Kennedy School

Cold War'. Moreover, Russian actions in Crimea marked the first annexation of another European nation's territory since the Second World War. This poses a major threat to the international order. But it is not, he argues, a new development. Plokhiy sees this as part of a longer pattern of Russian external behaviour dating back more than 200 years. He points to the Russian partition of Poland in the 18th century, and warns of a similar fate befalling Ukraine today. Plokhiy concluded by drawing upon two lessons from history. Firstly, the appeasement of Adolf Hitler at Munich in 1938 over Czechoslovakia did not work – and nor did it in case of the Western reaction to Russian intervention in Georgia in 2008. Secondly, recent events should be seen not in isolation but as part of a wider, long-term Russian strategic process. In order to meet that challenge, Europe cannot rely on the United States as it did during the Cold War. A new defense strategy is required to confront the problems of today. That necessitates the strengthening of European institutions and the NATO alliance.



Graham Allison (left) and Mary Elise Sarotte (right).

In the aftermath of the U.S. presidential election, European leaders will be tasked with developing and managing a relationship with the new Trump Administration. Graham Allison, Douglas Dillon Professor of Government and Director of the Belfer Center for Science and International Affairs at the Harvard Kennedy School, addressed the key security

issues confronting a U.S.-European partnership. With respect to perhaps the most pressing of these – the future of NATO and the Russian threat to Europe's eastern flank – he was downbeat on the prospects for transatlantic cooperation. Likening Trump to a tsunami ('the hits will keep coming'), Allison cited two worrying declarations made during the electoral campaign: firstly, Trump's remark that 'NATO is obsolete'; and secondly, his reference to NATO's European members as 'free-loaders'. The question, then, is whether or not Trump's rhetoric will match reality once he assumes office. As Allison pointed out, Trump's latter criticism should not be taken lightly. President Obama vented a similar frustration back in 2011, referring to European allies such as France and Britain as 'free-riders', for disinvesting in the follow-up to intervention in Libya. Though the administration moved to downplay his remarks, it betrayed a long-standing American grievance about Europe's contribution. Only four of the twenty-six European nations in NATO currently meet official

"Where does the defense of the United States begin? Is it on the far – or the near side of the Atlantic Ocean?"

— Mary Elise Sarotte, Dean's Professor of History at the University of Southern California and CES Associate

guidelines requesting that member states spend at least 2% of their GDP on defense (significantly, two of these four are Estonia and Poland). Allison invoked the Russian invasion of eastern Ukraine, and the meek response of major European nations, which carefully weighed regional security and economic sanctions against their reliance on Russian oil and gas. 'Who', he wondered, 'would fight for Estonia in the event of a Russian occupation?' Automatically expecting a Trump Administration to come to its rescue, Allison argued, 'would mean failing to recognize the "revolution" that has just taken place in the United States'.

The Director of Harvard's Davis Center for Russian and Eurasian Studies and Herbert F. Johnson Professor of International Management at Harvard Business School, Rawi Abdelal, warned of the trend towards bilateralism at the expense of multilateralism. The ability of European institutions to multilateralize challenges was one of the foundations of its long history of success. Now, however, there is an increasing danger of the United States negotiating bilaterally rather than on collective terms (e.g. defense and trade arrangements), bypassing Brussels in the process. The spread of bilateralism is a growing threat to transatlantic security cooperation, particularly in lieu of recent Russian activities in what it sees as its sphere of influence. Abdelal points out, however, that Russia also has its weaknesses. Chief among them is its heavy dependence on the European market. He cites the example of Gazprom, the state-run gas company, whose supply of fuels to Europe provides Russia with roughly two-thirds of its government revenue.

The Chair of the panel, Mary Elise Sarotte, Dean's Professor of History at the University of Southern California and CES Associate, posed a salient question: Where does the defense of the United States begin? Is it on the far – or the near – side of the Atlantic Ocean? For the first time since the Second World War the answer is uncertain. What will this mean for European security? Sarotte also noted two symbolically important anniversaries. In 2017, it will be the centenary of the Russian Revolution, and this year we mark 25 years since the collapse of the Soviet Union; the latter described by President Vladimir Putin as 'the greatest geopolitical catastrophe of the twentieth century'. Sarotte warned that a defense response to the Russian threat may be required sooner rather than later. Yet Allison is skeptical of the Western resolve to meet that challenge. Pointing to the recent cases of Russian aggression in Georgia and Ukraine (when neither the U.S. nor Europe was willing to intervene militarily), he again expressed doubts as to whether a Trump-led NATO would move to save the Baltic states from a potential invasion. Allison pondered a key question now at hand. Will the foreign and security strategies broadly outlined by Trump really be carried out while in office? In contrast to the more cautious assessments of some political commentators (such as Fareed Zakaria), he believes there will likely be a 'strong coordination' between Trump's campaign rhetoric and the policies he will pursue as president. The tone throughout was stark and sober, as prospects for U.S.-EU cohesion in security and foreign policy were analyzed. Much, then, for European leaders to contemplate, as a critical year beckons.

Session 4: From Enlargement to Brexit: The Future of the European Union

By Eva Marlene Hausteiner, John F. Kennedy Memorial Fellow, CES

Considering these critical recent developments within the EU, at its borders and among its neighbors and allies, the questions remains: Are the decades of enlargement and deepening now followed by disintegration and renationalization? The speakers on the last panel of the day arrived at often differing analyses and conclusions on Europe's future.

George Alogoskoufis, the Karamanlis Chair of Hellenic and European Studies at The Fletcher School of Law and Diplomacy, Tufts University, pointed to the importance of a solid analysis of the historical development of the integration project. Only in phases of economic prosperity was the EU so far able to pursue enlargement and deepening – and this phase has ended with the inability to effectively address the crisis after 2010. The union's rocky past, then, highlights the need to fundamentally change the EU's current architecture: "There are limits to the deepening and enlargement" as long as redistribution is limited. Without social redistribution and a sufficient EU budget compensating difference across the union, Pierre Moscovici's hope for a stronger federalization of Europe would remain unfulfilled.

"Europe is stuck in a "polycrisis" that requires institutional restructuring."

— Daniel Kelemen, Professor of Political Science and Jean Monnet Chair in European Union Politics at Rutgers University

Next, Daniel Kelemen, Professor of Political Science and Jean Monnet Chair in European Union Politics at Rutgers University focused on the limits and ironies inherent to the relationship between enlargement, deepening and Brexit. The UK both advocated liberalization and deplored its implications; and British hopes that widening would limit deepening backfired. While there is indeed a need for institutional restructuring in light of the current "polycrisis" – refugees, Eurozone

crisis, Brexit, democratic backsliding, and foreign policy – it seems difficult to achieve. So far, the EU is mostly "falling forward", offering haphazard and short-term crisis fixes during ministerial late-night meetings that in turn generate new crises. Today's populist successes are a result of precisely this sense of constant crisis. What is, in light of this bleak analysis, the future of Europe? Kelemen's prognosis was not one of disintegration – rather, he predicts a more integrated Eurozone proceeding in very small steps instead of big leaps. Issues like debt relief and internal mobility adjust must, however, be faced now, considering an impending shift of member governments towards populism.

Against these pleas for closer and better-designed integration, Vivien Schmidt, the Jean Monnet Professor of European Integration at Boston University; argued for stronger decentralization. In light of the expression of citizens' political, economic and social unhappiness in the UK, Hungary, the US and elsewhere, the EU is facing a deep crisis of democratic legitimacy, economic ideas and cultural identity that has many causes and no simple solution. The only way forward? According to Schmidt, only a soft core Europe instead of a hard core Europe can guarantee a sufficiently strong role for the member states: A European center coordinating a relatively decentralized union could facilitate the politicization and influence demanded by the member states' electorates – and a first step could be a loosening of deficit rules to give states more political leeway.

The final speaker, Sir Paul Tucker, Senior Fellow at CES and the Harvard Kennedy School, took a different position on

the reasons of the current conflicts within the EU and on the necessary remedies. The root cause of the current political events in the US and the UK is not just economic liberalism, but its alliance with rights based liberalism; and the way out of the current predicament is rather multidimensional. On the one hand, with regard to legitimacy – here, Tucker recommended further transparency, not only with regard to the EU parliament which has long been considered the ideal locus of popular influence, but with regard to the Council of Ministers. On the other hand, restructuring is needed with regard to economic coordination: A more reliable transfer union must be put in place in order to transfer risks and opportunity – even if, as Daniel Kelemen emphasized, it might be wise to avoid the charged territory of “transfer union” and rather focus on specific measures like refugee bonds.

As the discussion demonstrated, predictions on the future of Europe – both the EU and its neighbors – essentially depend not just on the analytical framework, but also on the political feasibility of desirable solutions: Can the European architecture – the treaties and the political practices – be changed to deal effectively with current crises, or is the main crisis in fact the inertness of these institutions? And if change is possible, is the “window of opportunity” rather quickly closing with the advent of strong anti-European parties in the member countries and beyond? It seemed that the US presidential election added another layer of complexity to the analysis of the EU, and even more sense of urgency regarding the fragility of Europe’s internal unity. The Director of Harvard’s Davis Center for Russian and Eurasian Studies and Herbert F. Johnson Professor of International Management at Harvard Business School, Rawi Abdelal, warned of the trend towards bilateralism at the expense of multilateralism. The ability of European institutions to multilateralize challenges was one of the foundations of its long history of success. Now, however, there is an increasing danger of the United States negotiating bilaterally rather than on collective terms (e.g. defense and trade arrangements), bypassing Brussels in the process. The spread of bilateralism is a growing threat to transatlantic security cooperation, particularly in lieu of recent Russian activities in what it sees as its sphere of influence. Abdelal points out, however, that Russia also has its weaknesses. Chief among them is its heavy dependence on the European market. He cites the example of Gazprom, the state-run gas company, whose supply of fuels to Europe provides Russia with roughly two-thirds of its government revenue.



Daniel Kelleman, Peter A. Hall, Vivienne Schmidt and Sir Paul Tucker. *(From left to right.)*

