

Transatlantic community – a second life?

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The United States and the European Union are entering **a period of political change**. The November 2008 US presidential elections, following years of an up-hill struggle in transatlantic relations and coupled with the humbling of the West in the financial crisis, will produce **a different mindset on the other side of the Atlantic**, regardless of which of the two candidates is elected. The European Union will also face change in 2009 with EP elections in June, a new Commission in office in the fall and elections in Germany next September. The changes will not be revolutionary and **a degree of continuity ought to be taken for granted**. However, at least **three factors** will push the US and the EU to work together. The most obvious one is the emergence of the multipolar world in which the transatlantic community will find itself all the more like-minded as the rest of the world will seem to be ever more alien. Secondly, the Bush years have undermined America's standing in the world to the extent that any successor will seem refreshingly different. Thirdly, the financial crisis has exerted strong pressures on both sides of the Atlantic and its effect will continue to haunt new and old leaders in Europe and the United States for years to come.

The Bush legacy: a daunting experience

In 2001 George W. Bush took office with a new understanding of the world defined by American power. He and his inner team made it clear that the new administration had little patience with multilateral institutions and allied consensus. Despite the initial statement of belief in internationalism, it is unilateral action that carried the day. **Transatlantic relations entered a gloomy phase of mutual coexistence**. The turning point came with September 11 perceived differently on both sides of the Atlantic. With a new vision of leadership, the United States outlined its three-fold strategy, stating that "either you are with us or with the terrorists", proclaiming that "mission determines the coalition" and eventually deciding to "go it alone". After 9/11, the Europeans expressed their full solidarity with the US. But the war against Saddam Hussein put transatlantic relations to the test. Diplomatic disagreement combined with misperception, misunderstanding and unfortunate choices of leaders triggered the worst transatlantic crisis in nearly 50 years when the US and its allies invaded Iraq in March 2003. The Atlantic Alliance came to the brink.

At first, the Bush strategy worked reasonably well. The offensive in Afghanistan was a success as the Taliban was overthrown and Al-Qaeda substantially weakened. In Iraq, the Americans took control of Baghdad and most of the country in only three weeks. And in 2004 George W. Bush was eventually re-elected President with more votes than any other previous candidate. The Bush administration was firmly in power especially after the Republicans had already increased their majority in the House and Senate in mid-term elections in 2002.

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The world was on a fast track to acknowledge the “Bush doctrine” in line with which America was at war with global terror, attack was seen as the best form of defense while a bold proof of American power was expected to attract friends and eliminate foes. Export of democracy became the core of a new strategy. **It was clear, simple but short-lived.** War on terror proved to be a misleading concept, preemption turned out to be misplaced as assumptions on Iraq’s possession of WMDs and Saddam Hussein’s links to Al-Qaeda failed to substantiate. The Bush doctrine faded away in the flames of Iraq, Afghanistan and the flagrant anti-Western feelings around the world.

For all these reasons, **the Europeans follow the 2008 presidential campaign in the United States with a mixture of interest, apprehension, curiosity and hope.** There is no doubt that a sense of relief will resonate across Europe once George W. Bush leaves the White House. The Europeans have taken for granted that the next American president will initiate a return to a more constructive mode of cooperation. But there is no such thing as a free lunch. **The Europeans may soon discover that with the departure of George W. Bush, the scapegoat will be gone. There will be no more excuse for inaction.** And the scale of new and unexpected challenges is more than daunting.

Fitting transatlantic relations in the global puzzle

America’s unipolar moment is over. The world is on a journey to a new and unknown destination. We are witnessing a shift towards **a new matrix conceived by dispersion of power between nation states and a variety of non-state and transnational players increasingly growing in importance.** The flows of goods, capital, people and ideas have become unprecedented. Global economic processes and a plethora of new risks and challenges ranging from the financial crisis to scarce food supply, increasing demand for energy and other commodities as well as the impact of climate change to name a few, lead to **an entirely new level of interdependence which is gradually being realized although not by everyone at the same pace.** The enormous volatility of this new reality only unveils a greater need for effective and sustainable crisis and risk management. Whether we call this new world multi-polar or non-polar, it is certain that **the new reality requires a joint transatlantic effort to prevent a very basic degree of disorder which is no-one’s interest.**

If one word was needed to define today’s world order, no one would have to think twice. **Le mot du jour is crisis, or more precisely a plethora of crises.** There is financial crisis spreading across the globe, the recent crisis in Georgia, the EU’s institutional crisis brought about by the rejection of the Lisbon Treaty in Ireland, the on-going crisis in the Middle East, the unsolved Iranian nuclear questions, the energy and food crisis, the world trade crisis upon another failure of talks in Doha, instability in Pakistan, and not to forget the situation in Afghanistan where the West is being entrenched with no tangible signs for immediate progress. **In such a context, the world urgently needs a stabilizer.** Given the weight they preserve in the world, **the European Union and the United States have the huge task in front of them of cushioning the impact of the global political and economic turbulence.**

The management of this overwhelming task will be everything but easy. Whatever one thought about the Lisbon Treaty, it was aimed to consolidate the EU and make it more responsive to global challenges. It is clear that **once the new US President assumes**



office in January 2009, he will have as its partner an EU that is much in suspense about its institutional future. Instead of a clear chain of command in foreign policy, there will be the rotating EU presidency and new names to learn and familiarize oneself every few months. The Union will not be paralyzed in a deadlock but building a genuine US – EU dialogue will be an unnecessarily greater challenge. What is more, the events in the Caucasus as well as attempts to manage the fallout from the financial turmoil have triggered intergovernmental instincts which do not bid well in relations with the outside world. **The temptation of going “one’s own way” and using the bilateral framework to settle things with the new US administration must be by all means avoided.** If the EU wants to be Washington’s equal partner, it cannot assume that the United States will search for European unity where it does not exist. The EU-US relations must not fall in this trap. Whatever the issue, missile defence or relations with Iran, the Europeans must have the instinct of speaking with one voice with Washington.

What are we after?

If there is one change to be expected after the US elections, especially if Barack Obama gains the upper hand, it seems certain that **the transatlantic relationship will become more of a two-way street.** As Barack Obama put it, “it is time to strengthen NATO by asking more of our allies”. **Although common values are an important unifying factor, their role should not be overestimated to the point of precluding readiness to act.** In the matrix that will determine the US president’s international orientation, interests will continue to play a key role. Values may tilt the balance where interests themselves are not sufficient to determine the right course of action. Elsewhere, they will merely be a set of ornaments. However, they cannot be relied upon to offer exclusive political guidance.

Anticipating a new administration in the White House, European leaders have begun to identify issues of common concern. Among them especially climate change, trade, relations with the Muslim world, Iran, Iraq, Middle East and future relations with China. **This time around the Europeans have no one big idea to propose to the Americans on par with multilateralism in the previous political cycle.** The strategy of **making a hundred flowers blossom** has its downsides since it prevents a clear hierarchy of priorities. **Nevertheless, it is preferred to an imaginary dream project which will not leave the Americans, and in fact many Europeans, with misty eyes.**

Multilateralism remains the best way of conducting international affairs. However, even for Europeans, it is less of a theological issue than it used to be in the past. Not only because they are losing weight in international organizations such as the UN, as argued convincingly in the latest report by the European Council on Foreign Relations, but rather because it is a way of conducting business and not an end in itself. **The European Union has often made the mistake of projecting its own unique model of governance in international relations. This is not always justified or even useful.** The European project is a product of specific historical circumstances. It cannot be reproduced without consistent determination and readiness to share sovereignty which lay at the basis of its success. There is little sign of an eagerness to benefit from the European experience in the working of the international institutions.

The nature of today’s challenges will require **an interest-value matrix** to be formed that **will overcome both - the simplistic emphasis only on material gains from cooperation**



and the idealistic search for the commonality of values that may be more difficult to establish than ever. It is more relevant and promising to begin by **taking note of the enormous convergence of interests which is taking place across the Atlantic as the other poles of the international order often choose the explicitly or even confrontationally non-Western frameworks.** The commonality of interests can then be placed in the context of shared values and against the background of a rule-based international order.

It is for this reason that **the first exercise engaging the EU and the US in the period directly following the US presidential elections should be to map out how the interests of both sides of the Atlantic have become more and more closely intertwined.** One clear example is the shopping list with which European and American leaders go to Beijing. The yawning trade deficits with **China**, the country's vociferous demand for energy and food which has pushed up prices, non-tariff barriers which are estimated to cost European businesses 20 bln euro a year in lost opportunities, the unpredictable mergers and acquisitions regime, imperfect protection of intellectual property rights, exclusion of foreign operators from government procurement deals or "monetary dumping" – are all issues with which Washington has as much of a problem as does Brussels.

The EU-US priority list will then need to go through a filter of what the international agenda has in stock for both partners. This means above all climate change given the expected final stage of the **post-Kyoto negotiations** which are meant to be concluded in December 2008 in Copenhagen. Given the expected change at the Capitol Hill, **a window of opportunity will also be created for a trans-Atlantic, or an EU-NAFTA trade agreement that could be the only real lever for getting the multilateral trade negotiations started in the next years following the failure of the Doha round.** Since tariffs for industrial goods are almost negligible across the Atlantic, such a round would need to concentrate on agriculture, coming at the end of the largely forgotten EU budget review and before a fresh round of negotiations on the 2014-2020 financial perspective. In parallel, the on-going talks on creating a joint EU-US regulatory space should be accelerated. Finally, **discussions on the new NATO Strategic Concept will need to be revived once the new administration** is in place since the existing one dates back to the period prior to the 9/11 attacks and engagement in Afghanistan, the first "out-of-area" operation. The process has to be programmed in such a fashion so as to enable an open and genuine discussion.

The list of priorities is important for what it consists. It is equally important for what it leaves out. Terrorism is unlikely to feature very highly which would be a relief for many, especially given the different nature of the phenomenon for the Americans who see it predominantly as an international security problem and for the Europeans for whom it is more of an internal challenge. At the same time, the European Union should not assume that with the end of the Bush administration, the United States will downgrade its commitment to internal security. A European passport carrying Muslim fundamentalist continues to be seen in the US as the greatest threat to the country's national security and that perception will not change overnight with the new team in the White House. For the sake of closer transatlantic ties, the European Union should have a serious discussion on how to allay US concerns and work together to address a problem which is real in its nature.



Energy and climate: the impossible dossier

It is clear that the world simply cannot opt for a linear projection of its current use of energy and impact on climate change. It is equally clear that equations will only begin to change once that realization is brought home. The Europeans and the Americans are still widely apart when it comes to the issue of energy consumption and climate change. The economic growth of the United States has been for many decades capable of maintaining an upward trend due to access to cheap domestic oil. However, since the 1970s oil crisis the US consumption of oil has increased by 20 percent and US imports of oil have doubled. On top of that the price of oil has risen from 20 USD a barrel to way over 100 USD a barrel, even though it is now back to the moderate 60-70 USD range. This in turn has contributed to ever larger flows of petrodollars to oil producing countries and in result **an enormous flow of wealth in that direction. Statistics point out that with a consumption of 20 million barrels of oil a day and 12 million provided by imports, nearly 1.3 billion USD is being transferred per day to the oil producers** which contributes to the amount of 475 billion USD a year.

Both John McCain and Barack Obama have acknowledged an urgent need to address the issue of global warming, cutting greenhouse emissions and developing alternative energy sources. This is good news. But how they will position themselves in the on-going international negotiations is not obvious. **The big question for the US and the EU alike is on what terms China can fall into line and commit itself to a new global climate deal.** The US and China are the world's biggest polluters and contribute half of the world's carbon emissions. China and other emerging economies will not support a solution which might have a negative impact on their economic growth. And the United States will not opt for a solution which would exclude BRIC countries. Chinese officials shrewdly argue that China is not responsible for 2/3 of the country's greenhouse emissions which are imbedded in exports to the West. That risks angst of the American blue-collar class which registers lost jobs going to China rather than exported carbon dioxide.

Declarations from both Obama and McCain are vague and non-committal. They reflect the still lacking internal consensus on the immediacy of the issue. **The best way forward from the European perspective would be for an Emissions Trading Scheme to gradually gain a global dimension. For that to happen, US commitment would be vital.** The current European ETS system can be easily expanded by granting or auctioning new emission permits that take into account the potential of new entrants.

Some of the bids for a new transatlantic understanding are promising given that the new US administration will be more and more under pressure from the inside to foster green policies, due to their increasing economic importance.

Foreign policy – old menu, new ingredients

The George W. Bush legacy will be a gargantuan task to deal with for any successor. The outgoing president leaves office with a dismal approval rating of 27 percent. His achievements are broadly defined as a succession of failures, the economy is in deep trouble, not to speak about the foreign policy or America's image in the world. Combining this with a number of crises looming on the horizon, one receives a somewhat **overloaded agenda**, to put it mildly.



Foreign policy challenges stretch from Middle East to South East-Asia and beyond. **Not even the Arctic can be excluded from the new transatlantic radar screen. Iraq and Afghanistan** remain central to both the current campaign and the new president's foreign policy. The United States have been entrenched in both countries for five and seven years respectively, spending \$525 billion in Iraq, not to speak of 4000 lost lives of American soldiers and \$140 billion in Afghanistan and 600 soldiers dead.

Barack Obama has been strongly in favour of **a shift in priorities to focus on Afghanistan rather than Iraq**. He opposed the war in Iraq since the beginning and would like to carry out a withdrawal of American troops within 16 months of taking office. His plans envisage a residual force to station in the country to track Al-Qaeda, provide Iraqis with military training and protect the American presence there. He insists on "careful" withdrawal, diplomatic tools, stabilization of the country and fostering constructive relations in its neighborhood. John McCain is deeply convinced about the rationale of the war in Iraq and America's eventual victory. He rejects all withdrawal options and vows he would let the American soldiers stay even a hundred years not taking into account potential costs or risks of such a decision. Iraq remains for McCain the top priority issue which means the new (old) Middle East strategy would continue to revolve around US Iraqi policy if he is the successor to George W. Bush. **Although Iraq makes for one of the sharpest differences between both candidates, a reality check will weigh heavily on whoever is the incumbent in the White House.** A withdrawal from Iraq may not be as immediate as Mr Obama proclaims and continuation of the US presence there will have more strings attached than Mr McCain tends to assume.

Afghanistan looks much more gloomy. The war is not only far from an end but even further from a victory. Despite an enormous engagement of the international community, the situation is as unstable as it is unpredictable. The Taliban are growing in strength, the local administration is consumed by corruption, drug business is not under control and the new government in Pakistan cannot be relied upon any longer. **The Europeans can take it for granted that the next US president will ask for even more of a helping hand in Afghanistan where reinforcements are needed in the South**, in parallel with an effort to put the country's army on its own feet. A higher visibility of the international assistance in building roads, schools and water treatment plants is also a must. The European Union will have to decide between a serious engagement, perhaps on the lines of the Polish Foreign Minister Sikorski's idea of creating EU Provincial Reconstruction Teams, and giving Afghanistan a pass since its current token presence there is in any case unsustainable.

The US and the EU will also need to jointly define what "eventual success" of their engagement in Afghanistan means. If it means a quasi-democratic Afghanistan, then failure may be the only option. If on the other hand, a minimal stabilization and the non-resurgence of Al-Qaeda are the main goals, the omens might be better. If both sides are unclear about the realistic objectives, there is a real danger of a major failure with consequences for both sides and for NATO, at least concerning future out-of-area operations of the Alliance.

Iran may well be a test-case for the new transatlantic strategy. The Europeans will support American overtures for direct talks which Barack Obama has promised as proving that their efforts to put diplomacy first have at least worked with Washington, if not Teheran. Assuming that the buck of unilateral action will not pass to Israel in the meantime, this will create new circumstances which could be helped with the promise



of energy partnership and investment in Iranian oil and gas exploration to counterbalance the increasingly assertive Russia. Worse if diplomacy does not provide an answer...

Russia: hugging or taming the bear?

With Russian troops and tanks pouring into Georgia in August 2008, the international community learned that **the period of Russian anti-Western rhetoric is replaced with the policy of *faits accomplis***. It triggered the most severe clash with the West since the end of the Cold War. It will also have long-term implications concerning the nature of relations with Russia and a new strategic approach.

Irrespective of the tactical errors of the Georgian President Saakashvili which are unquestionable, Russia's reaction has put under question the relevance of all Western efforts to anchor the country as an ally within the international system. **Two credible types of response are now possible. One is to hug Russia even more tightly**, acknowledge its pretensions to an international role, admire its ideas for the new European security architecture and hope that this charm offensive will tame the instincts of the Russian leadership without making too much of a sacrifice. **The other is to keep Russia at arms' length**, review and scale down dealings with her while admitting that cooperation with Moscow is indispensable in dealing with Afghanistan, Iran, fighting climate change, assuring energy security or restoring the confidence in financial markets to name only a few. **After a rare display of unity over Russia, the Europeans are now returning to their old positions with a vengeance**. A sense of realism is there but it is only translating into more rather than less determination to defend one's entrenched sentiments of Russia as a partner or villain. **If it is not handled with care, the situation will produce fresh acrimony inside the European Union and with the United States**.

A new approach is therefore needed in the form of a joint transatlantic strategy towards Russia combining elements of both hugging and taming of Russia together. Its main elements should be for **the West to better take care of its own interests** by seeking greater energy independence, diversifying sources and transit routes of energy, demanding that Russia obeys by the rules of competition policy, etc. **Secondly, the West should offer massive assistance to Ukraine, Georgia and other Eastern European countries** which seek closer ties with it. The EU and the US must support each other in their efforts to promote and consolidate democracy in the region. **Thirdly, the West should sit down with Russia to discuss the future security architecture involving non only Europe but also the global dimension**. Such a conference would have to start by admitting openly that relations with Russia have come to the wall. If Russia has good ideas, the West should listen. However, **it will have to draw the red lines well in advance – no spheres of influence, no undermining of democratic regimes, no deals with shady regimes in the world**. Putting forward such a list with an open invitation to talks would call on Russia to account for its practices. **NATO enlargement will not proceed in a situation in which the dust has not yet settled in the conflict zone in Georgia. This should not be treated as demonstrating a failure of the West. It is rather a window of opportunity** to calm down emotions and reconfirm the principles which need to govern Russian-Western relations.

Russia already seems to have acknowledged that self-isolation is nothing but cutting a branch from beneath the own feet. With billions of dollars evaporating from its stocks market, the need for a constructive cooperation with the West could not have been more revealing.



For the West, sitting on two chairs criticising Russia and demanding its co-operation at the same time will be a litmus test in reshuffling relations with the re-emerging power.

International version of “The Economy, stupid”?

Economy and foreign policy are the two main pillars of the current US presidential campaign with the financial crisis shifting emphasis firmly to the former. Geographical breadth and economic depth of the financial crisis spreading across the Atlantic and beyond has proven that **no country would be spared from the current course of the events**. When the troubles began in summer 2007, the Wall Street managed to face it within its framework. The true chaos was triggered with the bankruptcy of Lehman Brothers, the US investment bank when the US government decided to let the bank fail. The domino effect triggered subsequent bank failures, emergency rescues, plummeting stock markets, frozen money markets, bail out plans as well as high anxiety in credit markets. **An overwhelming level of interdependence of the global financial markets has revealed the true nature of the multipolar world**. The initial response was desynchronized as leaders naturally opted for national strategies and plans rather than building a strong common front capable of effectively dealing with the crisis. But as the panic settled down the dithering has ended. Gathering both at the global and regional level, governments elaborated a toolbox aimed at releasing financial markets from a halt.

Comprehensive and unprecedented plans were conceived to support wobbling banks, provide liquidity, revive the inter-banking market and recapitalize the banking system. In the wake of the unexpected speed and scope of the events, almost all fingers were pointing out at America vowing its ill-suited economic policy and defining free market capitalism *made in the United States* a total failure. There is no doubt that the crisis was not managed properly by the current administration. President Bush failed in dealing with both the Wall Street and the Main Street. Although society may not understand the sophisticated mechanisms behind financial instruments, it sees bluntly their impact on everyday life. And the latter matters in the elections. With John McCain’s statement “economics is not something I have understood as well as I should”, the advantage of Senator Obama could not have been more revealing. McCain opts for less regulation, more free trade, lower taxes on the rich and on capital. Obama prefers an enhanced governmental oversight, believes less in free trade and wants more equality in the tax system. But as we all came to know, **the economy does not stop at the border. The current situation unveils an urgent need for better regulation, more efficient supervision and better cooperation**. After the Second World War the United States provided the world with a *Pax Americana* and granted the globe a sense of security and stability. Today, this framework needs to be redefined. **With all the assaults on free market capitalism and unprecedented governmental interventions in financial markets, the new framework must balance both regulation and freedom and restore international confidence**.

Hard work and good omen in demand

The underlying condition for the post-Bush era revival in transatlantic relations is *la renaissance* of the United States itself. The US has been at the core of the Atlantic Alliance. It has served as a model in its commitment to democratic values, it has been a key ally during and after the Second World War, it has provided a security umbrella during the Cold War and supported the political and economic integration of the Old Continent. **Acting as a *hyperpuissance* or a unilateral power frequently disliked by others, its actions have clearly embraced the one core value that the EU has been searching for – leadership**. However,



being a superpower does not mean immunity to external and internal shocks. **With ever greater number of crises looming on the horizon, the EU must assist the US in the handling of its relative decline.**

There is no doubt that today's global agenda is more daunting than ever before. But the world has been through equally or more challenging periods in its history. They have usually rendered the world stronger and equipped it with better fundamentals. **The US and the EU must perceive the current turmoil as an opportunity that will bring them together.** Both have unmatched hard and soft power assets to face global challenges effectively. They both have to realize that their sole presence at the inception of the current international order is not sufficient. **Its future format needs to be by far more inclusive by bringing in the Chinas, Russias and Indias of this world.** The West can easily navigate itself into a corner if it wants to cling to its disproportionate share of power in international institutions. There is no other way but to invite others on board and guard the role of the host as long as possible. **The new American President should come to Brussels in the early days of his presidency to discuss this uniquely challenging international agenda with European leaders.** And the Europeans should start planning on how to unroll the red carpet.