

Transatlantic Relations: the Long Holiday from History is Over

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Executive Summary

- > Following seven decades of global engagement, the US is returning to its natural state of retrenchment, but encumbered by an expansive global military footprint and alliance structure. The US must decide whether to maintain these outward facing structures, allow them to go fallow, or retreat from them entirely.
- > The United States and the European Union seek the benefits of a benevolent and stable global order which was underwritten in large part by the US, but neither of them wishes to shoulder today's increasingly high costs of maintaining that order and enforcing its many rules.
- > The EU is increasingly caught in the middle of great power competition between the US, China, and Russia, and its post-modern structures seem inadequate to the task. The EU must make choices about whether it will continue to work with the US or seek greater accommodation with outside powers.
- > There will be strong impulses for the EU and the US to go their separate transatlantic ways as great power competition and its regional manifestations become more dynamic and old multi-lateral structures and institutions seem unable to respond. However, in an era of such power competition, the US and the EU need one another to mutually succeed.

Transatlantically, we have been fortunate to enjoy a very long, 70-year holiday from history. Europe thought it had once and for all overcome the devastation and trauma of two catastrophic wars by creating an organization, the European Union (EU), which could subjugate negative international and political forces with economic integration, institutions and consensus-building processes. The United

States (US) equally believed that it had sufficiently overcome its historically isolationist tendencies by remaining outwardly facing and globally engaged during and after the Cold War.

Internally, American and European democracies are struggling to regain their confidence economically in light of dramatic change brought about by rapid globalization and increased migration. This struggle is exemplified by the ascent of 'illiberal democracy' as embodied by Prime Minister Orbán in Hungary, who has altered Hungarian democracy to remain in power, and by the anti-immigrant politics of Italian Deputy Prime Minister Salvini. In the US, there is a rising tide of racial anger and societal division which is encouraged by its President as institutions and transparency are challenged. Both the US and the EU are turning inward and are less capable of addressing external, great power challenges.

This policy brief first investigates the revitalization of great power competition in a changing world, how the EU and the US are adjusting to this transition, and the difficult choices which must be made transatlantically in order to build a new international system based on democratic principles and the rule of law.

Great power transition: historical antecedents

The clues to states' behaviour in contexts of geopolitical stress may be found in the 1848 revolutions, the post-1919 interwar period in Europe, and the post-WWII period.

Europe in 1848 represented a time when nationalism, self-determination, and reform efforts accompanied a period of great technological change. Reformist forces clashed with the ruling concepts of traditional values and conservatism. Despite the desire for reform, conservatism won out, but remained deeply traumatized by the experience, vowing to prevent progressive forces from returning.

However, the calls for change did not stop; they were only delayed and grew stronger. The desire for change confronted the structural rigidity of the international system at that time and

it simmered for decades until it fully matured into conflict by 1914.

The 1919 Paris Agreement and the 1920 Treaty of Trianon ended World War I and destroyed three empires which had each been extremely resistant to reform. New nations were birthed, and a new world order was forged by the great powers in 1919, known as the 'Big Four': the US, the UK, France, and Italy. Failing spectacularly in their effort to build and maintain international stability through the League of Nations and self-determination, the US quickly returned to its isolationist posture, Germany regained its strength and an aggrieved Italy joined Germany. The victorious powers found themselves back at war twenty years later.

At the end of World War II, another great power combination, known as the 'Four Powers' – the US, the UK, France, and the Soviet Union – gathered in Berlin to rule over a defeated Germany. Those Powers failed to catalyse stability again as one of the great four – the Soviet Union – sought to divide Germany and Europe for itself, quickly leading to the outbreak of the Cold War. It was the decision by the US to shore up the UK, France and the rest of Europe against the Soviet Union, mature its World War II alliance system and create durable international institutional structures (e.g., Bretton Woods, United Nations, and NATO) that delivered the stability and security we have largely enjoyed for the past 70 years. This era, however, ended about a decade ago with the advent of the global economic crisis and the Russian invasion of Georgia in 2008.

This brief history lesson suggests strong patterns: victorious and/or dominant powers seek to define and control an emerging new order. Aggrieved powers seek to alter that world order. As the old and more brittle order is tested, the victorious powers cling to the traditions and systems they know, wrapped in their own national interpretation of history, identity, and sense of place. Aggrieved or assertive powers whose ambitions are constrained by that order seek a new system which better suits their prerogatives.

Therefore, the need for reform of the international system becomes even greater when the victorious powers resist change. Even powers which have eventually emerged victorious (e.g., Central Europe after the fall of Communism) can easily fall back to historical grievance and victimization by drawing strength from the past to better withstand the growing demand for change and transparency by society. For example, much of Central Europe is reclaiming the post-1919 period as part of its modern national perspective. This is evident in the current Polish government's desire to re-animate its 'Intermarium' regional policy of leadership of Central Europe with a dual anti-Russian and anti-German perspective based on historical grievances. This is also why Hungarian regional policy is based on ethno-nationalism and an attempt to reconstitute itself based on historic grievances of a lost post-Trianon Hungary. Unique to this historic moment, the US government is

projecting a sense of grievance over the cost and burden of global leadership for the past 70 years.

This experience can be instructive to understand today's great power competition, which is intensified and amplified by the speed of geopolitical, societal, and technological change.

Today's 'Great Transition'

The past 30 years post-Cold War – and especially the last ten years since the onset of the economic crisis – mark the era of the 'Great Transition'. Others have referred to it as the 'Great Disruption'. This period has been shaped by the United States, China and Russia seeking to define the new international order by asserting themselves in patient and persistent as well as erratic and highly unpredictable ways. Meanwhile, Europe is not seeking to shape the new order; it seems to be clinging to the old system while increasingly succumbing to the whims of more assertive nations. Described as 'vassalage' by French Finance Minister Le Maire, this is the first time in nearly a millennium that Europe has been absent from great power competition. To avoid this, Le Maire has recently argued that there must be a 'new empire of Europe', which can affirm its political power and protect its economic interests (Mallet 2019).

Predictive historic modelling suggests that the United States will seek to return to a semi-state of isolation while using its economic and military strength to align the future world order to its interests (Haass 2019). Russia, as always, will continue to resist internal reform until it again collapses – as it did in 1917 (Gurganus & Rumer 2019). The Kremlin will likely continue to pursue its expansionist and disruptive policies to mask its internal decline and simultaneously attempt to reinforce a great power mandate by challenging US leadership of the international system and aligning increasingly with China. China has fully returned to the world stage after a prolonged absence. Chinese President Xi Jinping pursues a policy of using the current international system to China's advantage to achieve state-controlled global economic and technological dominance and regional hegemony while ensuring the survival of its state-controlled political system (Glaser 2019).

The United States and Europe have reacted differently to this 'Great Transition'.

The US and Europe: facing the 'Great Transition'

As the US slowly returns to its pre-WWI state of retrenchment, it continues to maintain a robust global military footprint and alliance structure. However, these two forces are incompatible over the long term. Therefore, the US must decide on whether to maintain these outward-facing structures, allow them to go fallow, or retreat from them entirely. At the end of World War II, the US believed that Europe was so weakened that it could not resolve its internal instability alone as its weakness made it very susceptible to Communism and Soviet control. The US viewed European stability as essential to its

national security and therefore global stability at the beginning of the Cold War, and thus acquiesced to a role of security provider by becoming a European power.

At the end of the Cold War, the US logically began to retrench by reducing its physical security presence in Europe (ironically lowering its military presence to its nadir by 2014, the year when Russia illegally annexed Crimea, only to have US forces return quickly back to Europe). While it reduced its presence in NATO countries, the US had to expand its power outside of NATO, first in the Balkans in the mid- to late 1990s, then in Afghanistan, Iraq, and eventually Syria, and now in the Indo-Pacific region. At the same time, the US fully supported the expansion of NATO into Central and Eastern Europe, which also expanded America's security umbrella. This twenty-five-year period of military expansionism changed the nature and form of US foreign policy. American diplomacy has become militarized in nearly every sense of the word. US Ambassadors are more likely to be former generals and admirals than regional specialists from the Foreign Service. The Defense Department's budget expanded while the diplomatic and development assistance budgets, already a small percentage of US government spending, shrunk. Domestic resentment has grown over this budgetary and military expansion when other domestic funding needs are unmet. Political polarization has also crept into nearly all elements of US foreign and security policy, most recently to include US policy toward Israel and Russia. This polarization has become so great that America's allies and adversaries no longer trust Washington when it joins a treaty or signs a trade agreement. Policy pursuits change dramatically between US administrations. America's adversaries exploit these policy seams and weaknesses whenever possible.

Perhaps the most singularly unique feature of America's current retrenchment has been Washington's proactive distancing from its modern narrative as a champion of democracy, rule of law, human rights, civil society, and the dignity of the individual. America, as a "shining city on the hill" historically served as a democratic beacon for other nations (Reagan 1984). The current Administration selectively uses democratic principles to support its policy preferences (e.g., Iran, Venezuela) but characterizes the United States as being victimized and disadvantaged by other countries; it currently has adopted a negative self-assessment, particularly of its internationalism and multilateral engagement, despite claiming that it is becoming or already is 'great again' (Gambino & Pankhania 2016).

Despite long-standing US engagement, Europe continues to be burdened by self-inflicted traumas of the 20th century, which have produced fear and a rejection of power. Freed from the threat of the Cold War, Europe, like the US, made a strategic miscalculation in the 1990s. It expected a permanent benign security environment protected by its security dependency on the US. It concentrated on erasing internal borders

but did not sufficiently strengthen its expanding external borders. It did not anticipate Russian aggression or near-permanent instability in the Middle East and Africa, which would cause large waves of migrants seeking safety in Europe. Rather, the EU focused its strength on institutional development, particularly the monetary union, enlargement, and its common foreign and security policy. As crises and challenges struck, half-formed institutions struggled to cope with internal and external challenges, which only served to intensify inward-looking institutional development. Even Europe's greatest strength, its economic weight and the power of its single market, is now being sorely tested by the United Kingdom's wish to leave the EU, by China's desire for global economic domination, by US trade and tariff policies, and by EU members such as Italy seeking reprieve from EU fiscal and monetary rules.

Transatlantically, both the US and Europe seek the benefits of a benevolent and stable global order, but neither still wishes to shoulder the increasingly high costs of maintaining that order or enforcing its many rules. This is also the 'Brexit lens' by which many in the UK view the EU: gain the economic benefits but avoid the necessary costs. As former Foreign Secretary and current Prime Minister Boris Johnson succinctly summarized, "Our policy is having our cake and eating it" (Newton Dunn 2016). And increasingly, this is US President Trump's view of the costs of alliances and 'rent owed' by allies, particularly NATO and nations that host US forces.

The future: great power competition and its sources

The 'Great Transition' that is unfolding seems to imply a durable return to great power competition and balance of power politics where all instruments of power – hard and soft – will be deployed in the pursuit of enhancing national strength and achieving national interests. Looking to the future, it is important to understand which sources various powers – especially the US and the EU – can mobilise in this competition.

National power is still largely defined by economic, military, and ideational strength. In the United States, for the first time in 30 years, all three areas of national power as well as its alliance system are being simultaneously challenged from the outside – by Russia and China in particular – and from within. As during the Cold War, there is more dynamic interaction between the great powers regionally; however, while the Cold War was a bipolar proxy fight, the hallmark of the emerging era will be multi-power proxy interaction. Recent important examples of multi-power competition can be seen in Syria, Venezuela, Afghanistan, the Arctic, and the Western Balkans where the US, Russia, and China – with occasional interjection by regional powers such as Iran, Turkey, and the Gulf States – are in competition with one another for influence using a variety of economic and military tools, frequently by proxy forces. For the foreseeable future, the international system will be characterized by such dynamism and complexity.

How do the great powers stack up in their cumulative national power as we move further into this era? Certainly, the US today is strong economically and militarily, but it is testing its own economic buoyancy with harmful trade policies; its military readiness has undergone great strain for the past 18 years; and it has substantially reduced its ideational power, arguably the greatest asset amplifying its military and economic strength. Russia has economically stagnated, heralding its long-term decline. The Russian regime has chosen to channel its remaining national strength into its military capabilities and internal security services to ward off internal unrest and external threats to regime survival. Yet, it has also developed an ideational narrative – so-called ‘Putinism’ –, which promotes President Putin as the only defender of Russia and Russia as the great defender of traditional and conservative values (Eltchaninoff 2015). China’s re-emergence on the international stage has come through its economic strength and supple use of international organizations accompanied by a more robust regional military presence. Its ideational power is its assertion that a great power can decouple economic strength from democratic principles, which gains great appeal as a growing number of national leaders seek long-term control. Like Putinism, China’s ultimate ideation concentrates on the survivability of its leader, Chinese President Xi Jinping, and his thoughts (Xi Thought), which is simply internal consolidation by another name (The Economist 2018).

Finally, the European Union and its single market are economically powerful but remain militarily weak. Its ideational strength is backward-looking, founded on institutional construction since the mid-1990s. Europe clings to its narrative that post-modern structures and soft power imperatives will be successful, yet it has been unable to find its footing in a new balance of power and increasingly nationalistic and digitalized world. In its defence, however, it is only Japan and the EU that are attempting to uphold international laws, norms, and multilateral policy solutions at this point in time – but, ultimately, they are insufficient without the United States.

By examining the relative economic, military, and ideational strengths and weaknesses of the EU, US, China, and Russia, it is clear that great power competition has returned and that these nations are restructuring and realigning with other powers in response to this new dynamic. The different prioritizations of economic, military, and ideational power by these world powers will doubtless lead to future clashes in all three arenas. Furthermore, with the US returning to isolationism, the international system as a whole is threatened, thereby creating a vacuum for these competing global interests.

Transatlantic relations and the future global order

Henry Kissinger wrote in 1994 that what was “new about the emerging world order is that, for the first time, the United States can neither withdraw from the world nor dominate it” (Kissinger 1994: 19). Over the past 25 years, the US largely dominated the world order, and with this dominance came

the expectation that it would last. Yet the US emphasis in the post-September 11th context on countering terrorism and violent extremism in South Asia and the Middle East led to over-extension at the same moment that China grew more prominent in the international system by positioning itself as a global economic actor and taking on a regional hegemonic role. The rapid pace of globalization, the 2008 economic crisis, and subsequent global migration crisis have fuelled a public desire for the US to return to greater isolationism. As a result, the US is currently deliberating what to do with a 70-year-old international alliance architecture and its extensive treaty obligations, as Russia dramatically recalibrates its foreign and security policy in opposition to the US and the West. It is unclear how much the US will choose to challenge its own internationally constructed international system, which was founded for European stability and with European support.

Rather than choose to be fully part of and supportive of the existing international system or to return to isolationism, the US is attempting to have it both ways: performing minimal and inconsistent maintenance of the international system while simultaneously testing allies and norms as well as accommodating adversaries. This is confusing for both allies and adversaries, which are frequently equated in the Trump administration’s world view.

As America contemplates, Europe is increasingly caught in the middle of the three powers, with its post-modern structures inadequate to the task. The EU is strategically confused, desperate to return to the way it was, which is impossible, and realizing that the deep scars of the 20th century lie closer to its political surface than imagined. It must make choices about whether it will continue to work with the US as it confronts growing authoritarianism externally and internally or opt for other partnerships. At this point, it seems unclear whether the EU will seek to accommodate Russian and Chinese interests against American interests, be forced to ultimately side with the United States, or attempt to brave great power competition alone. Much of this depends on US support, or lack thereof, of the international system moving forward.

Iran may be a harbinger of the future. US policy toward Iran is the perfect example of America’s split policy personality. Although the US unilaterally withdrew from the Iran nuclear agreement that it negotiated and is directly challenging the Iran regime, US Secretary of State Pompeo hurried to Brussels to confer with his EU colleagues to seek support of US policy objectives. EU policy on Iran has already separated itself from the US in some ways but has ultimately succumbed to some extent to US pressure on the Iranian regime.

There will likely be a growing list of policy areas – Syria, Venezuela, Israel – where there will be strong impulses for Europe and the US to go their separate transatlantic ways as great power competition and its regional manifestations become more urgent, and old multilateral structures and institutions seem more unable to respond. In an era described by French

President Macron as “the end of Western hegemony”, there is a greater drive toward re-thinking the global order. A new international system should rely on the principles of openness, transparency and unity, which run counter to authoritarian regimes. The US and Europe, in cooperation with the democracies of the Indo-Pacific and Western Hemisphere, can help construct this new order but only by tempering their own impulses of protectionism, anti-democratic methods and self-isolationism. Such a new system must be borne from the internal confidence of strong and well-functioning democracies; not democracies that fear the future. Yet, it is this fear and a poverty of new ideas that make many in Europe and the US cleave to the crumbling structures.

Can the EU develop ideas for such structures or will it fall back on tired mantras of ‘more of the same’? Will the US return its role of a benign global hegemon in exchange for more international support for global goods or will it retreat to its ‘splendid’ isolationism? The answers to these questions will determine what the future is going to look like.

Though our long, 70-year holiday from history may be over, there remains an urgent need to build a new international system based on the founding principles of the current order but infused with far greater dynamism, flexibility, optimism, and democratic unity of purpose to meet the great challenges of the 21st century.

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