ATLANTIC PARTNERSHIP

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www.atlanticpartnership.org

TRANSATLANTIC CRUNCH

BY LORD POWELL OF BAYSWATER

No one yet knows exactly how long the present crisis in financial markets will last or how deeply and durably it will impact on economies. Is it the Great Crash of 1929 and subsequent Depression all over again? There is some sense of *déja vu*, especially the rampant speculation and blind optimism which JK Galbraith identified as 1929's main causes. But in most ways conditions now are too different to bear real comparison. We have much better and more accurate information about what is going on in our economies and more sophisticated means of resuscitating them.

Another inestimable advantage we have this time is a strong network of transatlantic relationships and institutions used to working together. There have been isolated and ill-judged outbreaks of gloating or *schaden-freude* about the assumed collapse of the free-market system and the 'American model'. But this is transcended by recognition that neither the US nor Europe can solve their problems at the other's expense. There is no room for repeating Smoot Hawley or any of the other disastrous beggar-my-neighbour consequences of 1929.

This sense of common interest and mutual dependence across the Atlantic will be a tremendous strength in the febrile period ahead, and maintaining it is the core reason for Atlantic Partnership's existence. We shall continue to ensure it remains at the top of policy-maker's minds and at the tip of editorial pens.

I was particularly encouraged that the poll carried out for Atlantic Partnership by Ipsos-MORI in October showed that 70 per cent of people in the UK believe that the transatlantic relationship is strong or very strong. In view of past strains over Iraq and the rising anti-Americanism revealed in some other polls, that is a reassuring result and good basis on which to welcome an incoming Administration. I am confident that whichever candidate wins, the transatlantic relationship will remain top priority.

Since our last Newsletter we have maintained the steady flow of top-level speakers at Atlantic Partnership breakfasts in London and the US. In London, the speakers have included the Hon George Shultz, Senator Sam Nunn, Lord Owen, Ambassador Ryan Crocker, Rt Hon William Hague, Jonathan Evans, Governor Charlie Crist of Florida, General David Petraeus and Sir Sherard Cowper-Coles and in Washington and New York James Rubin, Max Boot, Robert Zoellick, Senator Robert Casey, General Wesley Clark and Sir John Sawers. We have also instituted the Atlantic Partnership Lecture, with the first being delivered in London by Governor Tim Pawlenty of Minnesota.

In this edition of our Newsletter you will find articles by Irwin Stelzer, Professor Sir Lawrence Freedman, Oxford Analytica, Yves Boyer and Derek Chollet. Our contributors address a broad range of subjects: Irwin Stelzer, for example, examines how the current global financial crisis is threatening the foundations of free trade while Lawrie Freedman asks whether, after the conflict in Georgia, we face the prospect of a second Cold War.

I am very grateful to the individuals and companies who share Atlantic Partnership's vision of the crucial importance of strong transatlantic ties and whose contributions have enabled us to carry out our programme. We shall continue to be the foremost champions of transatlantic unity.

Lord Powell of Bayswater is Chairman of Atlantic Partnership and former Private Secretary and Adviser on Foreign Affairs and Defence to Prime Ministers Margaret Thatcher and John Major.

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Atlantic Partnership Opinion

We include in this section a variety of articles provided by our Atlantic Partnership panel, chairmen and patrons over the last few months. If you wish to consult more articles, Atlantic Partnership's website www.atlanticpartnership.org contains links to articles written by our panelists, chairmen, patrons and supporters. It also contains copies of past newsletters as well as relevant articles and speeches on the subject of transatlantic relations. The authors' views do not necessarily represent the official policy of the Atlantic Partnership, nor that of any of the publications from which reprints were originally drawn. They are included for the benefit of maintaining an informed debate.

About Atlantic Partnership

Atlantic Partnership (AP) is a non-partisan initiative that aims to foster debate about the relationship between America and Europe while promoting the benefits of a strong and stable Atlantic community of nations. Founded by the leader of the Conservative Party Michael Howard in 2001, AP seeks to influence the transatlantic debate through meetings, conferences, and the media activities of our impressive stable of chairmen, vice-chairmen, patrons, and panelists that include such distinguished individuals as Dr. Henry Kissinger, Senator Joseph Biden, Secretary William Cohen and General Colin Powell. The Atlantic Partnership's Young Leaders Committee, launched in 2004, includes prominent businessmen and opinion leaders such as Leo. L.M. Tilman, President, Leo L.M. Tilman & Co., British MPs George Osborne and James Purnell.

AP operates in the United States as Friends of Atlantic Partnership, a 501(c)(3) organization, and in Europe as the Atlantic Education Project, a registered charity.

Recent Events

LONDON

- Hon George Shultz, former US Secretary of State
- Senator Sam Nunn, former US Senator for Georgia
- Lord Owen of Plymouth, former Foreign Secretary
- Hon Ryan Crocker, US Ambassador to Iraq
- Rt Hon William Hague, Shadow Foreign Secretary
- Jonathan Evans, Director General, the Security Services
- Governor Charlie Crist of Florida
- General David Petraeus, Commander, US Central Command
- Governor Tim Pawlenty of Minnesota
- Sir Sherard Cowper-Coles, UK Ambassador to Afghanistan

WASHINGTON

- Senator Robert Casey, U.S. Senator for Pennsylvania
- Robert Zoellick, President of the World Bank
- AP-Italian Embassy to the US, G8 Political and Defense Series Breakfast with General Wesley K. Clark (ret.)

NEW YORK

- James Rubin, former US Assistant Secretary of State
- Max Boot, Senior Fellow for National Security Studies at the Council on Foreign Relations
- HE Sir John Sawers, UK Ambassador to the UN

Forthcoming Events

LONDON

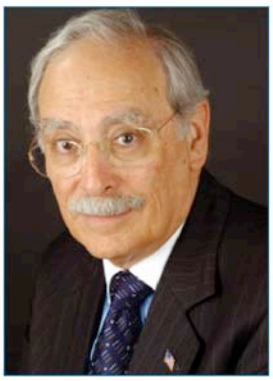
- Jaap de Hoop Scheffer, NATO Secretary General
- Radoslaw Sikorski, Minister of Foreign Affairs of the Republic of Poland
- Carl Bildt, Minister for Foreign Affairs, Sweden

WASHINGTON

- HE Sir Nigel Sheinwald KCMG, UK Ambassador to the US

Free Trade Under Siege

Irwin Stelzer is a columnist for The Sunday Times of London and the Director of Economic Policy Studies at the Hudson Institute in Washington.



Any lingering hopes that free-trade advocates might have had to stem the rising tide of protectionism are gone: a worldwide financial crisis is not an environment that fosters acceptance of the view that all is for the best in a world in which capital, labour, and goods move freely across borders.

Even before we came to realise the toxicity of the assets on bank balance sheets, free trade was under siege. Negotiations for the Doha round had in effect been taken off life support and moved to the morgue. France was not about to surrender the protected position of its farmers, and its new president, Nicolas Sarkozy, had made it clear that the national interest, as he sees it, trumps all that theoretical stuff that some long-dead Scot had scribbled about the advantages of free trade.

In America, a Democratic-controlled congress made it clear that it would bow to the wishes of the trade unions - providers of financial support and field troops in the upcoming presidential and congressional elections - and refuse to endorse any new trade agreements. Indeed, Barack Obama, its candidate to succeed free-traders such as Bill Clinton and George W. Bush, promised to make unilateral changes in the North American Free Trade Agreement (NAFTA) if Canada and Mexico would not go along with tightened labour and environmental standards.

But it would be unfair to blame the backlash against free trade solely on the fears unleashed by the current economic problems or a hunt for political advantage. Defenders of free trade can make a reasonably good case that it increases overall efficiency and aggregate material welfare. What they have failed to do is develop a defence of the way the benefits of free trade have been distributed.

Consumers are the clear winners - imported goods from countries with low labour costs help to keep inflation in check and enable consumers to make their incomes stretch further. But in the short run such goods displace workers in the importing countries, and exert downward pressure on wages, especially the wages of the unskilled who find themselves competing with the over one billion Chinese, Indian and other workers who have recently entered the international labour market. Meanwhile, globalisation has increased the opportunities for members of the managerial class: they can spread their talents over larger enterprises. Result: rising inequality, with trade the apparent villain.

On top of that we now have a global financial crisis and something between an economic slowdown and a major recession. House prices, the principal asset of most families, are in decline. Repossessions are on the rise. The increased cost of credit is forcing consumers to sheathe their credit cards lest they inflict still more

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damage on household finances. Governments are taking on billions in debt that taxpayers know bodes ill for their future tax burdens. Unemployment is rising. And the pound is under pressure, to use the polite phrase, or plummeting if your taste runs to a bit of hyperbole.

Brits who only recently flew to New York for a round of shopping find that the $1,000 laptop for which they laid out £500 last Christmas, will now cost them £560. In short, in a globalised world in which many goods come from overseas, British consumers are now poorer - the pound in their pockets is worth less.

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None of these recent problems can fairly be blamed on freer trade. The so-called credit crunch is the result of improvident lending to imprudent borrowers, and the translation of those IOUs into instruments that are, to put it mildly, opaque. Perhaps more accurately, beyond the understanding of mere mortals, which former masters of the financial universe have discovered they indeed are. No matter: it will take a brave politician - Gordon Brown and John McCain are on that list - to tell workers threatened with the loss of their jobs that it is a good thing to make it easier to import foreign goods.

It will be even more difficult to persuade them that the free movement of people is in their interest. The foreigners who employers see as necessary additions to the work force, are seen by workers as competitors for a shrinking number of jobs - and added pressure on social services, to boot. As for the free movement of capital, wasn't it all those teenage traders pushing buttons that moved billions of capital around the world in an ever-riskier hunt for high returns who brought the financial system to its knees?

Free trade has done more to eliminate and alleviate world poverty than all the aid packages combined. But its future is less than bright. It will be a huge political struggle merely to maintain the gains of past years.

A New Cold War?

Professor Sir Lawrence Freedman is Professor of War Studies at King's College in London.

It is not surprising that there is talk of a new Cold War. There is certainly a distinct chill in the air. Instead of the optimistic talk of the spread of liberal capitalism, NATO-Russian partnerships and new world orders that marked the early 1990s, Washington and Moscow are now swapping insults and taking sides, issuing dark threats, with suggestions of sanctions and boycotts along with military manoeuvres and arms races. Even liberal capitalism has taken a bit of a battering.

Asking whether or not this constitutes a new Cold War is to pose the wrong question. History is not rewinding. The Cold War was between two alliances with opposed ideologies, each led by a superpower. Russia is in no position to recover to the position once occupied by the Soviet Union. The Soviet Union's former allies, along with some of its constituent republics, are now in NATO. Russia lacks the ability to project military power to distant parts, as well as the networks of clients and fellow travellers that once gave the Soviet Union diplomatic clout. It still has nuclear weapons and a veto in the United Nations but these are largely defensive assets, acting as restraints on its opponents but inadequate as a means of gaining external influence. It is now a much more important player in international energy markets. Supply considerations may provide short-term reasons to treat Russian sensitivities with care, but demand considerations provide long-term reasons for Moscow not to treat customers in too cavalier a fashion. Its use of the oil weapon has already alerted European countries to the risks of over-dependence on Russia as a supplier.

In addition, while the Soviet Union could present itself as the champion of a progressive and radical ideology with a global appeal, Russia has nothing comparable to offer. Capitalism has its own problems at the moment, but if you want inward investment there is no where else to go. Bolshevism is now only of historical interest. At the moment Putin and Medvedev are playing a nationalist card, drawing on ties of culture and language. There is an assertive pride in throwing the country's limited weight around after a humiliating period which saw economic collapse and an abrupt loss of international standing. This may work well internally but it travels poorly.

> "The days when great powers could meet to carve up small and weak states as an alternative to going to war are past."

If we are going to rewind history, if there is any time to which the current Russian nationalism takes us back, it is to pre-Soviet times. Russia has a singular geo-politics: on Europe's periphery and only loosely integrated; its size making it impossible to ignore but also impractical to integrate into the established institutional structures, resulting in a state that is both chronically insecure and unsettling to its neighbours. For a long time the leading NATO countries recognised the withdrawal symptoms of a former great power and tried to reassure Moscow that it was still respected and its views would be heard. This was however always more therapy than foreign policy. Influence drained away from Russia, not because of a foolish push of NATO to exploit a temporary weakness but because after the Soviet era it was deeply unloved by its neighbours who were desperate to cement their ties to the West.

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Looking back 100 years rather than 50 years also suggests why this situation might still be dangerous. Tense though it was, the important thing about the Cold War was that it never became hot. The rhetoric was more extravagant, the weapons more numerous, the military preparations more conspicuous, the conflict more enduring than anything experienced in recent weeks. There were – in Asia and the Middle East – proxy wars where the weapons and tactics were tested in battle, leading to great suffering, but the superpowers backed away from fighting each other. Why was this? One obvious reason was that they were scared of a war that could possibly turn nuclear. Mutual deterrence was at work. There was however another important factor. Over time both sides began to understand the red lines of the other side, the boundaries that must not be violated, the points at which the stakes became higher as core interests started to be directly threatened. This required accepting the division of Europe, with all the repression and stagnation this entailed on the eastern side. The last big challenge was Berlin. Once its division was accepted the confrontation stabilized. The Berlin Wall symbolized everything that was hateful about the division of Europe, while at the same time reducing the likelihood that the divisions would lead to war by one system overthrowing the other.

With the end of the Cold War came the end of the discipline and restraints that had long maintained European politics in a state of suspended animation. Germany was unified, while other states fragmented - Czechoslovakia peacefully and Yugoslavia violently. The Soviet Union was the greatest casualty. It left in its wake new states with arbitrary boundaries and populations including substantial Russian speaking populations who soon felt stranded and other minorities who feared the local majorities. Self-determination became the new imperative.

This surge of state splitting and building created a confused map, in which it was impossible to apply political and legal principles consistently. Arguments can be adduced as to why South Ossetia is different from Chechnya as a deserving case for secession from Moscow's perspective, or less so than Kosovo from a NATO perspective. All the short-term dangers in the current situation, stretching now from Georgia in to the Ukraine and Moldova, stem from new uncertainties over boundaries. The days when great powers could meet to carve up small and weak states as an alternative to going to war are past. If Russia has in mind a series of alterations to its northern borders then there is trouble ahead. On the other hand NATO at the moment is no fit state at the moment to press for clarification.

Although this is not the Cold War that experience suggests two lessons. First, even at its most difficult moments communication never stopped. Diplomacy need not be an alternative to a firm stand but a means of ensuring that it is transmitted with clarity and precision and that any possibilities for backing away from confrontation are properly explored. If we are entering a period reminiscent of the power politics of the past then we need a better understanding of what bothers Moscow and how unnecessary slights and provocations can be avoided, just as Moscow needs a better understanding of the sort of activity NATO countries find intolerable. Second, patience served the West well. Communism defeated itself through its lack of legitimacy and economic logic. Moscow faces severe problems that will not be made any easier if all potential partners, now including China, are treating it warily. The best hope of stabilising the situation in the short-term is to hope that Moscow appreciates the problems it is creating for itself in the long-term.

How to Navigate the New Global Archipelago - The Georgian Crisis Has Revealed the Changed Rules of International Diplomacy. Barack Obama had Better Learn Them Fast.

NADER MOUSAVIZADEH

As published in The Times of London, 29 August 2008

As Russia decides where to draw its new boundary with Georgia a reckoning will be due - among the people of Georgia living amid the wreckage of a failed gamble, and among their Western allies suddenly confronted with diplomatic impotence. But for Barack Obama, a different kind of reckoning is taking place: what happens when the formidable political instincts of the probable next US president meet the limits of his experience in national security.

From everything he has said and written, it is evident that Mr Obama, uniquely among leading US politicians, understands the new contours of global affairs - that the world won't be divided into neat categories of democracies versus autocracies, nor will it converge toward a Western model.

> "Georgia is only the most recent augury of a new era of zero-sum diplomacy for which the West is ill-prepared."

He knows instead, that a world of parts is emerging - of states drifting farther away from each other into a global archipelago of interests and values; and that in an archipelago world, appeals to freedom, democracy and human rights must compete with aims of stability, resource security and the projection of national power. And yet, as the Georgian conflict spirals into a global crisis, Mr Obama finds himself on the back foot. Initially hesitant in his response to Vladimir Putin's expedition in South Ossetia, he has had to ratchet up his rhetoric in response to John McCain's for-us-or-against-us stance.

This is, as Obama the politician would know, a loser's game, even if Obama the statesman is still finding his way. Trying to outmuscle Mr McCain will invite only contempt among his foes and bewilderment among the millions of his supporters yearning for a different kind of US engagement with the world.

Georgia is only the most recent augury of a new era of zero-sum diplomacy for which the West is ill-prepared. The West's surprise at Russia's response was disconcerting enough. More troubling was the outdated assortment of threats with which it has tried to sound tough. Among the suggestions was a boycott of the 2014 Winter Olympics hosted by Russia, denying Russia membership of the World Trade Organisation and excluding it from G8 meetings. A common thread links all three: they are as difficult for the West to achieve as they are unlikely to alter Russia's behaviour.

Obtaining an Olympic boycott six years after the crisis in Georgia will be extremely challenging. Barring access to the WTO just after the collapse of the Doha talks may be less of a sanction than it sounds.

The G8 threat is even less convincing, although it is telling evidence of a 20th-century mindset that is oblivious to international changes. Before Georgia it would have been hard to find anyone seriously arguing for the importance of G8 meetings (Canada and Italy are members; China is not); much less that being denied entrance could be construed as leverage with a great power.

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Far more important to the future of international diplomacy was a little-noticed meeting in Yekaterinburg, Russia, last May. There, for the first time, foreign ministers from the so-called BRIC countries (Brazil, Russia, India and China) me to advance their common agenda in a world hitherto definedt by Western rules. The BRICs are expected to overtake the combined GDP of the G7 by 2035, and they laid down a marker that they will not wait for reform of the post-Second World War institutions to be heard.

Does this mean that China or India will take Russia's side against the West? Not necessarily, but it does suggest a more complex interplay of interests in future. Strategic leverage will have to be earned - crisis by crisis, interest by interest.

Where Iran is concerned (to cite the West's principal pre-Georgia concern), it ought to be apparent that our interests are not identical with those of China, India or even Saudi Arabia. China must balance its concern over Iran's destabilising behaviour with its need for secure oil supplies. Russia will weigh its unease with Iran's nuclear programme against its interest in counteracting US dominance in the Gulf. And Iran's Arab neighbours are hedging their preference for US hegemony in the Gulf with the knowledge that the Persian presence is for ever while distant empires come and go.

To gain the support of each of these for any effective policy of containment, concessions must be granted - in the region or elsewhere. Which brings us to the real lesson of the Georgian debacle: Tbilisi's freedom to challenge Russia had already been traded away by its Western allies - whether they realised it or not. When Kosovo declared independence in February, a senior European official remarked that the West would pay a price for its decision to offer recognition in the face of fierce Russian opposition.

Specifically, he noted that it was likely to happen at a Nato meeting when the Ukrainian and Georgian bids for membership were to be discussed. He was right. At the April meeting, their applications were put on the back burner, demonstrating to Moscow that for some Nato members there was such a thing as a legitimate Russian sphere of interest.

> "When Kosovo declared independence in February, a senior European official remarked that the West would pay a price for its decision to offer recognitition in the face of fierce Russian opposition."

The lesson is not that the West was wrong to recognise Kosovo or that Nato was right to delay Georgia's membership. Rather, it is to suggest that we increasingly live in a world of choices.

We may be able to enjoy the satisfaction of supporting the Kosovars in their defiance of Moscow, or encourage the Georgians as they go about theirs. But we may not be able to do both - at least not without paying a price elsewehere, in another arena. If this appears daunting, imagine the time not too distant when China, Brazil, India and a dozen smaller but significant powers begin to align strategic aims with economic power in their dealings with the West. Avoiding a global zero-sum game will require a President Obama as shrewd as he is inspiring.

Nader Mousavizadeh served as special assistant to UN Secretary-General Kofi Annan from 1997-2003. He is the editor of the Black Book of Bosnia.

IRAN WILL TOP THE NEW US ADMINISTRATION'S FOREIGN POLICY AGENDA

Oxford Analytica, Global Strategic Analysis, www.oxan.com
Dr David Young founded Oxford Analytica, the international, independent consulting firm in 1975

Of all the foreign policy issues on the incoming president's agenda in January 2009, Iran is likely to be among the most pressing. Yet the new administration's menu of policy options may be shaped, in part, by the effect of President George Bush's recent approach.

In its remaining months, the Bush administration has shifted more definitively towards multilateral engagement and away from unilateral confrontation. This policy shift has been evident in the administration's determined efforts to keep the six-party talks on North Korea's nuclear programme from collapsing.

Many observers in Washington viewed the decision to send Undersecretary of State William Burns to Geneva in July to participate directly in multilateral discussions with Iran as a similar reversal in US policy. In fact, Burns's mission was more the logical continuation of the gradual policy shift the administration has pursued since 2005, rather than a departure from it.

POST-2005 POLICY

The strategy, implemented ever since Condoleezza Rice became Secretary of State, has been to support the negotiating efforts of the 'P5+1' encompassing the five permanent members of the UN Security Council (Russia, China, France, the United Kingdom and the United States) plus Germany (the largest EU economy, which has extensive trade ties with Iran):

- However, some European negotiators argued that such multilateral efforts cannot be successful without strong US backing, because what Iran really wants, it wants from the United States, and Iran's security fears emanate from the United States as well.
- Burns's attendance at the multilateral Geneva meeting preserved the administration's dictum that it would not negotiate with the Iranians as long as the Iranians continued to enrich uranium. At the same time, it gave those talks a boost by giving a clearer indication of US support.

BLEAK NEAR-TERM PROSPECTS

The move was presented as a one-time effort by Burns to draw out the Iranians. It is unlikely to be such a one-off move - as unlikely as it was that the Iranians would suddenly prove compliant because of the mere presence of the United States at the meeting. What lies ahead is almost certainly a long series of back-and-forth gestures that may well continue through the end of President George Bush's tenure in office in January 2009.

NEO-CONSERVATIVE ROUT

As such, the Burns mission dealt a stinging defeat to the remaining neo-conservative elements within the administration. This represents a return to a more traditional US approach to diplomacy, after the post-September 11, 2001 divergence. A policy of engaging with enemies, privileging near-term security interests over democratisation, and stressing the self-limitation of US power in order to win more international backing has been the hallmark of US policy for six decades - but atypical of the Bush administration.

STATE'S IRAN STRATEGY

Participation in the Geneva talks is part of a broader State Department strategy to throw Iran off balance. Analysts there argue that a policy of setting preconditions to nuclear negotiations has led neither to negotiations nor an end to Iran's objectionable activities. Another component of this effort is to talk openly about

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resuming the US diplomatic presence in Tehran by opening an 'Interests Section' similar to the one the Iranians maintain under Pakistani authority in Washington. If the Iranians decline, they look hypocritical and scared, and if they acquiesce, it will mean Washington will have greater insight into life in the Islamic Republic.

BURNS'S ROLE

Burns is no stranger to this sort of effort. During his tenure as Assistant Secretary of State for Near Eastern Affairs, Burns's key accomplishment was engineering the rapprochement with Libya that led to Tripoli's abandonment of its nuclear programme. While effecting a rapprochement with Iran may be more difficult, Burns believes strongly in the utility of drawn-out negotiations with adversaries and the strategy of presenting them with clear incentives for policy change, and clear disincentives to maintain the status quo.

BROADER ADMINISTRATION RETHINK

However, it is not merely State Department policy that has shifted, but that of the administration more broadly:

- While some attribute the change to a new cast of characters, it is hard to attribute the shift to a changed political balance inside the administration. Secretary of Defense Robert Gates almost certainly endorses the move, as does the chairman of the Joint Chiefs of Staff, Admiral Michael Mullen. Yet Gates has been in office for just over 18 months, and it was only six months ago that the head of the US Central Command, Admiral William Fallon, was forced to resign for sounding too conciliatory towards Iran in a magazine article. Vice President Dick Cheney and his allies remain in office, and there is no sign that they believe the strategies of the last six years were misguided.
- It is unlikely that the US shift was an attempt to reward the Iranians for making undisclosed concessions, as Tehran continues to hamstring negotiations and enrichment activities proceed apace.

POLITICAL MOTIVATION?

The most likely explanation is political:

- *Republican dilemma.* In partisan politics, foreign policy has emerged as a Republican Achilles heel. The Bush approach has been largely discredited within the United States, with large polling majorities indicating that the Iraq war was a mistake. Yet, there is little consensus within Republican ranks about what the party's post-Bush foreign policy should look like.
- *McCain's problems.* Therefore, the Republican presidential nominee, Senator John McCain, faces both an opponent who continues to attract highly favourable press coverage, and the baggage of an administration policy that remains deeply unpopular. McCain is constantly forced to choose between an unpopular administration policy and the more traditional US positions embraced by the presumptive Democratic nominee, Senator Barack Obama. In 'triangulating' his position in this way, McCain has to balance his loyalty to the White House with his own 'electability'. The best explanation of the administration's shift appears to be a tilt to help McCain politically.

McCAIN'S STANCE

Despite his current rhetoric to the contrary, McCain's long record in the Senate suggests a willingness to engage directly with hostile groups, from Hamas to Syria and beyond. Obama's language suggests a similar desire to engage with such actors. Therefore, the United States will be more ready to pursue new diplomatic approaches to its enemies, regardless of who wins in November -- and it will be easier to conduct those negotiations successfully if they do not begin from a standing start in January 2009. Those parts of the bureaucracy that have chafed under the Bush administration, such as the State Department, are eager to transition to this new environment.

The new emphasis on engagement with Tehran makes it even less likely that the United States will launch a strike on Iran before it leaves office. Both McCain and Obama would return US foreign policy to a more traditional track, and sanction more direct engagement with hostile powers; for practical and political reasons, the Bush administration has already begun to move in that direction.

A New President and a Wake-Up Call

PHILIP STEPHENS

As published in The Financial Times, 11 September 2008

Towards the end of next January, the US and Europe are going to wake up with a jolt. A new American president will be told that, for the first time in its history, the US is a nation entering relative decline. Europeans will discover simultaneously that the departure of George W. Bush has deprived them of an alibi.

Amid the stacks of briefing papers presented to John McCain or Barack Obama will be an assessment of the likely contours of the geopolitical landscape over the next 15 years. We can assume it will state the obvious: that if there was a unipolar moment after the end of the Cold War, it passed as quickly as it emerged.

An important word in this analysis is 'relative'. The US can expect to be the sole superpower for some time yet, if we mean by the term a state capable of deploying effective power almost anywhere in the world. Measured by economic weight, technological capability or military prowess, the US will remain the pre-eminent power. But the shift in its relative position vis a vis the rising nations of Asia, particularly China, will tighten the constraints on the exercise of its power.

I say all this is obvious, but it may not seem so to the US voters listening to the two presidential candidates. Mr McCain speaks of using America's hard power more effectively, combining it with stronger engagement with US allies. His aides promote the (almost certainly doomed) idea of a global league of democracies. Mr Obama promises to rely more on the power of example than on the example of power in asserting US leadership.

Both, though, imagine the world as it appeared after the collapse of communism removed the only serious challenge to US primacy. The assumption is that the mistakes and events of the past eight years can be wiped from the slate. This is not the reality the winner on November 4 will encounter when he steps over the threshold of the White House.

To speak in Washington of a multipolar world is to invite opprobrium. The phrase carries too much baggage. The implication is of others ganging up against the benevolence of US hegemony. An image that springs to mind among many US policymakers is of Russia's Vladimir Putin standing shoulder to shoulder with France's Jacques Chirac and Germany's Gerhard Schröder when the Atlantic alliance fractured over Iraq.

> "THE REALITY IS LIKELY TO BE MORE FLUID - A GLOBAL ENVIRONMENT IN WHICH THERE ARE INDEED NEW POLES, BUT OF POWER RATHER THAN OF ATTRACTION."

That particularly grubby coalition always said more about the character of Messrs Schröder and Chirac and the nationalist ambitions of Mr Putin than about any sustained strategic shift. A more contemporary version of the geopolitical nightmare is that of a new authoritarian alliance led by an energy-rich and belligerent Russia and a newly assertive China. Hence the call among some of Mr McCain's advisers for a countervailing partnership of democracies.

Such sinister scenarios speak to only one version,

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however, of a multipolar world – one of competing poles of attraction in which great powers are divided as between those, to borrow Mr Bush's phrase, who are 'for or against' the US.

The reality is likely to be more fluid – a global environment in which there are indeed new poles, but of power rather than of attraction. This world would see shifting interests and alliances, regional and global, that defy the neat divisions of America's neo-conservatives.

To take one example: anyone who spends time in China, as I have done again this week, will doubt the permanency of any Beijing-Moscow axis. I take away no sense of a Chinese leadership that wants to walk in lockstep with Mr Putin. The issues likely to divide China and Russia are likely significantly to outweigh in the long term the opportunism that might unite them momentarily.

Whatever the precise constellation of powers, the incoming US president will be told to abandon the preconceptions of the campaign trail. The past cannot be reclaimed. I caught a sense of the briefing he may be offered when the US National Intelligence Council co-hosted a conference recently with Chatham House in London. Near the top of the president's reading list will be the NIC's Global Trends 2025: A Transformed World. This document, the subject of extensive consultation among experts within and outside the US, will offer the new administration as good a glimpse into the strategic future as he will get.

The final report has yet to be written, but I took from the Chatham House conference that it will foresee a fundamental upheaval in the multilateral order created by the US after the second world war. The question it may find harder to answer is whether there will be anything substantial to replace it.

More likely, we will face a mixed economy of crimped multilateralism, of great power competition and of balancing alliances. The relationship between these elements – between co-operation and competition, strategic stability and instability – will be shaped by decisions made in Washington, Beijing, Moscow and, to the extent that Europe claims a role, London, Paris and Berlin.

If the new US president will discover that the most powerful leader in the world is not quite as powerful as he was, Europe will find the new world disorder equally discomfiting. America's mistake has been to disdain multilateralism and to overreach itself. Europe's misjudgment has been to assume the inexorable advance of the rules-based system that it presents as a model to the world.

When things have gone wrong in recent years, the European reflex has been to blame Mr Bush's unilateralism. Europe too thought it could go back to the future. All would be well once Mr Bush had gone. In truth, a new US president will rob them of their excuses.

Mr Putin's invasion of Georgia has already provided a brutal demonstration of the limits of Europe's normative power. Subsequent negotiations with Moscow have served only to underline the latter's disdain for anything but force. Whether a European Union incapable of agreeing on how to counter Russian energy blackmail has learnt this lesson, I hesitate to say. I suppose the answer comes from looking around the continent's capitals at the quality of its leaders.

The conclusion I draw is that the US and Europe have only a small window of opportunity – a year or two after inauguration day, perhaps – to restore the credibility of the multilateral order. If they are to seize it, leaders on both sides of the Atlantic will have to see the world as it is rather than as they would like it to be. Am I optimistic they will do so? Not really.

THE FRANCO-AMERICAN RELATIONSHIP UNDER SARKOZY

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President Sarkozy's entry into office in May 2007 sparked renewed focus on the US-Franco relationship which has since emerged from a rather difficult period. Soon after taking office, the French Head of State emphasised his desire to restore the strong relationship between Paris and Washington and a few weeks after his arrival in the Elysées Palace, when on a personal visit in the US, Nicolas Sarkozy met privately with President Bush . Later, he travelled to Washington for an official visit (6-7 November 2007) intended, in large part, to signify the end of the Franco-American spat that broke out in the run up to the Iraq War. Sarkozy addressed Congress, declaring that he spoke for *"A France that comes out to meet America to renew the pact of friendship and the alliance which Washington and Lafayette sealed in Yorktown"*.

Indeed, a positive atmosphere now characterises the complex relationship between the two countries. One should not, however, overly exaggerate its significance. In recent decades, each new French government, on its arrival into power, has emphasized the need to develop warm and fruitful relations with Washington. Soon after being nominated Minister of Foreign Affairs in early 2002, Dominique de Villepin praised, in a rather similar way to Sarkozy, the traditional friendship between the two countries, stating *"I love this country; I love the spirit emanating from that country"* .

Underlying, as well as more transitory factors explain the present political rapprochement between the two countries. Looking at the many structural factors that paved the way for the reinvigoration of the Franco-American relationship one can cite: the warm friendship between the French and the American people; the shared status as permanent members of the UN Security Council; the role of France in the EU; and, most significantly, France's expertise in certain areas of high technology such as the nuclear and space domains. And it is France's capabilities in these key areas that have been an important factor in repairing relations between the two countries.

In the nuclear arena, and particularly the military element of it, France is one of the very few countries with which the US can develop ties that are mutually beneficial. For example, both countries are developing laser testing systems for nuclear warheads and the US Department of Energy and *Commissariat à l'Energie Atomique - Direction des Applications Militaires* are cooperating closely in this endeavour. Touching upon the most sensitive of areas, this cooperation survived the political turmoil of the Iraq conflict and has contributed to the two governments' recent burying of the hatchet. The same is true of the space domain. France outspends her European partners in the space field and has developed specific advantages that have made her the only European interlocutor with which Washington can work on the technical, political and strategic aspects of space. While such French collaboration with the US can, in some senses, be compared to the position the UK held with the US at the end of WWII, it will not lead to the sort of political and strategic bonds that have characterised the post-WWII Anglo-American special relationship. Nuclear and space cooperation between France and the US is important but it remains asymmetric in nature. US vs French GNP is 6 to 1 and France's influence in Washington – on the back of its ties in the nuclear and space domains – while important, should not be overstated.

Of the more transitory factors explaining the rapprochement with the US sought by the French Government some are particularly significant. President Sarkozy's closest foreign affairs advisors look more towards the Atlantic than their predecessors. Bernard Kouchner, the Minister of Foreign Affairs, is one of the very few French

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politicians who sided with the US position over the war in Iraq when the vast majority of the French political class was strongly hostile. Jean-David Levitte, the President's diplomatic advisor, has a rich experience of the United States having been France's Ambassador to the US during the Iraq crisis and Levitte was the source of the initiative to set up a 'French' caucus within the US Congress aimed at bolstering France's standing on Capitol Hill. Lastly, the General Secretary of the Quai d'Orsay, Gérard Errera, has a comparable experience of the Anglo-Saxon world having served as Ambassador to the Court of St James. While this immediate circle of advisors does not alone explain Sarkozy's shift towards the US it clearly shows that the President selected individuals with strong ties to the US rather than those inclined towards a more 'continental' outlook.

> "THE CURRENT RAPPROCHEMENT BETWEEN WASHINGTON AND PARIS CANNOT ERASE THE LAST FIVE YEARS."

Another of the more transitory explanations behind the warming of Franco-US relations is President Sarkozy's view of the world and his subsequent desire to position the France as a close ally of the United States. According to Sarkozy, the world is entering an era of 'relative powers' *(l'ère des puissance relatives)* in which the international scene will be characterised by the coexistence of various major powers, none being dominant enough to impose its vision and will on the world. In this time of 'relativism', in which all major powers will have a comparable ability to shape world events, boundaries and interests may become blurred. In this context, Sarkozy felt it important to make clear that France stood alongside the US. However, that does not mean to say that, in the future, France could not decide to choose different paths to its allies on particular issues. In some senses, the conduct of the WTO negotiations during the summer of 2008 is an example of the fluidity that the 'era of relativism' will continue to bring. This fluidity is neither the prerogative of the French alone nor grounded on mistrust but rather based on the permanence of national interests and the courses of action that those interests define.

The positive efforts made by President Sarkozy to get closer to Washington have been welcomed by the French population which, for the most part, has never been hostile towards the American people. Sarkozy's initiative comes, however, after a crisis that has left profound damage. The current rapprochement between Washington and Paris cannot erase the last five years. Even if it there are political reasons to forget the discord with 'Old Europe' over the Iraq War it remains the case that the US led its allies into a costly military adventure that has become something of a quagmire. The wave of anti-French feeling in the US was 'a bridge too far' to be completely forgotten, particularly when the French think they were right in their appraisal of the crisis and in predicting the aftermath of the military intervention. This legacy will continue to taint relations with the US and will mean that there are politically acceptable limits in France over the extent to which Paris can support Washington. The same is probably true in some quarters in the US. In an interview with Fox News, John McCain declared that in his mind *"the French remind me a little bit of an aging actress of the 1940s who is still trying to dine out on her looks but doesn't have the face for it"*.

And this is reflected in President Sarkozy's policy towards the United States. His political aides have been quite adamant that France is a 'friend, [an] ally but non-aligned' with Washington. This means that a revitalisation of France's relations with NATO will only be politically acceptable if the US declares support for initiatives such as a further deepening of the European Defence and Security Policy (ESDP). Full reintegration of France into NATO will not weaken President Sarkozy politically if

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he can obtain an assurance of fully-fledged US backing for the development of ESDP and if adjustments to the functioning of the Alliance are guaranteed. If he does not secure these concessions, Sarkozy might well suffer a loss of support from within his own power base. The success of the rapprochement with the US will, therefore, depend upon the ability of President Sarkozy to maintain a position which shows French political opinion that he has held firm in defending French interests.

As far as NATO is concerned, Sarkozy cannot back the idea of the Alliance becoming the guardian of Western interests across the globe on everything from defence to energy. That point goes directly to the present state of the US-European relationship. These relations are improving and probably will continue to do so, particularly if Barack Obama is the next US President. But the concept of the transatlantic community as a single entity on the world scene is over except, of course, if and when Article 5 of the Washington Treaty is at stake. The Atlantic community will continue to exist in terms of shared values but it is fading away as far as political norms are concerned. The disappearance of the existential threat to the West and the development of the EU mean that, when confronting new international challenges, political consensus across the Atlantic can no longer be guaranteed. The world has moved into a different phase where challenges are more likely to be softer than they are harder. The military balance alone no longer determines global stability even if the crisis in Caucasus could cause European governments to think twice before allowing their defence budgets to decline further. Environmental issues, long term effects of biotechnologies, societal issues such as the death penalty and the place and role of religion in public policy, global organized crime, and the impact of globalization on democracy and the nation state are all now key issues on the international stage. The United States' and Europe's visions of the world will be shaped by different cultural influences and there are unlikely to be common starting points from which governments observe emerging international trends.

As such, globalization will bring the biggest challenge to transatlantic relations. Without the cement of a common enemy, perspectives on either side of the Atlantic are likely to diverge. Friction arising from political, economic or trade issues is already more prevalent than ever before between Washington and European capitals. These differences of opinion now encompass a wide array of issues ranging from the application of extraterritoriality to environmental matters. US temptation to use NATO for too wide a variety of tasks risks 'overloading the boat' and political differences over non-security issues could undermine the Alliance. At a time where there is a growing need for Europeans to assert their influence on the international stage, only a partnership of truly equal players will preserve NATO in a new world. Garnering support for this view is one of the objectives President Sarkozy had in mind when he sought to revitalize Franco-American relations; it remains to be seen whether he has been sufficiently convincing to persuade Washington.

AN OBAMA PRESIDENCY

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As America's European allies look ahead to having a new U.S. President next year, there's one thing they feel certain about: things are going to get better. Europeans know that whether it is Barack Obama or John McCain in the White House, America's approach toward many of the most divisive issues will shift. The Guantanamo Bay prison will be shuttered, the U.S. will reject torture, and a new Administration will cobble together a serious policy to combat climate change.

Washington will also have a more positive tone toward transatlantic relations. In part George W. Bush's exit makes this inevitable – considering the bitterness of the past eight years and Bush's deep unpopularity across the continent, a new team will be much welcomed. But both McCain and Obama have already shown that close relations with Europe will be a high priority. They have taken valuable time away from the campaign trail to visit key European capitals – the first time that the two major party candidates have done so.

In this sense, 2008 is a unique political moment. Perhaps more than any presidential contest since 1980, or even as far back as 1968, this is a national security election. In the three presidential contests after the collapse of communism, foreign policy took a back seat as domestic issues dominated. Being perceived as a 'foreign policy president' was seen as a liability in 1992 (when Bill Clinton defeated the more experienced George H.W. Bush), and the 1996 contest was waged around gauzy themes such as "building bridges to the twenty-first century." In the 2000 election, the United States' role in the world was barely discussed, which is ironic given how global affairs now defines the careers of the two candidates—global climate change for Al Gore; the 'global war on terror' for President George W. Bush. In the last campaign, the first post–September 11 election, the foreign policy discussion was fierce but not dominant, as the debate centered more on character than substance. By contrast, the 2008 election feels more like a Cold War–era election, with national security at the forefront.

And here's something else unusual: Democrats are more prepared to debate foreign policy today than in any election since the end of the Cold War. To be sure, some of this confidence is a result of Bush's foreign policy failures, and the fact that McCain will be tied to so many of those policies, especially the war in Iraq. Just as important, Democrats have coalesced around a set of ideas to bring bold changes to American foreign policy. They are committed to engaging the world's problems – from climate change to global poverty to the weakened nuclear nonproliferation regime. And they are committed to making global institutions more effective, working through them not only to strengthen multilateralism, but to further legitimize the use of American power.

For these reasons it's understandable why so many Europeans, like so many Americans, are captivated by the idea of an Obama presidency. They believe that Obama would present the best of America, both because

> "DEMOCRATS ARE MORE PREPARED TO DEBATE FOREIGN POLICY TODAY THAN IN ANY ELECTION SINCE THE END OF THE COLD WAR."

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of his personal history as well as what he stands for. While true, America's European friends should not be lulled into thinking that the mere election of Obama as President would mean that all of the tough problems would magically be solved and the hard work would be over. In fact, the work would just be getting started.

For example, consider two of Obama's most important foreign policy objectives: withdrawing U.S. troops from Iraq and pursuing American diplomacy with Iran. Both would be welcome and necessary correctives to Bush's foreign policies. But in different ways, both policy changes will present challenges to Europeans.

On Iraq, Obama has pledged that he will end the U.S. combat presence and begin withdrawing troops from Iraq. At the same time, he has said that he will launch a 'diplomatic surge' to ensure that the transition proceeds in an orderly fashion. Europe will have to be part of that diplomatic effort, but so far few if any European leaders seem to be thinking about what their involvement might be. The US can't wash its hands of Iraq completely (Obama stresses the importance of counter-terrorism and containing a civil war) but neither can Europe. Whether or not anyone cares to admit it, European countries now have as much at stake in Iraq's future as the United States. And a President Obama will come calling for help.

Similarly, regarding Iran, Obama is determined to become more actively engaged in ending its nuclear program, including meeting directly with Iranian leaders. Some European officials (especially in London and Paris) are nervous that the Obama team would rush too quickly to negotiate, worrying that the new president could be manipulated by Tehran's hardliners. While such concerns misinterpret Obama's position – whereas he will not fear to negotiate with Iran, he has made clear that he is not interested in just sitting down just for the sake of talking – Europeans should now begin planning their role in the kind of diplomatic overture that Obama promises to make.

> "BOTH MCCAIN AND OBAMA HAVE ALREADY SHOWN THAT CLOSE RELATIONS WITH EUROPE WILL BE A HIGH PRIORITY."

The fact that Obama has created so much excitement around the world is a testament to the historic nature of his leadership, and a sign of the great potential he has to make significant changes to America's global role. As Obama continues to take the battle to McCain, expect to hear more about his high ambitions for what he would do for President. Europeans are right to listen carefully, because if Obama wins (as I hope he does), he will expect more from America's allies.

Atlantic Partnership

Atlantic Partnership (AP) is a non-partisan initiative that aims to foster debate about the relationship between America and Europe while promoting the benefits of a strong and stable Atlantic community of nations.

Founded by the leader of the Conservative Party Michael Howard in 2001, AP seeks to influence the transatlantic debate through meetings, conferences, and the media activities of our impressive stable of chairmen, vice-chairmen, patrons, and panelists that include such distinguished individuals as Dr. Henry Kissinger, Senator Joseph Biden, Secretary William Cohen and General Colin Powell.

The Atlantic Partnership's Young Leaders Committee, launched in 2004, includes prominent businessmen and opinion leaders such as Leo. M. Tilman, President, Leo L.M. Tilman & Co., British MPs George Osborne and James Purnell.

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