

Managing Elegant Decline

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The advent of a multipolar world is characterized above all by a relative decline of the United States. While the United States has enjoyed economic, military and political prominence throughout the 1990's and early 2000's, the Pacific Rim and the Indian Ocean have become both the world's engines of economic growth and key centers of political power. Yet the Rise of the Rest's flipside is the relative decline of those powers that were previously in the driving seat, most notably the United States. For Europe, when it comes to addressing foreign policy challenges in a multipolar world, rather than dealing with the rise of China, the main challenge is managing an elegant decline of the United States. With elegant decline, we mean the smooth transition of a world where the United States is the primary rule-setter and de facto global sheriff, to one where it has to share this position with others in a complex set of new relations.

Elegant decline is both a threat and an opportunity for transatlantic relations. For if history is any guide, a global superpower in decline triggers countervailing internal forces that resist this reality. For example, Britain immediately after the Great War indulged in promiscuous overstretch in the Third Afghan War, crushing the independence movement in Egypt, putting down the Iraq insurrection, intervening in the Russian civil war, and cracking down on the Congress Party in India. It took three years for a fiscal and strategic reality to set in under the stewardship of Churchill. This domestic frustration may lead the declining, yet dominant power to overplay its hand, or to pursue policies to reassert its strength. This has become known as Imperial Overstretch and has been met by a sudden, haphazard and often painful moment of reckoning. Decline has important political-psychological and domestic components to it. Those that do not wish to acknowledge this reality and refuse to pursue mitigating strategies, risk digging a deeper hole.

The reason this is likely to occur in the US is that since the early 19th century, America has never had to say 'no' to an international role. The Federalists who negotiated the Jay Treaty with Britain were the last to strike a deal with another great power, and bite the dust, out of a realist assessment of its own strengths. Afterwards, when the republic decided not to participate in an

international issue, it was the result of a deliberate choice. In the past two centuries the United States has only experienced an expansion of its global role, politically, economically and militarily. This has been met by a strategic culture which favors an activist foreign policy, a strong belief in US exceptionalism, as well as a strong belief in American revolutionary values that the United States has a role to play in promoting democracy and freedom around the world. The United States is not used to living in a world where it has to make choices.

The United States, this coming decade, is coming up against its limits. Not because of the rise of the rest, but because of economic constraints at home. How it copes with these constraints will say much about the coming ten years of international relations. It is this reality which creates a new strategic opportunity for transatlantic cooperation.

With decreasing economic power, the United States will have to scale back its international ambitions. Unless this is managed, this will lead to friction between its international ambition and its ability to influence international affairs. A frustrated superpower is hardly a contribution to global stability. The question is whether we will see a transition comparable to the British-American handoff in the first half of the 20th century, or will it be more turbulent? Unfortunately, contrary to the last century there is no logical candidate to succeed America, comparable to that Anglo-Saxon transition.

By no means are we advocating that the United States will be irrelevant or weak. It remains the dominant military power, with the world's largest and most dynamic economy and substantial 'soft power' in reserve. Yet the fundamental truth about a multipolar world is that there is no single power setting the international agenda. The United States lacks the domestic political support and the economic resources to drive this. On the domestic political front, the rise of the Tea Party, a conservative and strongly nationalistic grass-roots movement connected to - but skeptical of - the Republican party, as a political force is tempering President Obama's international ambition even beyond his obvious economic constraints.

While their domestic agenda is governed by fiscal conservatism, limited government and a return to the principles as set out in the US Constitution, the impact of the Tea Party on foreign policy is less than obvious. The movement combines both isolationists and neoconservative

interventionists. It is the economics however which will be the driving force for US and European foreign policy in the coming years.

The New Economic Context For the Transatlantic Relationship

Both Europe and America face profound economic crises, though the timing of the reckoning is critically different. By the end of this Spring, Spain will have had to go back to the markets to refinance its hefty debt, Mrs. Merkel and her fragile coalition will have to get by the critical state elections in Baden-Wurtenburg, and Europe will finally have come up with a comprehensive plan to get ahead of the sovereign debt crisis. In other words, by the end of the year Europe and the euro will be very different things than they are now. For better or worse, European politics, driven by the sovereign debt crisis, will have moved on.

This stands in marked contrast to the United States. By virtue of the fact that it remains the global reserve currency, the United States has perhaps a decade longer than Europe before coming to its day of reckoning. In many ways, this is a more pernicious crisis precisely because there is no great cathartic moment (as in Europe) where binary decisions will be made that obviously and immediately affect the future of the countries involved. Instead, America (by virtue of spending another \$1 trillion this past December on perpetuating tax cuts and extending unemployment benefits) has again primed the pump, assuring a short term jolt for the economy, even as the cancerous longer-term deficit and debt rates go through the roof. At present, this is a crisis where the victims have yet to be really seen. And with America set to grow at 3-plus percent this coming year, it is politically very easy to put off the painful structural economic reforms that are necessary to mitigate American economic decline.

Yet the numbers signaling American economic decline are compelling. The Congressional Budget Office has estimated that this year's deficit will total \$1.5 trillion, or just under 10 percent of GDP; this is the third year running of deficits in the wholly unsustainable \$1.3-\$1.5 trillion range. Further, even the White House's overly rosy 10- year budget scenario heralds the end of the party. By 2020, unless fiscal conditions change, America's debt to GDP rate will be 90 percent; when state and local government debts are included, the number jumps to around 120 percent of GDP. The greatest country in the world will have become Greece. At this point in time, the United States will

spend a similar amount servicing its debt as it does currently on its defense budget, roughly \$700 billion.

The outlines of the human cost of this looming crisis are already apparent. Today, one-third of working age Americans have no personal private retirement savings of any kind. Nearly one-fourth of all American mortgages are underwater, with people owing more on their houses than they are worth. And one-fifth of American wealth (much of it lodged in then stratospheric house prices) was wiped away in the Great Recession. These numbers are the human face of a crisis that portends a structural shift away from western dominance, signaling the birth of a multipolar world.

Further, there are not a lot of big ticket items that can put a halt to the fiscal apocalypse. By 2020 the CBO further estimates that only 5 items will account for around 80 percent of federal spending: Medicare; Medicaid; Servicing the national debt; Social Security outlays; Defense spending. As Defense is the only one of the five that is included in (relatively easy to cut) discretionary spending, it is simple to see which way the wind is blowing. The days of \$700 billion American defense budgets (the real number is closer to \$1 trillion if veterans costs and other ancillary expenditures are added in) for as far as the eye can see are over. The only question (and it is a seminal one) that remains: Is the United States prepared to pare back its foreign policy ambitions to meet this new financial reality, or will it prove another classic victim of Imperial Overstretch, trying to do everything it once did, while now being forced to live on a budget?

Foreign Policy for a Multipolar World

The 2011 US National Military Strategy recently declared that the West is confronting a strategic inflection point. As Asian powers rise, and the turbulent winds of popular revolt blow across the Middle East, the Western world is weighted down by their baggage of sovereign debt and the transformational forces of the financial crisis. This should trigger a reassessment of the transatlantic relationship.

However, that relationship is stuck in bipolar thinking. The habits and patterns have not changed, in spite of fundamental political and economic shifts. One need only look at the new NATO Strategic Concept, which fails to address the rise of new centers of power and instead keeps

everybody happy. The state of transatlantic affairs remains such that the US comes to Europe with a basket of requests and the latter either kowtow to Washington or ignore it. Although this old pattern has been showing signs of wear and tear, as dissent over the war in Iraq and Afghanistan make clear, now change has to come given the multipolar world and the economic reality. Europe must do more than passively assess American strategic initiatives, and must come up with some its own.

If Europe has to make psychological adjustments, this will be even more true of the United States and its decision makers. The very qualities that led to success in the bipolar world; decisiveness, clarity, taking dominance for granted, are paradoxically highly detrimental in the more complicated multipolar world. For this new era is one where continual coalition-building, working with others as equals, and settling for policy half-victories will be the order of the day. In short, the US will have to learn to make choices and settle for something less than everything.

For Europeans a situation that cannot be discounted is a strategic retrenchment of the United States. This does not need to amount to full-fledged isolationism, but rather a much more limited approach to foreign policy, focusing on protecting its vital interests rather than sustaining a global leadership role. A European notion that has to perish, as diplomacy enters a multipolar world, is that Washington is omnipotent. As the United States must economize on its engagement with the world, the fact that the US is not doing something can no longer justify inaction.

In a bipolar system you can focus on one pole, in a multipolar system doing this means you risk missing the boat. The upside is that every state is confronting this complexity, and that there are more partners to work with. The game is not over if there is intransigence on the other side of the Atlantic. In other words, Europe can go around the Americans and actually get things done. Or Europe can undertake initiatives of its own, just as the United States remains committed to a unilateral approach if its interest-calculus merits this.

European diplomacy is in a state of flux. Since the Iraq crisis, Britain is no longer reflexively pro-American. In fact, last year the British declared their Strategic Relationship with Washington over. It also remains hesitant to fully engage with Europe. Sarkozy's pro-American attitude by contrast is leaving Washington confused as the French no longer play their usual role. While the

Germans, more powerful than ever given their shaping power over European economies, are also as isolationist as ever. In the field of defense cooperation, given Germany's economic prominence and central role in Europe, Berlin's support is crucial yet this cannot be digested by its pacifist strategic culture. The problem of Germany is that when it comes to finance and economics, it knows how to play the game. Yet when it comes to grand strategy, Germany is still very much a hesitant power.

In shared decline, the US and Europe can identify shared problems and shared solutions. This is in both Europe's and in America's interest in order to get things done. For European states, it will not be sufficient to placate Washington in order to promote its interests. Managing elegant decline requires working with the United States on those issues that matter to the US and Europe, not only to one of them, and to engage Washington on an equal footing. Washington on its part, confronted by the reality of its decreasing power, will be all the more responsive to partner with Europe. Here we should also learn from the fact that the United States and Britain further intensified their cooperation after the Suez crisis, as Britain's decline became evident, rather than let their relationship slip into irrelevance.

The multipolar world offers a host of challenges. Energy and access to natural resources appears to be the driver for many of the strategic challenges we confront now and in the near future, and is a topic where the West has shared interests. Furthermore, threats are formed by instability in the Middle East, the Iranian nuclear crisis, the emerging power dynamic across the Indian Ocean rim and festering state fragility caused – or exploited - by organized crime and non-state militant groups. As Europe and the United States continue navel-gazing and focusing on their economies, a challenge also arises in the form of Chinese economic expansionism given its tremendous financial liquidity.

In a multipolar world, a new form of variable geometry offers the best recipe for interest-based transatlantic cooperation. Some of these interests will be pursued on a bilateral basis, others through the European Union and the United States. Again other interests may be served best through NATO's multilateral security setting, or by the Europeans themselves without the US involved. Such a variable geometry is not a choice for Brussels or against Washington, but instead

an acknowledgement that the old way of business is dead, and instead complexity demands operating along different axes.

The question ‘who provides the public goods?’ will not have a clear-cut response. On economic issues, it may be the G20 as it collects the emerging economies as well. On security issues, it may well be a combination of security relationships between NATO, the UN and others. But also non-US or even non-Western agencies such as the International Criminal Court, ASEAN or MERCOSUR, will be more important public good providers.

From an interest-based perspective, in a period of austerity and complexity, a division of labor is the only way forward between Brussels and Washington. In this case the European Union focuses on Northern Africa, its Southern and Eastern neighborhood and Russia, while Asia is primarily an American security concern. Yet piracy, Afghanistan, Iran, cyber-threats and shaping a new financial regulatory system are quintessential issues to be dealt with jointly.

As is true for America, for the Netherlands, the foreign policy strategy that brought it to the table is changing, because that table is becoming bigger. The old habit of buddying up with America in order to exert maximum influence with European great powers was a fine strategy; but its day has passed. It is no longer sufficient, precisely because there are so many more powers to reckon with, such as China, India, Russia, Brazil, Turkey, South Africa, and Mexico.

Instead, the Netherlands would do well to figure out where its comparative advantages lie in its diplomatic relations and bank on those with Washington. The Netherlands should develop key bilateral relations with the United States on those topics where the Netherlands has something to offer. Such explicitly, but not exclusively, concerns Indonesia, the Caribbean Basin and Europe. Indonesia is becoming a crucial pivot-state in the Indo-pacific dynamic. With a population of 230 million and as one of the few democracies in the region, with vast mineral and natural resources including oil, timber and fishing grounds, Indonesia is a crucial partner at the cross-roads between an emerging Chinese-Indian power struggle. Leveraging Indonesia will be crucial to manage these rising powers. While it is in the West’s interest to push for stronger partners along the Indian Ocean rim, the Netherlands can play a specific role with respect to Indonesia given its historical and cultural linkages. The Caribbean Basin is similarly an issue of

strategic concern, both to Washington and The Hague. Here the Netherlands can add value to a strengthened bilateral partnership.

Finally, in order to make the transatlantic relationship work requires identifying common approaches and strategies. With the increasing importance of several European nation-states, particularly Germany and a somewhat less reflexively pro-American Britain, sustaining strong bilateral relations within Europe is all the more important. Among the European main powers and Washington, the Netherlands has better relations with each of them individually than they have with each other. The Dutch can play a role in cementing such a new transatlantic compact by playing the binding role between the European great powers and Washington. For instance, the relationship between Berlin and Washington will increase in importance, yet the Dutch can play a pivotal role in marrying their views.

Elegant decline

As we try to remake the transatlantic concord the pivotal economic context we find ourselves in is one of forced retrenchment, more than a little introspection, and confusion as to how to prioritize what is essential, what is important, and what is peripheral. How both Europe and America respond—in the age of austerity—to these questions will determine nothing less than whether the relationship is updated to suit the needs of the 21st century, or becomes an irrelevance.

Ironically, three issues, one immediate and two strategic, lead one to the conclusion that the transatlantic relationship may prove more vital than ever in the new age of multipolarity. For given their shared structural position in the world (largely again as a result of the economic context) of being in relative decline, the US and Europe find themselves yet again in the same boat. Both are great and still potent powers, but both are also powers who see their relative strength ebbing away year-by-year. This should impel moving quickly, as a united west has one last chance to help set the norms for the new era during this wet cement moment of multipolarity, a chance that will not soon repeat itself. As Washington realizes that - as Joe Nye writes in last month's Foreign Affairs - "it cannot achieve the outcomes it wants without the help of others," for Europeans this could spell good news. Instead of the frustration of responding only to demands, European states may be considered true partners. On the other hand, buddying up to the United

States will not get the same strategic mileage as it did before. This also should compel cooperation because at the broadest strategic level we find ourselves in a similar position.

Secondly, on the pivotal economic issues, as the primary authors of the old Bretton Woods financial order, it stands to reason that both Europe and the United States should favor an evolutionary approach to global financial issues, amending the old system that they created, rather than simply advocating starting from scratch. For example, while both are overrepresented in voting terms in the World Bank and the IMF, neither are for doing away with these institutions. Rather, updating them, drawing the rising powers into them by making stakeholders of the BRICs, seems a better and workable diplomatic strategy.

Thirdly, elegant decline is not a state of being, it is a strategy. The security challenges of a multipolar world are numerous and diplomacy becomes exponentially more complex. Playing to their strengths and interests is the only means for European states and the US to bring structure to this complexity, undertaking actions that generate sufficient political will and that make sense to the taxpayer. Working through the variable geometries of the different nodes that make up the transatlantic fabric, will enable the West to remain capable of sustaining a central role in a multipolar world. Elegant decline is not about irrelevance, it is about pragmatic realism in a period of change.