



Europe must learn to work with Bush

- Europeans will react with a mixture of scepticism and hope to George W. Bush's victory in this year's cliff-hanger elections. The vast majority of European policy-makers expect US diplomacy to become somewhat more adversarial in style and Eurosceptic in substance. Bush will therefore need to reassure and explain his allies of his precise intentions on troop deployments, his plans for a robust National Missile Defense (NMD) system and his commitment to pursue US interests through multilateral organisations.
- But the Europeans will welcome Bush as a more reliable interlocutor on free trade. They will also appreciate working with his impressive team of foreign policy advisors, a group which may produce a greater consistency in US policies. And they will look forward to his better working relationship with a more moderate Republican Congress, ending the pernicious party political games that have beset US foreign policy during the Clinton years.

IT IS TEMPTING TO ARGUE THAT BUSH'S exceptionally narrow victory over Al Gore will have little impact on US foreign policy. After all, the two candidates shared a common approach to many international issues. They were both committed internationalists, emphasising the need to sustain 'US leadership' and safeguard 'strategic interests'. Both were committed to freer trade and supported some version of NMD. Both also promised more money for the US military and backed further NATO enlargement. But this apparent consensus fails to clarify how and to what end US leadership will be exercised and precisely what those US strategic interests are. Even if nobody expects a radical overhaul of US foreign policy, the differences between Bush and Gore are real enough and it therefore matters to Europe that Bush has won.

THE BIG PICTURE: A MORE ASSERTIVE, INTERESTS-BASED US FOREIGN POLICY.

During the campaign Bush and his advisors called for a more robust defence of US 'strategic interests', and stressed the need to maintain America's sovereignty. At a time when globalisation and the end of the Cold War is driving states to cede power to financial markets and international organisations, Bush will emphasise the need to uphold America's freedom of action. This probably means that the unilateral strand in US foreign policy will become stronger. For example, Bush is unlikely to push for the payment of UN dues. This is problematic for European governments who, without exception, care about the UN. Equally, we should not expect the

next administration to try to get a host of international treaties, such as the Comprehensive Test Ban Treaty, the Kyoto Protocol or the Treaty establishing the International Criminal Court, ratified by the Senate. This too will create disappointment in Europe, where support for the construction of a rule-based international system is strong.

Possible, but less certain, is a gradual shift of emphasis in US attention and resources away from Europe, towards Latin America and trouble spots in Asia (e.g. Taiwan) and the Middle East (e.g. the Persian Gulf). Many Europeans have expressed concern at this potential weakening of America's commitment to Europe. But this would not necessarily be a negative development. It is natural that Europe should take the lead in handling the security and political problems in its own backyard. Those Europeans that have long clamoured for 'an equal partnership' should welcome the development of a transatlantic relationship which is less about what the US can do for and in Europe, and more about what both sides can do together to tackle global problems. It all depends on how this adjustment is implemented: abruptly and unilaterally, or smoothly and in close consultations with the allies.

US TROOP DEPLOYMENTS AND ITS POLICY CONSEQUENCES.

One area that could strain transatlantic security co-operation is Bush's stated intention to be more selective in troop deployments, and to scale back or even end the practice of engaging US troops in Kosovo-type 'nation-building'. Earlier, when Bush criticised the

Europeans for not pulling their weight in the Balkans and urged them to commit more troops in Kosovo, the Europeans were taken aback. Apparently, Bush was unaware that the Europeans – quite rightly – provide more than 80 per cent of the troops and 90 per cent of the money in Kosovo.

Even if this statement was later qualified, the Europeans are justified in wondering how much attention he will pay to warnings about the divisive effects of such a move for Atlantic solidarity. More fundamentally, if Bush indeed rules out using US troops in a humanitarian role, this would harm broader transatlantic security co-operation. This is because in the post-Cold War era such peace-keeping-plus-reconstruction operations are likely to become more frequent. And whilst a certain division of labour between Europe and America is unavoidable and may even be healthy, in the medium-term it can be corrosive.

After all, if Europeans feel that Americans are no longer interested in Europe's problems, they might be less inclined to support the US on issues, such as Taiwan or North Korea, that seemingly matter little to Europe. Another reason is that the policy stance of countries is heavily influenced by the instruments they (want to) use in foreign policy. For example, during the early-1990s Europe and America repeatedly fell out over Bosnia. The Americans favoured lifting the arms embargo and implementing air strikes while the Europeans, who had troops on the ground, opposed this. Therefore, this military division of labour can lead to serious policy disagreements and needs to be deftly handled. One thing is clear: if Bush does lead a US withdrawal, it will force the Europeans to become more serious in their defence efforts.

NATIONAL MISSILE DEFENSE: THE DILEMMA THAT WILL NOT GO AWAY.

The more assertive and unilateral strands in Bush's foreign policy will be highlighted by his position on NMD – a system that should protect the US against missile attacks from so-called 'rogue states' such as North Korea, Iraq and Iran. On the campaign he has pledged to swiftly develop and deploy an expanded version of NMD, even if this means pulling out of the Anti-Ballistic Missile (ABM) Treaty. If so, this would upset America's relations with Russia and China. This in turn would have a negative effect on their attitude towards the West and harm global co-operation on non-proliferation and other issues. Most Europeans still believe that NMD is at best a partial, yet destabilising, answer to an exaggerated problem. At the same time European leaders, and Tony Blair especially, are keen to avoid an open disagreement with the Americans.

Assuming the existing technological obstacles will eventually be overcome, the Europeans should try to forge a common position on NMD. The starting point for the Europeans is that they are in no position to block the Americans. But a common position would carry weight in Washington. One element for a joint approach should be to encourage the Americans to seek a renegotiation of, rather than a withdrawal from, the ABM Treaty. The Europeans must also try to convince the Americans that apart from looking at capabilities, the intentions of so-called rogue states also need to be taken into account. For example, in the case of North Korea, there is reason to believe that its presumed immutable anti-Western stance is actually subject to influence and change. Lastly, the Europeans need to debate with the Americans in a more fundamental sense which strategy – coercion or engagement – works best when dealing

with difficult states.

TRADE RELATIONS: REVIVING GLOBAL TRADE TALKS.

The Bush administration will be solidly and actively pro-free trade. Unburdened by any debt to labour unions, Bush is expected to make a push for further trade liberalisation. While he may start with trying to enlarge NAFTA with Latin American countries, there should be a real chance to revive global trade talks which have stalled since Seattle. Moreover, since Republicans have kept control of the House of Representatives and the Senate – albeit narrowly – Bush should be able to get 'fast-track' authority. This will increase the chances of being able to deliver on any agreement he concludes in the WTO.

George W. Bush will be under pressure from NGOs and others to deal with labour and environmental standards. But he will have more of a free hand, and his line will be more acceptable to developing countries whose influence inside the WTO has increased in recent years. All the signs are that Bush has a strong commitment to free trade and that he will be able to stand up to sectional interests in the US, such as steel producers, that have successfully lobbied for 'relief measures' against foreign imports. This is good news for Europe's economic liberals.

GLOBAL ECONOMIC GOVERNANCE AND THE EURO: ACTIVISM OR LAISSEZ FAIRE?

In contrast, the direction that the Bush administration will take on global economic governance is less clear. Like many Republicans, Bush is likely to favour a market-led approach with only a modest and reactive role for governments. On reform of the IMF and the World Bank, the Bush administration will argue for a scaling down of their activities. And on exchange rates, his probable Secretary of Treasury, Lawrence Lindsey, has already emphasised his opposition to co-ordinated G-7 interventions. However, it may be useful to remember that the hey-day of G-7 activism in the mid-1980s came under another Texan Treasury Secretary, James Baker, who initially also stressed his preference for a 'hands-off' approach. In fact, developments in the world economy, and particularly the occurrence of another financial crisis, could have a major influence on the future American position. A Bush administration, despite its ideological inclinations, may realise that an active role in overseeing the world economy with strong institutions for global governance is in the American interest. If so, transatlantic co-operation on global governance issues should improve.

It is clear that the euro will fall against the dollar in the short term. Bush's plans for a \$1.3 trillion tax cut will probably drive up US interest rates, and such a mixture of fiscal loosening and monetary tightening can only boost the dollar. However, in the medium-term, doubts about whether the US can afford such a huge tax cut, an even greater current account deficit and an inevitable slowing down of the US economy, should support the euro, with or without further G-7 interventions.

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