

Introduction

A Tale of Four Futures

Daniel Hamilton and Kurt Volker

This is a tale of four futures. Each examines a plausible look at the world in the year 2020. Each is an exaggeration—an over-amplification of a potential model in order to put its contours in sharp relief. These futures are not predictions; they are narratives of how trends evident today could interact and evolve to shape the world we live in tomorrow. Each tale is vastly different from the next, and each provides profoundly different results for Europe, America, and the transatlantic partnership. Nonetheless, as different as they may be, each of these scenarios offers lessons for policy choices today—and in many cases, the same lessons.

The tales are told in the form of readable memos—from policy expert to political leader. Although the leaders change—the head of the ‘Atlantic Basin Network;’ a U.S. president and a U.S. presidential candidate; the Chancellor of Germany about to attend a ‘Euro-mark Summit’—the style is intended to be policy-relevant and constructive.

The scenarios are shaped by the interplay between a few key variables—does Europe emerge from its current crisis stronger than before, or weak and divided? Does the United States emerge as a re-invented and stronger global player, or as a weaker and still declining great power? Does the developing world take off on its own, leaving the transatlantic community in its wake? Or do globalization, widespread economic development and innovation bring the rest of the world and the transatlantic community into a closer alignment?¹

¹ For other scenarios and discussions of scenario-building, see U.S. National Intelligence Council, *Global Trends 2025: A Transformed World* (Washington, DC, 2008); European Commission, *The World in 2025: Rising Asia and Socio-Ecological Transition* (Brussels, 2009); and the Worldwatch Institute’s annual *State of the World* series; James Canton, *The Extreme Future: The Top Trends that Will Reshape the World in the*

Answering these questions in different ways produces dramatically different results. Yet the forces that shape each scenario are present in real-world politics and economics today. The combination of developments in the developing world and choices made by leaders and publics in the United States and Europe will determine which forces are likely to dominate, producing vastly different outcomes. In each case, we ask whether these changes mean that Europeans and Americans will need each other more or need each other less, and whether they will drive us together or drive us apart.

- **Come Together** represents an optimistic, positive future. The newly developed countries have prospered—but they have done so in parallel with adaptation and continued strength in the older developed world as well. The story takes the form of a memorandum from an African deputy to the Brazilian head of the Atlantic Basin Network—a new and vibrant grouping that links the four continents of Africa, Latin America, Europe and North America around a set of shared political and economic interests across the North and South Atlantic. The rising South Atlantic, having grown to some degree in defiance of North Atlantic nations, is realizing its own interest in closer integration and collaboration with older developed economies in the world, just as Europeans and North Americans have come to appreciate that they must redefine ‘Atlanticism’ in a globalizing world.
- **Hello Goodbye** portrays a United States that has gone into steep decline, while the rest of the world has moved forward—including both Europe and the developing world. Here, domestic political gridlock in the U.S. precipitated a massive budgetary and economic meltdown, which in turn brought to power a largely reactionary and isolationist gov-

Next 20 Years (New York: Penguin, 2007); Daniel Benjamin, ed., *Europe 2030* (Washington, DC: Brookings Institution Press, 2010); Eamonn Kelly, *Powerful Times: Rising to the Challenge of Our Uncertain World* (Upper Saddle River, NJ: Pearson, 2006); Peter Schwartz, *The Art of the Long View* (New York: Doubleday, 1991); European Union Institute for Security Studies and National Intelligence Council, *Global Governance 2025: At a Critical Juncture* (Paris: EUISS, 2010); Neyla Arnas, ed., *Fighting Chance: Global Trends and Shocks in the National Security Environment* (Washington, DC: National Defense University, 2009).

ernment. With a looming Presidential election, 2020 is a fresh opportunity to change course in the United States, and the story takes the form of a memorandum from a campaign advisor to a leading presidential candidate as the primary season gets underway.

- **Live and Let Die** is the opposite scenario: whereas Europe has descended into geriatric decline, the United States—thanks in no small measure to continued immigration and population growth—has managed its fiscal problems and become more closely tied to a growing developing world. The transatlantic relationship has become largely irrelevant, and Europe is faced with previously unthinkable choices about reversing key elements of European integration as competitive parts of the continent scramble to connect to dynamic markets elsewhere in a very different world order. The rise of the ‘Global South’ has rendered the ‘European South’ unsustainable within the old EU framework.
- **With a Little Help From My Friends** shows both Europe and the United States having declined, with neither one having come to grips with its fiscal imbalances, changing demographic pyramid, and high-cost, uncompetitive economic structures. Meanwhile, the relatively unregulated, low-cost, and often state-led economies of the newly developed world have boomed, turning the transatlantic relationship into a sideshow. The focus of global development and competition is now among players in the South, rather than in the interplay of North and South. This has left the transatlantic community with the choice of continued erosion in a losing global competition, or erecting higher barriers around a more integrated transatlantic marketplace in a (perhaps futile) effort to preserve liberal economics and high living standards in the developed North.

Underlying Forces

As different as these scenarios are, the forces that shaped them are real and identifiable even today. The question is how these forces are

harnessed or managed—if they can be—over the decade ahead. The authors in this volume discuss these forces, and recommend ways the U.S. and Europe can best address them. Some of the most important of these forces include:

- **Deficits and Debt:** One of the most obvious underlying factors is whether Americans and Europeans are able to get control of their fiscal imbalances while the rest of the world moves ahead. While each side of the Atlantic faces its own particular set of economic challenges, at their core both crises are essentially political. Each side of the Atlantic is paying a high economic price for evading hard political choices. In this regard, the twin crisis of deficits and debt could be a watershed moment: either the political spur to more competitive economies in the U.S. and Europe, or the time when each began to lose out to more vigorous powers.
- **Demographics:** Intimately tied to the question of fiscal management is the question of demographic change. Reiner Klingholz and Carl Haub explain that while the situation on each continent is considerably different, both continents face the challenge of aging populations. With low birth rates, low immigration, and longer average life spans, the population pyramid can flatten out or even reverse, with a smaller young population supporting a larger retired population. To the extent the demographic challenge is mitigated by larger immigration and/or birth rates, the challenges becomes more manageable. Yet such immigration and birth rate change would have significant social consequences—and with more significant consequences in Europe than in the United States. In fact, Theo Veenkamp suggests that the rise of anti-immigrant populism represents an early warning signal for a serious systemic crisis emerging in Europe.
- **Human Mobility:** International migration is larger and more diverse than at any time in history. Demetrios G. Papademetriou and Madeleine Sumption explain how it touches upon highly sensitive questions of economic prosperity, national identity, social cohesion, and in some cases, national security. Although the global economic crisis has cast uncer-

tainty over migration projections for the next ten years, such factors as economic growth, talent and geographical mismatches, persistently below-replacement fertility, and the rising cost of labor will continue to drive flows of people to traditional immigrant destinations, but also, increasingly, to emerging economies. At the same time, the notion of “mobility” will increasingly compete with “migration” as the core concept around which human movements are understood and examined, challenging countries to incorporate greater flexibility into their immigration systems and complicating issues of immigrant integration.

- **The Rise of Other Powers:** Rising powers clearly seek influence commensurate with their growing presence in their respective regions and on the global stage. Will these powers challenge the prevailing order or accommodate themselves within it? Hanns Maull and James Dobbins argue that they seek greater say and better status within the current international order, but not any fundamental revolutionary reconstitution of that order—although they acknowledge that at the regional level, for example in the Persian Gulf and East Asia, some do challenge existing arrangements. In contrast, Michael F. Oppenheimer argues that rising states will pose a severe challenge to the liberal order: they were not ‘present at the creation;’ many pursue illiberal economic and political policies; and they are ready to assert their growing power in the face of an uncertain and divided West. Bruce Jentleson, Giovanni Grevi and Richard Youngs add that what had been a sense of global convergence around such Western norms as rule-based institutions of collaboration, open non-discriminatory trading rules, the ‘democratic peace,’ and the ‘Washington consensus’ on development has given way to a broader and more complex global competition of ideas over such issues as multilateralism, the use of force, the rights and responsibilities of state sovereignty, international justice, and alternative models for domestic governance, particularly the relationship between state and market.
- **State-led Economics:** The effect of state-driven economics within developing countries can also be significant, though its

long-term implications can cut both ways. On the one hand, state-driven development provides an opportunity to assign resources more strategically, to prioritize infrastructure development, and to negotiate long-term access to energy and other raw materials. It can allow for directly negotiated deals for inputs that undercut global competition. This model appears successful today in cases such as China, even while past models of state-led development elsewhere have failed. Yet we know from experience that large, state-led enterprises over time can tend toward inefficiency, waste and corruption. In addition, Bengt-Åke Lundvall demonstrates that despite China's remarkable investment in academic knowledge, its indigenous innovation capacity remains limited. Whether state-led economics proves sustainable in the medium and long term will have a substantial determinative effect on the nature of the global market we encounter a decade from now.

- **Regulation, Innovation and Competition:** A related current is the interplay between older, highly regulated economies in the United States and Europe, and far less regulated developing economies in the Global South. In everything from environmental standards to safety to labor market protections, relatively less regulated developing markets enjoy a built-in cost advantage. This is reinforced by generally lower wage expectations of populations emerging from poverty, as compared with those having become accustomed to long-term prosperity. The presence of relatively easier regulatory conditions also contributes to attracting new investment and fostering innovation, increasing further the potential competitiveness of developing economies over time. The effect of these advantages has long been mitigated by relatively lower levels of education and middle-class purchasing power within the developing world. But as these factors change—more widespread education and growing purchasing power—the competitive advantages of less regulated economies could become more pronounced, unless the U.S. and Europe take advantage of such strengths as innovation, services and high-end manufacturing.
- **Energy:** Within the overall question of the rise of state-driven economies, energy continues to stand out as perhaps the most

important challenge for developing and developed countries alike. Global energy and climate trends are unsustainable, as Christof van Agt, Alexander Ochs and Shakuntala Makhijani all demonstrate. On the one hand, a resource-scarce environment can favor state-driven economies that have the ability to produce and consume on a massive scale, and to negotiate long-term, privileged contracts to assure a reliable energy supply at the lowest cost possible. The imposition of costs tied to emissions reductions in developed economies can further add to the relative advantage newly developing countries enjoy in the energy sphere. On the other hand, a growing energy supply that outpaces growing global demand—for example, through new oil discoveries, Arctic exploitation, shale gas, and falling costs of renewables—could diminish the short-term advantages of state-led economics and even redistribute global market power away from the handful of major oil producing nations, although in some cases at significant environmental cost. How the energy sector develops—and is managed within developed countries—will be one of the most important factors in determining the contours of the world we will face in 2020. If the world truly is to break the link between the production of wealth and the consumption of resources, and thus move to a new model of economic development, the developed countries must chart a path forward.

- **Security Challenges:** Notably, while security challenges do not disappear over the coming decade—and arguably could become worse—they do not present themselves as the drivers of change. Grevi and Youngs, James Dobbins and Andrew Mack all question the rise of a multipolar, zero-sum world; they argue that deepening interdependence has entered the strategic calculus of all major powers, increasing their stakes in the stability of an open international system and tilting the balance away from confrontation. Terrorism and extremism, regional security competition, fragile states and proliferation of agents of mass destruction are likely to continue and indeed require active policy responses. But the other economic and structural forces our authors describe are likely to be much more significant in determining the shape of the world we will

inhabit in 2020, and in fact are generating other security challenges. Growing interdependence among the critical—and vulnerable—transboundary arteries carrying energy, people, money, data, goods and services upon which our societies rely is making ‘societal resilience’ a key aspect of security in a rapidly connecting world.

Lessons for Transatlantic Policymakers Today

The question of how best to address these underlying forces helps to establish an agenda for policymaking in the United States and Europe today. While trends outside the control of any government may do the most to determine how the real world evolves by 2020, government policy can still be mindful of, and in some cases even shape, these trends. Key areas of attention should include:

- **Sound Fiscal Management and Higher Productivity Amidst a Changing Demographic Pyramid:** Clearly—and no surprise to anyone following the daily news cycle—gaining a handle on the structural deficit and debt problems besetting Europe and the United States will be essential if governments are to have the means to influence other long-term economic trends. We share Hanns Maull’s assertion that without fiscal solvency, economic growth and job creation, sustained transatlantic leadership is implausible, for the normative appeal and continued relevance of the U.S. and European models for others depends heavily on how well they work for their own people. This is a challenge based not merely on fixing this year’s or next year’s balance sheets, but on boosting innovation and productivity while redesigning the structures of government expense and income given long-term changes in the shape of our respective demographics: fewer young people and workers, and an older population living longer. Either the work force is increased through higher birth rates and immigration, and also made more productive through innovation, or expenses need to be reduced. Reiner Klingholz argues that Europe in particular must make a virtue out of necessity; since European societies are aging ahead of others, Europeans can—and must—pioneer new lifestyle models for

shrinking, aging societies before other continents, which will all join Europe sooner or later. Bengt-Åke Lundvall and Theo Veenkamp join him in contending that this requires a fresh burst of social innovation. Yet while a few individual European countries have tackled these changes successfully for now, overall there is no Europe-wide, nor American, solution in sight, and overall the challenges loom larger for Europe.

- **Active Defense of—and Adherence to—the Liberal International Economic Order:** If the short-term success of state-led economic development and managed trade relationships continues, it could increasingly disadvantage Europe and the United States. An urgent priority for the transatlantic partners, therefore is to reinforce the international liberal economic order. In the short-term, this may mean more economic conflict, rather than less. There may need to be greater push-back on rapidly developing economies through established trade and regulatory mechanisms in order to increase the incentives for these countries to become true “responsible stakeholders” in the global economic system. But the goal of such push-back must clearly be to strengthen the global system itself, not to engage in cheap protectionism for short-term political expediency. It should be possible to develop a transatlantic dialogue about how to avoid destructive competition for emerging markets while enhancing our collective leverage for liberal principles. As Grevi and Youngs point out, in a world of relative power the normative posture of the EU and the U.S. constitutes a comparative advantage at a time when the normative identity of many of their partners is in flux. Yet if they want others to join and support the liberal order, they must be more consistent in supporting it themselves.
- **Realistic Regulatory Policies:** The United States and Europe will need to look carefully at the self-imposed costs of extensive regulatory practices in their internal markets. By creating long-term structural differences in costs between the developed transatlantic economies and the rapidly developing economies of the Global South, they have contributed to a long-term trend of job loss and low-cost external competition. Addressing this challenge can come in a combination of two

approaches: reducing unnecessary regulations internally, while imposing regulations on trading partners as part of the price of access to what are still the world's largest pan-continental markets. For example, greenhouse gas standards may need to be more aspirational than mandatory for some time within already developed economies, as it is impossible to force developing economies to adopt equivalent standards. On the other hand, stronger enforcement of existing regulations on quality and product safety can—at admittedly higher cost—reinforce domestic industries and impose a cost on developing nation industries that fail to meet such standards.

- **Leadership in Global Energy Transformation:** As energy will continue to play a dominant role in shaping the global future, Europe and the United States have a keen interest in helping ensure that energy markets provide abundant, affordable, diversified supply. The transatlantic community should provide global leadership in all areas: supporting transparent and non-discriminatory energy market rules; developing new sources of traditional fuels; bringing non-traditional fuels (such as shale gas) into the mainstream while accounting for potential environmental concerns; overcoming distribution and refining bottlenecks to create more flexible markets; investing in technologies to make renewable fuels more cost effective, and investing in cost-effective technologies aimed at reducing energy consumption, and thereby keeping energy prices down and reducing overall costs of energy consumption within the economy.
- **Security Management:** There is a paradoxical lesson on security. While investment in national and global security clearly remains essential, this needs to be kept in proportion with the importance of security issues within this overall global economic environment. Operations such as those in Afghanistan, while vital to combating terrorism and preventing greater regional instability, have also been extremely costly. In the context of meeting the challenges of massive global economic change, investment in such security operations, and in homeland security measures in our own countries, also needs to be as efficient and cost-effective as possi-

ble. Even so, James Dobbins underscores an important reality: as the world's predominant power for another generation at least the United States will continue to assume leadership responsibilities for protecting the global commons, including freedom of the seas, space and cyberspace, even as it seeks to share that responsibility more broadly. Security for the global commons also means ensuring the resilience of transboundary arteries carrying energy, people, money, data, goods and services, a task which is also essential to Europe's future.

The Asymmetrical Impact of Change on Europe and America

Each of our tales, and all of our authors, underscore that the trends discussed in this book are likely to affect Europe and America in different ways, highlighting the asymmetrical nature of the transatlantic relationship.

- **Power:** Although the U.S. is apt to be less dominant than it has been over past decades, it is likely to remain the world's principal power for another generation, whereas Europe appears to be waning faster as others rise. Grevi and Youngs highlight the difference: whereas the U.S. is a superpower able to switch through different modes of interaction, from occasional bargains and coalition-building to balance of power and coercion, the EU is unequipped institutionally and politically to do so.
- **Principle:** Differences in relative power can account for differences in the application of principles. For superpower America, multilateral engagement remains a choice. As a result the U.S. has been and continues to be simultaneously a guardian of international norms; a norm entrepreneur challenging prevailing norms as insufficient; a norm externalizer when it tries to advance norms for others that it is reluctant to apply to itself; and a norm blocker when it comes to issues that may threaten its position, or that exacerbate divisions among conflicting currents of American politics. On balance (and despite exceptions), the U.S. has sought to manage this normative-hegemonic interplay by accepting some limits on

its power in exchange for greater legitimacy and acceptance of its leadership by others. The unresolved question today is whether the U.S. and other key players are prepared to stick with this bargain.² Grevi and Youngs underscore that for the EU, in contrast, multilateralism it is not a matter of convenience but one of essence, as it goes to the heart of the European project. The growing normative assertiveness of rising powers will arguably test the EU's role as a leading normative entrepreneur more than that of the U.S.

- **Mobility/Migration:** The EU and U.S. face similar migration pressures, ranging from publics often skeptical about migration's benefits; strong underlying pressures for migration from neighboring developing countries; the need to manage porous borders effectively; and concerns about immigrant integration. Here again, however, asymmetries emerge, in part due to different social models and the degree to which demographics will drive immigration policies. The most worrisome trend for Europe, however, is that the EU has become a magnet for the unskilled, and lacks pan-European strategies to attract and integrate the highly skilled, whereas the U.S. continues to attract highly skilled migrants, even while struggling to take full advantage of its migrant population as a generator of growth.
- **Demographic Change:** Reiner Klingholz and Carl Haub point to another factor that will affect the transatlantic partners unevenly—demographic change. Whereas both sides of the Atlantic face the prospect of aging societies, Europe is arriving there first. America's demographic situation is different, characterized by a relatively robust population growth rate and youthful population by European standards. It will also have to deal with the aging issue, but the experience is likely to be less severe. But the U.S. will need to face the fact that close allies facing aging, shrinking populations may be less able to support their militaries or provide foreign aid, per-

² See Daniel S. Hamilton, "The United States: A Normative Power?" in Nathalie Tocci, ed., *Who is a Normative Foreign Policy Actor?* (Brussels: Center for European Policy Studies, 2008), pp. 76-155.

haps contributing to extra stress on U.S. resources.

- **Innovation:** Bengt-Åke Lundvall underscores some key differences in U.S. and European models of innovation. The U.S. competitive advantage, he argues, is an innovation model that combines strong technological capacity with entrepreneurial initiative, managerial competence and advanced markets for services. He contends that parts of Europe, not least the egalitarian welfare states in Scandinavia, have a unique potential when it comes to mobilizing employees in processes of change and engaging consumers as advanced users. He argues for the need to pay more attention in innovation systems to organizational learning, not just scientific knowledge, and the role of employees in the innovation process—areas in which parts of Europe may have some comparative advantage. Both Europeans and Americans, however, share an interest in incorporating the rising powers into a stronger international rule-based regime for governing the sharing and protection of knowledge.
- **Military Capability:** Even though U.S. power has declined relative to other rising powers, the United States military remains highly capable, whereas Europe's military capabilities continue to decline. Even though Europeans took the political lead in the 2011 Libya intervention, they remained reliant on critical American assets that European militaries simply do not have. As James Dobbins notes, Europe thus remains fully as dependent on American military capabilities today as it did sixteen years ago in the Balkans, despite all of the intervening rhetoric and institutional innovation designed to strengthen Europe's capacity for independent expeditionary warfare. And despite consistent and highly public American admonishment, there seems to be little prospect that European governments will halt the decline in their military capabilities or narrow their differences over the use of armed force as an instrument of policy. National decision-making is likely to remain decisive, with EU military expeditions limited to the least demanding of cases.

Taken together, these trends suggest a transatlantic relationship that, while still necessary, is no longer sufficient to tackle the most critical challenges facing each partner or the world; a relationship that remains important for both sides, but one that requires tending and that cannot be taken for granted. As Bruce Jentleson suggests, the relationship “needs to be valued for what it can, and needs to, be in the 21st century: the partnership of the world’s most stable democracies who have established a security community among themselves and who seek not just to advance their own interests but to promote broad international cooperation and foster a greater sense of global community.” Europe and America may no longer represent *‘the’* Free World, but at their best they can still be an anchor in a far freer and more fluid world. Their influence is likely to rest on their socio-economic performance at home; their normative consistency at home and abroad; and their ability to work together to engage others in support of the liberal order.

It is of course impossible to predict what the real world will look like in 2020—or even next week. But the exercise of extrapolating existing long-term trends in a variety of scenarios is instructive. By challenging current assumptions and conventional wisdom, it can evoke imagination, provoke deeper reflection, and open the door to new insights. It can clarify our understanding of the bigger issues when they can be lost amid the complexity and competing demands of the day-to-day. By focusing on potential outcomes in the future, it is possible to sharpen our understanding of the present. That, at least, is what the tales of the future we present in this volume are intended to achieve.

Come Together

January 15, 2020

To: Anna Soares, President, Atlantic Basin Network

From: Gregory Ngwenya, Secretary-General

Subject: The First Atlantic Basin Summit: How We Got Here and Why It Matters

The first summit of the new Atlantic Basin Network promises to advance a number of key goals of our many countries along the Atlantic rim. The peoples of the North and South Atlantic are interacting in a whole host of ways that present both opportunities and challenges. In fact, the most striking development of the past decade has been the new dynamic encompassing the peoples on all four continents of the Atlantic Basin.

As we consider our specific goals for this new initiative, it is perhaps useful to reflect on developments that have spawned the Atlantic Basin Network and given it such relevance. The simple fact is that globalization has generated more connections across the four continents of the Atlantic than perhaps ever before. The well-being of people across this vast region is increasingly influenced by interrelated flows of people, money and weapons, goods and services, technology, toxins and terror, drugs and disease. Not only have the peoples of the Atlantic gained greater access to each other's markets, resources, and ideas, we are also confronting challenges that require us to erase the invisible dividing line that has separated the North and South Atlantic for so long.

In retrospect, it is strange that until now there has been no framework for Atlantic nations to address the issues they face together, even though there are many such efforts in the Asia-Pacific region. But of course we know that globalization is not confined to one region of the world, and the new Atlantic dynamic is really quite striking. You will want the government, business and NGO leaders to focus their attention on this new Atlantic dynamic, and to consider ways to work more effectively together. There a number of reasons why.

The Energy Renaissance is perhaps the most exciting development of recent years—not only because of the transformation of both

Gazprom and OPEC, but because new energy sources are now coming on stream, and a host of new technological advances truly offer the prospect that we can break the link between the production of wealth and the consumption of resources. It's good that this has happened, because the prospect of 9 billion people basing their future growth on extensive use of oil and gas, as well as other resources, is simply untenable. Breaking the link is an historic challenge—but also an opportunity to move toward entirely different patterns of consumption and competitiveness. Cooperation and innovation across the Atlantic Basin could lead the way.

Of course, your own country of Brazil is quickly emerging as a major oil exporter now that the Santos Basin fields are fully on stream; oil now accounts for more than 10% of Brazilian GDP. High oil prices will continue to benefit oil exporters such as Brazil, but the extension of oil production beyond OPEC to the BRINKs and the inability of this more diverse group of producers to agree on pricing has blunted the full impact of China's conversion to a consumer society. It has also made other alternatives more feasible and economical. In retrospect, OPEC simply wasn't prepared for the BRINK countries (Brazil, Russia, Iraq, Nigeria, Kazakhstan), which have added more than 7 million barrels a day of new crude oil capacity over the past decade. Even so, other developments are accelerating the world's transition from oil.

Perhaps the most significant transformation of energy markets has come from full-scale development of what used to be called "unconventional" gas resources. With unconventional gas deposits discovered in significant quantities on every continent, and with technology improvements to mitigate the environmental cost of fracking, together with breakthroughs in gas-to-liquid technologies, energy markets have been reshaped. The United States has become a major gas producer and exporter, while European production facilities in Poland, Ukraine and elsewhere are already producing 100 bcm of unconventional gas and are likely to double their production in the next five years. The EU's new Green Strategy accelerated the continent's shift from coal to gas, stimulated renewables R&D investment, and facilitated the introduction of a carbon tax. The EU also finally took concrete steps to enhance transparency and competition in energy markets and cross-border investments by enforcing the Treaty of Rome's Article 28 competition and antitrust rules in EU energy

markets, charging Russian companies Transneft and Gazprom with the same anti-monopoly violations as they did to American companies Microsoft and Intel a decade earlier. Taken together, these developments have stimulated competition and lowered prices. Even Gazprom, though still under state control, has moved toward a business model that is more efficient and has even introduced competition. Russia is exploiting its own shale gas resources, which are close to its existing pipeline infrastructure and cheaper to develop than its Arctic Shtokman or Siberian Yamal gas fields.

Alternative energy technologies have become profitable that previously had been considered commercially unviable. The Energy Renaissance is being facilitated by such advancements in improved energy storage technologies as battery materials, ultracapacitors and hydrogen storage materials for fuel cells, which have literally jumpstarted the prospects for hydrogen-based energy systems; as well as by a host of renewable energy sources such as wind, solar, and low-emission transport vehicles. The ability to generate hydrogen for automotive fuel cells from electricity in a homeowner's garage has helped us avoid the need to develop complex hydrogen transportation infrastructure. As connection technologies and renewable energies merge to create the powerful new "energy internet," the potential for millions of individuals and businesses to produce and share renewable energy will be transformative.

Markets for renewable energy are growing across the Atlantic Basin and elsewhere around the world. Clean coal advances have raised prospects for eliminating greenhouse gas emissions from coal plants. Emerging biofuels technologies that avoid significant land-use changes are already reducing net CO₂ emissions to the atmosphere.

Traditional terms of trade are also shifting, as technological and scientific innovation spreads across the Atlantic Basin. A series of innovations have not only unleashed new economic growth but transformed the very nature of our economies. The Internet of Things has made ubiquitous computing now a mainstay of daily life, boosted economic dynamism and growth first in the U.S. and then in Europe and Asia, and is generating considerable market potential for companies in Africa and South America. But the Faber Revolution—3D custom printing of goods and even living human cells from digital designs—

has truly transformed manufacturing. Now people can download real products, just like they used to download music, at home or at a local 3D production center. The Faber Revolution has reduced waste, sparked innovation, and revived manufacturing in the developed world, while introducing new possibilities to companies on your continent and mine.

Related innovations in service robotics and human cognitive augmentation technologies, including wearable and implantable devices, are improving vision, hearing, and even memory. Bio and information technologies have enhanced human mental performance at every life stage, and “biogerontology” advances have extended average human life by another five years. Manual workers are able to perform what were once thought to be superhuman tasks. Manufacturing and services productivity have been boosted, and the creative industries are enjoying mega-growth.

Taken together, these new technologies are already radically accelerating a range of enhanced efficiencies, streamlining supply chains, and generating cost and efficiency savings. They have helped some key economies cope with aging and shrinking populations.

We have entered a world driven by mass collaboration. Real-time, borderless, digitally-enabled collaboration has become the dominant paradigm of human activity at any scale, worldwide. The Cloud, the past decade’s innovative business model, is already being incorporated into a much broader, seamless software platform as purpose-driven online collaboration generates economic growth and improves lives. The rapid and continuous development and operation of such smart systems, which have become critical to every major economic and social sector, is driving new growth and employment.

Of course, we cannot deny that the transition has been wrenching as workers adjust and education systems are challenged. Unskilled labor markets and immigration patterns have been disrupted. While convulsions in job markets have been mitigated by the recent wave of social services innovations, structural unemployment afflicts many countries accustomed to a different division of labor, highlighting the need for viable mechanisms to skill and re-skill workers over the course of their working lives. And we continue to grapple with different approaches to privacy, security and even more profoundly, e-iden-

tity. While this is not exclusively an issue for the peoples of the Atlantic, it is useful for discuss.

The invention of lithium air has not only transformed the electric car industry, it underscores an important trend: the Western lead in technology is no longer as predominant as it once was. Although a Japanese company claims credit, the real breakthroughs came from Chinese scientists at the company's research facility in Guangzhou. This innovation has the potential to again transform the way our economies work and our societies are organized. Moreover, the recent breakthrough in India of a nano-plastic membrane capable of converting saltwater into freshwater will transform the challenge of clean water. Cost constraints could still hamper large-scale adaptation, but the potential is huge—with initial advantage going to the Indian consortium that invented it.

Nonetheless, the economic revival of the North Atlantic has contributed to a staggering increase in the volume of Atlantic commerce. Despite the rise of the Pacific, more trade and investment continues to flow across the Atlantic than any other part of the world. Never have so many workers and consumers entered the Atlantic economy as quickly or as suddenly as in the past fifteen years. The global middle class has doubled over the past decade and now accounts for roughly 40 percent of the world's population—and a healthy percentage lives in Atlantic nations. While in the past rapidly developing Atlantic countries were best known for the inexpensive goods and commodities they supplied to the rest of the world, today our consumers are have become a major engine of the global economy. Moreover, the 2015 financial crisis finally convinced companies to consolidate their increasingly global—and increasingly vulnerable—supply chains of products and tasks toward more inner-regional production chains. Although Chinese financing for Columbia's grand Dry Canal Project—a 220 km rail line linking Columbia's Atlantic and Pacific coasts—has been a showcase for China's stepped-up lending to the developing world, overall leaders in both Latin America and Africa have become more wary of Chinese aims.

These developments, positive and negative, have prompted a new approach by both the U.S. and Europe to their neighborhoods and a new view of their role as we begin the third decade of the 21st century.

Both the U.S. and Europe are repositioning and re-energizing their partnership for these new times—in ways that we, as Atlantic nations, can profit from.

The United States has become one of your most important supporters as the new U.S. President works to position her country as a full Atlantic and Pacific power. She acted quickly to prompt the U.S. Senate to ratify the Law of the Sea Treaty, removing an important irritant in relations with your country as well as others. The U.S.-Brazil's renewable energy alliance has shown remarkable progress in promoting ethanol as a globally traded commodity and promoting the development, distribution and commercialization of other renewables. The Atlantic Basin Network's private-public Energy Cooperation Forum, instigated by the two countries, has been the most visible and concrete manifestation of the new Atlantic networks now being forged in a variety of areas. A starting point for this new relationship was agreement between Washington and Brasilia to guard against Chinese currency manipulation, as Brazil struggled with a flood of cheap Chinese goods and a surging Brazilian real. Ultimately, it was the ability of the U.S. to put together a new coalition—EU, Japan, Brazil, Mexico, India, South Africa and Korea—that made the difference. This new type of coalition-building is now much more characteristic of American approaches than in the past, and affords critical countries on each of our continents new opportunities for influence.

We have such potential for influence in part because the U.S. President has recognized that in a world of diffuse influence the U.S. can still play a singular role as a pivotal power, able to profit simultaneously from its position in the Atlantic Hemisphere and from its deep ties in the Asian Hemisphere. She has maintained close relations with traditional allies in Europe and Asia, but her trademark initiatives have all sought to encourage more effective and inclusive networks with other countries, including our own. The revival of the U.S. economy has facilitated her efforts; after struggles with recession and war there is a new consensus in the U.S. that Americans must band together with others if they are to advance their values, protect their interests, and extend their influence, and that without the engagement of other partners, Americans alone would pay the costs, in lives and treasure, of maintaining global stability.

Europe, too, is better positioned than it was a decade ago. In retrospect, the Great Recession and the lingering turmoil over the euro through 2013 served as the spur to a more competitive Union. The European Stability Mechanism, the innovation of “Maastricht bonds” and credible austerity measures have given the eurozone a scale and market depth only slightly below that of the U.S. treasury market. Although the EU failed again to achieve all of its Europe 2020 goals, it has recorded some notable achievements, particularly serious progress towards completion of its Single Market and related Digital Single Market, which have given EU companies new possibilities to restructure their activities on a pan-European scale and narrowed the gap among disparate EU economies. The Europeans are leading the world in terms of energy efficiency and use of renewables. They also seem to have understood earlier than most that the manufacturing and services industries were becoming increasingly intertwined, and have been able to make greater progress than anticipated in capitalizing on their advantages in each area. Innovations in the delivery of social services have restored some luster to the “European model” and improved the EU’s attractiveness as place to invest, work and study. The EU also has demonstrated that economic strength can go hand in hand with high standards of welfare, despite intense competitive pressures. European flexicurity schemes, which help workers adjust as jobs come and go and develop skills over the course of their working lives, are being studied and emulated in many countries. European birth rates are again on the rise and the EU’s pan-European talent strategy combining free flow of labor, skills training and integration of migrants has helped to address the challenges of an aging and shrinking population.

Europe’s internal transformation has had profound external consequences. The EU remains the world’s largest exporting entity, largest source and destination of foreign direct investment, largest donor of foreign aid, and a critical source of capital for many other world regions. The EU has maintained its share of world exports despite the rise of other trading powers, and is a more significant trading partner for both the BRICs and the BRINKs than either the U.S. or Japan. Rapidly emerging economies continue to register high demand in the types of products in which many European exporters specialize.

By 2015 the Europeans realized that an EU that could move only in lock-step integration would be an EU unlikely to progress at all. Once a new consensus was forged around the premise that EU countries could only solve their debilitating focus on institutional processes through “variable geometry”—allowing some members to move toward deeper integration while others did not—the EU has become much more outward looking and flexible. Ukraine’s suddenly positive prospects, boosted by its own reformist government’s recent efforts, have prompted the EU to offer to begin accession negotiations. The prospect of Ukrainian membership in 2030, preceded by Turkish membership in 2025, promises to address Europe’s growth challenges and enable European companies to make use of a bigger Single Market to extend their production networks and thus to compete more effectively. Turkish membership will strengthen the EU in terms of energy links, economic growth, military capability, geopolitical reach, and will enable the EU to demonstrate that Western democracy and Islam are compatible.

Europe is preoccupied, as usual, but now with historic opportunities: the Arab Renaissance and the uneven rise of open societies across the Arab world; the revived Union for the Mediterranean; the Desertec Solar Initiative linking Europe and North Africa in an expansive solar grid; and the possibilities ensuing from the resolution of the Arab-Israeli conflict. Europe’s Modernization Partnership with a reformist Russia holds considerable promise.

Despite the many positive changes to have affected the U.S. and Europe, it is interesting to see how such innovative societies, each more similar to each other than either would care to admit, always manage to embroil themselves in such tendentious transatlantic spats. The Transatlantic Forward Technologies Council created in 2016 to align regulations and standards governing new innovations has yet to demonstrate its effectiveness. The EU’s decision to ban human RFID implants until it can sort out not only the legal implications but the potential consequences for human development itself has triggered a major transatlantic row, even as both sides continue to their decade-long fight over appropriate legal systems to protect privacy. The dispute has spilled over into NATO, where a fierce but largely abstract debate rages over whether NATO would ever allow use of “drone armies” to fight human enemies on the battlefield.

Nonetheless, as Europeans and Americans reposition their own economies and societies for the new global economy, they share a keen interest in integrating others into mechanisms of global good governance and building the societal resilience of other nations. While there are some reasons to remain skeptical of Western intentions, it is an opportunity we in the South Atlantic should seize.

Most countries along the Atlantic rim take our budding cooperation seriously and see it as essential to their own development. As we look to future challenges, an Atlantic Basin Initiative has the potential for us all to address opportunities and challenges particular to the Atlantic while positioning Atlantic nations for a very different world as we look to 2030.

Your own country of Brazil has become a strong and influential regional and global player, not only in agriculture and energy, but as a burgeoning services and manufacturing power and a healthy multi-ethnic democracy. Brazilian leadership of the World Bank has been an important signal of the growing influence of rising powers. At home, progress over the past decade to lower crime, reduce poverty and advance the rule of law has been significant. Investment in Brazil has far outpaced that in China, India or Russia.

Brazil's progress has been matched by steady economic growth and positive political developments elsewhere on your continent. Nonetheless, South America has yet to meet its potential. The economic competitiveness of South America continues to lag behind Asia and some other fast growing areas. Some parts of the continent continue to be among the most violent in the world, due to the activities of drug trafficking organizations, transnational criminal cartels, and persistent weaknesses in governance and the rule of law. Those connections are not only flowing south-north through the Americas, they are increasingly flowing west-east as well, encompassing the entire Atlantic Hemisphere.

If South Americans intend to play a larger role on the world stage, they must seek opportunities to address together these broader challenges. The Atlantic Basin Network offers one such frame—it is not exclusive, nor does it compete with other organizations. In fact, its innovation is that it is premised on the notion of public-private networks rather than state-based hierarchies. The new attitude shown the

region by the U.S. and Europe offer a potentially interesting new window for South Americans to step up their international profile while dealing in practical terms with issues they face together with other Atlantic partners. It is time to set aside the zero-sum formulas of the past and seek a genuine partnership with the North Atlantic.

Although the situation on my home continent of Africa is in many ways different, we Africans face many similar opportunities and challenges. Parts of Africa are among the fastest growing regions of the world and Africa is a major global supplier of oil, gas and other commodities. It is now viewed widely across the Atlantic Basin and around the world as an opportunity to be grasped, rather than a burden to be carried. The false dawns of the past have given way to prospects for real progress for the future. Market liberalization, improved public management of finances, the continuing boom in Africa's commodities trade, and rapid expansion of consumer spending as well as banking, telecommunications and other services have created a new virtuous cycle for our continent. Africa is increasingly attractive as a base for low-cost manufacturing and offshoring, now that labor prices have risen so much in China and even in India.

At the same time, my continent remains vulnerable to HIV/AIDS, economic disruption, population stresses, civil conflict, corruption and failed governance. Many states lack the capacity to break up terror cells, thwart trafficking in arms, drugs or people, or provide domestic security. The stability of some regions of West Africa is being undermined by drugs coming from Latin America. Up to 250 million Africans could face starvation and malnutrition due to lack of fresh water supplies, lower crop yields, and drought. The dramatic crisis in Nigeria, which only came to what we can only hope will be a peaceful resolution last year, was a wake-up call to the need for Africans to tackle their internal challenges. Integrating Nigeria via the Atlantic Basin Network offers an opportunity.

Our four continents are being bound together in new ways. The opportunities we share are vast; the challenges we face are daunting. Even as the growing latticework of interdependencies across the Atlantic Basin has spawned new opportunities, it has also generated new vulnerabilities along the interconnected arteries and nodes that support the movement of people, goods, services, capital, ideas, and

technology upon which our societies depend. As our interconnections widen and deepen, our mutual vulnerability to breaks in these flows has increased, requiring mutual efforts to enhance the resilience of these networks and the critical functions of societies across the Atlantic space. A key goal for the Summit is to get both the leaders and the private and NGO stakeholders who will be attending to agree that together we are called to protect our connectedness, not just our territorial security. These developments call for close interactions between governments, the private sector, the scientific community, and non-governmental organizations. The very networks that have enabled globalization bring these dangers closer and make our societies more vulnerable to disruption. The networks themselves are prone to catastrophic disruption, either through aggressive action or because of the sheer complexity of the technology. Yet, these networks remain essential sinews of the global economy and of daily communications. As a result, they require protection. Just as governments used to protect their territories, so they must now protect the networks that connect them and their citizens with the rest of the world. Any truly transformative definition of security must go beyond territorial integrity to include protecting society's critical functions, the networks that sustain them, and the connections those networks bring with other societies.

Natural changes have made this effort even more urgent. The accelerated melt of Greenland's ice cap, together with major changes in the Antarctic ice shelf have given all Atlantic nations reasons to band together to address the consequences. The tragic hurricanes that hit England have galvanized the Europeans into action, and Hurricane Lois destroyed in two days what it took the people of New Orleans a decade to rebuild.

That is why the Summit's headline project—the creation of the public-private Atlantic Movement Management Initiative (AMMI)—is so relevant. AMMI promises to align security and resilience with commercial imperatives in Atlantic movement systems, including shipping, air transport, even the internet. It will improve cooperation among public and private stakeholders and could serve as the core for a more ambitious global governance framework.

AMMI is a prominent example of how the Atlantic Basin Network can serve as midwife for the new Atlantic system that is emerging under globalization. The Atlantic Hemisphere is characterized by new interdependencies, the rise of new actors, a new technological and ecological environment, and new power relationships. Concerted efforts are required to enhance and protect the global economic, political, technological and human flows on which the globalized Atlantic system depends; and to ensure that societies along the Atlantic Basin are resilient enough to capitalize on the opportunities and deal with the potential disruptions they may face. In our increasingly interconnected region, capacity is derived from connectivity. This should prompt Atlantic leaders to strengthen connections to solve shared problems.

The Atlantic Basin Network agenda is ambitious: advancing cooperation on resource and energy connections; promoting trade and investment; coping with migration and integration; building resilient societies; enhancing good governance; investing in health and human development; and fighting organized crime, drugs and other transnational challenges. If the Summit is successful, there is a good chance that this initiative can avoid becoming just another acronym in the alphabet soup of new multilateral groups. In fact, its key strength is its role as an international *non*-organization—a network of networks that can facilitate robust functional linkages among the Atlantic continents organized around the principle of open regionalism.

I know that our history in dealing with our North Atlantic neighbors could give us pause when contemplating a new initiative bringing us closer together. But as I have outlined here, a host of developments suggest that broad, interwoven, multi-directional hemispheric cooperation is possible. I look forward to working with you to make this first Summit a success.

Reference Notes

- p. 15, ... erase the invisible dividing line that has separated the North and South Atlantic for so long ...** Anne-Marie Slaughter, former Director of the U.S. State Department's Policy Planning Staff, has drawn attention to the possibilities: "The leading countries of the Atlantic hemisphere are more peaceful, stable and economically diversified than those in the Asian hemisphere ... It is quite a promising neighborhood, home to a wealth of human, economic, material and natural resources." She pointed to the enormous potential for further integration of the Hemisphere, underscoring that Canadian oil sands and Brazilian sugar cane are more promising than depending on Russian pipelines, and that markets for renewable energy—such as from biomass, wind, geothermal technology and other sources—are growing in Latin America. See Anne-Marie Slaughter, "America's Edge: Power in the Networked Century," *Foreign Affairs*, January/February 2009, pp. 94-113.
- p. 16, ... break the link between the production of wealth and the consumption of resources ...** See "We Can't Get There From Here," *Newsweek*, March 13, 2009, <http://www.newsweek.com/2009/03/13/we-can-t-get-there-from-here.html>; Rob Atkinson, Michael Shellenberger, Ted Nordhaus, Devon Swezey, Teryn Norris, Jesse Jenkins, Leigh Ewbank, Johanna Peace and Yael Borofsky, *Rising Tigers, Sleeping Giant* (Washington, DC: Breakthrough Institute and Information Technology and Innovation Foundation, 2009); Matt Hourihan, "UN Climate Negotiations and the Race to the Top (of the Clean Energy Heap)," <http://www.innovationpolicy.org/33932291> The United Nations produces a series of reports on this topic; see for instance the report by the UN Department of Economic and Social Affairs, Division for Sustainable Development, *Trends in Sustainable Development—Towards Sustainable Consumption and Production* 2010-2011, available at http://www.un.org/esa/dsd/resources/res_publtrends_2010_scp.shtml. For a security perspective on growing resource needs, see Christine Parthemore with Will Rogers, "Sustaining Security: How Natural Resources Influence National Security," Center for a New American Security, June 2010.
- p. 16, ... wasn't prepared for the BRINK countries ...** The term appears to have been coined by PFC Energy. See 'Evolving Structures of the Global Oil and Gas Industry,' Prepared for New America, Fareed Mohamedi, Partner and Head of Markets and Country Strategies, PFC Energy, March 2011. For more on the energy potential of the Atlantic Basin, see Amy Myers Jaffe, "The Americas, Not the Middle East, will be the World Capital of Energy," *Foreign Policy*, September/October 2011.
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- p. 17, ... the potential for millions of individuals and businesses to produce and share renewable energy will be transformative ...** Richard Smalley's phrase 'energy internet,' was picked up by *The Economist* and then by other authors, including Jeremy Rifkin and Thomas Friedman. See http://econlog.econlib.org/archives/2004/07/an_energy_inter.html; <http://www.economist.com/research/articlesBySubject/dis>

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Hello Goodbye

January 23, 2020

To: Governor Gifford

From: Your National Security Adviser

Subject: Charting a New Foreign Policy for the 2020 Campaign

The President has staked his Presidency on a reticent America. While that posture fit the national mood in 2016, when the Great Crash forced the country to retrench and resulted in his surprise election, America is in need of the new vision you can provide for the country. Your other campaign memos have focused on domestic policy. This memo reviews the dramatic changes in U.S. foreign policy in recent years and recommends a course of action for you to win the foreign policy debate and ultimately the Presidency.

America's dramatic retrenchment over the past four years resulted not from overstretch overseas but from fiscal, economic and political problems at home. While wars in Iraq, Afghanistan and North Africa certainly helped to dilute the U.S. position in the world, in the end the country's failure to tackle its own domestic challenges proved decisive.

A decade ago, America was burdened by a historically unprecedented and ultimately unsustainable national debt; high, persistent unemployment; creaking infrastructure; and declining competitiveness—all exacerbated by polarized politics that blocked the country from tackling any of these challenges effectively. If the situation had been allowed to continue, America's federal, state and local debt to GDP rate today would have been more than 120 percent. We would have become Greece.

But we never reached that point. When debt hit 100 percent of GDP at the end of 2015, confidence in Washington's ability to control its debt evaporated, triggering a dollar crisis in global financial markets. China's announcement that it was cutting back its dollar holdings imposed tremendous pressure on the dollar. The Fed was forced to raise interest rates sharply and President Obama had to revoke his own budget in his last year in office. U.S. authority and influence were badly tarnished, and the appeal of the American model of market-based capitalism was considerably weakened.

Obama's successor rode into office on a wave of anger at profligate government and the country's dependence on foreign entanglements. The old center of American politics vanished as chastened Democrats pledged to narrow their focus on those most hurt by the crisis and the Republican party all but collapsed into the Tea Party, its leaders vowing to take a hatchet to the federal budget. It was an ugly and punitive time. No category of federal spending was spared, including entitlements and defense. Each side realized that they had to compromise on some fundamental points. Deficits were cut sharply through a combination of big spending cuts, tax increases and re-imposed budget rules. Despite their very different starting points, both political camps rallied to a new consensus centered on a far more circumspect and reticent America. In short, America's diminished role was not due to the rise of other powers or external threats; it was a conscious decision by the American people.

Americans have not lost their sense of exceptionalism. But in the 2016 election the American people made it clear that they believed the best way to restore U.S. vigor and strength was to focus on problems at home, not engage in adventures abroad. In this sense the new national mood is more evocative of America's Jeffersonian tradition, which has always prioritized building a model society that others might emulate, rather than the Wilsonian notion that the U.S. has both a moral duty and a practical need to spread democracy to the ends of the earth. America's "new normal" consensus is that U.S. attempts to foster regime change abroad have on balance weakened American security, cast whole regions of the world into upheaval, and created whirlpools of instability from which undreamed-of threats later arise. The President himself is a reborn Jeffersonian who never tires of saying that his job is not to spread democracy abroad but to safeguard it at home. He likes to evoke Jefferson's admonishment to make America "a standing monument for the aim and imitation by other countries." He has been effective in capitalizing on the widespread belief that the 20th century legacy of protecting Europe and Asia had become outdated and only left America weaker and less competitive.

What has given the President's message real force, however, has been the Jacksonian storm that swept both houses of Congress. The Jacksonian majority in the House is characterized by antiestablishment populism, strong aversion to government debt, cuts to any

defense programs not clearly focused on the American homeland; skepticism that free trade with low-wage countries benefits Americans; and rejection of the scientific consensus on climate change. These tenets are all energized by a firm belief in America's "manifest destiny" yet fueled by deep skepticism about America's ability to create a liberal world order. Born-again Jacksonians believe that the U.S. government should focus like a laser beam on the physical security and narrow economic self-interests of the American people. They are unlikely to support any U.S. military intervention in the name of human rights or any limited aims other than retribution for an attack on the United States. They are prepared to do whatever it takes to defend the country, but they do not believe that U.S. interests are best served by a liberal world order.

This historically unusual amalgam of Jeffersonian and Jacksonian traditions is reflected in the rather solid popular consensus that such global phenomena as outsourcing and offshoring have not only destroyed the viability of low-skill, high-wage manufacturing jobs, but have also displaced many high-skill service activities as well. As a result of this convergence of views, American political leaders are inclined to resist any "entangling" institutional commitments and obligations, and the U.S. Senate is unlikely to ratify any of the pending treaties gathering dust in its subcommittee chambers. The country has turned against the easy rhetoric of free trade and the benefits of international engagement. Popular support for an expansive foreign policy has shriveled; there is little to no support for expensive state-building interventions leading to state-building exercises, such as those in Afghanistan and Iraq. Nor is there any support for the kind of humanitarian interventions to rescue people under assault from their own governments that we've seen over the past decade, like Syria, Yemen, or Libya.

This new national consensus gave the President a clear mandate in his first term to reduce America's footprint abroad and to focus, in his words, on "restoring America's promise at home." With support in the Congress, he is engaged in a massive burden-shedding exercise—shedding the burden of defending countries able to defend themselves, abandoning efforts to fix failed states, and focusing on those security challenges that he believes pose the greatest threat to America. Defense spending has been cut dramatically, and the current

BRAC exercise is slated to recommend the complete elimination of the U.S. forward presence in Europe, Japan, and the Middle East, with only a small force in the Strait of Hormuz and a token presence in South Korea.

If the President is re-elected, the changes are likely to be even more dramatic. The President's goal is to transform America's security posture from one premised on forward presence to one based on offshore balancing. His key argument is that the most vital U.S. interests are to prevent an attack on the American homeland; to prevent the emergence of any dominant power in Eurasia; and to forestall the emergence of a regional ("oil") hegemon in the Middle East. The U.S. should not become embroiled in the conflicts of other regions, but should instead promote regional balances of power to thwart any states with hegemonic aspirations. The President has argued that such a strategic shift will not only reduce conflict and make the U.S. safer, it will allow him to reshape the U.S. military to suit this more modest set of objectives, at a price that American taxpayers can swallow. This is the rationale behind his interest in withdrawing U.S. ground forces from Europe and Eurasia (including the Middle East) and assuming an over-the-horizon military posture. He has stated repeatedly that the U.S. should reinsert troops into Eurasia only if regional power balances crumbled.

He has matched these efforts by picking up the pace on nuclear disarmament and really starting to zero. He has ordered unilateral reductions of the U.S. nuclear arsenal that do not depend on Russia or on the Congress, going even beyond the provisions of the 2017 START Reduction Treaty—which is languishing in the Senate—to cut the active U.S. arsenal to 800 weapons and removing all remaining U.S. nuclear bombs in Europe.

The sole area where the President has boosted spending is in homeland security, to protect American soil from terrorist attacks and nuclear threats. His ambitious proposals to create "America's Shield" has invited great criticism from other countries and generated considerable controversy within his own party. But he is determined to shift the historic calculus governing America's deterrence strategy from offense to defense.

The President has been effective in arguing that his policy accommodates the rise of emerging powers; shifts the responsibility of defending Euro-Asian powers onto themselves; is unlikely to embroil the U.S. in other countries' disputes; and is thus both more efficient and effective in defending vital American interests than those wedded to the past. His strategy seeks to turn the emergence of other powers to U.S. advantage. It relies on a balance among many states to maintain U.S. security. All the other great powers are in neighborhoods populated by other would-be powers or dangerous regional foes. In contrast to a world of forward-deployed U.S. forces, which he believes only served to embroil America in others' disputes and made the U.S. a magnet for others' resentments, he believes that his approach to a multipolar world has deflected others' attention toward threats nearer to home, and that self-imposed U.S. restraints have further negated others' incentives to balance against American power. His approach is based on burden shifting, not burden sharing. It has transformed the U.S. from a regional stabilizer into a balancer of last resort by passing to others the primary responsibility for maintaining regional power balances and stabilizing Europe, East Asia and the Middle East. He argues that encouraging other countries to provide more for their own security, rather than relying on the United States, is a fundamental U.S. interest. Rather than identifying himself with Harry Truman's admonition that "the buck stops here," he has essentially passed the buck to other powers to take on the burdens of pacifying their regions, because their security and economic interests are greater. Better them than us, he always says.

The President believes that America is not in the business of solving other peoples' problems, and can afford to be a bystander in the opening stages of regional conflicts. In most cases, he argues, regional powers will be able to deal with trouble-making neighbors. And in the few instances where they cannot, the U.S., as offshore balancer, can always step in to defeat an aggressor.

Global Impact

The President's approach, supported by the Jacksonian-Jeffersonian majority in the Congress, has enjoyed some reasonable popular support. Faced with an overstretched military, massive government debt, popular disenchantment with foreign wars, and mounting challenges

at home, Americans have indeed lost their appetite for fixing other people's problems.

Yet America's new stance has had various repercussions overseas. Allies who had alternately relied on and recoiled from U.S. global leadership are finding it hard to adjust to America's retrenchment. The current drawdown and likely full withdrawal of U.S. ground forces from Europe has unnerved governments across the continent. Europeans were particularly surprised when the U.S. failed to join them to address the renewed violence in the Balkans. NATO's 70th anniversary summit was more funeral than birthday. The message the allies took away from that disaster is that Europe cannot rely on the United States. The effect has been to galvanize European cooperation in some ways, while adding to Europe's internal disagreements in others. Moreover, some of our relationships, even among some former close allies, have become more selective and situational, so that it has become harder to classify European countries as either allies or adversaries; they cooperate on some issues and resist on others.

Japan, South Korea and Taiwan have also been confused by U.S. retrenchment from its high-profile position in the Asia-Pacific region. They do not want to trade traditional U.S. security support for any collective regional security arrangement. Nonetheless, American reticence and new Asian dynamics point to more intra-Asian, and less Asian-American cooperation. The Administration's neglect of Taiwan, coupled with the continued rise of Chinese military power, means that the U.S. is no longer able to defend Taiwan from Chinese attack, a reality that could be tested in the near future.

Even as our traditional bonds with Europe and Japan have weakened, many countries have been attracted by China's alternative development model. Moreover, China is increasingly becoming the epicenter of an increasingly interlinked Asian hemisphere. In fact, greater Asian integration oriented around China is slowly filling the vacuum left by the weakening multilateral order, further undermining that order in the process. The creation of an Asian basket of currencies was perhaps the most visible recent effort by Asians to insulate themselves from financial contagion from volatile Western financial markets; reduce their overreliance on the United States; and facilitate regional economic integration.

Maritime security concerns are providing a rationale for naval buildups and modernization efforts, such as China's and India's development of blue-water naval capabilities. India and China can now project naval power to European shores far more easily than European powers can project power to the Pacific. The buildup of regional naval capabilities could lead to increased tensions, rivalries, and counterbalancing moves, but it also will create opportunities for multinational cooperation in protecting critical sea lanes.

Advances by others in science and technology, expanded adoption of irregular warfare tactics by both state and non-state actors, proliferation of long-range precision weapons, and growing use of cyber warfare tactics will increasingly constrict U.S. freedom of action. The multiplicity of influential actors and distrust of vast power means less room for the U.S. to call the shots without the support of strong partnerships.

These trends, of course, are uneven—although China and India compete, they are also rising together. The invention of the next generation of Internet by a joint Chinese-Indian team of scientists should prod us to understand the need to make equally important connections. Early and significant adoption of these technologies is already providing considerable economic advantage to those countries.

Perhaps the greatest impact of a more reticent America, however, has been in the Middle East. Lacking consensus behind a military solution to Iranian development of nuclear-weapons capability, and now faced with a nuclear Iran, the United States declared that it could live with a nuclear-armed Iran—just as it did with China in the 1960s, when China was seen as far more dangerous a rogue state than Iran was at the time. The President has declared that while a nuclear-armed Iran hardly is desirable, neither is it “intolerable,” because it can be contained and deterred successfully by the United States. His explicit extension of the U.S. deterrence umbrella to Israel, Saudi Arabia and the Gulf states, together with Iran's dual declaration that it would not attack Israel and not supply such weapons to terrorists, have dampened the possibility of a proliferation snowball in the Middle East. Nonetheless, politically the President has distanced himself from Israel, where—as elsewhere in the region—there is consternation about his assertion that America's new deterrence strategy for the

Middle East did not require an on-the-ground American military presence in the region, and that offshore U.S. air and naval power would provide sufficient deterrent power. Regional fears about a nuclear armed Iran could still trigger an arms race and greater militarization. States in the region worried about Iran and feeling abandoned by the U.S. are developing new security arrangements with external powers, acquiring additional weapons, and some are pursuing their own nuclear ambitions. Episodes of low-intensity conflict taking place under a nuclear umbrella could lead to an unintended escalation and broader conflict if clear red lines between those states involved are not well established.

America's diminished presence in the Middle East has only accelerated deeper economic ties between that region and Asia. Some two-thirds of Mideast oil exports go to Asia, and some 70 percent of Asian imports are from the Middle East. This pattern is likely to intensify. The U.S. unwillingness to maintain open seas has prompted concern over oil supply routes and is now leading to a China-India naval arms race. Japan, alarmed at the prospect of its oil supplies being disrupted, is engaged in a furious domestic debate about whether to revitalize its naval projection power.

The President's offshore balancing strategy means that the United States has abandoned any pretense of promoting democratic transformation in the Middle East. Faced with the rise of the Muslim Brotherhood in Egypt, and confronted tribal conflicts resulting in a radical Libyan regime following Gaddafi's ouster, the United States simply opted out, arguing that it could not successfully pick and chose winners in the region's politics, and decided to avoid the double risk of becoming entrapped in potential domestic upheavals and thereby giving additional stimulus to radical Islamic terrorists who want to target the United States.

All told, this Administration's foreign policy is hastening the emergence of an apolar world, as other states rise, globalization quickens, and non-state actors play increasingly influential roles. The relatively predictable relationships and structures of the past have given way to fluid patterns of simultaneous cooperation and competition among the major powers—the U.S., China, the still-fitful EU, Russia, India and Brazil—as each seeks to obtain the best economic and political

advantage for itself while cooperating on issues of common concern. A whole other tier of emerging powers—from Turkey and South Africa to Indonesia and Egypt—are gaming the system, asserting their voice without necessarily buying into international rules or norms of behavior. This pattern is producing unexpected accommodations and temporary alliances. It has generated tensions and made it far harder to build collective responses and to make institutions work. The Brasilia Round of global trade talks—following on the heels of the Doha Round’s failure—itself proved to be stillborn, as other countries have followed the U.S. call to “take care of their own.”

As a result, U.S. influence is not what it once was. Both Beijing and Moscow diluted international efforts to pressure the government in Nigeria to end its tragic conflict. The joint EU-Chinese peacekeeping operation in Africa foundered. Resource nationalism has reappeared as countries scramble to secure supplies of raw materials, food, water and energy.

This is not a world conducive to American interests. Apolarity has increased the number and nature of threats and vulnerabilities facing the United States. These threats can take the form of rogue states, terrorist groups, energy producers that choose to reduce their output, or central banks whose action or inaction can create conditions that affect the role and strength of the U.S. dollar.

Your challenge in the coming campaign will be to convince the American people that a world without America is a dangerous world for Americans. The government may be broke, but America is not poor. To advance American interests and values, the United States must reinvest and reengage. It is time to embark on a new course.

Winning Back the Presidency—and America

For the moment, the traditional internationalist alliance between those who believe that open commerce and an activist U.S. political and military presence are the best means to ensure American prosperity and security is on the defensive. America’s Wilsonian impulse—the notion that the United States has both a moral obligation and an important national interest in spreading American democratic and social values throughout the world, creating a peaceful international community that accepts the rule of law—has been muted.

But the President was wounded in his own party's early primaries by Senator Cartwright's charge that his extreme policies had sacrificed our allies and our interests. Similarly, your initial statements challenging your primary opponents, most of whom still cling to the rhetoric of retrenchment, have resonated with an activist core of supporters. If you are to win the foreign policy debate and with it not only our party's nomination but the election, your challenge will be to unite this internationalist core, which straddles both parties as well as independent voters.

The President's improbable election was due to a unique moment in American political life when economic crisis coincided with a surge of populist political energy and a significant loss of popular confidence in establishment institutions, ranging from mainstream media and the foreign policy and defense and intellectual establishments to the financial and corporate leadership and the government itself. The failure of political leaders of the time to break out of their petty bickering and to tackle the mounting pressures on America's position at home and abroad unleashed a populist backlash of striking proportions. Yet this constellation is uneasy, unsustainable, and vulnerable to change.

You should have no illusions—your call for a revival of America's internationalist impulse will be difficult. If done right, however, your message could resonate with the forgotten mainstream. In retrospect these past four years have perhaps been an inevitable corrective, a necessary interlude, a painful *intermezzo* of realigning ends and means. But the President has made mistakes, the country is on the rebound, and there is a growing realization—which you can capture—that America cannot simply retreat from the world. Voters are turning away from the President's message of sullen retrenchment and are receptive to a new message of progress. This is your opportunity.

Your opponent's call to "take care of our own" is resonant in America today. Indeed, the need for domestic renewal is self-evident. But how do we "take care of our own" in a world where it takes seconds to transfer wealth, minutes to flash news, or hours to transmit diseases from one continent to another? An apolar world of disparate itinerant and diffident powers will not help us cope with new diseases, civilian disasters, conflicts over resources or the breakdown of world trade. America's domestic renewal requires America's active engagement

abroad. The affairs of the world have become too deeply integrated into the fabric of our lives for us simply to ignore the rest of the globe while we concentrate on our domestic priorities. Foreign policy must be founded on a renewal of our domestic strength; yet we cannot rebuild our domestic strength in opposition to an active foreign policy.

America cannot sustain an effective foreign policy unless the American people are confident that our actions abroad serve our interests at home. America still has greater capacity over more dimensions of power than any other country, and traditionally has been better connected to all other countries than they have been to each other. The problem is that in our decade of retrenchment we have allowed all of this to atrophy. We have cut ourselves off from a critical source of American strength—the openness of our country and our people. You have the opportunity to challenge the prevailing consensus and to build a new domestic coalition to reestablish American vigor at home and abroad.

You must be clear that the need for constructive engagement is not a call for a new unilateralism. It is an effort to reconcile our domestic needs with our international challenges. What is required is a fusion of our values and our interests. As the next American President, you have the opportunity to break the cycle of expansive idealism alternating with narrow self-interest—both, at heart, forms of unilateralism. It is time to build a consensus on new priorities.

Today's apolar world is an increasingly difficult and dangerous one for America. That is why you have a chance to change the terms of debate—to emerge from our decade of retrenchment to encourage a greater degree of global integration, establish a core group of governments and others committed to cooperative multilateralism to help manage apolarity and increase the odds that the international system will not deteriorate or disintegrate. To win the Presidency, you must tackle this mood head-on and energize a new coalition of internationalists; free-trade pragmatists; and value-centered voters.

You must make the case that there is no substitute for American leadership, but in an era of lowered expectations and resources such leadership must be of a different kind. There will be a premium on consultation and coalition building and on a diplomacy that encourages cooperation when possible and shields such cooperation from the fallout of inevitable disagreements.

There are positives upon which to build. Anti-Americanism has diminished, and no Great Power rival or set of rivals has emerged to challenge the United States. Yet overall the situation is troubling. Your platform should focus on one clear message: the United States can and must take steps to reduce the chances that an apolar world will become a cauldron of instability.

A key point of attack is that there is little evidence that others are willing to share U.S. global burdens. Washington has pulled back, but others have not come forward to share the burden, they have moved into spaces created by U.S. absence to extract as much advantage as they can for themselves. China's rush to lock down reliable long-term access to natural resources has led Beijing to aggressively buy commodities in Africa, Latin America and other emerging markets. Your challenge that the President was "asleep at the switch" when Russia forcefully re-annexed Georgia was a bright moment of challenge that forced many to reconsider their approach, even though in the end it failed to either stop Russia's actions or to swing the national mood. Europe's failure to step into the breach, however, affirms your argument that even though the U.S. has stepped back others have not stepped forward. The result is a more disorderly and less prosperous world.

In fact, you can make a strong case that the rising powers are simply not ready or willing to stand up for a vast set of principles—the collective defense of democracy, nuclear nonproliferation, trade liberalization, international criminal justice, environmental protection, respect for human rights—that have been enshrined in many international and regional treaties and agreements and that are essential to America's own security, prosperity and democracy. Constructing this web of international norms was the mission of two generations of American leaders, supported by the American people. It was slow and painful work over decades, and now it is unraveling. The "new" powers are still wedded to old principles—sovereignty, self-determination, non-intervention, and autonomous economic development. They are not ready to abandon their traditional stance favoring nonintervention over the collective defense of human rights and democracy.... Trying to gain greater status without a road map, they fall back on their default option: the rhetoric and posturing of bygone days, invoking national sovereignty and nonintervention, calling for limited interna-

tional jurisdiction, and defending the application of different standards to different nations. Unfortunately, this mood is resonant within America as well. Whereas many Americans and Europeans especially over the last half a century championed cosmopolitan norms of individual rights over collective rights of state sovereignty, actors such as China, Russia and India continue to jealously guard the norms of self-determination, autonomy and sovereignty.

The U.S. did continue one key element of its previous policy framework: it has resisted the further spread of nuclear weapons and unguarded nuclear materials. Given their destructive potential, this effort remains extremely important. But as part of our retrenchment we have shied away from any additional security assurances and defensive systems that could be provided to states which might otherwise feel compelled to develop nuclear programs of their own to counter those of their neighbors. And we have abandoned our ability to work with other key countries to impose robust sanctions—on occasion backed by armed force—to influence the behavior of would-be nuclear states.

In short, you can make a good case that our retrenchment from the world's affairs only hurts us more. Ten years ago, the basic complaint was about the U.S. having too much power; today the even worse—perhaps far worse—challenge is that the U.S. has too little of it.

The way forward is not to propose sweeping adjustments to questions of global governance, but to use U.S. power and its connections to other powers to forge limited coalitions for specific ends. The U.S. should actively form issue-specific major power groupings, most of which will be steered by Washington, that seek to reach informal bargains that can shape broader agreements in more formal mechanisms such as the IMF, NPT or the UN. The Major Economies Forum developed this way, and did the Nuclear Security Group. Such efforts are a relatively effective and efficient mechanism through which to advance U.S. interests and structure relations with other key powers in an apolar world. This is the age of unilateralism.

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Live and Let Die

June 9, 2020

Memorandum for the Chancellor

Subject: Your Attendance at the Euromark Council

It is somewhat ironic that your meeting with the Euromark Council falls almost exactly 10 years after the European Union first agreed to a bailout package in an effort to stabilize Greece's then-massive debt. At that time, European leaders asserted that Europe has always moved forward through crisis—and this would be true again for the eurozone.

Instead, that decision—or rather, the weakness of it—appears to have been the catalyst which, given underlying trends, set in motion the chain of events that has brought us to the decision before the Euromark Council this weekend: whether to put the Reinfeldt Commission's recommendations for a new European Confederation up to individual member states for ratification. If approved, those states invited to ratify will remain part of a single market and currency zone; the rest will remain outside with loose political coordination among all. The practical effect will simply be to recognize the reality that has set in over the past several years: that the dream of a unified Europe that motivated an earlier generation will never be realized, and instead that the “euromark zone” will be recognized as the new core Europe. And within the euromark zone, Germany will continue to be an even more dominant player than it had been in the old eurozone.

It is worth retracing the steps that brought us to this point. When the eurozone crisis first hit ten years ago, the Lisbon Treaty had just been put into effect. Yet the centrifugal forces pulling Europe apart were already well at work.

Underlying Economic Factors

On the economic side, the most important of these was the interplay between globalization and demographics. In the preceding 50 years, Europe had built a social welfare model based on a large working population, with a globally competitive economic output, support-

ing a modest elderly population. Each of these foundations, however, had changed by the time of the eurozone crisis.

When women joined the workforce, Europe's working population continued to grow, even as total population growth stabilized and began to reverse. Once women were "in," however, the overall size of the working population itself began to decline, while improvements in health care meant that the size of the retired population continued to grow. This alone would have been enough to put pressure on state budgets as the costs of pensions and health care for the non-working population could not be borne by the size of the residual workforce.

But the rise of lower-cost, less regulated economies around the world meant that while the population was changing, jobs and productivity gradually migrated away from Europe as well, leaving this smaller European workforce without the income-generating possibilities needed to sustain this old economic model.

Immigration has done little to change this dynamic—and indeed Europe's failure to manage its immigration issues has been one of the key components of EU decline. As we have failed to create mechanisms to attract and retain high-skilled labor, Europe has become a magnet for the unskilled, which has only fueled political conflict and given rise to the populist movements that have entered parliaments all across the continent. And even though Europe feared that the revolutions sweeping the Arab world in 2011 and 2012 would generate a massive immigration from North Africa that would bring low-wage workers into a weak economy where there were already not enough jobs for the existing European workforce, in fact the opposite happened. As the "Arab Lion" economies took off, immigration dwindled and even some long-resident populations returned home, further depriving Europe of the influx of human talent it has needed. Although the United States, in its own chaotic way, managed to adapt through population growth, deregulation, and drastic reform of social programs, Europe was literally shrinking.

A further factor was the self-imposed cost of Europe's regulatory choices, most importantly in the energy sector. The year 2010—or perhaps a few years before—marked the beginning of the transformation of global energy markets. Prices of traditional fuels began to rise dramatically as newly developing economies used them to power eco-

conomic growth. Because they endured almost no costs on the back end by burning them “cleanly,” they were able to bid up prices on the front end, raising costs to all consumers.

Those developed nations that invested in market-competitive alternatives—nuclear power in China, Russia, India Brazil and (belatedly) the United States, shale gas in North America, etc.—were able to absorb the impact of the rising cost of traditional fuels. Much of Europe, unfortunately, was not.

The nuclear standards imposed by Europe—as the German price for continued French and central European development—meant that nuclear power was never the cheap alternative it could have been. The European ban on shale gas production after the 2014 Krakow disaster meant that Europe’s only access to natural gas was from Russia’s monopolistic and diminishing supply, or from LNG—in either case pushing the price of gas in Europe today to nearly 4 times global market levels. And finally, the European mandate on renewables has added as much as a further 35 percent to the cost of electricity production in Europe as compared with global markets.

The high costs of energy have had a significant effect on prices throughout the European economy, and in turn have led to a modest reversal of low external tariffs, as well as diminished European role as an innovation economy. It is simply faster, cheaper, and easier to develop new technologies and processes on the spot in places like India—where they can be brought from drawing board to mass-market in nearly a single and constant motion. European-owned capital, while still significant, invests, profits, and re-invests largely outside of European territory.

The Euro Collapse

It was these underlying factors, setting the conditions for fundamental financial unsustainability, that lay behind the eurozone collapse in 2013, and the continued weakness of the euromark and wider European economy today. Bailouts and austerity measures might have worked, had the underlying factors been favorable. But it became clear to markets, and eventually to European leaders, that no amount of bailout money or painful austerity measures could compensate for these underlying fundamentals.

The European social model had to be reworked—and it had to be applied differently across different member states based on their underlying economic fundamentals. While some could sustain a more generous system, most could not. Once the first debt restructuring was announced in Greece, the floodgates were open. The run on Greece led to the runs on Portugal and Spain. The other eurozone members saw the price of their debt skyrocket to unsustainable levels. What had previously been unthinkable—the dissolution of the eurozone—instead became the only means of self-preservation for the healthy and stressed economies alike. The new “euromark” in the north was all that could be salvaged—and that in turn became the foundation of the two-speed Europe that has since emerged.

As you know more than perhaps any other leader, even this euro-mark zone remains under long-term economic pressure. The competition from Asia, South Asia, the Middle East, and the Americas remains exceptionally tough, and structural realities within the euro-mark zone mean that fiscal and monetary policy options remain extremely limited. But at least the well-being of the population in this zone has remained somewhat stable, whereas much of the rest Europe has suffered steep declines in per capita income.

This new, northern Europe also rests more squarely on the shoulders of Germany than the EU as a whole ever did. Indeed, the EU at its origins was created as a way to constrain Germany. Today, German militarism is barely a historical memory, while Germany’s fiscal discipline, strong industries, and global trading relationships are more important than ever in sustaining the vitality of the euromark area. And while the euromark zone cannot financially prop up the governments of southern Europe, the underlying strength of the euromark economy has spillover effects that benefit the entire continent.

The southern European states have managed to stabilize currencies and government finances at lower levels of real wages and GDP per capita than had been the case in the old eurozone. While this is a decrease in prosperity on paper, and indeed in reality, it is less significant in practice than expected. The persistence of gray economies, seasonal tourist economies, small-scale agriculture, together with cultural and lifestyle differences with northern Europe have meant that

the “decline” in the south has been relatively modest, and the region’s economics are now more stable than before.

The euromark zone has also helped stabilize a more constructive relationship with Russia. Russia continues to suffer from its own problems—worse than the rest of Europe, with declining population, a long-term public health crisis, lack of robust economic diversification, internal ethnic and religious strife, and decaying infrastructure. Russia continues to be a major source of energy for the euromark zone, but the euromark zone itself now enjoys a diversity of supplies and a healthy balance sheet, meaning Russia is an economic partner, but has no capacity for mischief affecting Europe.

A Less Perfect Union

It is important to review these economic fundamentals from several years ago, because they led to the political changes that define the Europe we face today.

First among these was the rise of nationalist movements on the right in virtually every EU member state. Initially dismissed as fringe elements, these movements have now become the dominant political forces shaping every European state—much as the Social Democratic movements had done during the period of European construction starting in the 1960s. The difference, however, is that today’s movements mark a clear departure from the concept of European “solidarity” that had been championed for so many years. The dream of Europe was seen as an alternative to the dream of strength and prosperity, and publics opted for strength and prosperity at a national level instead.

The politics in each member state is now principally driven by the health of the nation: national well-being, national finances, religious and ethnic affirmation. Whereas the Lisbon Treaty has aimed to build a more integrated Europe through more empowered institutions, the unanticipated effect was that nationalist movements were able to use the new structures to tie central European institutions into knots while they advanced national agendas at home.

This is not to say that the concept of “Europe” has been fully removed from the vocabulary. Rather, it is the meaning of this concept to average Europeans that has changed fundamentally. Instead of a

concept that defines oneself, it is instead a concept that defines one's neighborhood. Whereas publics in an earlier era, thinking of themselves as "European," accepted costs, direction, identity, sacrifice—and expected benefits as well—from European Union institutions, publics today accept neither the costs nor the benefits beyond the national level. Europe is back to being a geographic concept, not a political one.

With such changed expectations, the de facto development of a two-speed Europe—the ten euromark countries in the north, and the remainder in the periphery—was only a natural extension. And indeed, seven years on, this loser Europe appears to be stable and even hopeful.

Cheap Security

Perhaps the one bit of good news is that no serious security threats appear to affect Europe. Violence and instability in the Middle East has been replaced with booming economies. Radical Islam has marginalized itself as a political force as Muslim reformers have shown publics a better life on this earth. The terrorism that hit its peak in the 2000's has retreated as a threat to Europe. Though nuclear weapons have spread to 17 nations, the likelihood of their use—and particularly use against any part of Europe—remains extremely low. Russia remains consumed by its internal disintegration. And the regional conflicts in which Europe was engaged a decade ago—Afghanistan, Libya, Syria—have long since ended.

All this means that Europe's maintenance of minimal national defense establishments—no more than a quarter percent of GDP—still carries little risk. While Europe is not able to mount substantial military operations, even for UN peacekeeping missions, the need to do so is also practically non-existent. The United States and South Asia continue to lead on global security matters. Europe is able to contribute to international "policing" operations where appropriate, and usually along its own periphery, but has long since given up the unnecessary ambition to lead truly international operations, or take part in more aggressive interventionist operations. Meetings at NATO's cavernous headquarters in Brussels, though embarrassing and anachronistic, are also largely irrelevant, especially since the United States has stopped attending at ministerial level. The United States

looks outside of Europe for dealing with hard security issues, and security issues internal to Europe are outside of NATO's purview.

As with much else, the real issues on security are dealt with at a national level—intelligence, police, cyber, borders. The widespread use of biometric scanners linked to detailed personal data profiles has allowed the euromark zone to maintain a single external border for its core continental members, while their use throughout the rest of Europe states adds to the security of Europe as a whole. All of this has come at far lower cost than the prior investment in high-end conventional military equipment, which was unaffordable in difficult economic times and went largely unused.

A Distant United States

The lack of any real security threats is also important because it means the growing U.S. distance from Europe is of little relevance. While Europe lurched from internal crisis to internal crisis, the United States grappled with its own internal crises. The United States, however, has re-emerged as a strong global political, economic and military player.

After coming to the brink of financial ruin in 2013—when in parallel with the euro's collapse, markets began dumping U.S. Treasury bonds—President Obama and the Republican-controlled Senate and House hammered out a massive restructuring of public finances that slashed social and defense spending and raised revenue through tax reform. At the same time, substantial industry de-regulation was introduced (especially in the energy sector, and at the expense of environmental and labor concerns) in an effort to lure economic activity back to the United States from outsourcing abroad.

Though extraordinarily painful for the first few years—resulting in the weakest showing of the Democratic Party since the Civil War in the 2016 elections—the U.S. economy began rebounding in 2017 and is now experiencing strong growth. The effect of a rebounding U.S. economy has tied it even more tightly to Asia, South Asia and Latin America, which are enjoying strong growth of their own.

In short, the Bush Administration's unilateralism and the Obama Administration's cool *insouciance* toward Europe were not aberrations,

but in fact harbingers of what is now a deeply embedded reorientation of the United States to the newly developed world. While the combined US-NATO-EU Summits were relegated to “one-per-Administration” events, APEC, U.S.-ASEAN, OAS, and bilateral U.S.-India, U.S.-China and U.S.-Brazil summits are now all at the top of the U.S. priority list. And as these relationships have matured, the contributions of newly developed countries to global peace and security have largely replaced those made by Europe in the last century.

The New Core Europe

All this brings us back to the subject of this weekend’s Euromark Council meeting. The 2015 Luxembourg summit took the first steps in cleaning up the debris of the eurozone collapse: amending the Lisbon Treaty, eliminating layers of accumulated Brussels bureaucracy, establishing coordination mechanisms between euromark and non-euromark European economies, and restoring national sovereignty over nearly all but pure Single-Market issues.

This weekend’s gathering will complete that task. It will seek to codify what has stabilized as a less ambitious but more sustainable European order. Gone are the dreams of Europe being a major global actor, of a single Union, an economic powerhouse able to use its strength to leverage soft power in the world. In its place is a diverse Europe with a Single Market, but with significant variance in economic performance, living standards, and external relations.

For the periphery, this has been a mixed bag. Ironically, in Greece, which was the catalyst of the eurozone collapse, day-to-day life has been only marginally affected. While there is little economic growth and wealth creation, and social spending has been slashed since its heyday in the 2000’s, the people remain close to agriculture, fishing, and family—and tourism has continued to bring cash into the economy. For Ireland, however, times have been exceptionally hard. In either case, however, it is clear that euromark citizens do not have the capacity to sustain the economies of the periphery.

And yet amid all this, the euromark zone, with its emphasis on economic centralism but political pluralism, has proven itself an effective model for a more modest core Europe. Stripping away the residual baggage of past structures will allow the euromark zone to reform—

tackling more deeply some of the economic fundamentals that caused the collapse of the old eurozone in the first place. If leaders seize this opportunity, it can give an outlook to more robust economic growth in the euromark zone in the future, which can become a driver of growth in the neighboring non-euromark areas.

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With a Little Help from My Friends

June 9, 2020

Memorandum for the President

Subject: Your Participation in the U.S.-EU and G-20 Summits

As you approach the last U.S.-EU and G-20 Summits of the first term of your Presidency, Asia, South Asia, Latin America, and the Middle East are all booming, but the United States and Europe are not. And this confronts the West with some fundamental questions: Is the era of Western global leadership now over? With our emphasis on democratic values, rule of law, private sector economics, and long-ago developed national infrastructure and economies, can we ever successfully compete with the newly developed economies around the world? And is the world now irretrievably moving away from free markets and free trade as the basis of the global economy?

It is too early to know the answers with certainty. One tends to believe that the pendulum always swings back to center. But the possibility that what we are living through is a long-term, structural, one-way shift in global power, resources, and values is worth pondering. And whether or not this is truly the case, the fact that it is an open question is reason enough to consider some radical proposals for reinforcing the U.S.-European partnership that has languished in the past 20 years. If we do nothing, the developing world will continue to eat our lunch; the alternative may be higher external walls, around a single transatlantic marketplace. That, at least, is the European proposal coming into the U.S.-EU Summit, and as hard as it would be to implement, it is certainly worth exploration.

Brave New World

Though we are used to the shape of the global economy today, it is worth recalling just how much it has changed over the past 10 years. China is likely to surpass U.S. GDP next year—far faster than anyone had predicted just 10 years ago, and India is nearing two-thirds of U.S. GDP. Trade between them has grown exponentially—and indeed trade among all countries excluding the U.S. and Europe now accounts for over 80 percent of global trade.

The non-transatlantic nations now account for over two-thirds of all energy production, energy consumption, foreign direct investment destinations, new patents, kilometers of high-speed rail lines, global tourism expenditure and destinations for global tourism, and spending on movies and music. And they account for seven-eighths of the world's population—so there is still room to expand. In short, in just about every conceivable measure of economic performance and cultural output, the traditional transatlantic share of the world has fallen to the status of a distinct minority, and trendlines point to more of the same.

The only area where the transatlantic community still leads the world is debt—which, though reduced as a share of GDP from the crises of 2012 and 2013, still remains extraordinarily high (averaging over two-thirds of GDP across the transatlantic community) given the difficulty in cutting long-assumed social benefits to an aging population, while paying for them with a barely growing workforce.

Moreover, it is not only the quantity of the rest of the world's weight that has changed. It is also the quality. A whopping 40 percent of non-transatlantic GDP—and a majority in strategic industries—is controlled by state-run enterprises. The majority of goods are traded among countries where at least one of them does not have a free-floating currency—so while prices are nominally set by global markets, in reality they are set by state regulators.

While the United States and Europe have tried to emphasize renewable energy and reduced CO₂ emissions, these efforts have been dwarfed by the rest of the world's massive consumption of traditional energy supplies with a view toward fueling rapid growth at the lowest possible cost, meaning that global emissions have continued to rise and are now at double-digit rates of increase.

This has also given rise to significant resource competition among the newly developed countries, pushing up global prices in nearly all areas—from foodstuffs to energy to minerals to water—and affecting the U.S. and European economies significantly, even though we are not driving the change. Thus far, this resource competition has remained in the economic sphere—though it remains possible it could spill over into political or military competition as well.

Although the majority of populations live in countries that we would consider genuine democracies—with China being the main exception—the behavior of most countries in global markets is more one of mercantilist nationalism rather than liberal internationalism. And while committed to democracy at home in most cases, their interest in seeking to advance democratic values abroad is nearly non-existent.

Domestically, in both the United States and Europe, growth has been stagnant for a decade. Jobs lost in the Great Recession have not returned, simply because the cost structures and bureaucratic rigidities on both sides of the Atlantic—as well as their stagnant markets—make it easier to create growth and jobs just about anywhere else in the world. And the ease of global communications and transportation has continued to make the actual location of an industry less and less relevant to its global success.

Shift in Global Security

Alongside the shift in economic weight has been the shift in global security challenges, and in security capacity. While the United States remains the world's largest military power by expenditure, China continues to pour money into new equipment and capabilities, and is able to get far more “bang for the buck.” This has prompted growing military spending by others in Asia—including Taiwan, Japan, Korea, Indonesia, India and Singapore—leading to a tense but stable military balance in which the United States has become more of a foot on the scales rather than a singularly dominant military force.

The same can be said for the Broader Middle East region. Pakistan, Iran, Iraq, Saudi Arabia, Israel, Egypt, Syria and Turkey are all beefing up defense establishments as deterrents against each other.

The geographic foci of the world's most intense security competition has shifted to the South China Sea, the Indo-Chinese and Indo-Pakistani borders, Egypt/Saudi Arabia-Iran, the unified Korea and China, and internal borders within southeast Asia. The Israeli-Palestinian conflict—while still unresolved—is by comparison relatively quiet.

Iran's acquisition of nuclear weapons has led to a flurry of other states acquiring nuclear weapons as well, creating a new era of “balance of terror” deterrence, in which Europe and the United States are

largely on the sidelines. Fortunately, the simultaneous growth of democratic practices throughout the Broader Middle East and South Asia, including Iran, has given a higher degree of responsible civilian oversight to these multiple nuclear programs.

Russia has proven to be neither a threat nor a partner. Its early ambitions under President Putin for a resource-nationalism-based revival of Russian power and a Russian sphere of influence have come to naught. Russia has enjoyed neither the resource-based income it has sought, nor the good governance needed to put such resources to strategic purpose. Its neighbors, meanwhile, have grown increasingly independent economically, politically, and culturally over the past 25 years, diminishing Russia's influence still farther.

In this new global environment, NATO has become largely irrelevant. The Afghanistan and Libya operations ended long ago, and NATO has retreated to the popular but largely unnecessary task of protecting European territory against military attack. This is due in no small measure to the fact that, on the one hand, Europe has largely stepped out of military affairs, unwilling to fund more than minimalist defense establishments for purely territorial defense, and on the other, the United States has turned its focus clearly to the areas in the Middle East and Asia where today's security problems actually reside. European partners are unable to bring much to the table in these areas, while regional partners have become indispensable for managing regional security competition.

The Decline of Atlanticism

Given all these trends—and the challenges they imply for the United States and Europe—it is therefore surprising to look back in hindsight and see that transatlantic cooperation grew weaker at the same time that the rest of the world was growing stronger.

Rather than joining together because of common values and interests, we allowed the weaknesses of our politics and finances to dictate our relationships. Each side of the Atlantic has actively pursued its own relationships with Asia, with South Asia, the Middle East, and Latin America. This has mostly taken the form of seeking buyers for Western debt securities, and agreeing to structured business deals brokered directly with foreign governments and their state-owned

entities. These activities have only served to reinforce the growing state role in the global economic order, rather than international economic liberalism.

Just as these weaknesses in our economies and finances drove us to pursue other relationships with greater vigor, likewise the weakness in our political vision did the same for diplomatic relationships. While the EU-Asia and EU-Africa and EU-Latin America summits—and their American equivalents—have all blossomed, U.S.-EU summits were reduced from twice yearly to annually to once every two years and now to once in four. After NATO in 2016 closed the doors on its Afghanistan operation—its longest, most demanding, and least successful—a NATO summit was held since at the beginning of your term of office, in 2017, and not again since. The next will only be held again in the next term, if then. The G8 has long-since stopped meeting, giving way in full to the G20 instead.

G20—A Troubling Agenda

This brings us full circle to the U.S.-EU and G20 meetings at hand. The Chinese, as G20 hosts, have proposed a new “rules of the road” document aimed at solidifying principles of state-led growth and trade. This includes exempting state-to-state contracts, and state-entity to state-entity contracts from WTO rules. It includes international recognition of privileged “easements” negotiated by states and state-owned entities for unique access to key resources. It explicitly forbids linkage of contractual arrangements between states or state-owned entities to “conditionality” on democracy, human rights, or other issues of governance. The list goes on.

Of course even the Chinese know the G-20 is a fig-leaf organization. It is the bilateral and sub-regional deals that have grown to dominate the newly developed world’s economic interactions. Nonetheless, the Chinese aim is to get an international endorsement of the type of bilateral economic deals they have been pursuing successfully for many years. Their behind-the-scenes diplomacy and deal-making has bought them support among a majority of the G20 nations, who are attracted to the predictability implied in the Chinese approach (and the fact that it legitimizes their state-driven trade practices in any event). There will be a heavy push for agreement at the meeting in

Shenzhen—and even in the absence of full agreement due to U.S. and European objections, the substance of the document will be put into practice by the majority of G20 states anyway.

From a transatlantic perspective, however, this new rulebook—whether agreed formally or implemented as a matter of practice—is a direct assault on the liberal economic order that has benefited the global economy, and been sustained through the IMF, WTO and other organizations, for decades. We have lived through the erosion of this order in practice; it is another thing to consign it to history as a matter of decision. Indeed, perhaps the time has come to push back with a new initiative for a liberal marketplace, centered on the transatlantic community.

Reinvesting in the Transatlantic Market

That is what makes this upcoming U.S.-EU summit—two days ahead of the G20 meeting—one of the more important ones we have had in decades. In days gone by, we used to think of the world as “the West and the Rest.” Under today’s conditions, however, it is “the Rest” that have moved forward, and “the West” that has been reduced in relevance. Given the shifts in economic weight and dynamism, we may be unable in the short term to exert much influence on the economic development going on in the rest of the world. But we do have the opportunity to affect our own “internal” transatlantic economy and political cooperation, and lay the groundwork for potentially greater influence down the road.

To do this, Europe has proposed an ambitious agenda for the U.S.-EU summit. This includes the creation of a single transatlantic marketplace. The establishment of a joint regulatory authority, with mutual recognition and eventual harmonization of existing regulatory regimes. The elimination of restrictions on the movement of people, capital and goods across Europe, Canada and the United States. The adoption of fiscal and monetary policy guidelines, including deficit and debt limits, to help smooth the operation of a single transatlantic market. The raising of external tariffs around this market. The establishment of joint political-consultative bodies to oversee implementation of these proposals over renewable 5-year periods.

Even just two years ago, these proposals would have seemed ridiculously large in scope, dangerously protectionist, and correspondingly impossible to imagine implementing. As the balance of economic power has shifted away from the transatlantic community, however, we are less and less able to assure our own individual economic well-being, or to influence the operation of a global marketplace along liberal economic lines.

If trends continue as they now stand, we will see the continued erosion of wealth, jobs, market share, and technological innovation within our own community. It is therefore worth serious consideration whether the creation of a billion-strong Transatlantic Single Market can help to reignite economic dynamism in the transatlantic area, in order to exert a greater influence on the development of the global marketplace.

To be sure, just as we object to the Chinese agenda, there are elements of the European agenda to which we would object as well—and equally, demands we would have, such as on reducing Europe’s own labor market rigidities and budget deficits, and relaxing some environmental restrictions. Still, the potential benefits to the United States of “fair” competition within a larger transatlantic market may help offset the increasingly “unfair” competition of a dynamic yet state-led “rest” of the world.

It will not be possible to reach agreement on such a transatlantic agenda in a single meeting. Still—just as the Chinese agenda will not go away even when it is not formally endorsed at the G20 meeting, the idea of a transatlantic marketplace should not go away even though it is fraught with difficulty. It may be the only way to restore our own economic weight and credibility before it is too late.

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