

# A Wake-Up Call to European Leaders: The Sophistication of US Foreign Policy

Recommendation to  
the Governments of  
the Member States of  
the European Union

by André Nilsen

The reelection of George W. Bush to another four year term as President of the United States, and his promotion of National Security Advisor Condoleezza Rice to Secretary of State, makes it imperative and urgent that the European Union gets its act together in foreign, security, and defence policy. While European leaders are quarrelling among themselves, Bush is busy shaping the future of our world.

Bush and his administration are neither ignorant nor short-sighted in the way they conduct US foreign policy, despite the failure in securing stability in Iraq and the vitriolic criticism offered by many European commentators. On the contrary, the President and his key advisors have understood that the most sophisticated way to shape the world in the years ahead is to carry out extensive institutional engineering. The Bush

## MAIN POINTS

The Bush administration is institutionalizing American power at its peak by shaping the key political and economic structures in the world to suit long term American interests. European leaders must resist and give their full support to Solana's efforts to craft a unified, strong EU as a global actor.

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administration has indeed demonstrated great astuteness in their long term strategy of using American power, wealth, and technology to reshape markets, states, civil societies, and international organizations around the world.

In order to understand this strategy and its consequences, we must start by recognizing that the nature of politics and economics is not the same in all countries. The way political arenas and marketplaces are built differ greatly. Variation is manifest not only between advanced industrial countries and less developed countries but even among the countries of Europe and North America. In politics, there are differences between parliamentary and presidential regimes, multi and two party systems, and pluralist and corporatist government-interest group relations. The same applies equally in economics, where the characteristics of markets, firms, central banks, business associations, and labor unions vary among countries. There are several varieties of both constitutions and capitalisms in the world.

Importantly, political and economic institutions reflect culture, embody lessons from history, and set out rules of the game. Needless to say, they therefore have clear effects on people and organi-

zations. They shape our world view, values, and interests, thereby affecting what we want and how we go about getting it. This, in turn, affects the political and economic outcomes.

Different varieties of constitutions and capitalism are therefore biased towards different political and economic solutions. Some political systems concentrate power either in the executive branch, as in the United Kingdom, or in special interest groups, as in the United States, allowing policies hidden from or out of step with public opinion. Others disperse power among a range of actors, as in the European Union and most of its Continental-European Member States, resulting in greater degrees of transparency and accountability. Likewise, some economic systems are driven by cut throat capital markets, as in the Anglo-American world, where only the interests of shareholders are recognized as legitimate. Others are characterized by trust and cooperation, as in the Continental-European world, securing long term stability for not only owners but also management, workers, suppliers, customers, and local communities.

This recognition of variation and its effects opens up vast new horizons for the political and economic entrepreneur.

Those who want to promote good governance, and EU foreign minister Javier Solana includes this as a key goal in the European Security Strategy, will see the virtue of political systems that disperse power and economic systems that are characterized by trust and cooperation. Others, however, and one may want to include the Bush administration in this category, will be more interested in manipulating political and economic systems to suit their power and profit motives than in good governance.

Whether the objective is good governance or power and profit, instead of engaging in a series of battles in order to influence individual decisions, a more effective approach emerges. Redesigning political and economic institutions, adding those features that create a bias towards your preferred outlook, norms, and objectives, will substantially increase the probability of subsequent outcomes supporting your agenda. Moreover, a one-off effort at securing appropriate institutions might save you a lot of trouble later. If skilfully done, you may never again have to intervene in exasperating battles about individual decisions. In short, institutional design is the sophisticated version of policy-making.

This is not a strategy that suits everybody, since any attempt to redesign social institutions requires significant intellectual and material resources. On the one hand, institutions are the products of history and culture just as much as rational design. An institutional engineer will therefore have to carefully use ideology, spin, propaganda, and public diplomacy to frame the new set of institutions so that they appear to be consistent with traditions and conventions. On the other hand, actors often have vested interests in certain institutional configurations. Thus, any attempt to reconfigure is likely to meet with resistance. Perhaps even a war or two will be required in order to achieve a desired outcome.

The United States has the resources. Drawing on the Ivy League, East coast think tanks, the CIA, and the Pentagon, the Bush administration should be well placed to engage in this kind of statecraft around the world. But why should the United States bother? Having more military power and economic wealth than ever before, it could surely challenge the terms of individual decisions in a range of policy areas in a host of countries – and probably win all the battles. So why do it the difficult way?

The reason is simple: hegemonies do not last forever. The military and economic superiority of the United States is probably today at its climax and can only decline. In military terms, history teaches us that whenever a hegemon gets too invincible, balance of power politics soon ensures that other actors collaborate and catch up. In economic terms – the middle level of Joseph Nye’s three-dimensional chessboard model of international politics – the world is already multipolar. And it is likely to become more so as the American twin deficits grow increasingly unsustainable, the European Union reaps the benefits of extending the single market to financial services, Russia gets more confident in countering corruption, India rouses its engines, and China releases its tremendous potential for growth.

The growing multipolarity of the world is perhaps best illustrated in the area of space policy, which has great ramifications both in military and economic terms. Against the explicit objections of the United States, the European Union has launched a large scale and long term cooperation project with India and China to develop the Galileo satellite navigation system as a direct competitor to the American GPS system.

Being at its peak, and recognizing it, the most effective investment America can undertake with all its arms and money is to mould the institutions that govern the world to fit its national interest. Institutional engineering takes place most evidently on the national level, when the United States promotes ‘regime change’ or in other ways ‘advises’ or ‘liberates’ individual countries.

However, it also happens on the regional level, although often in a less transparent manner given the tradition of secrecy in diplomacy and the often technical nature of the issues. One example is the pressure from the Bush administration on the European Union to adopt new accounting and corporate governance rules consistent with the Sarbanes-Oxley Act. Such a change would serve American multinationals but could undermine the distinct variety of political economy from which European business derives its comparative advantage. Another example is the effort by the United States to compel the European Union to leave collective defence to NATO. This would preserve American dominance and prevent Europe from being able to pursue its own distinct interests. A third example is the campaign by the Bush administration to persuade the European Union to admit Turkey as a Member State. Turkish acces-

sion would not only lead to a weaker and more divided European Union but would in many ways leave us with an American Trojan horse in our midst.

Lastly, institutional entrepreneurship is practiced on the global level. This is the case when the United States uses international institutions such as the International Monetary Fund as foreign policy tools to secure friendly governments and open markets. It is also evident when the United States sidelines the United Nations in order to avoid being constrained even by the very lowest common denominator of acceptable behaviour.

Never underestimate your opponent, is a saying with much truth to it. Rather than dismissing Bush and his retinue for being narrow-minded and failing to understand the consequences of their foreign policy, it is time Europeans appreciate the intelligence and skill with which the United States is engaging in a long term and comprehensive effort to remake the world order. It is easy to be distracted by the impressive military might on show in Afghanistan and Iraq. More important, however, is the quieter but equally forceful pressure being exercised on a vast number of political arenas and marketplaces below the surface in order to tailor foreign and international institutions

to America's advantage. These guys are not kidding when they are talking about 'a new American century' based on 'full spectrum dominance'.

If the European leaders are the great statesmen they like to think they are, they will stop squabbling and give their full support to Javier Solana in his effort to turn the European Union into a real global actor. The European Union urgently needs a unified and strong foreign, security, and defence policy that is at least as sophisticated as that of the United States. Anything less will leave it to George W. Bush to sketch out the contours of the future of humanity.

What is at stake is the nature of civilization that binds humanity together. Whereas Europe is firmly committed to human rights, the rule of law, multilateral cooperation, and international law, America under the Bush administration has shown ample contempt for all these fundamental values in the course of its all-embracing and never-ending 'war on terror'. Without immediate action to create a more powerful European Union, it is the American vision that will prevail. Not a particularly nice thought. And certainly not something future generations will easily forgive current European leaders.

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