

For 'New America,' a fresh Atlantic alliance
by Felix Rohatyn
International Herald Tribune, May 11, 2004

Partnership with Europe

PARIS Most Americans see Europe as a powerful economic entity, with its own currency and central bank; Europe is also America's most important trade and investment partner. But Americans also see the European political landscape as a work in progress, with a complicated and uncertain future.

America still regards the trans-Atlantic alliance and the North Atlantic Treaty Organization as the security platform of the West and consistently supports European integration. But the underlying political dynamic is changing - partly because Europe has changed, but mostly because America has changed, and the rest of the world has changed even more rapidly.

I am not sure that I can differentiate, as Defense Secretary Donald Rumsfeld has, between the "Old Europe," which opposed America on Iraq, and a "New Europe," which supported America; Americans must recognize that public opinion in the vast majority of Europe is heavily opposed to U.S. policies. But I strongly believe that a "New America" has replaced the "Old America" and that this will be a more and more important factor in America's perspective on the construction of Europe, and on the world.

Even before the Sept. 11 attacks, the Bush administration's views on a variety of policy issues differed significantly from those of Europe. On the Kyoto Protocol; on the International Court of Justice; on the Antiballistic Missile Treaty; on the role of the United Nations and on many other issues, the administration wanted to be free of international constraints. At the same time, from the death penalty to pre-emptive war, from religion to genetic foods, a deepening divide in policy, culture and public opinion has been opening between the two sides of the Atlantic.

The "New America," the post-Sept. 11 America, is very different from the "Old America." Whether the change is permanent or temporary, whether it reflects new personalities or new philosophies, it is too early to tell. I believe the change is permanent, that the trauma is very deep, that it is very hard for America to face the reality that it is both vulnerable and invincible. It will influence everything America does from now on, both in its foreign and in its domestic policies.

A recent special issue of *The Economist* on America was illuminating. The "New America," according to this view, which I share, is more radical and more committed than ever to the need for unchallenged military dominance. It is more individualistic than Europe, more religious, conservative and patriotic. This American exceptionalism - which is now, in every respect, far stronger than the "French exception" ever was - was brought to the surface by Sept. 11.

President George W. Bush is committed to radical changes in America's domestic and foreign policies, which are more than ever focused on America's national interest. As a result, Americans see Europe as old-fashioned and bureaucratic, and think of America's future as more connected to China, India and Russia than to the Atlantic partnership, which served America so well during the last half century.

As for Europe's view of America, opinion polls in one country after another show a continued high level of opposition to U.S. policies, with the Israeli-Palestinian conflict and the war in Iraq at the head of the list. The terrorist attacks in Spain seem to have aggravated this attitude. Just as the attacks of Sept. 11, 2001, created a "New America," however, it is possible that the Madrid attacks of March 11, 2004, will create a "New Europe," with unforeseeable results. Furthermore, European opinion is now reinforced by the emotions expressed by Americans, appalled at the unacceptable abuses against Iraqi prisoners, which have made an indelible stain on the image of our country.

From the end of World War II until the fall of the Berlin Wall in 1989, America and Europe appeared to grow increasingly similar in many ways, as the trans-Atlantic economic relationship steadily grew in importance. But at the end of the 1980's, our economies began to diverge, and America began to grow more rapidly than Europe.

We are still each other's biggest customers, suppliers and investors; the economic trans-Atlantic partnership, which has become broader and deeper over the years, is equal in importance to the political and security partnership. But America faces significant long-term economic challenges, which are having an impact on its international posture. Since 2000, the combination of recession, stock market collapse, wartime spending on Iraq and successive massive tax cuts have devastated the federal budget. America now depends heavily on foreign capital as well as on foreign energy.

China is rapidly becoming one of America's main sources of financing, a growing source of manufactured goods, and will soon become a major global force in the creation of intellectual capital. Simultaneously, India has become a rapidly growing provider of services to the U.S. economy, and a more important U.S. creditor and security partner. And Russia's future role as a major supplier of energy to the U.S. and as a recipient of U.S. investment will inevitably increase as a result of America's continued dependence on foreign sources of energy and the continued instability of the Middle East.

These economic and security realities must be viewed together with the growing demographic, political and economic importance of the America's West and Southwest, the acceleration of Hispanic and Asian immigration, and the decline in the political importance of the America's East and of its European heritage. America's economic and strategic interests are shifting toward China, India and Russia, with a lower priority given to Europe and its slow-growing economies.

As Americans watch the progress of the European construction and the significant enlargement of the EU, they will ask two questions: First, will it work, and second, will Europe be our partner or our rival?

The answer to the first question is not easy. The lengthy struggle over the voting rights in the new European constitution raises questions about the spirit of this initiative. The fact that France and Germany were unable to respect the guidelines of the Stability Pact for three years in a row is also troublesome, even though it is clear that the Stability Pact should be reformed to favor economic growth. Slow growth is a serious structural European problem, which casts a shadow on EU enlargement and on the long-term strength of the euro.

The answer to the second question will be heavily influenced by the outcome of the situation in Iraq and the role to be played by France, England and Germany in the Europe of tomorrow, in particular as it relates to the United States, to NATO and to the prospect of ever closer cooperation in the war against global terrorism.

Continued negative European public opinion about the United States is still harmful to the relationship. Much of America is still now looking at Rumsfeld's "Old Europe" but instead of recognizing a dynamic "New Europe," it has focused on "New China," "New India" and "New Russia."

The euro cannot be overlooked, however. The euro is now an integral part of the global financial system and in order to believe in the euro, one needs to believe in Europe. The fate of the euro is in part about competing rates of return between Europe and the United States, but it is also tied to the integration of Europe. And many Europeans want their sovereignty and identity aggressively protected against the effects of globalization and so-called American hegemony.

Yet the reality of the euro and the pressures of the marketplace are likely to require further significant reforms throughout Europe in areas such as taxation, budgets and pensions. The political debates in Europe over these issues reflect a deep ambivalence over the distribution of wealth, over the role of the state and over the nature of global capitalism. Under the circumstances, one has to wonder whether popular support for the European project can be sustained in a timely way.

Political leaders on both sides of the Atlantic should also take advantage of the construction of Europe to explore a new alliance. It might revive the possibility of France reintegrating a new and different NATO in some fashion; it should justify greater European-American cooperation in the war against global terrorism, as a result of the tragedy in Spain.

I am hopeful that President Bush's meetings with President Jacques Chirac of France on the 60th anniversary of the Normandy landings will be the signal of renewed Franco-American cooperation on many of these important issues; common values and mutual respect, as well as mutual interest, have to become, once again, the platform of our relationship.

As part of such an effort, there are also important economic initiatives to be explored. The volatility of the world's main currencies should be considered by the Group of Seven industrialized countries, and a more aggressive growth-oriented policy by the European Central Bank would be welcome. The establishment of a North Atlantic free trade area could

be discussed, along with greater cooperation in trans-Atlantic defense industries and trans-Atlantic regulatory initiatives on food and drug safety, antitrust and, in particular, accounting.

Whether Europe grows as fast as America will depend on European growth-oriented policies and on demographics. What is equally important, however, is to allow a stronger, more integrated Europe to take its place alongside America as our partner. Remaining strongly linked by the Atlantic partnership is critical to the future of Europe as well as of America.

Felix Rohatyn was U.S. ambassador to France from 1997 to 2001. This comment was adapted from a speech delivered on Monday to the French Academy of Moral and Political Sciences (Académie des Sciences Morales et Politiques).