

**A Wake-up call for the United States and Europe:
But will they take the call?**

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Thank you for your kind introduction.

Let me begin by saying that two years ago I published a book entitled, *Beyond the National Interest*. Among other things, it dealt with US foreign policy, the challenges that it encountered, and the ways in which it could be improved.

I recommended five major changes to US foreign policy, which would allow America to better defend its national interest, but also its leadership role at the global level.

They were:

- 1) find a better balance between the national interest and the international interest;**
- 2) come to terms with the foreign policy implications of the country's democratic values;**
- 3) exercise leadership within multilateral constraints;**
- 4) overcome parochial characteristics;**
- 5) and facilitate the learning ability of the foreign policy elite so that they may implement the changes required.**

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- ***One***, by finding a better balance between the national interest and the international interest, I meant getting rid of the American belief that had grown to dangerous proportions since the early 2000s, that the United States is the best thing that has ever happened to the world and all that truly counts.

I meant getting rid of the US's self-centered character.

- ***Two***, by referring to the need for US foreign policy to come to terms with the implications of democratic values, I meant that for the United States, not only as the sole superpower around but also as the only democratic one, it is imperative that it embraces the responsibilities that attend a democratic nation.

The US has responsibilities to itself, its citizens, and importantly, if not more so, to the rest of the world, and these should be borne in mind with the democratic goal to pursue what is right –to pursue what is right without being righteous.

I also mentioned in the book that it is not simply the legitimacy of US foreign policy that could be undermined if this case was not followed, but possibly the credibility of democratic values as a whole and the powers that underwrite them.

- ***Three*, by indicating that the United States had to exercise leadership within multilateral constraints, I meant that the US had to mobilize its leadership and special place at the top of the international distribution of power by keeping in mind the following elements:**

- **That the United States had to stop its temptation to see international cooperation as a one-way street, with all the rights for itself and the duties only for others.**

- **That the United States could not afford to disregard that in an interdependent world, leadership builds on the consent of others.**

- **That in multilateral talks, the United States had to stop its inclination to use its powers exclusively as bargaining chips and to essentially advance its own interest, regardless of what it meant for others.**

- ***Four*, by stressing the need for the United States' foreign policy to overcome its parochial tendencies, I meant the necessity for its political elite, Democrats and Republicans alike, to revisit their traditional**

positions on the role of the US in the world, and on the world itself.

As for the Democrats, I felt that, although intellectually willing to embrace the new complexities of the world, they tended to have difficulty coming up with a grand strategy or a road-map to factor in these new complexities.

Regarding the Republicans, while recognizing that their stance on foreign policy had its virtues, I argued that their confrontational tone and narrow definition of the US national interest was in the end self-defeating for the US and its allies.

- **Hence, *five*, two years ago, I concluded my recommendations by underscoring the need to do a better job at training the next generation of US citizens, scholars and policy makers in matters of foreign policy.**

Here my point was that unless the US moved away from being all too often blind and deaf to the world, the US and the world as a whole would end up in trouble.

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Well, that was two years ago.

That was two years ago that I was putting forward these ideas as a way to strengthen the position of the US on the international scene, but also the overall stability of international order.

Two years later, it is interesting to note that while most of these recommendations continue to have some relevance, a number

of them appear quite antiquated, if not out of whack, so to speak.

And this is the case because the United States appears not to be in the position of strength which it was prior to 2008.

In this regard, four major changes have taken place in the past two years.

- *To begin with*, of course, at the domestic level, Barack Obama has become president of the United States.

And although I tend to believe that in Europe we are prone to overestimate the differences existing between Republicans and Democrats in matters of foreign policy, it is true that President Obama has brought about a few significant changes.

For starters, the tone has changed.

The US no longer favours the kind of tough language and politics of tension that seem to have been the trademark of the Bush administration.

The Obama administration seems more inclined to cultivate good will and cooperation among countries.

This does not mean, as the left wing of the democratic party may have hoped, that Obama is placing the defense of human rights and the promotion of democracy abroad very high on his agenda.

As a matter of fact, one could argue that he is acting as a realist, focusing on relations with traditional great powers.

- ***The second fundamental change* that has taken place in the past two years is of course the financial and economic crisis.**

In this regard, the financial and economic crisis has had major consequences on the United States.

- **For example, it has had a huge reputational cost for America.**

Before the crisis, the world marveled at the ability of Wall Street to make astronomical amounts of money, amounts which had no point of comparison elsewhere, with perhaps the exception of London.

The drive and inventiveness of the US financial sector left people around the world in a state of awe.

Well, it is no more the case.

Now, what prevails is the view that a significant amount of the money that was made was at the detriment of society, and that the banking system was very much a house of cards.

In this perspective, it is also the reputation of the US corporate sector that has been damaged; no longer is it perceived as competitive and able to attract long-term investment.

- Moreover, the financial crisis has deeply affected the American political system as a whole.**

More than anything, the crisis has exposed the deep links between Wall Street and Washington which have developed during both Republican and Democratic administrations, and how the power of lobbies has contributed to the shaping of its laws and policies more to the benefit of a few powerful actors than to the one of US citizens or even to the US national interest as a whole.

In this context, the crisis has tested the current administration, as the ways in which it has managed the crisis has left a lot of people unimpressed.

Although the Obama administration is now pushing for reform, particularly tighter regulation of the financial sector (and of course the problems with Goldman Sachs may help it in this endeavor), the fact that the big banks have been bailed out on the back of US taxpayers, and that so far no accountability for their failures has taken place, has been and remains a significant blow for the Obama administration, domestically but also internationally.

- **This is all the more the case considering that the way in which the crisis has been handled in the US has dangerously increased the public deficit of America, which is *the third major change* of the past two years.**

To be sure, the US public deficit is not an entirely new thing. It has been mounting now for a number of years.

Under the Bush administration, it was going up every year, exacerbated by the increase in defense spending.

Also, the United States is not the only developed country in having to face enormous public deficit. In fact, as you well know, most are, with perhaps the exception of Germany.

That said, the current deficit of the US, while not being new and a trend shared by other developed countries, is particularly problematic for the country.

It is problematic for the United States because it limits and hampers its strategic capabilities.

The United States has world responsibilities and engagements that no other country has.

So, although its power gives the United States the possibility to run a big deficit, at one point it is likely to stop.

At one point, the power of the superpower stops being compelling enough, and it can no longer live on credit, on borrowed money.

As we know, when this happens, a superpower ceases to be and act as a superpower.

I have faith in America's dynamism, but, in time, this could become a distinct possibility for the United States if nothing is done to change course.

- **This brings me to the *fourth major change* that has taken place in the past two years, that is the recognition that China has now become a global player.**

I spend quite a bit of time in China in the context of my job.

As you may know, the United Nations University is a think-tank for the UN and its member states, and we happen to be headquartered in Asia, in Japan to be precise.

As such, one of our missions is to look into the evolving impact of Asia at the global level.

This involves tracking the changes in China.

So, in the past years, in addition to having been posted in Japan, I have been posted in China, in various capacities.

As such, I have learned that China has still a very long way to go, and is not going to be in position to exercise global leadership or even conceive what this global leadership might look like for a few decades, if it ever happens at all.

There are in particular two areas in which China has a long way to go to become a fully-fledged global actor.

First, on the economic front, China may be an emerging country, and a very dynamic one, but it is still a developing country and in many ways a very poor one.

In this regard, rural areas remain very behind and social unrest is always a possibility due to the growing inequalities between the rich and poor in China.

Also, from a conceptual and normative point of view, if you will, it is unclear on the basis of which Chinese values and

interests, which would be appealing enough for other countries, could China legitimate being a global power.

Indeed, at the moment, what really drives China's expanding power worldwide is the pursuit of its development and self-interest.

But, if at one point China truly acquires a position of global dominance, it will have to come up with a narrative to make this dominance acceptable, if not legitimate.

At the moment, I do not see this narrative emerging, and on what it would rest.

This is destined to be a major challenge for Chinese leaders to come.

- **On the other hand, one could argue that these challenges are also sources of strength.**

For instance the, the present economic backwardness of mainland China could be a huge asset for the future.

As a matter of fact, signs are beginning to emerge that in the coming years, domestic development will become the theater of a strategic shift for Chinese growth, moving from being based on exports to being based on domestic growth.

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So, these are the fundamental changes that have taken place in the past two or three years; quick though they seem, they were long in the making.

Hence, the following question, and a few tentative answers to it as a way to conclude this breakfast presentation: where does it leave us, “us”, that is to say, we Westerners, Europeans and Americans?

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Working for a UN agency, I could serve you the party line, so to speak.

It would run something like this: we are all in this together.

The way to go for the future is to work together, to cooperate, and everything will be fine.

Well, this is not what I will tell you this morning.

The way I see things, the situation in which the developed world is in it at the moment, the situation in which it put itself, and this includes both the United States and Europe, is, I think, a turning point.

Unless we change our ways, we are in trouble.

We are in trouble domestically and internationally, both in the US and in Europe.

- Let us begin with the US.

I am not an economist. I am just a regular person living in the US and trying to make sense of what is happening on the other side of the Atlantic.

But I have seen enough in past years to realize that American society is now more and more a society on the edge, with less and less room for maneuver.

From an institutional point of view, although the Obama administration has been able to have Congress adopt, after months of battle, the health care reform bill, the political system is close to being paralyzed.

Change is very difficult to engineer, and all the more on a big scale.

And the political system is close to being owned by private interest.

From a political point of view, it means that its political legitimacy is at risk.

This is shown by the fact that the divide between the economic and political elite is perhaps wider than ever.

This has great consequences at the international level for the United States, for after all, a country is only as strong outside as it is strong inside.

- As for Europe, the situation is no better. It may be even worse.**

Since 2008 and up to very recently, the official narrative created in Europe concerning the financial and economic crisis was that it was a US grown crisis and that Europe had been quite successful at riding the wave, so to speak, partly because of its more regulated financial systems and its stronger social safety net systems.

Today, this narrative is not tenable anymore.

In fact, one of the lessons of the Greek crisis, is that Europe at the national and European level has been perhaps less transparent and more cavalier, in terms of the exposure of its banks and the extent of its public deficit.

We are now paying the price of this complaisance and discovering that, after all, we are not in such a good place.

We are discovering the institutional rigidities and weaknesses that decision-makers and in the end the fragile legitimacy of the European project, have allowed to be built up in the European Union and its various institutions.

We are discovering that the fire may be in the house.

So, what to do? What to do for the US and Europe?

The first thing that we have to do is to stop putting our hands over our eyes.

We have to start seeing reality as it is, and not as we would want it to be.

This entails taking a hard look at our problems and mounting a resolve to stop hoping for the best. We must not be satisfied with simply getting by and doing very little for preparing the future.

In the current circumstances, an acceptance that getting by is enough will likely lead us nowhere.

In Europe in particular:

Are we willing to do the hard work that is now required, to ask the tough questions?

Or are we going to continue to keep our heads in the sand?

For instance, why is that there is no thinking taking in place in Europe on creating sustainable and productive growth? Why is it that on the matter we seem to always limits ourselves to gimmicks?

In conclusion, let me stress that, in my view, our present predicament is a wake up call.

The question is: do we see it as a wake-up call? And are we willing to take the call?

I will stop here.

Thank you
