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Obama 2: Future Implications for EU-US Relations

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These monographic papers analyze ongoing developments within the European Union as well as recent trends which influence the EU’s relationship with the rest of the world. Broad themes include, but are not limited to:

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These topics form part of the pressing agenda of the EU and represent the multifaceted and complex nature of the European integration process. These papers also seek to highlight the internal and external dynamics which influence the workings of the EU and its relationship with the rest the world.

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Common values, overlapping interests, and shared goals are the foundation of what is often described as the transatlantic partnership between the United States and Europe. Many observers stress that in terms of security and prosperity the United States and Europe have grown increasingly interdependent."

2012 CRS Report

INTRODUCTION

The week following his reelection, President Obama traveled to Asia – Thailand, Myanmar, and Cambodia –, while facing at home a fiscal cliff, the need to select the next Secretaries of State, Defense, and Treasury, and the resignation of one of America’s most senior and respected generals and Director of the CIA, David Petraeus; all this at the moment wherein the Middle East is burning in flames due to another round of violence between Israel and Hamas. On the other side of the pond, the EU is currently trying to solve or at least contain several crises: the Eurozone, agreeing on the Multiannual Financial Framework 2014-2020, or MFF 2014-2020, and saving France.

For both giants, the American and European priorities are domestic; they both need to do some ‘nation-building at home.’ The threat of the fiscal cliff in the US and the one of the Eurocrisis in Europe are too important to be ignored and so visceral that they will affect the way both actors behave internationally and interact with one another.

The big question since Obama’s reelection has been what will the EU-US relations look like under his second mandate? And will there be any differences from the first one? This paper argues that the US-EU relations will remain quite similar as it was under the first Obama presidency. Nevertheless, with the current shift to Asia, the ‘pivot,’ the EU will be required to increase its contributions to global politics and international security. This paper is structured in three parts. First, the economic and political climax of the EU and the US will be presented. In a second a part, the EU and US strategies and foreign policies will be laid out. Last but not least, several core issues facing the Euro-Atlantic community, such as the Asia pivot, Iran, climate change, and the economy will be addressed. Other issues such as Syria, Afghanistan, and the Middle East and North Africa will not be addressed in this paper.

THE STATE OF THE UNIONS

Power of US Domestic Politics

The domestic forces in the US are certainly powerful and strongly affect the governing process. The current bipartisan politics have had an impact of the way President Obama and the US act internationally.
Despite a high degree of comfort and affinities from Europeans towards the person of President Obama, Mr. Obama has certainly not been at his ease in interacting with his European counterparts. In fact Mr. Obama has been described as the first post-European president. But what does that mean for Europe? As demonstrated by President Obama during his first mandate, the US has been shifting his attention towards Asia and other emerging powers. The stability of Europe combined with the deep degree of economic interaction between the two blocs counts transatlantic trade valued at $636 billion in 2011. The European Commission describes the EU-US relations as the “most integrated economic relationship in the world.” The degree of stability of the economic relationship alongside a long-standing political cooperation between the US and EU allows President Obama to focus on new poles of power. Even during the last presidential debate on foreign policy in November 2012, both candidates – Mitt Romney and Barack Obama – never mentioned Europe or even the European Union. French Ambassador to the US, Mr. François Delattre, argued that Europe is not a security concern anymore for the US and does not deserve any critical attention.

The second major element that could have a negative impact on the next four years is what has been called the fiscal cliff. In this case if both sides of the aisle, democrats and republicans, fail to find an agreement before the end of the year 2012, the risk of a recession will be looming over the US recovery caused by automatic tax rises and spending cuts. “The realization of all of the automatic tax increases and spending cuts that make up the fiscal cliff, absent offsetting changes, would pose a substantial threat to the recovery,” Federal Reserve Chairman Bernanke said. The last element that needs to be taken into consideration is the change in leadership in key positions in Washington. For instance, the Secretary of Defense, Mr. Panetta, Secretary of State, Ms. Clinton, and the US Ambassador to the UN, Ms. Rice, may either retire or receive a new assignment. In the case of the departure of Ms. Clinton, the Under Secretary of State Phil Gordon, who has a very strong knowledge of European politics, may very well leave the Department of State.

All these factors will be crucial in shaping the foundation of the next four years for President Obama. Despite a change of leadership at key cabinet secretaries, one needs to understand the degree of mutual understanding between the two sides of the pond. Such historical and cultural connections are a central variable in maintaining solid and lasting relationships between European capitals and Washington.

The State of the European Union

Since the fall of the Lehman Brothers, the EU has been facing visceral crises, especially the one affecting the common currency, the Euro. Despite the many rounds of meeting the Eurocrisis remains threatening. Spain, Greece, Portugal, Ireland, Cyprus and Italy have already been considerably weakened by the crisis. Their respective governments have already implemented heavy austerity measures leading to the rise of extremism, nationalism, high unemployment, poverty and domestic instabilities. In some instance, the Eurocrisis has led to the demise of basic democratic principles in several EU countries such as Italy and Greece. The crisis is so severe, that France has been identified recently as the sick man of Europe. Even the International Monetary Fund (IMF) raised the alarm over a possible recession in France.

The second pressing crisis looming over Europe is the discussion over the EU’s budget for 2014-2020, or what is called the MFF 2014-2020. The United Kingdom has been active in blocking any increase of the EU budget. Cameron’s position is caused by several factors: first, the strong euroskepticism sentiments within the conservative party have limited Prime Minister Cameron’s ability to act in favor of the common project; second, Cameron has implemented since his election severe austerity measures in order to deal with Britain’s budget deficit. For these reasons, the UK has been in favor of cutting the overall EU budget for the next decade. So far the first victim has been the European Defense Agency (EDA), which saw the expansion of its budget vetoed by the UK. The EDA’s budget will remain at 30.4 million euros – without taking in consideration the rate of inflation – per year for the next decade. This will have an undeniable impact on the ability of the EU to push forward its approach of ‘pooling & sharing.’

The last piece of the puzzle is Germany. Since the election of French President, François Hollande, in May 2012, German Chancellor, Angela Merkel, has been able to advance its vision of Europe. The limited Franco-German relation is creating a distorted European balance. Nevertheless, it appears that French President, Mr. Hollande, and his German counterpart, Ms. Merkel, have been able to
work out their relationships and underline their commitments to the Euro and the European Union. Germany will be an important actor to follow considering its coming elections in 2013.

DIVERGENCES OF STRATEGIES

A US Strategy for the 21st century?
As opposed to the Bush doctrine – preventive war and unilateralism – the Obama doctrine is much more adapted to the current financial and international context facing the US. In this age of austerity and economic recovery military invasions and occupations along the lines of Iraq and Afghanistan operations are simply not feasible and domestically unpopular. The Obama doctrine is in fact composed of several elements: use of tactical forces – drones, US Special Forces, cyberweapons –, soft power, diplomatic tools – sanctions –, and multilateral military operations – the so-called ‘leading from behind’ –. Such strategy is certainly less costly and allows the US to remain active globally and reactive to any types of international crisis.

Furthermore, American theorists have increasingly been writing about the strategy of retrenchment. In the case of retrenchment, Parent and MacDonald define it as:
‘retrenchment’ as a policy of retracting grand strategic commitments in response to a decline in relative power. Abstractly, this means decreasing the overall costs of foreign policy by redistributing resources away from peripheral commitments and toward core commitments.

This retrenchment implies that the next four years will see a limited degree of transatlantic activism. The US retrenchment will be materialized in three steps: first, reduce its global military footprint; second, change the size and composition of the U.S. military; third, use the resulting ‘retrenchment dividend’ to foster economic recovery at home.

Ultimately, as argued by Christopher Layne, “this retrenchment will push to the fore a new US grand strategy – offshore balancing.” Offshore balancing is central as it will avoid an ‘imperial overstretch’ as it will shift the US strategy confronted the rise of new powers and US economic erosion. This offshore balancing strategy incorporates several strategic principles:

- fiscal and economic constraints requiring the US to set strategic priorities. For instance, the US will have to reduce its military presence in Europe
- maintaining America’s comparative strategic advantages being naval and air power
- emphasis on burden-shifting rather than burden-sharing. For instance, Europeans will have to do for their security and increase their contribution to international security
- lowering US military footprint in Middle East
- avoiding long-scale military interventions, such as nation-building à la Irak.

This retrenchment is more complex than simple defense cuts, as it also implies a reassessment of America’s interests and goals for the 21st century. In the case of Europe, it will mean to increase EU’s contribution to international security. However, the neorealist literature tends to avoid the question of cooperation. The degree of interdependence between the US and the EU is unique and should be addressed as such. NATO will be an important actor in the 21st century as it allows Europeans to increase their defense contributions, while maintaining strong security ties with Washington. The UN, even though it has been inefficient in Syria, will as well be a crucial platform of interactions and norm-diffusion to emerging countries. The power of international institutions – United Nations, World Trade Organization, International Monetary Fund, World Bank, G-20, etc. – is central in order to maintain the diffusion of Euro-Atlantic values, norms, principles such as human rights, democracy and human security.

As underlined by Missiroli and Pawlak, the US faces several strategic priorities:
- usual suspects: the Middle East, Iran, Global terrorism
- First-term leftovers: Afghanistan, the strategic ‘pivot’ to Asia, the ‘rest’ relations with Moscow, democratic transitions in the Arab world, Syria, and Guantanamo.
These issues do fit within the new strategic vision of the US, but will necessitate international cooperation, fostered by the Euro-Atlantic community, in order to find common lasting positions and solutions.

**Multilateralism ‘à la Européenne’**
The European strategy and foreign policy has not much evolved since the 2003 *European Security Strategy* and the 2008 *Report on the Implementation of the European Security Strategy*.\(^{23}\) Both strategic documents underline the European strategy based on three aspects: first, effective multilateralism; second, strategic partnership; third, nexus between security and development.

An important actor was supposed to increase the global strategic visibility of the EU, through the European External Action Service (EEAS). The EEAS created by the 2009 Treaty of Lisbon was implemented in order to lead and shape the foreign policy of the Union. Unfortunately three factors can be identified as negatively impacting the achievements of the EEAS: first, a weak leadership by the High Representative Catherine Ashton. She has been called the accidental diplomat due to her lack of knowledge of foreign policy and her surprising appointment back in 2009.\(^{24}\) She has been heavily criticized for her limited strategic vision and actions, which has been the case at many occasions such as during the Arab Spring,\(^{25}\) Libya, Haiti,\(^{26}\) and so on. Second, the Member States, especially the Big Three – Berlin, London, and Paris – have played a crucial role in sidelining the EEAS and HR Ashton. London and Paris bypassed Brussels at many occasions, as it was the case during the Libyan military intervention launched under the auspice of the UN and with the firepower of NATO. Last but not least, the European and international climax have not been auspicious to the development, effort, and willingness of the EU Member States to contribute to the construction of the EEAS.

Historically, the US has provided the overall security of the European continent and ultimately protecting the development of the European project through NATO. But why has the US been willing to carry out a disproportionate share of NATO’s burden?\(^{27}\) This strategy has allowed a certain degree of free-riding within the community since the beginning of the Cold War until today. On the other side, Europeans have over time passed the buck, asking the US to carry a greater share of the costs and risks. Theorists like Layne have argued recently that the new US internationalist strategy should be to leave Europe and strengthen the military autonomy of Europe. By doing so, ties between the US and the EU will be stronger than the ones maintained by NATO, and would limit the process of overstretching of US power. Some have argued that balancing the US is too difficult and costly, which explains the behavior of EU Member States to instead either bandwagon through NATO, or balance through the EU.\(^{28}\)

Considering the current regional and global climax, it is fair to assume that the EU and especially its major Member States – Paris and London – are using NATO in order to maintain their influence on the global stage. The Common Security and Defense Policy (CSDP) may have been one of the biggest victims of the financial crisis. Howorth argued that a recalibration of the CSDP-NATO relationship is necessary and should be “integrated through the EU and empowered through NATO.”\(^{29}\) The Libyan mission has certainly underlined the need for rethinking the role and use of the CSDP in the post-financial crisis world.

**FOUR STRATEGIC REALITIES FOR THE NEXT FOUR YEARS**

**The ‘pivot’ to Asia**
The ‘pivot,’ symbolizing the strategic shift to Asia, is real. It has been the cornerstone of the first mandate of the Obama’s foreign policy. His first trip in November 2012 as newly reelected president took place in Asia. The three countries visited, Myanmar, Thailand and Cambodia, were a direct message sent to Europe and China. First to Europe, the growing interest and shift to Asia implies that Europeans will have to increase their contributions to regional and international security. Second to China, because of the three countries visited, they all encircle China Southern part. Building alliances with China’s neighbors may certainly be a cornerstone of the US containment policy of China.

However, as underlined by Christopher Hill, “another aspect of the pivot involves moving away from the Middle East.”\(^{30}\) This means that a stable Middle East and North Africa is a core component for a successful US shift to Asia. Considering the current financial climax, the US would certainly be unable to play a leading role onto two theaters simultaneously. This also means that the Europeans will have to
increase their contributions in stabilizing the Middle East. Justin Vaïsse of the Brookings argued that the US pivot to Asia goes through a step up of Europeans in the Middle East.  

Furthermore, in Dyer’s article published in the Financial Times, Tom Donilon, the White House national security adviser, said: “The US is a Pacific power whose interests are inextricably linked with Asia’s economic security and political order. America’s success in the 21st century is tied to the success of Asia.” In the case of the EU, Asia is seen as a strong economic and political partner. For instance, Chinese direct investments have increased these last decades in Europe and even triple in 2011. The degree of trade and investment between China and the EU will certainly continue to increase in the coming decades. But the EU will have to adjust its perceptions towards Asia as well. Herman van Rompuy recently declared that “Europe is clearly not a Pacific power and will not become one.” Despite some geographical truth, the EU will need to change its position and its strategic understanding of the region.

Ultimately, the Asian ‘pivot’ of Washington can only succeed with the contribution of Europe. For the US to shift its grand strategy to Asia, the EU will have to step up its contributions to international security in the Middle East and Wider Europe. The Obama doctrine does fit with the ‘pivot’ as it allows the US to intervene on the cheap thanks to the contribution of the Europeans where it matters as proven in Libya in 2011. At the difference with Afghanistan costing $300 million a day, the cost for the intervention in Libya was only $3 million a day.

Dealing with a Nuclear Iran

Iran may be one of the few issues where the EU can take the lead and play an active role along the sides of the US. The EU could play a central role in the coming year of 2013. 2013 has been identified as the year of diplomacy in order to find a solution with Iran. The threat of war has been looming between the US and Iran since the first decade of the 21st century. The Iraq invasion of 2003 was certainly a strategic mistake by the Bush administration as Iraq, the only balancer of Iran in the region, has been removed and wiped out. However, a part of the solution consists in identifying what kind of nuclear power can Iran become. There is little doubt – unless a war is launched against Tehran in 2013 – that Iran will become a nuclear power. The question for the members of the Euro-Atlantic community is what kind of nuclear Iran can they live with? Changing the perceptions and visions will be an important starting point in establishing the bases for the new rounds of negotiation with Tehran.

The EU had been involved under the High Representative (HR) Javier Solana in the negotiation with Iran in 2003, under what was known the EU3+1 – France, Germany, United Kingdom + HR –. Despite months of negotiations, diplomacy failed and led to a rising degree of frustration in the US. For instance, Mr. Obama, at the time candidate for the Presidency, voiced some frustrations when declaring “We cannot unconditionally rule out an approach that could prevent Iran from obtaining a nuclear weapon. We have tried limited, piecemeal talks while we outsource the sustained work to our European allies. It is time for the United States to lead.”

Since the failure of the diplomatic attempt of EU3+1, the EU and the US have implemented some of the hardest sanctions on Iran. It appears with little doubt that Iran will become a nuclear state in the next years. This will neither be a failure of the Obama administration nor of the EU. As per the father of the theory of balance of power, Kenneth Waltz argued in Foreign Affairs that a nuclear Iran “would probably be the best possible result: the one most likely to restore stability to the Middle East.” Such statement is in fact embedded in the assumption that a nuclear Iran would deter Israel. It is a typical case of deterrence based on the examples of the US-Soviet Union and India-Pakistan.

President Obama could certainly launched a new round of diplomatic negotiations between the EU, US and Iran. Reaching out to Russia and China would certainly be an important stepping-stone for the credibility of the 2013 diplomatic negotiations.

Addressing Climate Change: A tax or more trade?

Hurricane Sandy crashing onto the US Eastern coast in early November 2012 has, apparently, been the awaking moment for the US. Even the members of the Republican Party, usually dismissing the link between climate change and human impact, have called for new policies in order to address the risks associated with global warming.
As demonstrated during the 15th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in 2009, or COP15, followed by the COP16 in 2010, and COP17 in 2011, the EU and US were not in sync. The lack of unity has had a considerable role on the failure of all three UN meetings on Climate Change. The most obvious was the COP15 taking place in Copenhagen, where for the first time the ‘Rest’ – BRICS countries led by China – did balance the influence and power of a divided West, which affected the outcomes of the convention. Since then, the Europeans have been increasing their diplomatic reach in order to develop strategic partnerships and push for a global set of rules on carbon emissions.\textsuperscript{40}

Quite interestingly, in the mind of Americans, climate change is still closely linked to energy independence. The latest energy revolution taking place in the US, shale gas, has completely changed the dynamics. The US is on its way to become the largest producer of gas by 2020 well beyond Russia.\textsuperscript{41} The narrative in the US has been that shale gas not only will permit to lower carbon emissions, but is also environmental friendly. Such assumption has been a strong point of debate within the specialized literature.\textsuperscript{42} For instance, Europeans, at the exception of Poland, have stopped the production of shale gas due to the environmental risks associated with the extraction process, so-called fracking, which is a mix of sand, water and undisclosed chemicals underground in order to release the unconventional gas stacked in the rocks.

In order to address the problem of gas emissions, which have been identified as the major cause of global warming, two solutions are currently on the table: carbon tax or Emission Trading Scheme (ETS).\textsuperscript{43} The carbon tax has been advanced as the best option to regulate gas emissions. Even Shell’s chief executive, Peter Voser, was calling governments to introduce a carbon tax, or a minimum price for CO2, because “the ETS was failing to deliver sufficient incentives to kickstart expensive technologies such as carbon capture and storage.”\textsuperscript{44} Furthermore, the current financial crisis has hurt the credibility of a solid and reliable trading system considering the flaws of market-based mechanisms. Thus, a tax on carbon would be a more accurate way to calculate the actual emissions. In the case of the EU, it has been argued that a carbon tax would have the greatest impact on the “green growth” of the EU, rather than the ETS, which has been the flagship of the EU climate policy instrument.\textsuperscript{45} Despite a lack of unity in the US, the politics tend to favor a trading scheme rather than a tax.

Even though both actors may disagree on the future of shale gas and on the creation of carbon tax, it is undeniable that under the second mandate of President Obama, the EU and the US must work closely together in order to push for new sets of global regulations in order to address climate change. The discussion over carbon tax or ETS will be crucial in the coming four years. Europeans are keen on pushing new norms, but only with the support of the US can they be transferred and adopted by other countries and global institutions.

\textbf{Saving the Eurozone}
Throughout the American presidential race, Republican candidate, Mitt Romney, was often caught euro-bashing. He underlined that if the US remains under the path implemented by President Obama the US would become Spain. Even though many experts would strongly reject this statement, one needs to recognize that an eventual collapse of the Eurozone\textsuperscript{46} would most likely take with it the US recovery, and have serious impacts on global markets and even causing a global recession. In any case, the economy will be at the heart of the next four years for Obama and next decade for the Europeans.

The night following the reelection of President Obama, the President of the European Council, Mr. Van Rompuy, and the President of the Commission, Mr. Barroso, congratulated Mr. Obama. Their shared congratulation statement read:

\begin{quote}
We have the pleasure of extending our warm congratulations to President Obama on his re-election as President of the United States of America. The United States is a key strategic partner of the European Union and we look forward to continuing the close cooperation established with President Obama over these last four years, to further strengthening our bilateral ties and to jointly addressing global challenges, including in the fields of security and economy.
\end{quote}
Creation of growth and jobs remains a priority for both the US and the EU and we will continue to work with President Obama to unlock the unparalleled potential of the transatlantic market. We are also ready to continue our intense cooperation in foreign policy issues and in the promotion of our common values. We look forward to meeting President Obama at an early date in order to reconfirm our priorities and provide renewed impetus to our joint action.47

One of the core components of this statement is the fact that both European leaders called for “unlock[ing] the unparalleled potential of the transatlantic market.” The US and EU have the largest trade and investment relationship in the world combining almost 40% of global gross domestic product.48 Even though President Obama made a strategic mistake when sending Secretary of the Treasury, Timothy Geithner, to a European meeting of finance ministers in September 2011,49 the Europeans and Americans need to increase their degree of cohesion and cooperation on economic issues. Nevertheless, the first Obama administration has been in regular contact with German Chancellor Merkel and other EU officials and leaders. The transatlantic trade and financial relations remain stronger than ever and have increased despite the financial crisis; but the political agreement on reforming the international financial system has been lacking as proven by the G-20 meetings of Pittsburg.

The EU and US needs to push for a common vision on reforming the global banking system – through taxation or regulation – as well as strengthening cohesion on economic and financial reforms. Solidifying the transatlantic market will certainly be a core aspect in the recovery of the two sides of the pond. The US and Britain have been pushing for reducing tariffs and regulatory barriers to trade and investment.50 Others, such as continental Europe, France under President Hollande, Germany, and Scandinavian countries tend to disagree with such neoliberal approach and would rather see stronger regulations and taxations especially on the banking sector. A good platform in order to strengthen a transatlantic market and a common position on the future of current neoliberal order will have to take place through the Transatlantic Economic Council (TEC), which was created in 2007. The TEC will be a good platform for fostering transatlantic economic and financial cohesion.

CONCLUSIONS

No, Obama won’t, most likely, increase the degree of cooperation and interaction with Europe from the 2008-2012 standards. Despite a high degree of attraction for Obama in Europe, Europe needs to understand that Obama embodies a new class of American leaders raised in the post-European world.51 Yes, Obama needs the EU in order to implement the ‘pivot’ to Asia and address vital international security issues. The EU ought to find a solution to the Eurocrisis, and step up its foreign policy and contribution to global peace. NATO may very well be a vehicle for such platform.

In any case, “Europeans have to wake up to a new world” argued Jonas Parello-Plesner, a senior fellow at the ECFR, “where the nature American focus on its European allies remains reduced.”52 Several issues are clearly threatening the two sides of the Atlantic: climate change; the future of the Arab world; international terrorism; and Asia.53 If there is one major threat to the influence and power of the West – US and EU – it ought to be the economy. As underlined in his influential book in 1987, Paul Kennedy54 demonstrated that weak economic foundation is one of the main variables leading to the decline of a great power.55 The foreign policies of the US and EU will have to take into considerations domestic politics.

The excellent ECFR report asked the following question: “How should Europe respond to Obama’s reelection?”56 The answer is that Obama’s pragmatic and universalistic approach to foreign policy is unlikely to change. The ‘pivot’ to Asia is real, and the Obama doctrine is at the heart of the US strategy in Middle East and North Africa (MENA),57 Central Asia, and Africa. The retrenchment implemented by the US combined with the unstable and uncertain transitions of Europe’s neighbors – Russia, Middle East and Africa – call for a higher degree of integration of the CSDP.58 European leaders need to understand that saving the EU from its visceral crises – Eurocrisis and nationalism – is only a starting point, and that the EU ought to play an increasing role in stabilizing its wider neighborhood. The
transatlantic community is more important than ever in order to maintain the status of both the US and the EU in this shifting world order.

3] France has been described as the sick man of Europe considering its imposing public debt average 90% of its GDP, slow down of its economic growth, and high unemployment.  
11] In his latest article, Wolfgang Münchau argued that in fact we should not worry about these issues: France as the sick man of Europe; competitiveness; rise of extremism; Germany; and future of Greek. Münchau, W. (2012). “What not to worry about in the Eurozone crisis” The Financial Times. November 19.  
43 The ETS means that the quantity of emissions if fixed (what is called a ‘cap’) and the right to emit becomes a tradable commodity; while carbon tax is a direct payment to government based on the carbon content of the fuel being consumed: Baumert, K. (1998). “Carbon Taxes vs. Emissions Trading.” Global Policy Forum. April 17.
49 Castle, S. (2011). “Meetings on the European Debt Crisis End in Debate, but Little Progress.” The International Herald Tribune. September 17. Europeans felt that the US was not in position to give advise considering the limited growth as well as the last minute deal avoiding a US default over the summer 2011.