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# Policy Pamphlet

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## Trump's New World Order: Brexit and Europe in a World Turned Upside Down

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Trump's 'America First', should it succeed, will represent nothing less than the end of the neo-liberal global order which has been built up over 30 years. And in its place, already emerging, will be a multi-polar world of economic and political blocs. This will present Europe with a stark choice. The EU countries can finally unite to become one of these great powers in the making, or, alternatively, watch themselves become 'Balkanised' and carved up by America, China and Russia. For Brexit Britain the new protectionism comes at a most dangerous time. In this coming world Brexit is a dead end. Britain, more than ever, needs to be inside, not outside, a trade bloc. The 'England Alone', 'Tax Haven', 'Singapore Option' is an option for deep inequality and pauperisation.

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## Auditioning for Trouble

To believe that the western elite's great project of 'neoliberal globalisation' would continue throughout the West without a backlash was always highly fanciful. In fact, the eruption of such a populist backlash, which is now upon us, was only a question of timing and severity. Instead of bemoaning it we should start by understanding that it represents an historic failure of the western world's elites over a quarter of century.

In a sense it is a story of western hubris and failure that starts with the fall of the Berlin Wall and the end of Soviet communism. As the borders between East and West came down – in Europe and in Asia – and huge new markets opened up, the US-led neoliberal global order, dubbed 'globalisation', seemed the wave of the future. It was a time of unbounded western ambition in which it was proclaimed that the United States would become the world's lone superpower, and the world, including China, would be forged in its image. It was heady stuff. The West's elites could see no barriers to their eventual triumph as the whole world – as predicted in Francis Fukuyama's idea of the 'end of history' – would ultimately become one single market fuelled by Wall Street and one single society governed by western values. Looking back now this seems a deluded vision, but it was one widely believed in the early 1990s. And as global growth rates improved, and many developing areas, particularly in Asia, began to prosper, 'globalisation' and particularly 'free trade', seemed both beneficial and inevitable. When China joined the World Trade Organisation in 2001 its seeming irreversibility was further entrenched.

The reality, however, was more complex. For although this US-led global economic system seemingly swept all before it, a fatal weakness of the system was increasingly exposed – in its own backyard! As western capital – previously relatively domesticated – sought cheaper costs and better returns outside of the high-cost West, domestic labour markets entered a period of severe crisis. This crisis could be observed most clearly in the stagnant wage levels of western workers. And whilst western

financial and service sectors prospered, the Midwest of the US, northern England and southern Europe were losing out. Nowhere was this more obvious than in the United States in what was now aptly called the 'rust belt'.

There were many warnings – mainly from the political left. The independent film maker Michael Moore proselytised about the ghost town atmosphere of Flint, Michigan after the jobs left. Bill Clinton's Labour Secretary, Robert Reich began to argue that globalisation would continue to lead to the impoverishment of low-skilled workers. And on the right, Pat Buchanan was warning about the decline of the American working class. Yet these warnings were set aside by mainstream academic and media opinion, which continued to see globalisation, and free trade, as beneficial – almost religiously so. They argued that globalisation would ultimately succeed for the West as, although there would be short-term unemployment in the manufacturing sector, the service sector would take up the slack and export into an ever-growing Asian market. And that the West's unemployed workforce could be retrained to fit this new burgeoning global market.

But as western wages continued to stagnate whilst profits soared, this loss of wage power and consumer demand was covered up by a powerful and irresponsible credit boom led by the Wall Street banks.

Not only were the West's domestic populations being left behind, they were also being ignored and often condescended to – although rarely as openly as Hillary Clinton's 'deplorable' jibe. It was an environment in which a social and political revolution was brewing.

## Collapse and Austerity

The globalisation imbalances were one of the causes of the banking crisis of 2007-8. With the banks on the verge of collapse, many commentators at the time – including this author – envisaged a response which would radically alter the financial capitalist system within the West, and hence the global system

worldwide. Yet the authorities patched up the credit system rather than reforming it. And globalisation – fuelled by a saved Wall Street – continued unabated, as did the worsening finances of millions and millions of western working- and middle-class households.

Following the global financial crisis the West's elites made their final, fatal, blunder – for in responding to the crisis they turned their back on reflation and instead saw austerity – the 'orthodox' objective of balanced budgets – as the necessary, indeed only possible, response to over-extended credit. Throughout the West – but particularly in Europe under German economic leadership – expansionary fiscal policy was rejected in favour of loose monetary policies. It was to be an era of austerity for millions of wage earners whilst those with assets saw their wealth expand to often giddy heights. And all the time the governing assumption was that these tensions and inequalities within the social fabric of the west were manageable – that the economic strains would not call forth a political reaction.

Now that a popular revolt is underway – not least in the West's major country, the USA – they no longer do so.

### **'America First'**

In the early years of the new century, the western world's problems were compounded by a failing US-led geopolitical system. Following the fall of communism American neoconservatives in Washington echoed the confidence and hubris of their Wall Street colleagues. Just as Wall Street, led by the merchant banks, saw financial power over the real economy as increasingly unchallengeable, the neoconservatives in Washington saw US military power around the world as unmatched and unstoppable. It all ended in the US-led invasion of Iraq and the subsequent failure of the badly planned Iraqi reconstruction, a project that, arguably, has set off a deep and enduring crisis in the whole Arab world.

The banking crisis of 2007-8 (still not properly stabilised) and the Iraq failure of 2003 to date became the symbols of the limits of the US-led

world order. They were tragic but almost perfect exemplars of the growing sense that the US and its system, like many empires before it, were seriously overstretched.

Trump's 'America First' movement was the product of this political vacuum. It is hardly surprising that a populist backlash would start – as the jobs crisis and the endless wars of intervention were both increasingly laid at the door of a 'globalist' neoliberal and neoconservative elite who, according to the populist insurgents, were living on both coasts and whose only relationship to the American heartland was to fly over it.

Such a backlash against 'globalisation, more specifically global free trade, had been in the works of American politics for some time. It surfaced as early as the 1992 presidential election when billionaire Ros Perot – a businessman outsider just like Donald Trump – ran as a third party candidate and received a historically very high popular vote – almost 19%. Perot, again just like Trump some 25 years later, opposed the implementation of The North American Free Trade Agreement (NAFTA), which he predicted would lead to 'a huge sucking sound' as it sucked American jobs away from the United States and into Mexico. Donald Trump used exactly the same arguments, but this time, from the perch of experience over two decades later he could point to Perot's predictions as having come true. He described NAFTA as the 'worst trade deal in American history'.

Later, the presidential campaigns of 1996 and 2000 saw Pat Buchanan's run for president on a similar 'America First' platform, which attacked job losses caused by globalisation and argued for a new foreign policy. His platform included a proposal to withdraw from the United Nations, and he argued in his manifesto that 'present US foreign policy, which commits America to go to war for scores of nations in regions where we have never fought before, is unsustainable'. Trump was to echo this sentiment when he attacked Democratic presidential candidate Hillary Clinton's policy of 'endless wars'.

These postwar populists developed some of the same themes as an earlier strain of

populism in American politics. In the 1930s Charles Lindbergh and the America First movement tried to rally what today we would call 'Middle America' against the 'east coast elites' and their support for America joining the war. Lindbergh proposed a neutrality pact with Nazi Germany in order to keep America out of the war. And earlier still, in the late nineteenth-century, America saw the emergence of a full populist movement in the form of The Peoples Party, which in the presidential election of 1892 carried five states. These populists represented a coalition of farmers from the southern and plains states who blamed the banks for the growing unemployment and poverty of the time – and they were essentially isolationists who saw east coast elites as dragging America into needless entangling foreign alliances.

Some of these anti-establishment, quasi-isolationist, arguments had found support on the American left. Since the Vietnam War American radicals and liberals had also turned against 'interventionism' – a posture promulgated in the presidential election campaign of George McGovern in 1972. And in 2016, Bernie Sanders, a maverick independent socialist from the small northern state of Vermont, was also echoing some of Trump's themes, not least the jobs crisis – although his criticism of free-trade was muted.

Thus, the idea that Donald Trump, in running for president, was an American original – and his populism a new phenomenon – is wide of the mark. In the past however, although resonating in large swathes of the US, these powerful populist and anti-establishment movements were never able to make a breakthrough. They remained important but essentially minority and marginal aspects of American political life.

That is until Donald J. Trump. So the question that arises is not: Why Trump? Rather it should be: How was a Trump victory allowed to happen by America's elite political class who had previously been so successful? How could they be outmaneuvered by a property developer with no political record, no campaign experience, a highly unorthodox campaign style and with much less political money at his disposal than his opponents in

the primaries and the general election?

Part of the answer lies in the inadequacies of the modern 'liberal' (and 'neoliberal') political class as represented by the campaign of Hillary Clinton. It was a sorry story. In sum, American liberalism – and the great international system it had built and sustained for over half a century – was no longer able to sustain a domestic base to support it. Following the 2007-8 bank crash, the American economic and financial system was no longer seen as delivering for large numbers of American middle-class families with their stretched household budgets, and large numbers of Americans, not least in the military, were tired of the 'endless wars' which successive interventionist American administrations had pursued (during the campaign Clinton had proposed a 'no fly zone' in Syria which would have brought American and Russian jets into direct confrontation).

At the heart of Trump's pitch for 'America First' was the idea of rebuilding the country including its manufacturing base. This rebuilding – which it was argued would bring jobs back to America and also pay down the debt – was to be achieved by a new quasi-protectionist 'strategic trade' regime allied to a transformative reflation of the American economy which would involve a massive fiscal stimulus programme. The potential Trump trade regime involves the imposition of tariffs (some as high as 35%) against imports into the US by American companies that move jobs abroad, a potential protectionist policy towards China and the reform or abolition of NAFTA and the Pacific Trade Agreement, and a review of all existing trade arrangements with a bias towards bilateral rather than multilateral agreements. The proposed stimulus programme envisages big tax cuts, deregulation, and a large infrastructure investment. At its heart is a policy to back the stimulus by bringing back to America – through a radical cut in corporate tax and other measures – the trillions of dollars held abroad by US corporations.

The Trump plan, as far as it can be understood on the eve of inauguration as President, is that nothing should get in the way of the stimulus, not even the regulatory regime around climate



change. And the hope is that the reflationary stimulus will ultimately also serve to solve the long-range debt problems by much higher growth rates. Trump talked during the campaign of potential future growth rates as high as 5%. Should this proposed ambitious programme take off, then, in order not to suck in massive increases in imports from Asia a protectionist trade policy will, of necessity, need to be implemented.

Trump's proposed trade and stimulus programmes – which run directly counter to the 'neoliberal' austerity orthodoxy of our time – are a bold and spectacular gamble. Should it be pursued consistently then it will inevitably, whether Trump's advisors want it or not, up-end the governing economic and financial world order, the 'neoliberal' world order, that we have been living with since the era of contemporary globalisation began. It could easily end in tears, or worse. But as Trump's supporters argue, the continuation of the globalist orthodoxy is also a gamble – not just with jobs, but with social stability – and a gamble with much worse odds.

### **A New Geopolitics: An End to Empire**

The impetus of Trumpism was the electoral mileage to be gained by focusing on jobs and how to 'Put America Back to Work Again', but the implications of the policies – particularly the trade agenda – to achieve this end have far-reaching geopolitical implications. There can be little doubt that in the coming era of American neoprotectionism and noninterventionist 'national interest', a new global geopolitics is in the making. The contours of this new Trumpian world order – very different from the present – are still rather sketchy, although certain features can be seen clearly. A guiding principle seems to be an emphasis upon the 'American national interest' – in which America, dealing increasingly bilaterally, 'comes first' – rather than a foreign policy which seeks, above all other things, to maintain and sustain a globalist American-led international system.

In recent years domestic critics have increasingly used the term 'empire' to describe American world involvement and the Amer-

ican-led international system. Chief amongst them was the novelist, biographer and essayist Gore Vidal whose acerbic pen had chronicled and critiqued what he believed had been his country's degeneration from republic to empire – and to what he called 'the security state'. Another is the academic and writer Noam Chomsky, who sees the history of the USA – the conquests of Hawaii, the Philippines and half of Mexico – as a colonial story. As does the academic Chalmers Johnson who in his 2004 *The Sorrows Of Empire* argues that 'most Americans do not recognise – do not want to recognise – that the United States dominates the world through its military power' and then goes on to set out the extent of the empire: 'our country deploys well over half a million soldiers, spies, technicians, teachers, dependants, and civilian contractors in other nations and just under a dozen carrier task forces in all the oceans and seas of the world. We operate numerous secret bases outside our territory...'[1] From the American right Pat Buchanan, agreed. He saw the US as an 'empire, with America having 'inherited' the role in the world – the imperial role – from the British empire. He saw this American empire as being seriously overextended.[2]

### **'Anti-Colonial' America?**

It is difficult to argue that the USA has not been an 'imperial' power, not maybe in the European sense of 'imperial' but certainly it has been hegemonic, and globally so. It is a fascinating characteristic of American politics however that few Americans believe the 'imperial' moniker fits.

When Jerry Bremer, in his desert boots, landed in Baghdad in May of 2003 to become the US 'Viceroy' in a defeated and occupied country it stirred memories of colonial times. It was strangely un-American. For, ever since 1941, in the hot war and the Cold War, the United States, with some justification and pride, could sell itself – to itself as well as to others – as the great anti-imperial power. As its troops swept through Nazi-occupied Western Europe and then manned the barricades of the West during the Cold War, the US was the 'liberator' and 'protector', spreading and defending democracy. It was a leader, the head of a grand alliance of free and democratic peoples.

### **A leader, not a ruler.**

American involvement in the world in the twentieth century always possessed a large ideological element – it was ‘America against fascism’ and then ‘America against communism’. For many Americans, and for others too, the fifty-year fight against fascism and communism made the US special. She was not just another ‘great power’ in the mould of the European imperial nations. She was about power certainly, but also about ‘freedom’. She had colonial possessions (The Phillipines gained its independence in 1946) but not a worldwide colonial empire.

Indeed, in the early postwar years, during its emergence on the world stage, Washington never tired of pointing out its history of anti-colonial struggle against the British and opposition to the European empires. During the early phase of the Cold War, it proclaimed itself to the leaders of the emerging ‘Third World’ (to Nasser and Tito and Nehru) as an anti-colonial power. It denounced both communism and colonialism; and set about actively undermining the old European empires.

And in bringing Britain and France to heel after their invasion of Egypt in 1956 it earned its anti-imperial credentials. Indeed, as it emerged as a global power in the 1950s Washington had a very different flavour about it than did old imperial Europe. The USA had no proconsuls and eschewed direct rule. Instead it relied on the indirect approach, securing power through its economic size, its societal attractiveness, and its worldwide system of alliances. And even as it began to dominate half the world, the term ‘American empire’, starkly obvious to many in South America, continued to grate on American ears.

### **Seeds of Empire**

Of course, an American ‘empire’ was there from the very beginning of the United States. The expansion of the European settlements and the conquering of the American continent by force – and the subjugation of the indigenous population – was colonial in its character as was the expansion of the United States following the Mexican-American war. The big difference between the making of America

and the European colonial expansion was that in North America the European conquerors and settlers settled, and then became the majority population.

In its first century of existence the US adopted an insular – hemispheric – attitude. And, although by 1900 her economy was by any measure the largest and most productive in the world, American strategic thinking remained essentially ‘isolationist’ – determined to stay out of European-dominated global politics. It was this period that allowed the idea to spread that the US – certainly by comparison with Europe – was ‘exceptional’, exceptionally moral that is, representing in its foreign policy – in the phrase made famous by the historian Correlli Barnett – ‘all that was noble and good’. The truth, however, was less uplifting, for Washington was as aggressive and acquisitive as any European colonial state. It was simply that she adopted a different – and arguably more sensible – imperial policy. She ingested what she could digest, and little more. Buchanan has argued that this traditionally careful approach by Washington has paid great dividends. He suggests that today ‘America is the last superpower because she stayed out of the world wars until their final acts’ and he asserts that the British, French, German, Austro-Hungarian, Russian, Ottoman, and Japanese empires are all gone today because they got involved in total wars. ‘We alone remain, because we had men who recalled the wisdom of Washington, Jefferson, and John Quincy Adams about avoiding entangling alliances. Staying out of European wars, and not going “abroad in search of monsters to destroy”’.

### **The Cold-War Empire**

America’s replacement of Europe in world politics was an exercise in successful imperial statecraft if ever there was one. In the run up to the Second World War Washington manoeuvred intelligently, and then pushed decisively, to become a global power, and actively sought to undermine the British imperial economic system in order to dominate it. By entering the Second World War when it did, Washington was able to take full advantage of Europe’s weakness and, with the Soviet Union, carve out spheres of influence through-

out the world. By 1950, and the setting up of NATO, Washington's cold war boundaries were set. 'The West' was born. It was a willing alliance – a more than willing alliance – but it was also an American-led system in which American interests were well and truly served – with growing mass markets for the US corporations, and a reserve currency, which allowed the US to control the financial system.

In constructing this postwar system America had half-listened to its founders. They had ignored the founders' injunction not to get involved in entangling alliances, but, on the other hand, these alliances did serve their interests, and, crucially, did not overextend the empire. For most of the cold war period America was punching equal to its weight – and Americans did not 'go abroad in search of monsters to destroy'. The cold war policy was to 'contain' communism, not to roll it back; there were no invasions of communist-held territory; and, with the exception of the Vietnam issue, no loss of support at home for foreign policy.

### **The Military-Industrial Complex**

America's cold war empire did, however, produce a monumental military-industrial complex; and Washington came out of the Cold War with unchallenged military supremacy. The Pentagon budget was so impressive that by century's turn it was more than the next 20 countries put together and three eighths of total global defence spending. The American lead on military research and development is even more impressive – four times as much as the rest of NATO Europe put together. And the US military's potential reach is unprecedented in history, with a string of around 158 bases (or 'military installations') around the world in as many as 40 countries.

American deployments stretch across Eurasia from western and eastern Europe through to the Balkans (in the huge US army base at Camp Bondsteel in Kosovo picked up following the conflict with Serbia), the Middle East (including Kuwait, Oman, Saudi Arabia and now Iraq), the Indian Ocean (by courtesy of the UK in Diego Garcia) to Central Asia (with US air force bases in Tajikistan, Kyrgyzstan and Afghanistan), taking the US military right

up to the Chinese border and beyond in South Korea and Japan. These bases were (and are) all about access, the ability at short notice for the USA's flexible forces to go anywhere in the world at any time. During the neoconservative era, the architect of this new Pax Americana, Paul Wolfowitz, set out the case for them in blunt terms. 'The function of these bases he said, 'may be more political than actually military, they send a message to everyone.' And the message was clear: this new string of US bases girding the globe is very different from the system established during the Cold War (when the bases were part of a containment policy). Now, they were no longer there for containment, but rather for preemption – and the implied threat of a US administration willing to overthrow governments believed by Washington to be dangerous. As the historian of empires Paul Kennedy ruminated in front of a transatlantic television audience in April 2003, this American system of bases was beginning to look very much like an empire in the classic old European sense.

The question being increasingly posed in the USA, and around the world, long before the candidacy of Donald Trump, was whether this powerful US military global reach gave the USA the potential to dominate, control, or even police, the world? Could the USA become the famed 'hegemon' and assume the mantle of lone superpower desired by the Bush White House? US forces were easily able to defeat Iraq, the world's 56th military power with no deliverable weapons of mass destruction, no air force, and a country weakened by a decade of sanctions. But could they do much more than this? And were they able, as Samuel Huntington had asked in the mid-1990s, to fight two serious wars at the same time?[3]

### **Overstretch: America as Rome?**

There was a further question: was this global US military power sustainable? Would, in fact, US public opinion allow future administrations to pay for its global network of bases, its hi-tech, flexible military, and the reconstruction costs of country after country whose regimes were removed? Looked at another way, was the US an empire both overstretched and in decline, unable to sustain its power,



like Rome or Britain before it? Was it destined to see other superpowers – maybe Europe and maybe China – rise to compete with it? And, if it continued to want to act as the world's policeman, would it need to seek to share power with Europe?

The USA at the turn of the millennium was certainly not like Rome (the western empire) in its latter years. It was not militarily weak. It had not surrendered its weapons to unassimilated bands of foreigners. It was not dependent for its supply of food on imports controlled by groups of opponents. It did not have a stagnant technology. It did not have a farm sector of 90 per cent of the population held in conditions of servitude. It did not have a hugely oppressive tax system. As yet it had not directly conquered large landmasses containing restless and resentful populations. It did not have difficult supply lines. It had lost no wars (save Vietnam). It had not yet been visited by plagues and epidemics. It did not depend on foreign mercenaries for its defence. And it did not, as yet, have a privileged, hereditary aristocracy (at least not of the type which ran Rome), nor an official and inordinately wealthy priesthood.

Nor does today's USA resemble the Soviet empire before its fall. The Soviet problem was a classic case of serious overextension. Its domestic economy was simply unable to sustain the military expenditure needed to control its empire outside of its borders. Military spending was also taking far too much out of the domestic economy – to the point in the late 1980s when the Politburo came to the fateful conclusion that the USSR could no longer compete in a new arms race in space.

### **Or the British Empire?**

The US today does not resemble Rome or the Soviet Union before their falls. But it may be comparable to the British empire in the early twentieth century. Indeed the USA today appears strikingly similar to Britain in those fateful decades around 1900, before the onset of its rapid decline. Then, whilst London ruled over a global political empire on which 'the sun never set', it possessed a home base that could no longer sustain it. The British had, by global standards, a small population like

the US today. Britain had serious structural economic problems – not least an increasingly uncompetitive manufacturing and industrial sector that was being supplanted by other powers. Today's US structural problems – the country's massive debt owed to foreigners and its projected deficits – are no less acute. And in one respect the US is in a worse position – for in 1900 Britain was not owned by foreigners, indeed British investment overseas was immense.

Just as crucial as Britain's economic position was the damage inflicted by delusions of power. Imperial Britain at the zenith of empire produced an elite intoxicated with success, which slowly lost touch with reality, overestimating Britain's power and arguably leading to the blunders of the Boer War, the Great War of 1914-1918 and, at the fag-end of empire, the 1956 Suez imbroglio. In 1921, South Africa's Anglophile Prime Minister, General Smuts, saw Britain as 'quite the greatest power in the world' and suggested that 'only unwisdom or unsound policy could rob her of her great position.' And, in the view of Britain's chronicler of imperial decline, Correlli Barnett, this was exactly what happened as Britain's increasingly deluded leadership allowed 'British responsibilities to vastly exceed British strength'. It lost sight of the reality recognised by Britain's nineteenth century Liberal Prime Minister, William Ewart Gladstone, delivered at the height of empire: 'Rely upon it, the strength of Great Britain and Ireland is within the United Kingdom.'

The American leadership in the 1990s and early 2000s was showing some of the same signs. Washington's celebration of the US 'victory' in the Cold War, and Wall Street's lauding of the revolutionary 'new economy' (which some analysts predicted was going to bring to an end the business cycle) led to a bout of excitable hubris about the USA as the world's 'only superpower', the world's 'hegemon'. Even the measured Henry Kissinger echoed these sentiments when he said of the USA, in an article headlined 'America At The Apex' that 'at the dawn of the new millennium' it was 'enjoying a pre-eminence unrivalled by even the greatest empires of the past'. It was an environment in which grandiose ideas about the superiority of American values and the need for univer-



sal conversion took root. Just as late imperial Britain talked of 'the white man's burden' and sought to bring their form of Christianity to the world by force, so the USA sought to bring its own version of 'democracy' to the world (initially the Middle East) even at the barrel of a gun.

## The New Realism

Yet, to counterbalance these extravagances there were other, more realistic, voices. As early as 1987, at the height of the bipolar Cold War and the Reagan arms build-up, Paul Kennedy published 'The Rise And Fall Of The Great Powers'. It was a book which had real impact – not only on the academic debate, but far wider in the public policy community and beyond. For simply by setting the power of the USA in an historical context, Kennedy, implicitly at any rate, began adjusting perspectives on American power – both its real extent and its durability. He saw the US as a 'great power' rather than a global hegemon. He described what he called a 'pentarchy' of powers – the US, USSR, China, Japan and the EEC; and although there was a 'military bipolarity' (between the US and the USSR) what he called the 'the global productive balances' were tilting 'away from Russia and the United States, away also from the EEC, to Japan and China'. The MIT economist Lester Thurow in his 1993 bestseller 'Head To Head' also predicted a more modest future for America. Writing at the time of Japan's economic advance, he saw a 'trilateral' future for the world – the USA, Japan and Europe (with the vast raw materials of Russia able to enhance Europe's position).

The fall of communism was to blur the impact on the public policy world of these realistic and modest assessments. For, in the aftermath of this fall, Francis Fukuyama's expansive and imperial analysis in his famous work 'The End of History' took centre stage. In the 1990s American military 'wins' in the first Gulf War and the Kosovo crisis seemingly reinforced Fukuyama.

Yet even at the height of bullish belief in Fukuyama some American policymakers were arguing against the grain. They were beginning to see long-term US weaknesses as contribut-

ing to a geopolitical decline, especially at that time vis-à-vis Europe and, ultimately, China. The turn of the century saw anxiety growing about America's global economic position. And, unusually, particularly from the heart of the American bullish Wall Street business community, came a remarkable analysis for its time. The high priest of American capitalism, Morgan Stanley, issued a market commentary which suggested that 'the paradigm of US leadership in the global economy and world financial markets is coming to an end'. It made the case that the US economy was showing so many structural weaknesses that it was heading for a serious decline, and concluded that 'we are moving from a unipolar to a tripolar world, where Europe and Asia become the equals of the US in economic if not military power.'<sup>[4]</sup>

## A Power Shift

But it was not until the banking and credit crisis of 2007-8 that the growing decline of America was fully exposed. It was a decline that was comparative, not absolute, difficult to properly measure, and the pace of which was contested. Yet, it was real: real enough to argue with certainty that the 'unipolar moment', if ever there was one, was over; that the reality was now a 'multipolar' world; and that in this multipolar world US 'primacy' was also finished, and that even the US as 'primus inter pares' (first amongst equals) was in doubt.

The figures were telling: IMF figures for 2007, on the eve of the banking collapse, show world GDP (nominal) standing at \$64,903,263 millions. EU GDP at \$14,712,000, USA at \$13,843,000, the People's Republic of China \$6,991,000, Japan \$4,289,000 and India at \$2,998,000. Based on these figures the USA had only about 21 per cent of global GDP.<sup>18</sup> By 2016 China's GDP was \$11,000,000, almost doubling in ten years. If the calculation included purchasing power parity then, by 2016, China had in fact taken over as the world's largest economy, just ahead of the US and the EU.

On population the figures are just as striking: The world's population in 2008 was estimated to be 6,671,226,000. Of this total

China's population was 1,324,723,000, India's 1,134,893,000, the EU's 497,198,000 and the USA's, 304,499,000 only 4.46 per cent of the world's population. Since then China's population policy has stabilised – its 2016 population remaining at 1.3 bn (with India now equal to China, and the US at 325 m).

The figures make the point more effectively than any words. The US – with around 20% of global GDP and around 4.5% of the world's population inhabits a geopolitical world, which is now multipolar in character. The EU (with a roughly equal GDP), fast-growing China and India, and energy-rich Russia, are all, in the short-term, potential competitors as global superpowers. The US lead in military strength remains impressive – twice that of the nearest spend of the total of the 27 EU nations. But there is a very big question about the exact relationship between 'hard power', even highly mobile and technologically advanced 'hard power', and real power in the world. There is obviously some relationship (this writer believes a strong one), but exactly how military spending fits into the mix of GDP, population, attractiveness, domestic tranquillity, creativity and the rest remains difficult to judge.

Whatever the precise figures, it amounts to a power shift, a global power shift. In the 1990s the western political class had been slow to recognise this shift – one effected during their watch. It was later acknowledged by one of their own, Tony Blair, when he argued, peculiarly, that he understood these global changes better after he left power. In June 2008 he suggested that 'the other change I have got to know better since leaving No. 10 is that the whole centre of gravity in the world is shifting east, that for countries like us, and Europe and America, this is a change so profound that I don't think we yet quite understand its consequences or its implications for us... We are about to enter a new epoch in terms of power relations.' [5]

Others had noticed earlier. China specialist Martin Jacques had made the case that 'a fundamental shift in power from the developed world to the developing world, and above all China and India' was underway and that 'we have not witnessed anything like this since the

inception of the West as an industrial powerhouse in the 19th century.' [6] It was a sentiment increasingly echoed within the US itself from, as reported earlier, writers as diverse as Pat Buchanan and Chalmers Johnson. In his book, Johnson, a professor at the University of California, argued that:

'Americans like me, born before World War II, have personal knowledge – in some cases personal experience – of the collapse of at least six empires: those of Nazi Germany, imperial Japan, Great Britain, France, the Netherlands, and the Soviet Union. A combination of imperial overstretch, rigid economic institutions, and an inability to reform weakened all these empires... there is no reason to think that an American empire will not go the same way – and for the same reasons.' [7]

## The New Multipolar World

The dangers inherent in the new multipolar reality were also becoming apparent. The era of 'globalisation' had changed the world forever, and many globalising features would remain. Cultural and technological globalisation – the huge increase in communications between people – was here to stay; as were aspects of economic globalisation (such as the increased trade and capital movements of the post-communist era). But it was also becoming clear that this new world would not be managed from one centre – either politically or economically. Neither Washington (or New York, Brussels or Beijing) would rule, let alone 'lead' or 'guide', the new world order. In this respect the new order remained a Westphalian order. It had many of the characteristics of the old 'great power' system that emerged out of that seventeenth century treaty which set in train an anarchic international system based upon separate nation-state 'sovereignties'.

An optimistic reading of the new multipolar world, however, was that the new multiple poles would have no alternative but to resolve differences and conflicts through negotiation and compromise, and, importantly, would be able to keep the peace – as during the Cold War – through deterrence. In a multipolar world, global institutions – the UN, the IMF,

the World Bank, the WTO – would no longer be dominated by one power, or one alliance of powers, but could be fora for dialogue, discussion, compromise and peacekeeping. And, over time, a multipolar world could conceivably become a platform for convergence into some form of global governance.

In May 2004, as EU membership grew by 10 to reach 25 members, a few somewhat grandiose European thinkers were beginning to see the way this enlargement as a way forward globally. And by 2008, through the expansion of the EU (by a series of international treaties) a law-based multilateral system had spread to cover 27 nations with 500 million people – and in future it could, theoretically at least, add even more nations. This EU system could certainly see a future in which it could expand into parts of Eurasia and, maybe, even into Russia and parts of the Islamic world; but, even should it so expand, it would certainly not be able to encompass the whole world. For at some stage it would need to deal with China or the USA where, in both cases, largely unspoken Westphalian sovereignties die very, very hard.

And, as for the genuine desire held by many for a world government (or at least global governance), the new multipolar system will certainly not secure this long-held objective. Yet, it may move us a bit closer – for it is predicated on the notion that global government cannot come out of the barrel of a gun, it can only come out of genuine need and agreement. And the new multipolar system, comprising only a few major ‘poles’, could, just conceivably, become a realistic launching pad for some kind of global governance, if not government.

The new multipolar world now emerging may well have its dangers; but it has one great advantage over the botched attempt in the 1990s to ‘remake the world’ through ‘globalisation’. For by recognising reality, and by recognising differences and sensibilities, multipolarity is more stable, and sustainable, as a system.

### **‘America First’**

Today’s Trumpian ‘America First’ thinking involves a recognition of the relative decline

of the USA as a world power- and, importantly, the acceptance of the reality of a new multipolar world. The new foreign policy thinking amounts to more than just a case of re-drawing or retrenching the American-led international system ( it could be argued that the Obama years started that process, particularly in the Middle East). Rather, it involves the end of internationalist, interventionist, or, as some theoretical Trumpists would have it, imperial thinking.

‘America First’ - at least as so far defined- seeks a foreign policy based upon strategic bilateral deals between nations and blocs and not upon maintaining an ‘empire’ based upon universalist principles. It sees America as a ‘great power, even one that needs to build up its military, and it sees America as remaining the world’s leading power- but ‘primus inter pares’, first amongst equals, amongst the global players.

This has immense, historic, implications for America’s allies, both in Europe and Asia. Allies are no longer seen as embedded in a system run from Washington, for which the USA would make necessary sacrifices for the greater good of the ‘empire’. Rather, allies are seen as independent players with whom America will make deals. The allies should keep in mind that alliances are temporary arrangements only. In the Trumpian future allies can expect support from the USA only if they pull their weight – which often means increasing their spending on defence and security. Trump has already singled out Saudi Arabia, Japan and Germany as allies being over dependent on US protection.

### **Russia**

Perhaps the most important foreign policy change to expect is in US relations with Russia. Trump consistently argued during the election campaign that a new, more friendly, relationship between the US and Russia ‘would be nice’, and he criticised some of the Clinton camp’s proposed anti-Russian policies – such as the idea floated by some around Clinton to establish a ‘no fly zone’ in Syria (a move which some critics argued would run the risk of American and Russian jets confronting each other).



A President Trump may well seek another 'reset' in the relations between Washington and Moscow – but, this time, one that he would no doubt hope is sustainable. The incoming administration seems to see great virtue in seeking an agreement with Russia to deal with what the Trump camp think is the most urgent threat to US security – namely the so-called Islamic State. A serious rapprochement with Russia might well see the US abandon or weaken sanctions on Russia and develop a different, more accommodating, strategy in eastern Europe, with acceptance of the Crimea situation, and less support for the Kiev government. The incoming administration is unlikely to abandon NATO altogether but may well set in train a debate about its relevance, objectives and financing. As I will argue, this new look at NATO may well be the long-awaited catalyst for serious change in Europe: either to finally politically unite the continent or, alternatively, to fracture and Balkanise it.

However, anti-Russian sentiment dies hard in the US – particularly in its intelligence communities and amongst some east European lobbying groups – and a sustainable 'reset' may not be possible. However, a successful alteration in American policy towards Moscow could not only alter East-West relationships but also detach Russia from its growing alignment with China.

The recent tilt in Russian foreign policy towards China has begun to worry many geopolitical thinkers in Washington. The works of H.J. Mackinder, the father of contemporary geopolitics, are now coming back into fashion and some strategists are beginning to worry about the emergence of 'Eurasia' and the threat it could pose to the USA and the West. Mackinder's famous phrase that 'whoever rules the world-island [of Eurasia] commands the world' still has that chillingly realistic quality. Former American National Security Advisor Zbigniew Brzezinski, has argued that 'for America, the chief geopolitical prize is Eurasia', and that 'Eurasia is the world's largest continent and is geopolitically axial. A power that dominates Eurasia would control two of the world's three most advanced and economically productive regions. About 75% of the world's people live in Eurasia and most of the world's physical wealth is there too.' A

long-term devotee of the American empire, Brzezinski has outlined his fear that the US might well become marginalized in Eurasia or even 'ejected' from the continent altogether – a fear he suggests might well be realised should America be ejected 'by its western partners from its perch on the western periphery.' [8]

Of course, the extent to which the Kremlin is determined, no matter how western policy develops, to pursue a 'Eurasian' strategy and turn away from the West is still unknown. Yet, there does remain in Moscow quite a serious lobby in favour of restoring good relations, so it may be worth a try.

## China

Central to the 'America First' view of the world is the need for a complete overhaul of US-China relations. In the new thinking there is a sense that an historic mistake was made by the attempt during the Nixon's presidency, and since to strengthen China against the Soviet Union. Others believe that the mistake was later, when, under the Clinton presidency, China was admitted to the World Trade Organisation – accelerating the deep economic and trade relationship that many believe is the primary cause of job and wealth losses in the manufacturing Midwest.

On the 17th September 2001, just six days after the 9/11 atrocities in New York and Washington, the 15 year-long negotiations on China's terms of membership of the World Trade Organisation were formally concluded, paving the way for formal agreement in Doha, Qatar, later in November. Mike Moore, the WTO Director-General hailed the agreement as a 'defining moment in the history of the multilateral trading system'. And so it was. In the agreement China committed itself to open and 'liberalise' its regime including telecoms, banking and insurance. The Clinton administration had been the engine that pushed this agreement through Congress, and Bill Clinton himself was thrilled that all his efforts had borne fruit. He had tied his legacy to the deal; and, following the US-China agreement that opened the way for the China's WTO membership, Clinton declared that 'I'll fight to make China's trade status permanent'; he argued that exports to 'China now support

hundreds of thousands of American jobs' and that 'these figures can grow substantially with the new Chinese market the WTO agreement creates.' In 1999 his spokesman on Asia had predicted that the WTO deal would 'clearly shrink' the US trade deficit with China – this, even though many economists believed that it would achieve exactly the opposite result.

Bill Clinton could feel proud. The financial crisis of 1998 had shaken everybody – but the western-led financial system had survived. American business had broadened and deepened the 'globalisation project' and brought Asia into it. By so doing the American financial system seemed to have been shored up; and China's addition had secured low inflation into the future allowing the US financial system to create another credit boom and a further run up of debt.

But events were not to work out quite as foreseen by the pro-globalising lobby. The trade deficit with China did not come down. Indeed it was to go up – dramatically so. It rose from \$68 billion in 1999 to \$201 billion in 2005 and thence to a staggering \$256 billion in 2007. By 2016 it was \$288 billion.[US Census Bureau for relevant years] China did not open its markets as foreseen in the WTO deal. Instead, she placed severe restrictions on western penetration of many of her service sector markets, and created an Asian market for her products thus heralding the arrival of a powerful Asian internal market bloc with China at its hub.

Indeed, it was slowly becoming a distinct possibility that the western leadership class may have misunderstood the whole China process. Westerners glibly, and patronisingly, talked about 'managing' China's rise, as though they were still in charge. Indeed it was the other way round. Mark Leonard has reported that China's new intellectual class are beginning to exhibit the confidence of a superpower – so much so that some are now adopting the condescension of superpower thinking and seeing it as their duty, not just Washington's, to 'manage' change – in particular the decline of the West. Whatever the real situation with China, few people outside neocon circles in the USA were any longer talking about an American-led world system.

## The Future: Cold War in Asia?

How the West ultimately reacts to this new communist superpower active in the world will depend upon the health of 'CHINUSA', that is whether America and China have become so economically dependent upon each other, and so intertwined, that there can now be no turning back. I argued in my 2008 book, *MELTDOWN*, that there were two routes forward. First, that should the trade and debt relationship continue then the American-Chinese relationship will deepen even further and may well, over time, become, in effect, a tight economic alliance – even a kind of economic NATO in the Pacific. I also argued that the alternative, and more likely, course was just as stark – a souring of relations between the two powers that would lead to a reordering of the relationship and eventually to a new 'cold war'.

In 2005 Andrew Small of The Foreign Policy Centre in London pointed to the dangers ahead. 'If this were a looming conflict between two small countries in a strategically unimportant part of the world' he argued, then 'there would be people lining up to urge early interventions and preventive measures'. However, he added, 'this is a looming conflict between the two major powers of the coming century and if leaders, officials and thinkers on both sides do not work towards finding an answer to the 'big question' that everyone can live with, it is a century that could instead see everyone having to live again with systematic global insecurity and the constant spectre of war'.[9]

This is a theme systematically developed by the US academic and campaigner Peter Navarro whose book 'Death By China' had a huge influence on President Trump's thinking – so much so that Navarro has now been appointed to the post of Chairman of The White House National Trade Council. His basic argument- that China possesses an unfair trade advantage because of its cheap labour costs, its pegging of the currency to the dollar at a rate well below market value, its export subsidies and its deregulated and 'abusive' labour and environmental system- seems to have caught on in important circles in the USA, not least

the new White House team, including advisor Steve Bannon and the President himself. Allied to this, there is also a growing American lobby that sees China's military policy in Asia as a direct threat to US interests, the kind of approach that could easily herald a new cold war in the Pacific.

If a new course in American-Chinese relations is indeed to be set in the Trump era then the question will arise: can it be controlled as successfully as the earlier Cold War between the USA and the Soviet Union? These questions will bring to the fore the western debate about 'liberal universalism versus geopolitical realism'. In 2008 I argued that 'A new cold war [this time between the USA and China] would more likely return the realist, and realistic, approach to centre-stage in western thinking. Western strategy towards China might then well become based upon strategic interests, probably primarily economic, rather than upon the attempted imposition of universal, that is western, values. But any 'realist' grand strategy with regard to China will need to grapple with the thorny problem of trade, and the protectionist issue'. [10]

The orthodoxy prevalent from Clinton to Bush (and Blair to Brown) held that China could do the jobs westerners no longer want, or could afford to do, whilst western countries concentrate on and perfected their comparative advantage in the knowledge-based and high-added-value sectors. It became clear that China will soon be able to compete as effectively in the service and knowledge-based sector as it has in manufacturing, a potential problem that was evident by 2010. Setting a 3% of GDP EU target for overall spending on R&D (up from a 'stagnating' level of 1.9 per cent) Jan Potocnik, the EU Science and Research Commissioner, noted that research investment in China would grow by 20 per cent. European MP Caroline Lucas noted that 'almost 20% of China's exports are already classified as hi-tech and, with 2 million graduates a year, there's every reason to believe that this percentage will grow'. Even 'free trade' advocates in Britain could see the problem. 'There is nothing the UK does now that China won't be able to produce in five years' commented the then CBI chief, Sir Digby Jones, as early as 2005, adding that China produced

400,000 science and engineering graduates each year, a level which the UK was failing to match.

Still little has been done to change these trendlines as the leaderships of the West have continued to indulge a globalist neoliberal addiction. Even in 2008, the year of the Beijing Olympic games, while the global economic downturn added crisis-caused job losses to those resulting from free trade with Asia, western leaders were still talking about 'competing' with China in the 'global economy'. Geopolitically, they have been unable to adopt a common view about future relations with the Asian giant. Americans and European alike were putting their faith in a future in which the global 'market economy' and further global integration would modernise and democratise China, soften her global ambitions and continue the high road to a new equilibrium if not quite CHINUSA. It was, and is, a very fanciful expectation.

## Trump and Europe

### Balkanisation

As things stand at the moment it would seem that the Trump era – should it seriously enact an 'America First' strategy and wind down the hegemonic empire, base its foreign policy on bilateral deals, and intervene with protectionist policies in the globalisation process – will inevitably push the world into trade blocs. The big question is: will Europe, the EU, the Euro-Zone, be one of them?

It can either respond to the new world by playing to its existing strengths and continuing the process underway since the 1950s – that is towards an integrated economic, trading and currency bloc governed increasingly by political union, in essence a European superstate able to compete with the USA and China. Or, alternatively, succumb to the forces of populist nationalism now stalking the continent, which will break the union and return Europe to its earlier nationalist era. Dissolved into single nations with separate interests, this kind of Europe in the coming age of blocs is inviting nothing less than 'Balkanisation' with



its individual countries at the mercy of big global capital and big global players, parceled out amongst the great powers. That is why the present rise of populist nationalism – though understandable – is a dead end!

The present political and social climate in Europe is creating the conditions for this dead end. In my view the growth of populist nationalism in Europe is born of two factors, neither of them directly related to European integration, the Euro or the EU. First, there is the continuing fall-out in Europe of the 2008 global banking crisis. It was unfortunate for the European project that the global credit crisis erupted in 2008 before the political side of the European project could be properly developed and whilst the euro currency was still bedding in. The credit crisis revealed the flaws in a half-completed project – flaws that would have been solved by political union (and a transfer union) had the union had time to develop. Political union would solve many problems even now but the political will to forge such a union is not there.

The second flaw was the post- 2008 macro-economic response of Europe's right of centre, orthodox economic leadership, particularly in Germany. The post- 2008 imposition of orthodox fiscal economic policies on the whole of the eurozone, though it suited Germany itself, created a pan- EU austerity which, from Greece to Portugal to Spain and to Italy, has put huge strains on the Euro-area and led to nationalist and populist responses throughout the continent.

Following 2008, the German authorities, previously the great bulwark of European federalism, began to weaken in their erstwhile resolve. The whole thrust of postwar German statecraft from Adenauer to Kohl and beyond had been to anchor Germany firmly in the West as the great defence against the rise of extremism at home and resentment of Germany abroad. By so anchoring herself – an economic giant but still a political dwarf – she could pursue her foreign and security aims through European policy in an unthreatening way. In sum, Germany would effectively lead Europe but pursue her objectives through it. And as part of this coherent strategy, she would work hand in hand with France in

an alliance that would form the core of the European Project. In sum, Germany would re-enter world politics through the mechanism of the European Union. Since 2008, however, the consensus behind this European strategy has weakened. An 'alternative' for Germany has emerged that argues for a more traditional nationalist posture in which the country acts strictly in its 'national interest', no longer seeing her destiny as tied to that of the EU.

Of course, Germany does seemingly have different short-term interests from many other EU states. For instance, she has continued to benefit from economic globalisation through sales of German goods, particularly cars, into Asia. By comparison much of the rest of Europe, particularly in the South, has done very badly out of globalisation – the region has been losing jobs to Asia for over two decades, and since the 2008 banking and credit crisis, fiscal positions have worsened to the point where, with a half-finished eurozone without a eurobond, they are finding it difficult to raise money. And in return for helping out their fellow eurozone members the German authorities have imposed further austerity measures – measures which weaken the social fabrics of the indebted countries and increase hostility to Germany throughout the union. In sum, the German refusal to establish what any self-respecting union would automatically do – that is, establish a transfer union controlled politically (as in the USA) – is contemporary Germany's great failure of statecraft.

Thus, Europe's present travails have little to do with the oft-cited 'flawed' structure of the EU or the Eurozone or with the 'Brussels bureaucracy'. Rather, they have everything to do with the austerity regime. With a jobs crisis throughout Europe, the migration crisis caused by the Syrian conflict could not have come at a worse time. It simply fuelled the arguments of European nationalists that the EU was the problem, and that if the EU could not solve the austerity and migration crises then the national governments, by 'taking back control', would do the job. Of course, there is no likelihood that European nations on their own can solve these great problems – they may well make them worse – but populist propaganda, simply pointing to existing EU failures, had a weapon and was using it to

decisive effect.

Because of these policy choices the EU and the Eurozone have become associated with austerity and mass immigration, rather than being seen as policy-neutral institutions. The EU and the Eurozone are not policies! They are institutions! When policies fail in a proper federal state the state itself is not blamed. Rather the leadership of the state is blamed, and changed, and the institutions carry on. The problem for the EU and the Eurozone is that they are not yet a state, and those who oppose them ever becoming so are using austerity and the immigration failures to break 'the European project' before it can develop the attributes of a state and thus become policy neutral.

So, there remains a very strong argument that in order to save 'the European Project' from the disaster of a return to European nationalisms, the policies of austerity and immigration need to change. It has long been my belief that should Europe abandon austerity and embark upon a huge pan-European transformative stimulus program then much of the present anti-European populism would melt like a snowflake in early spring. In the US the Trump presidency is promising just such a massive stimulus programme aimed specifically at growing the American economy around 5% per year thus, aided by protectionist measures, helping to bring jobs back to the US and cut the debt. It is something of a gamble, but is no more so than the orthodox path the US has been following. As this stimulus gets underway, Europe should seek to emulate it. There is, as I write in early 2017, already evidence that the Eurozone economy is picking up and that unemployment is finally falling. Yet, whether this new cycle will be strong enough to overwhelm existing resentments and deny the populists the fuel they need, is yet to be seen.

A change of policy and strategy in Europe depends upon a change of policy and strategy in Germany. It remains an open question, though, whether Germany will be able to rescue 'The Project'. Disillusionment with much of the rest of Europe runs high in contemporary Germany. And an 'alternative' future for Germany free from 'the drag of the EU'

remains a temptation. A successful future for an 'independent' country trading in the so-called 'global market' – although a fantasy in Britain – is realistic in Germany, and forms the basis for the 'alternative strategy' for Germany (alternative to the EU, that is).

However, one positive point is that, as the recent extreme phase of globalisation comes to an end, and in the new Trumpian order world trade declines and trade blocs emerge, the divergences between 'pro-globalisation' Germany (and the EU North) and 'anti-globalisation' Southern Europe will begin to fade. In essence it is this difference in attitudes to globalisation between 'north' and 'south' Europe that represents the true faultline in the Eurozone. As globalisation comes to an end and is replaced by trade protection within trade blocs, Europe's states will increasingly see themselves as being in the same situation. In such circumstances progress can finally be made towards further integration and political union. Already, the allure of China for German exporters may well be slightly fading as the imbalances of trade and capital moves in China's direction. For instance, a recent report by a China Studies think-tank stated that 2016 was the first year that the balance was in China's favour – Chinese acquisitions in Germany soared to £11 billion whilst German acquisitions in China amounted to a mere £3.5 billion.[11]

### **A Future For NATO?**

For European leaders the most unnerving aspect of Donald Trump was his campaign rhetoric about NATO and its future. Many of Europe's leaders, having spent a lifetime sheltering under American protection – either under the nuclear umbrella or in the fight against terrorism – cannot envisage a life without it. The British establishment has built its whole strategic position around 'the special relationship' with Washington, as has, in its more realistic way, the German political leadership.

However, this alliance, though touted as the most successful in history, was essentially a creature of the Cold War between the West and the communist bloc. When the Cold War ended many commentators suggested that NATO had lost its *raison d'être* and become

obsolete, even redundant. In 2003 this author wrote a pamphlet for The Federal Trust entitled 'Re-Thinking NATO: A Declaration of European Independence' which argued for a 'European' wing of NATO which could transmute into a proper European Defence system including a European army.

Yet it was not to be. Although the Soviet Union no longer posed any kind of threat to the West, NATO retained a purpose as conflicts broke out in Yugoslavia, US leadership of the West was re-emphasised by the need to respond to the growth of radical Islamic terrorism – particularly through intelligence cooperation – which became a paramount concern. And when the US-led coalition invaded Iraq in 2003, although both France and Germany broke ranks this was not a prelude to any serious development of an alternative European security policy. As recently as 2015 – as the Ukrainian crisis broke and sanctions were instituted against Russia – European leaders were still resting their security upon, and taking their lead from, Uncle Sam. Only now, in 2017, with a regime change in Washington in prospect, are European leaderships beginning to think seriously about an autonomous European defence and security policy.

It remains a stark argument, but the habit of relying on the USA for defence and security has meant that Europe's leaders have, in essence, wasted the 25 years since the end of the Cold War. Instead of bickering and dithering they could have united the continent in an autonomous security and defence system – in alliance, of course, with the United States. And now, with a new quasi-isolationism in the White House, and American pressure for revising NATO (and increasing European NATO's defence expenditure) Europe will now need to move fast to shore up its geopolitical position in a rapidly changing world.

As the Europeans await the Trump administration's new European policy, European defence and intelligence co-operation and integration is finally being taken seriously. But, with populist nationalism in Europe on the rise, securing such a European system will be politically difficult. The populists will tend to oppose more spending (preferring to spend money on welfare services) and will certainly

oppose a 'European army', thus, ultimately, continuing to rely upon US protection – if it is granted!

### 'Europe First'?

There is another geopolitical issue arising here. Should European unity ultimately prevail over the populists – and the Europeans finally get their defence and security act together – what would be the best architecture for the West? If we can establish what many pro-Europeans argue they want – a real European wing of NATO, in alliance with, but no longer reliant upon, the Pentagon – could this easily dissolve into 'two Wests', that is two political centres that would inevitably start competing, even possibly conflicting? The divided Roman Empire comes to mind.

In an era of 'America First', those favouring 'one West' are most likely to be on a losing wicket. 'America First' means 'America First' and its adherents will only tolerate 'one West' on American terms – a situation some Euro-Federalists will argue already exists.

Indeed those who believe that 'one West' – albeit with two equal pillars – is possible may ponder the point that ultimately, a common, or even single, 'West' can only be successfully constructed (like the EU itself has been) should the parties share values and interests in common. Obviously the USA and the EU hold some very basic interests in common – they are both advanced industrial and commercial societies, and they share a common interest in maintaining their high living standards within sustainable economic development as well as protecting their free societies based upon law.

Yet, since the end of the Cold War American and European interests in some key parts of the world have begun to diverge – particularly in Europe's neighbourhood. Europe's future energy needs demand maintaining a reasonable relationship with Russia, and a strategic long-term 'energy for markets' deal between the EU states and Russia could stabilise relations across the old cold war divide. Before the Trump election, Washington, particularly the neoconservatives, saw Russia in a very different light and promoted an adversarial rela-



tionship with the Kremlin. Post-Trump it will be fascinating to see if Europe and America begin to view the Middle East and the Maghreb through somewhat different eyes. Many in Europe see the region as its neighbourhood (and would like to develop neighbourhood policies, if such really exist), whereas Washington's interest in the region, will still primarily lie in oil and counter-terrorism.

One immediate flash point between a Trump America and Europe may well be the approach to Iran. Given their preferences, most European governments (including the German) will want to continue to support Obama's Iranian nuclear deal whereas the incoming Trump administration may well abandon it. Of course, Trump's strong criticism of the agreement may well have simply been campaign rhetoric, a useful stick to depict Obama and the Democrats as weak, and may well be watered down. Much will depend upon Trump's Israeli policy – for Israel will remain a major lobby in favour of scrapping the deal – whereas Europe will want to keep it. As of writing it seems that Trump's central concern in the region is in 'defeating Isis', and to that end he may try to secure an American-Russian strategic alliance in the region. In any event, how European leaders react to all this – and whether they act in a united way – will help determine which of the three broad options for Europe's future – Balkanisation, One West or Two Wests – will ultimately emerge.

The China question might also serve to diverge American and European interests. For instance, I questioned in 2008 that 'should a future Washington administration put up tariffs on Chinese imports, ought the EU to show solidarity with Washington, or should it seek to replace the US in China's affections? In other words, it could become very tempting for the EU to seek to replace the USA as the recipient of Asian funds and as the main partner in globalisation.[12]

The great transatlantic question thus becomes: in the Trump era are these divergent geopolitical interests between Europe and America so serious that they override the interests that they hold in common? In other words, in the coming multipolar world, should Europe hold together and the EU survive, do the

Europeans and the Americans have a 'special relationship', which sets them apart from the other multi-poles? Or, will Europe and America act independently of each other, treating each other in exactly the same way as they would treat China, India, Japan, and the rest, in the coming system of shifting alliances?

And what of China's agenda in a multipolar chess game? Should a Trump presidency succeed in detaching Russia from its recent closer and closer relationship with China, will the Chinese leadership respond by overtures to Europe. At the moment the 'new silk route' from East Asia into parts of the eastern reaches of the EU may ultimately make a reality of Brzezinski's nightmare – a Eurasia stretching from the Pacific to the shores of the Atlantic. Already Chinese capital is entering Eastern Europe in a big way, and this penetration can increase. Should this new 'Eurasia' be blocked by Trump's overture to Russia, how China will respond remains an intriguing question.

Yet, if interests may be diverging between the US and Europe, are their values? Transatlantic get-togethers have for some time been riddled with formulaic, cliché-ridden rhetoric about sharing values. Of course, they represent an essential truth. Americans and Europeans are more like each other, and think more like each other, than any other two peoples on the planet. Yet, even so, there are clear differences in values that appear in rhetoric and policy-making, and they are wide enough sometimes to be described as a 'gap'. Even before 9/11 a transatlantic debate about a so-called 'values gap' between Americans and Europeans was underway, one that intensified as the Iraq policy unfolded. Condoleezza Rice, then the National Security Advisor to the President even gave over part of a major speech in Washington to this 'alleged values gap' between Americans and Europeans which she suggested was centred around some specific areas of policy difference like the death penalty, gun control, biotechnology and climate change.[13]

One source of the difference over values is the continuing religiosity of large sections of modern American society. US public life almost used to define itself by French-like strict adherence to the separation of church and state,

but since the rise of the Christian Right into a serious political force within the Republican party in the 1980s this separation has become increasingly blurred – with obvious effects on issues such as abortion. However, one of the changes revealed by Trump's takeover of the Republican party is the much lower saliency of religion- the so-called 'guns, gays and god' syndrome- in the political realm, a development that, intriguingly, may narrow the transatlantic values divide.

A major difference lies in the European approach to welfare that tends to give the state a bigger and often redistributive role. For Europeans the state is viewed in a different light from many, particularly upper-income, Americans – it is not seen as stifling enterprise but, rather, as opening up opportunities for those not able to afford private health and education. And at the root of many of these transatlantic distinctions is a fundamentally different approach to questions of economic equality. Quite simply, Europeans are much less tolerant of inequality than Americans, much more fearful of its social and political consequences. Even after the, in economic terms, quasi-social democratic campaigns of Bernie Sanders and Donald Trump pitched around 'jobs', many Americans still believe that inequality (even deep inequalities represented by mega-rich excess amidst poverty) is the necessary price paid for dynamism and growth; Europeans see inequalities as limiting opportunities. Americans, because of their history, are less likely to see economics as a zero-sum game.

In the years ahead these value differences could act as a limiting factor in any serious transatlantic economic cooperation and certainly integration. For instance, in the early discussions and debates in 2008 about the details of the now- probably defunct Transatlantic Free Trade Agreement value-laden questions such as how to harmonise tax policy, labour market regulation and social protection were already serious stumbling blocs to agreement.

I am not certain that the coming era will serve to erode this transatlantic interests and values gap. In fact, an 'America First' approach to the world may make the gap wider. American leadership of, and influence in, the European

continent has already waned post-cold war, and the likelihood is that should 'America First' and American geopolitical retrenchment stay the course then the western world will inevitably increasingly divide, geopolitically at least, into 'two Wests'. And in these circumstances the European 'West' will either descend into a Balkanised and contested world region (between Russia, China and a retrenched USA) or find itself inevitably integrating into a new superstate acting as a powerful and autonomous player in the new world order.

### **Brexit in a World of Blocs: Britain Alone in a Protectionist World**

In the coming world of protectionist trade blocs 'America First' may well force Europe to respond with its own 'Europe First' strategy, and give a serious impetus to European integration. Yet, should Brexit hold, this integrating trade bloc will no longer include Britain, for the country will have left the largest trade bloc in the world at the very time when protectionist blocs are forming. Britain's new Prime Minister Theresa May has asserted that following the Brexit vote Britain will become a 'world leader for free trade'- at a time, that is, when global trade is weakening and a protectionist era could well set in. The fact is that most of Britain's leading Brexiters are ardent globalisers and free-traders. In this sense the 2016 Brexit decision, may well have been a move in the wrong direction, placing the country very much on the wrong side of history.

### **Britain and the New Protectionism**

Following 2008 the 'rules' of global markets, both formal and informal, were increasingly broken, for as recession, depression and massive unemployment threatened, states acted unilaterally, and asked questions afterwards. The bank bailouts and quasi-nationalisations broke the rules; so too did the stimulus packages, so too did the often unilateral moves to regulate financial markets. As Daniel Price, an assistant to President George W. Bush for international economic affairs, put it in Sept 2009, the regulatory environment post-crash' if unchecked, will foster a disintegration of the

global economy and re-raise the very barriers to cross-border trade and investment that the world has spent the past 60 years dismantling.' [14]

These protectionist crisis-measures, however, followed in the footsteps of a more general rise in 'neoprotectionist' sentiment throughout the West. At its most intense in France, the growth of protectionist sentiment could be seen during the 2005 referendum on the European constitutional treaty when French popular opposition to the 'neoliberal' globalist agenda of the European Commission played a large role in the victory of the 'no' campaign. Even in the USA protectionist sentiment was on a rising curve before the Trump campaign gave it further impetus. The refusal of the politburo in China to raise its currency against the dollar (and therefore to ease its exports to the US) was a constant source of tension, and a bipartisan alliance in the US Senate, led by Senators Chuck Schumer and Lindsay Graham, was constantly threatening China with sizeable tariffs should it continue its currency policy regime. Well before Trump, the issue of 'outsourcing jobs' that was a key feature of the successive Democratic presidential campaigns of John Kerry and later Barack Obama; and the US public was increasingly supportive of protectionist intervention in the 'global' market.

The signs were there for all to see, but Britain's political elites- strongly, ideologically wedded to free trade- remained in denial that anything was wrong with the global economy and global finance. Indeed the New Labour administration of Tony Blair not only pursued a globalist policy but became a cheerleader and proselytiser for globalisation. His argument was that there was no alternative to accepting its rules, and that British economic strategy should be based, not on attempting with its neighbours to shape the global system, but rather to equip the people with skills so that they could compete (with Asians) in the world economy. It is an argument still being deployed by British politicians today- witness Prime Minister May proposal to make Britain a 'cheerleader for free trade'.

So Britain remained, under New Labour, Coalition and Conservative governments the most

open to the global economy of all the G8 countries. The country, more than any other major western nation, threw its lot in with, and thus placed its fate in the hands of, the global economy. Indeed it extended its global reach- both financially- through the City of London's world-wide operation- and through its interventionist foreign and military policy ( as it became the chief ally of the American empire in Iraq and Afghanistan). And, largely because of the global impulses of its elites, Britain remained outside an integrating Europe and the Eurozone (though still, awkwardly, within the EU).

During the boom years of the 90s onwards 'globalisation' seemingly served Britain well- for although global market forces eroded the country's 'uncompetitive' industrial sector they also engineered a quite dramatic switchover to the booming service sector – primarily financial services. Yet, many realised that should anything go wrong with globalisation, Britain would be disproportionately hurt. Even so, throughout the 1990s and on into the new century Britain's elites remained in thrall to global markets (and their alluring limitless possibilities, for profits). They remained in denial about the inherent weaknesses of the global economy right up until the global crisis hit the City of London in 2007-8 and beyond. And they could not see that the great banking crash was also a national trainwreck in which everything that Britain's financial, and financialised, elites stood for was up-ended- virtually overnight.

### **Jobs, Jobs, Jobs**

Of course, following the crash Britain's zeitgeist slowly began to change: some, small, voices began to systematically critique the global capitalist system and even proffer an alternative- a 'protectionist' strategy for the country which would put jobs first, centre its economic policy on employment and growth, and resist the siren demands of the global economy to become ever more 'competitive' (a euphemism for ever lower wages, taxes and welfare provision). In March 2010 Guardian economics editor, Larry Elliot, argued that such a strategy, with its echoes of the Labour left's 'Alternative Economic Strategy' of the 1970s, had some merit, though would



not likely be tried, at least for some time. He quoted from a London University research paper which argued that such a strategy would involve 'devaluation followed by cessation of payments and restructuring of debt. Banks would have to be nationalised and public control extended over utilities, transport, energy and telecommunications. There would be industrial policy, including strategies to improve productivity. Infrastructure and environmentally sensitive investment, and support equitable growth. This option requires a decisive shift in the balance of political power in favour of labour.' [15] It would also require a decisive shift away from the three decades-long strategy of accommodating to 'economic globalisation' and towards forms of protectionism.

As the recession began to bite, 'protectionist' sentiments, if not policies, were breaking cover, mainly on the British left- not just amongst left-leaning academics and journalists, but also amongst trade unionists and lower income 'working people'. 'Protecting jobs' was becoming a number one political issue. Indeed, before the crash, on the eve of becoming Prime Minister in 2007 Gordon Brown said 'It is time to train British workers for the British jobs that will be available over the coming few years and to make sure that people who are inactive and unemployed are able to take the new jobs on offer in our country'. This 'British jobs for British workers' approach subsequently, following a strike at the Lindsay oil refinery in North Lincolnshire about UK construction jobs being awarded to European workers, got caught up in charges about racism and xenophobia, and was attacked by columnists from all sides of the spectrum. But Gordon Brown stood by his remarks: he said 'I don't see any reason to regret [my statement]' and 'I understand people's worries about their jobs'. [16] The theme of 'protecting jobs' had also run through the great bailout of the banks and the financial services industry was in part a 'protectionist' measure (saving jobs in the City).

By the time of the 2010 election 'protectionism' was losing its ability to frighten. The 2007-8 bank and credit crash had placed fears about unemployment at the top of the domestic agenda and raised real concerns about whether global market capitalism could any

longer deliver on the promises made for it by all governments from Thatcher onwards. Global markets, by encouraging 'competitiveness' and a constant 'race to the bottom' on costs, were seen as driving down western wage levels and employment prospects. 'Competing' with Rising Asia was becoming an impossibility. Previously this employment and wage crisis facing millions had been smoothed over by abundant, cheap, credit. But that prop was now removed. So, with living standards under serious threat, the idea of 'protecting' people- rather than making them ever more 'competitive' in the global economy- seemed increasingly attractive. All kinds of 'protectionism'- industrial policy for longterm jobs, trade protection against unfair competition, and 'social protection' when unemployed- were suddenly much more acceptable in the British political discourse.

### Is Britain Strong Enough?

Yet there remained one overwhelming problem with any 'protectionist' strategy for Britain- the country's size and economic imbalance. Only large, continent-states or blocs, could embark upon a workable neoprotectionist economic strategy as they would be able, should the need arise, to become essentially self-sufficient. The USA, the EU and the Eurozone were such economies. They may indeed have benefited from the global trade upturn during the boom times, but they were also big enough to withstand a serious trade downturn (with only about a 10-12% of GDP exposure to foreign trade). These continent-states also possessed a relatively healthy balance between manufacturing and services, between industrial and agricultural, and between the real economy and the financial.

By contrast, Britain, a medium-sized European state, with a skewed and imbalanced economy and far higher global trade exposure, was not nearly self-sufficient. On its own it was simply too small and too vulnerable in an increasingly protectionist world. It had placed itself in grave danger as it could hardly afford to bailout its overextended banking system during the crisis of late 2008.

How big then is the British economy two and a half decades into the Thatcher

era revolution? Britain's good growth rates have helped her grow from her relative position in the early 1980s when she was tying with Italy for third place in the EU. By 2006 the UK economy amounted to \$ 2,201,473 million or 4.9% of the global GDP. It ranked fifth in the world (behind the US, Japan, Germany and Mainland China), and was roughly the same size as France and just ahead of Italy. These figures tell the story of a Britain that during the 1980s and 1990s had stabilised its shaky situation. But, in truth, it did little more than that. Ten years later, by 2016, the UK's GDP- inflated by large immigration- had slightly overtaken that of France but was only one seventh that of the EU as a whole.

No matter its status and size, is the British economy strong, balanced and resilient enough? Is it able to withstand pressures from the global economy, from downturns and shocks? And here there is a problem- for Britain, no matter its good growth rates, remains a very vulnerable economy, much more so than many other advanced economies. Its fundamental point of vulnerability (as I have argued earlier) remains its dependence on the continuing robust health of the global economy. Britain's economic growth rates have largely been sustained by global growth which in turn has been sustained by the low inflation era caused by China's low costs. This virtuous low-inflation cycle has allowed Britain to pursue low interest rates and a massive increase in private debt levels (based on a housing boom). This whole economic structure is heavily trade dependent, more so than many of its competitors, and in any downturn would be hurt disproportionately. Being highly trade-dependent means that the economy is also deeply affected by the value of its currency. And the significant fall in sterling post-Brexit is already taking its toll on import prices- including food and energy.

### The 'Global Role' Delusion

Brexiters tend to think that Britain is indeed strong enough to survive in the global economy, even in a shrinking global economy. But they tend to mistake overextension for strength. After seven decades of maintaining

at all costs a 'global role', of 'punching above our weight', and three decades of grandiose vast financial expansion within the booming global economy, the country was vastly overextended. It had huge 'universal' banks which reached into every corner of the world. Its limited military had taken part- the major European part- in actions from Iraq to Afghanistan (where in early 2010 British troops were dying almost daily), and its defence budget was the largest ( in percentage of GDP terms) of all the USA's NATO allies. As of 2010 the country's political parties were still committed to the hugely expensive Trident nuclear system, and to the country continuing with its next generation. The elites who ran the Foreign Office and the Ministry of Defence, still retained the culture of empire and 'greatness', as did Britain's top politicians. And few, now that the boom was over, were arguing that Britain needed to face a future in which the country 'punched within its weight'. They were still resisting an adjustment to a more realistic and modest approach.

But could it so adjust? Such an adjustment would demand much more than economic changes, but also great institutional, political and psychological changes too. The country still possessed a Gilbert and Sullivan style 'ancien regime' that fitted an imperial era- a lavish, imperial-style monarchy, a still unelected House of Lords, and strange secretive institutions like the Privy Council. Politically, this imperial legacy exhibited itself in a continuing fear of losing 'sovereignty' and of becoming a normal European power. In sum, even as late as 2010, and the collapse of Anglo-American financial capitalism, our elites, our institutions, and our very collective DNA, were all far too grand to allow us to abandon our 'global role' in favour of becoming a mere regional power, like Germany or even France. This national hubris was perfectly represented by the hugely overextended City of London.

### A 'Tiger Economy'?

Indeed, so important has the City of London (and the financial services sector throughout the UK) become that its future became the single most important aspect of the post-Brexit negotiations with the EU. And within 'the City' elite there was considerable support for

a 'go it alone' policy, for standing off-shore (of the continent) and seeing the global economy as our market. 'We might be small, but we are profitable'. This was the 'tiger option' – after the smallish Asian 'tiger' economies that were doing so well in the global market before the Asian financial crash. And as financial services prospered in the Blair era, then many in the square mile turned their thinking towards 'the world' and increasingly away from Europe and the EU.

This dominant view not only saw London's financial services as a global player working in a global market – very much a 'tiger' – but went further, seeing London as the world's most successful 'tiger' in the global financial jungle. By 2007, on the eve of the global financial meltdown, all the talk was of London overtaking New York as the world's leading financial centre. By comparison, in this hubristic atmosphere, tying 'the City' down in Europe – even should 'the City' become the EU's primary financial centre (similar to 'New York' in North America) – was dismissed as too restrictive a vision. In a December 2006 after-dinner speech to London financiers, the EU's financial services action plan ('MiFID') was introduced by Charlie McCreevy, the internal market commissioner, and was given a less than enthusiastic reception – much less so than that accorded to the American comedienne Ruby Wax, who, bizarrely, but perhaps aptly, followed him with top billing.[17]

A Financial Times report by Gideon Rachman at the time suggested that 'as the biggest financial centre in Europe [the City] would do well in a huge liberalised [European Union] market'.<sup>17</sup> However, the EU remains too regulated for City tastes; as does even Wall Street following the Sarbanes-Oxley Act passed in the aftermath of the Enron scandal (a tough US regulatory regime providing a huge – though probably temporary – boost for 'the City').

And after Brexit, with the City exposed and in a very vulnerable position, much City opinion remained Panglossian in outlook. Its chief lobbying group stayed complacent about prospects suggesting that City institutions could continue to do well outside of the Single Market even if 'passporting' was not available

because they could continue to trade in the EU through adopting 'equivalence' rules. The FT even suggested that that should the country not be able to secure 'equivalence' then she 'should walk away and use the UK's new found freedom to set its own rules and make the City a far fiercer competitor'. In other words, threaten the EU with undercutting and a trade war. In any trade war who has the upper hand? The EU remains times larger than the UK.

These vulnerabilities in the British economy make Britain's 'tiger option' a huge gamble. Britain is more exposed to the global forces than any other major western country (including the US). And should the country leave the EU, then everything will depend upon a continuingly robust global economy – and one in which competition in the service sector from China and India remains weak.

Britain's 'successful' economy – no matter its vulnerable and exposed global position – will likely continue to convince a powerful faction of opinion formers that the country can, with confidence, 'go it alone'. After all, the 'tiger option' will continue to appeal to more than just the profit makers; it will have an abiding resonance with the popular instincts of English exceptionalism – of a uniquely entrepreneurial people surviving and prospering alone on the global 'open seas'. This appeal combines short-term profits and nationalist romance – the two impulses that built the empire and will be difficult to combat.

Yet the romance of the 'island story' will come face to face with the realities of the great deleveraging, and with the lower living standards inevitably involved. Britain comes out of its 'neoliberal' era as a more unequal society than it was at the beginning. It has, though, succeeded in building up something of an American-style 'middle class' – increasingly travelled, self-confident and with considerable expectations – based upon a mountain of debt. As they are marched down the mountain this middle class will inevitably fracture, creating a growing pool of 'losers'. For a time, Britain's welfare mechanisms will help to cushion the blows; but sooner or later, the increased pressure on the welfare services will need to be funded by higher taxes (which will be resisted



by the remaining middle class and the super-rich) or, alternatively, by government deficits and inflation. Both of these courses of action will increase the uncompetitive global position of a very globally-oriented economy.

### A Hinterland For The City?

Before Brexit one way forward for the City that was often discussed was to more fully integrate the British economy into the wider European economy. With a declining global demand for financial services the EU would at the very least provide a hinterland for the City of London (in much the same way as New York is able to service the internal American market). Thus London would become to the single market in Europe what Wall Street is to the single market in the USA.

Brexit however has set back this vision. Indeed it may well have put the City ( and through the City massive UK Treasury tax revenues) in real jeopardy. In January 2017 Xavier Rolat, chief executive of the London Stock Exchange warned that the \$655 trillion market was at risk unless Brexit was properly phased in. He argued that the 'lack of certainty about the outcome of the Brexit negotiations meant that London was at risk of losing its global leadership'.<sup>[18]</sup> He also cited a report that as many as 232,000 jobs could be lost if, as is probable in the Brexit negotiations, euro-denominated clearing is forced out of the country. A contrary view was that the EU authorities would not play tough on this crucial issue because 'in order to enforce a move of the clearing and settlement of euro-denominated instruments to the eurozone, restrictions would have to be placed on eurozone banks in dealing with non-eurozone counterparties, eroding the currency's convertibility'.<sup>[19]</sup> This view, however, seems to ignore the dynamic nature and the global context of the Brexit negotiations- as in a future world of blocs lesser levels of convertibility might well be accepted, indeed become the wave of the future.

Of course seeing the City of London as serving the European market- as opposed to the grandiose notion of it serving the world- is very much at odds with the refusal of Britain's political class to realistically downsize their thinking about Britain and its role in the world.

### Identity Crisis

Yet, even if we can become more realistic in our thinking, and see ourselves as we really are, then the great question remains: in the emerging multipolar world of trade blocs where do we British fit in? Is it within the 'American empire' or in the 'European home'? Or, can we continue to avoid this choice and become a smallish 'Little England' offshore island scratching a living in what remains of the globalised economy ( and maybe acting as a European base for rising China?)

For a time, during the decade-long premiership of Tony Blair the country was as enmeshed in the American empire as it had ever been. Indeed, when Blair left office British troops were still in American-occupied Iraq, and Britain had intensified her status as Washington's chief European outpost. The country was geopolitically tied to Washington, economically under the sway of the neoliberal American model, and culturally, through television and the 'tabloidisation' of the mass media, increasingly Americanised.

This 'American option' for Britain- of tying the country more and more to America's political and economic coattails- was, though, to be dealt a real blow following the failure of the American occupation of Iraq, and then again in 2008 when the great crash on Wall Street severely dented the allure of the American economic model. More important than Britain's view of the US was the changing US view of Britain. Whereas George W. Bush had found Britain useful as political cover for his forward strategy in the Middle East, the election of Barack Obama in 2009 ushered in a new approach, for the new president had little attachment to Britain ( his father had lived in colonial Kenya), and, anyway, was slowly re-orienting American foreign policy away from its historic concentration of Europe and towards a more Asia-centred perspective.

Noone knows what the settled view of President Trump and his advisors will be regarding Britain. Some Brexiteers place great faith in a revival of the 'American option' for Britain. Yet, just as "Brexit means Brexit" 'America First' means what it says. The future between

the USA and Britain looks rather more competitive than co-operative- as New York will certainly move to take advantage of the City of London's increasing uncertainties. What is more, the Brexiteer aim of the UK 'joining NAFTA' seems unlikely as NAFTA may well be reformed out of existence, or abolished altogether, during a Trump Presidency. In sum, there is no trade deal that could pass the US Congress that could act as anything like a substitute for the EU.

Supporters of 'the American option' for the future of Brexit Britain need to contemplate the fact that it was the postwar construction of NATO, and Britain's crucial role in it, that led Washington to see a good if not 'special' relationship with the UK as in its interest. The NATO years were good for Britain as the country played a role as a bridge between the two Atlantic wings of the alliance. A Trump Presidency that devalues the role of NATO will not need Britain as a bridge any longer. Trump the realist will probably deal directly with Germany as the locus of European power.

### **Outside the Blocs: The Little England Future**

All in all, the fallout from the Brexit decision means that at the same time as the US link is weaker than ever, Britain may also sever the European link. As Anglophile Eurozone US State Department official Dr. Kendall Myers, could write 'I think and fear that Britain will draw back from the US without moving closer to Europe. In that sense London Bridge is falling down' [20]

In this environment there will, of course, be a strong lobby in the UK for maintaining as close a relationship with the EU as possible. But what is possible? Prime Minister Tony Blair argued in a speech in Ghent back in 2000 that: 'of course Britain could survive outside the EU...We could possibly get access to the single market as Norway and Switzerland do.' But things have moved on since that analysis. The revolt against the extent of immigration has seemingly forced the issue- for, as of writing, the British government seems to want to sacrifice full access to the Single Market

should free movement of labour be insisted upon by the EU negotiators.

Again, as of writing, there seems little willingness on the part of the May government to deal with the immigration question by accepting EU free movement whilst seriously restricting immigration from the Commonwealth countries- which on the latest 2015 figures amounts to over half of total immigration.

Increasingly at ease about the prospect of life outside the EU Single Market, Britain's Brexiteer elites are turning to the 'Little England' option- of facing the global economy alone, and prospering by virtue of remaining highly competitive and entrepreneurial. It would amount to a future role for the country that its supporters- like the novelist Frederick Forsyth- describe as creating 'an independent, global Britain'. Taking this road, 'Little England' would, in effect, become a 'Tiger Economy'- an option named after the 'Tiger economies' of South Asia, the small countries that prospered in the late 1980s and early 1990s through achieving a competitive edge in a rapidly globalising world.

But the big question remains: can Britain, on the other side of the world and offshore of a European trade bloc, become such a 'Tiger'? Supporters of the option assume that once outside the EU and its single market, relations with the EU will, maybe after an initial hiccup, remain amicable. In reality there is no such guarantee. After all, Britain would have left their partners in part in order to seek a competitive advantage (lower costs and taxes) and in such a competitive environment the EU may well erect trade barriers against British goods and services for many of the same reasons that are deployed against China. In a trade war, trying to live outside a trading bloc could become a very uncomfortable existence.

These isolationist instincts - renewed by xenophobic Englishness- run directly counter to the realities of the real world in which the English people actually live. For instance, in this real world seriously urgent problems are lapping at the shores- problems like carbon emissions, mass immigration, terrorism, and the social and economic effects of globalisa-

tion. Yet not one of these problems can be solved by national solutions. That is why, as I have argued, 'nationalist populism' is a dead end. But national solutions, based upon 'national sovereignty', and an old ideology of national separateness, is still all that is on offer from Britain's pro-Brexit elites.

### What Kind of People?

Thus the Brexit vote not only presents the country with a 'geopolitical' identity crisis but is a feature of something even deeper. For, certainly at the turn of the century, there was no certainty about how to answer a crucial question: what kind of people are the British? Are we an 'Anglo' nation whose culture and language will forever tie us to Washington? And what are the geopolitical implications of the growth of English nationalism? Will Scotland and Wales gravitate to a European future should England stay out? What are the implications of a multicultural society, and sizeable Islamic populations, for foreign policy? And what of vast, cosmopolitan London? Will London and its environs lead the way into Europe whilst much of the rest of England resists? And, will the British elite's love affair with the neoliberal economic model propel the country away from Europe's 'social model' and towards increasing inequality- with a protected class of super-rich side by side with a sinking and impoverished middle class?

A lot will turn on how the English define themselves over the coming years. It could go either way. England, and 'Englishness', may well be defined by its worst angels, by that narrow xenophobia that still lurks and can be so easily aroused by media moguls and ultra-conservative politicians. Following Brexit, in a declining economy and conflicted society, this kind of visceral 'Little England' impulse could turn the English in on themselves- leading not just to the breakup of the union but also to a political culture that would accept authoritarian solutions- to what could become a 'very English' form of mild 'gentleman fascism'. And it might not be so mild. Alternatively, England and Englishness could yet be defined by its better angels- that is by those, informed by the country's historical tradition of liberty, democratic reform and relative openness.

However, without continued mass prosperity and relative social stability these better angels will find it very difficult to negotiate the shoals without losing their balance.

A lot more, though, will turn on what happens in the wider western world. In facing the new Trumpian multipolar world (particularly the rise of Asia) will there be one West or two? And if two, then will Britain's elites, their minds and culture likely, and strangely, imbued with the imperial hangover, ever be capable of joining with others in helping to secure the European future?

If we are going to enter a protracted period of lower living standards- with an all but certain associated increase in class and ethnic tensions- then the one virtue that Britain has going for it is its tradition of welfare social democracy. Without it the country could easily lose its famed stability and lapse into a Latin American-style slum state governed by a super-rich oligarchy tied to the global economy. Unfortunately the Brexit referendum result has brought this future much closer. Outside of the coming blocs, a 'global Britain' in an era of shrinking global trade, looks highly vulnerable. The Chancellor Phillip Hammond may well argue that no one in the referendum 'voted to be poorer'; and few voted for the breakup of the union. Even so, all this may well be our fate. Yet, as the tabloid papers never stop reminding us, we can at least feel 'proud to be British'!

### Conclusion

The American system, with its checks and balances, may well constrain any future new American foreign policy that strays too far from the old consensus. But it may not. And, no matter the peculiarities of Trump the man and politician, the 2016 presidential election result shows for all to see that America is set upon a new course. The changing world means that the USA, essentially the sole architect of the post-war world, will no longer be the sole architect of the world to come.

And as for Europe, this new geo-politics, in which Europeans can no longer be dependent upon the US, can be liberating. Of course,



Brexit may be the catalyst for the fragmentation and Balkanisation of the continent. As the German Chancellor has already argued the European response to the 'America First' policy of President Trump, and to the more chaotic world we are now entering, needs now to be a reaffirmation of the unity of Europe. For Europeans 2017 is not 1914. Thankfully, unlike at the turn of the last century, Europe has the mechanisms of a union now in place. All we have to do is build upon them. Stranger things have happened, but over time, Britain may even join in.

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