

Domestic Politics and the Global Balance

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I

When two Democratic Senators can hold the Biden Administration hostage it is easy to start thinking back to debates about great power rivalry and American decline. Such big structural diagnoses are too easy. The reality is that the Biden Administration is not the first to find itself depending upon the political whims of a small number of legislators; it is also not the only government in the world to suffer from this kind of dysfunction.¹ We are not witnessing the birth of a new international system, at least not in any organized, purposive sense. Instead, we are seeing how the breakdown in domestic politics leads to ever widening forms of world disorder.

To understand why the world is becoming increasingly disordered, it is important to start by asking what an orderly multilateral global system promises to offer. It is also important to consider what it means for the European Union (EU) to give strategic priority to promoting ‘effective multilateralism’, particularly given that the EU is supposed to be the prime example of multilateral cooperation in action.² If the Europeans cannot cooperate either together or across the Atlantic, it is hard to imagine who is more likely to create a functioning multilateral system. This essay starts with first principles, then looks to Europe, and then looks across the Atlantic.

Governments get three different advantages from working together across national boundaries. The first of these is that they can learn more about what each government is doing in its own country and how the effects of national policies spill over from one country to the next. This kind of information makes it easier for governments to coordinate with one-another to make their policies more effective.³ Think about efforts to tackle climate change. Every government in the world will need to reduce carbon emissions for those efforts to succeed. If governments in one part of the world cut back on the production of greenhouse gasses while governments elsewhere increase, then all will suffer the consequences.

The second advantage of a multilateral system is to promote common values, regulations, and standards. The protection of human rights is only possible once everyone recognizes what those rights are and what it means to protect them. This kind of recognition emerges through dialog – across governments, but also across non-state actors like churches, advocacy groups, and interested communities.⁴ The development of common regulations operates according to the same principles but involves different stakeholders like trade unions, firms, employers’ associations, and non-governmental organizations. The result is better protection of workers, consumers, and the environment alongside the growth of trade and the flow of capital across national boundaries.⁵ Agreement on common standards also makes that trade more efficient, creating new opportunities for entrepreneurship and expanding access to the global economy for national firms and to the national economy for goods and services created elsewhere.

The third advantage of multilateralism is to give legitimacy to joint action. This makes it possible for the world to respond to injustice or tragedy as a community, rather than as one or more national governments imposing their will on or taking responsibility for another. The heroic work done by the

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United Nations Commissioner for Human Rights in aiding refugees and displaced persons is a good illustration.⁶ Such joint action makes every country more secure because unassisted refugees have no choice but to migrate until they escape from the threats they face and gain access to the opportunities they need to survive. Joint action is also necessary to accomplish tasks that no one country or group of countries can accomplish in isolation – like fighting human trafficking, protecting endangered species, preventing deforestation, or removing plastic from the sea.

These advantages of multilateralism are in many ways self-evident. Individuals form communities for the same reasons. No person and no state can seriously pretend to be self-sufficient. What are less evident are the huge costs involved in ensuring multilateral cooperation takes place at the global level. These costs do not come only in the form of expensive buildings, bureaucrats, or meetings. They come from the fact that states are not individuals, governments do not have single identities or coherent personalities, and nations are not ‘actors’ with recognizable ‘national interests’ in the way the theoretical model of the ‘nation state’ that lies at the heart of our understanding of ‘international relations’ would lead us to believe.

Instead, dealing with state governments means dealing with their domestic politics. That politics is where the reconciliation of competing interests within society takes place. Such reconciliation is never permanent. It is always a work in progress. As a result, governments change and their commitment to international agreements – the coordination, values, regulations, standards, and joint actions – changes as well.⁷

The huge costs involved in multilateral cooperation come from the need for governments to enforce agreements at the international level and to accept the constraints implied by such enforcement at home. This sounds very abstract, particularly when the problem is cast over the world writ large with the wide diversity of governments that world encompasses. But the abstraction should not be confused with vagueness. The problem finds easy illustration if we focus on democratic governments within the EU.⁸

Consider, for example, what happened when Italy adopted the euro as a shared currency with other EU member states. That decision was taken by a centre-left government that believed in the coordination of national fiscal policies, that embraced a shared European understanding of the value of price stability, that accepted common rules and standards for managing government accounts and governing the financial system, and that agreed monetary policy should be decided jointly within the Governing Council of the European Central Bank (ECB). From this perspective, participating in the euro is an expression of Italy’s commitment to multilateralism, with all the advantages that represents.

Successive centre-right governments have nevertheless questioned the costs of that commitment. They complained about the impact that moving from the Lira to the euro had on prices across the country, they worried what would happen to Italian manufacturing if Italy could not depreciate its currency against major trading partners, and they challenged the merits of giving control over monetary policy to a central bank that was not focused on the needs of the Italian economy.

Italy’s European partners worried about the costs of sharing the euro with Italy as well. They challenged successive Italian governments to do more to pay down the national debt and to shore up the stability of the banking system. They refused to accept the risks associated with having the ECB purchase large volumes of Italian sovereign debt, and so forced the Bank of Italy to hold that risk instead. And they demanded that Italy do more to improve the competitiveness of Italian manufacturing because they worry that otherwise some future Italian government may try to

abandon the euro as a common currency – which would create unacceptable turmoil in European financial markets.

Italy is not the only European country where citizens debate whether they were wise to commit to Europe. Such problems are ubiquitous. You can see similar tensions around labour mobility and migration in Denmark, judicial reform in Poland, press freedom in Hungary, corporate taxation in Ireland, and fiscal policy in Germany. Participation in the EU as a multilateral arrangement imposes high costs both for individual member states and collectively.

The point here is not to overly dramatize the fragility of Europe. Most governments struggle to reconcile the many competing interests at play domestically and yet are able to find some way to explain that the advantages are worth the effort. The British decision to leave the EU reveals, however, that such commitment to multilateralism cannot be taken for granted. It also underscores that even like-minded governments can end multilateral relationships when they face a powerful domestic imperative.⁹

II

The Atlantic Community is another form of multilateralism, with the United States and Canada on one side, and a host of European countries on the other. Some of these countries are in the North Atlantic Treaty Organization; some are in the EU; all are committed to working together to promote peace and security, foster trade and investment, stimulate research and innovation, and tackle global problems associated with development, human rights, and climate change. This community is strong because the two sides of the Atlantic share common values and because they have a long history of working together. They also share bonds of kinship that trace back to successive waves of migration, usually from Europe to North America, but also in the other direction.

Despite what they have in common, however, the transatlantic relationship has become increasingly complicated. You can see the tensions building both during the Cold War and after. Such tensions were not limited to American military intervention. Many European governments supported U.S. President George H.W. Bush when he liberated Kuwait in 1991, even more supported U.S. President Bill Clinton when he used force to bring the Bosnian Serbs to the negotiating table at Dayton in 1995 and when he bombed Serbia to liberate Kosovo four years later. Most of the tensions were over trade negotiations, capital market liberalization, and the rise of global finance. Those tensions increased with the start of the 21st Century. The last successful multilateral trade talks were held in the 1990s. The two sides of the Atlantic tried to promote another round of talks in the early 2000s, but failed to come to agreement either with each other or with the other, poorer countries that participated.

Trade talks continued on a bilateral basis, but that more limited scope did not make the tensions go away. When the Americans and the Europeans negotiated to form a transatlantic trade and investment partnership under President Barack Obama, they started with clear goals to promote growth and employment. They also identified areas where they could find relatively easy agreement. What they did not expect, however, was how little patience people either in the United States or in many European countries would have with complex, secret bargains. Of course trade negotiators will point out that such bargains are the bread-and-butter of any multilateral negotiation. Because they necessarily take place behind closed doors, however, different groups across Europe started to worry about what they might be giving away and whether the trade-off is worth the concession.

Specifically, Europeans started to question whether negotiations with the United States might result in lower protection of workers' rights, more degradation of the environment, or fewer safeguards on the quality of food. Importantly, these threats did not have to materialize for people to mobilize against any agreement. The simple fact that something bad could happen beyond national control and without national oversight was enough to bring the people into the streets.¹⁰ As a result, while the Europeans and Americans came close to an agreement toward the end of Obama's time in office, neither side believed that such an accord could be ratified through domestic legislatures on either side of the Atlantic. What started with great fanfare as an effort to show the strength of the transatlantic partnership ended in a whimper.

These popular outbursts over transatlantic trade negotiations did not prevent the Atlantic Community from consolidating its position as the world's wealthiest and most integrated advanced industrial economy. The point of this illustration is not to pretend that the two sides of the Atlantic do not benefit hugely from their cooperation. Rather it is to highlight that cooperation is difficult even where the benefits are most evident. Over the same period, the United States and Europe also struggled to coordinate macroeconomic policies or to regulate their financial institutions effectively. As a result, when American real estate markets collapsed, the shock waves spread quickly across the Atlantic. The result was not just a global economic and financial crisis, but also a European sovereign debt crisis.¹¹

European and American tensions over foreign and security policy increased alongside this economic partnership. The first major rift came soon after the United States invaded Afghanistan, when it became obvious that President George W. Bush was preparing to pivot to invade Iraq.¹² Those tensions centred on three major areas of interest. The most obvious was in the Middle East, where the Iraq war created turmoil across the region. But relations with Russia and China were also problematic. Despite the advantages of the NATO alliance, many Europeans began to wonder whether their close association with the United States was not putting them more at risk of violent terrorism, whether it was not antagonizing their inevitable dealings with Russia, and whether it was not constraining their economic opportunities with China.

Again, it is worth stressing that the United States and Europe did not come into conflict. The transatlantic partnership remains a cornerstone for global engagement for both sides of the Atlantic. Nevertheless, the effectiveness of the transatlantic relationship as a form of multilateralism diminished. By implication neither side of the Atlantic was able to coordinate policies across national boundaries as well as might have been expected; they failed to create robust shared regulations and standards; and they did not act jointly on issues of common significance. Moreover, when the two sides failed to act in concert, other actors exploited their lack of coordination. You can see this in the Russian invasion of Georgia in 1998 and the Russian annexation of Crimea in 2014. You can also see it in China's success at promoting an Asian Infrastructure Investment Bank against the wishes of the Obama Administration, and in the way its Belt and Road initiative has divided the European Union.

Within that context successive U.S. administrations have sought to draw upon new power resources. They began to take advantage of their unique position with respect to the internet to eavesdrop on sensitive communications.¹³ They also found ways to use the central role of the U.S. dollar in world commerce to enforce economic sanctions on trade between third countries. Scholars Henry Farrell and Abraham Newman call this practice the 'weaponization of interdependence'.¹⁴ What that means is that while both sides of the Atlantic depend upon one another for their prosperity, the United States has found a way to use that dependence to force Europeans to cooperate in American foreign policy.

A good illustration of this practice was the decision to exclude Iran from the SWIFT financial communications network in 2012.¹⁵ SWIFT is a European company headquartered in Belgium. But it is owned by banks located across the globe, including in the United States. The Obama administration threatened to sanction those American bankers who sit on the board of directors of SWIFT if that company did not stop providing services to Iranian banks. Eventually European governments (including the European Parliament) agreed to go along with this policy. The result of cutting Iran off from SWIFT proved effective. Without access to interbank messaging, the Iranian financial system could not participate in the world economy. This is one of the major reasons that Iran agreed to negotiate with the Americans and Europeans to create the joint and comprehensive plan of action to reintegrate Iran into the world economy against the promise that it would not develop nuclear weapons.

This use of interdependence by the Obama administration was effective in foster both transatlantic cooperation and peace with Iran. That would seem like a good thing. The problem is that the same strategy was also used by the Trump Administration to force the Europeans to stop doing business with Iran and so undermine the Iran nuclear agreement. The implications were not lost on America's European allies. SWIFT remains an important multilateral forum for banks to work together to create standards for secure financial communication and yet its manipulation by successive U.S. administrations raises the prospect that it may be used again against the interests of Europeans. The same is true for the internet, where Europeans do not want to lose control over private information. And the same is true in financial markets, where Europeans worry about the stability of their banks. This explains why the European Commission talks so forcefully about the importance of 'European sovereignty' in areas like information and communications technology; it is also why the Commission places such emphasis on gaining 'strategy autonomy' with reference to digital commerce.¹⁶

The weaponization of interdependence has not turned Europe and the United States into adversaries, but it has reduced the attractiveness of transatlantic collaboration. The lesson is that multilateralism has advantages but creates vulnerabilities. That lesson comes on top of the scepticism that already existed with respect to multilateral trade negotiations. And the result is less cooperation and therefore less order in the transatlantic economy.

III

The tensions within the transatlantic partnership should not be exaggerated. The 'West' may be less cohesive than it was in the past, but it is still united. The difference now is that other actors – like Russia and China – are more assertive. These actors have less interest in promoting multilateralism at the global level than carving out more freedom for manoeuvre for their national governments. Moreover, they have tremendous resources to bring into the great power competition, particularly in China. As they use these resources, they make it more imperative for Europeans and Americans to work together. Their cohesiveness is diminished at a time when it was never more important.

These relative movements are more significant to the global balance of power than any early foreign policy fumbles by the Biden Administration. They are also more significant than Europe's failure to assert itself as a coherent, unified, foreign policy actor. A more steady-handed U.S. Administration would obviously be welcome, as would a more effective European Union. Given domestic politics on both sides of the Atlantic, however, it is more reasonable to expect more alternation in American politics and more differences to emerge among EU member states.¹⁷

The challenge for leaders on both sides of the Atlantic is to rebuild their commitment to multilateralism. That challenge depends critically on their being able to build strong domestic constituencies to support constructive engagement with the outside world even when that means making concessions in terms of domestic policy. The prospects for that happening are limited but not impossible. The Biden Administration's domestic agenda is pointed in that direction and so is the European Union's recovery and resilience program – called Next Generation EU. If these projects succeed, they will do more than just restart domestic economic performance and heal deep divisions within American and European societies. They will lay the foundations for political leaders on both sides of the Atlantic to lower suspicions that engagement with the outside world will come at too high a price. We cannot imagine the sort of deference to elites that existed during the immediate post-Second World War period when the international system we live in today was created. But we can imagine a domestic politics that is focused less tightly on the self-interest of specific constituencies and more broadly on the importance of world order to the national interest.

Notes

¹ This is a theme my colleague Matthias Matthijs and I have been wrestling with for some time. See, Erik Jones and Matthias Matthijs, 'Democracy without Solidarity – Political Dysfunction in Hard Times,' *Government and Opposition* 52:2 (2017) pp. 185-210.

² The phrase 'effective multilateralism' was introduced in the 2003 European Security Strategy. See Council of the European Union, *European Security Strategy: A Secure Europe in a Better World* (Brussels: General Secretariat of the Council, 2003) p. 24.

³ The classic reference here is Richard Cooper, *The Economics of Interdependence* (New York: McGraw Hill for the Council on Foreign Relations, 1968). That book was written to explain the advantages of multilateralism to the American foreign policy establishment.

⁴ Here it is worth revisiting Daniel C. Thomas, *The Helsinki Effect: International Norms, Human Rights, and the Demise of Communism* (Princeton: Princeton University Press, 2001).

⁵ This is an area where the European Union has exercised particular influence. See, for example, Walter Mattli, and Tim Büthe, 'Global Private Governance: Lesson from a National Model of Setting Standards in Accounting,' *Law and Contemporary Problems* 68:3/4 (Summer-Autumn, 2005) pp. 225-262.

⁶ See Alexander Betts, Gil Loescher, and James Milner, *The United Nations Commissioner for Refugees (UNHCR): The Politics and Practice of Refugee Protection, Second Edition* (London: Routledge, 2011).

⁷ This challenge is a central theme in Lloyd Gruber's classic *Ruling the World*, and explains why even governments that can afford to 'go it alone' will make concessions to bring more reticent governments into multilateral arrangements. See, Lloyd Gruber, *Ruling the World: Power Politics and the Rise of Supranational Institutions* (Princeton: Princeton University Press, 2000).

⁸ The illustration here focuses within Europe but applies elsewhere as well. See Erik Jones, 'Idiosyncrasy and Integration: Suggestions from Comparative Political Economy,' *Journal of European Public Policy* 10:1 (2003) pp. 141-159.

⁹ See Erik Jones, 'Four Things We Should Learn from Brexit,' *Survival* 60:6 (2018/2019) pp. 35-44.

¹⁰ See Alasdair R. Young, *The New Politics of Trade: Lessons from TTIP* (London: Agenda Publishing, 2017).

¹¹ This is a central theme in Adam Tooze's *Crashed*. See Adam Tooze, *Crashed: How a Decade of Financial Crises Changed the World* (New York: Viking, 2018).

¹² See Philip H. Gordon and Jeremy Shapiro, *Allies at War: America, Europe and the Crisis over Iraq* (New York: McGraw-Hill, 2004).

¹³ See Marieke de Goede, 'The SWIFT Affair and the Global Politics of European Security,' *Journal of Common Market Studies* 50:2 (March 2012), pp. 214-230.

¹⁴ See Henry Farrell and Abraham L. Newman, 'Weaponized Interdependence: How Global Economic Networks Shape State Coercion,' *International Security* 44:1 (Summer 2019), pp. 42-79.

¹⁵ This story is sketched in Erik Jones and Andrew Whitworth, 'The Unintended Consequences of European Sanctions on Russia,' *Survival* 56:5 (2014) pp. 21-30.

¹⁶ You can find this language in the letters incoming European Commission President Ursula von der Leyen sent to the new members of her Commission in September 2019.

¹⁷ See, Erik Jones, 'The US and the EU: Game Over?' In Mario Del Pero and Paolo Magri, eds, *Four Years of Trump: The US and the World* (Milan: Ledizione LediPublishing for ISPI, September 2020), pp. 161-179.