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**Research Report**

## Europe and the end of Pax Americana: Transatlantic relations must be put on a new footing, regardless of who wins the US elections

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# SWP Comment

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## Europe and the End of Pax Americana

**Transatlantic Relations Must Be Put on a New Footing, Regardless of Who Wins the US Elections**

*Marco Overhaus*

The idea that US power underpins international security remains deeply anchored in today's US political elite. Ultimately, this idea also lies at the heart of US-led alliances, including NATO. But the three pillars of Pax Americana – US military strength, the country's economic openness and the liberal-democratic foundations of American foreign policy – have, in fact, been crumbling for some time. The outcome of the US elections on 5 November 2024 may accelerate or deaccelerate these trends, but it will not fundamentally reverse them. Against this backdrop, Germany and the other allies will have to ensure that transatlantic relations are put on a new footing after the elections. And this is regardless of whether Kamala Harris or Donald Trump wins the ballot.

Even Donald Trump and the Republican Party, which has repositioned itself to reflect his ideas, believe that the United States makes an important contribution to international security through its military and economic power. This self-perception is reflected in the foreign policy slogan (borrowed from Ronald Reagan) that can be found in the Republicans' new, Trump-approved election platform, which speaks of "Peace through Strength".

But for liberal internationalists in the US and for America's allies in Europe and Asia, the idea of a Pax Americana has always been about much more than just raw strength. They believe it is the specific exercising of US power that underpins international security – that is, American power is 1) not only based on the country's military potential but is also embedded in alliance

structures and international organisations, 2) flanked by economic openness and 3) founded on liberal-democratic values.

Donald Trump's return to the White House could topple these three pillars of Pax Americana for good. Kamala Harris largely shares the internationalism of incumbent President Joe Biden and, like him, supports America's alliance systems. But even under her Presidency, fundamental changes in US global power politics would likely be inevitable. The huge amount of political and media attention surrounding the upcoming elections tends to obscure the long-term trends in American domestic and foreign policy. The credibility of reassurance and deterrence within the US-led alliances has steadily declined in recent decades; the US, like other major economies, has turned away from the paradigm



of economic openness; and liberal-democratic values are not only under siege in the United States and many other Western countries, they are also being openly challenged by authoritarian powers such as China and Russia.

## Loss of credibility of the US military alliances

For decades, US military power has guaranteed the security of its allies and partners in Europe, Asia and the Middle East. Today, the majority of these countries are liberal democracies. States allied with the US have had less reason to fear their neighbours and therefore have had to arm themselves less than would have been the case without these assistance pacts. Under the protective umbrella of the US, “hostile allies” such as Greece and Turkey, South Korea and Japan and, more recently, Israel and Saudi Arabia have been able to significantly improve their relations with one another. For a long time after the end of the Cold War, the antagonists of Pax Americana — first and foremost, China, Russia, North Korea and Iran — were deterred from attempting to undermine the existing security order by military means.

Over the past 25 years, however, the credibility of US reassurance and deterrence has visibly declined — a trend that is likely to continue. As recently as the mid-1990s, it was enough for Washington to send a few warships through the Taiwan Strait to intimidate Beijing; and in the early 2000s, Russia would probably not have dared invade Ukraine. In April this year, despite US warnings, Iran attacked Israel directly with missiles and drones for the first time.

A major structural cause of the loss of the credibility of US security commitments is the shift in the balance of military power, which is unfolding in different ways in Europe, the Indo-Pacific and the Middle East. At first glance, the US remains the world’s dominant military power. The International Institute for Strategic Studies (IISS) calculates that in 2023, the US spent more on its armed

forces than the next 15 largest military powers combined. At US\$905.5 billion, the US defence budget was significantly larger than the sum of the budgets of Russia (US\$108.5 billion) and China (US\$219.5 billion).

However, these figures need to be seen in context. According to IISS estimates, Russia’s and China’s military spending is considerably higher (US\$295 billion and US\$408 billion, respectively) when their individual purchasing power is taken into account. Furthermore, unlike Russia and China, the US maintains alliances and partnerships around the world. While this is a major strategic advantage from the US perspective, the maintenance of a global military presence costs a lot of money. Geographical distance plays an important role, too. But the main factor in the shifting balance of military power is that the opponents of Pax Americana have developed effective strategies to counter US military might.

In the Indo-Pacific region, China has long sought to limit the operational room for manoeuvre of the United States. In recent years, the People’s Republic has undertaken huge efforts to develop and expand its arsenal of land- and sea-based missiles and cruise missiles, which pose a threat to both American bases and warships. At the same time, it is increasingly seeking to counter and thereby partly neutralise the US in those areas in which the latter has traditionally dominated. Thus, China is investing in developing its submarine fleet and acquiring aircraft carriers and stealthy long-range bombers. It is also steadily expanding its nuclear arsenal, although it is still far from nuclear parity with the US.

But China is not the only security threat to the US in the region. In 2017, North Korea successfully tested an intercontinental ballistic missile for the first time. With that weapon, it could pose a nuclear threat to the American heartland.

Russia, too, has been rearming and modernising its armed forces for some time, even if its war of aggression against Ukraine initially exposed their weaknesses. In its clash with the US and the West, Moscow is not only relying on the threat potential of

its nuclear forces; its ability to mobilise its own society and economy for military purposes in the event of a crisis or war is increasingly proving a decisive advantage of its authoritarian system.

Another state that has been expanding its arsenal of ballistic missiles and drones over the years is Iran, the main adversary of the US in the Middle East. Today, it is on the verge of becoming a nuclear weapons state. Furthermore, the cornerstone of the threat emanating from Tehran is a network of allied militias and terrorist groups that are active in many countries in the region. The size and quality of the weaponry of these actors, together with the influence that they wield, has increased over the years. Since 7 October 2023, Israel has hit Hamas and Hezbollah hard — at a very high humanitarian price for both the Palestinians and the Lebanese. It remains to be seen, however, if the two terrorist organizations will be fundamentally weakened in the long term.

The relative decline of US military power also means that providing security to allies and partners is an increasingly risky and costly undertaking from an American perspective. This, in turn, has an impact on the already highly polarised political scene in the United States. The foreign and security policy outlook of both Donald Trump and the Republican Party has oscillated between “Peace through Strength” and isolationism. It is very likely that as US president, Trump would seek to strengthen the US military so that America is “respected in the world again”. At the same time, the US would continue to be increasingly unwilling under a Trump II administration to see its military power constrained by multilateral alliance institutions.

By contrast, as Joe Biden’s vice-president, Kamala Harris has demonstrated that she is in favour of close alliances in Europe and Asia as well as with Israel.

But as president, her room for manoeuvre on security and defence policy would be limited by the realities of power politics around the world and political divisions at home. Given the historically high level of

US debt, it is possible that under Harris, the defence budget would get caught in the maelstrom of partisan bickering, as might further aid for Ukraine. Moreover, it is not only among Republicans but also among Democrats that the desire to keep America out of future security entanglements, crises and wars has significantly increased.

## From economic openness to geoeconomics

In the decades after the Second World War, US policy was guided by the maxim that free economic exchange creates prosperity worldwide and thus strengthens democratic governance. This paradigm of economic openness was a lesson learned from the causes of the Great Depression of the 1930s. Under US leadership, the world economy was successfully integrated on the basis of new international institutions: the Bretton Woods monetary agreement of 1944 and the General Agreement on Tariffs and Trade (GATT) of 1947.

American economic liberalism during the early days of the Bretton Woods system sought to combine economic stability and welfare-state measures. This changed with the rise of neoliberalism from the 1970s onwards, when the focus was not only on removing barriers to trade and capital flows but also on the push for privatisation, deregulation and, more generally, the withdrawal of the state from the economy.

Amid the rise of social inequality in many countries around the world and the global financial crises widely attributed to neoliberalism, the economic pillar of Pax Americana began to be delegitimised. And in the 1990s, criticism of globalisation grew louder — even in the United States.

However, the real paradigm shift in US foreign economic policy has been triggered by the economic rise of China, the structural and social upheavals its ascendancy has engendered, and the growing geopolitical tensions since the early 2010s. Meanwhile, the goal of combining American economic power with free trade and the largely

unrestricted flow of technology and capital has faded ever more into the background.

The old paradigm has been replaced by geoeconomic thinking. This means that the free exchange of goods, capital and technology is no longer seen as something positive that generates wealth and fosters innovation but as something fraught with risk. Security considerations are increasingly taking precedence over economic interests. The decisive question is no longer whether the exchange of goods, services and capital benefits all sides but who benefits most or, to put it another way, for whom the exchange means greater dependency. Belief in the conflict-reducing effects of free trade is waning and the economy is seen as a potential weapon.

As a result, trade restrictions and the use of coercive economic instruments such as sanctions and export controls have become ever more important from Washington's perspective. Of course, it is not only since Donald Trump's 2017–2021 term that the US has been using these instruments; but what was new under Trump was the extent to which the US threatened or imposed protectionist measures and sanctions not just against geopolitical rivals and international norm-breakers but also against friends and allies such as Germany, other G7 countries and the European Union.

It is very likely that the shift from economic openness to geoeconomics will prove long-lasting and cease to depend on the transition from one administration to the next. It is true that the left- and right-wing circles in US politics continue to view the country's economic and social problems very differently: the progressives traditionally call for re-regulation of the financial and labour markets, the reversal of tax cuts for the wealthy and a stronger role for the state, while the conservatives tend (still) to call for the exact opposite. However, there is bipartisan agreement on the need to protect the American economy and American workers from the dangers of globalisation and from what are seen as the unfair trade practices of other countries.

Therefore, it is not surprising that during Joe Biden's Presidency, the US has neither returned to the multilateral free trade architecture nor made any attempt to regain a leading role in shaping an open economic and trading system. Under a Trump II administration, geoeconomic thinking would dominate even more than under a President Harris. This would also have security implications, as economic conflicts would become yet another burden on the political cohesion of the Washington-led alliances. And that would apply not only to Europe but also to the Indo-Pacific.

## Values as driver of conflict

Since the end of the Second World War, the United States has claimed to align its foreign policy with liberal-democratic values. On the one hand, this alignment relates to the way in which America should lead internationally, namely, through self-restraint in terms of power politics and not, like the classical empires, through coercion and subjugation. On the other hand, it refers to the values for which America claims to stand internationally. The logic behind a values-based foreign policy is that the spread of liberal-democratic norms contributes to global security. Democratic states are thought to be more peace-loving, as the fundamental principles at home — the rule of law, protection of human rights, compromise as a form of conflict resolution — also guide a country's foreign and security policy.

Contrary to the hopes of Pax Americana apologists, however, liberal-democratic values have not continued to spread or brought more security to the world; nor have they, ultimately, heralded the "end of history" (Francis Fukuyama). Rather, recent experience shows that the premise of Pax Americana has been turned on its head: precisely because there is a close connection between domestic political systems and the conduct of foreign policy, values have increasingly become a driver of international conflict and even war. Not only democra-

cies but also authoritarian states seek to shape their regional and international environment in such a way as to underpin their own form of governance.

Russian policy under Putin's leadership is driven, above all, by the desire to destroy the European peace order based on the liberal-democratic values enshrined in the 1990 Charter of Paris. Moscow sees the emergence or consolidation of liberal democratic societies in Russia's neighbourhood as a threat.

Similarly, under the leadership of Xi Jinping, China is propagating international values designed to support the authoritarian rule of the Communist Party from within: the right to economic development rather than democracy and economic and social rights over individual freedoms and human rights.

And in the Middle East, Iran's political leadership also rejects liberal democratic values, although the same is true of the Gulf monarchies, which remain close security allies of the US. The values-based conflicts in this region are characterised less by the contrast between democracy and autocracy than by competing ideas about the relationship between state and religion.

Donald Trump's re-election would undoubtedly have far-reaching consequences for the values-based orientation of US foreign and security policy. As president, Trump had already sought to secure American supremacy without the "liberal infrastructure" (Alexander Cooley and Daniel Nexon) — that is, without multilateral alliances and organisations. Under a second Trump Presidency, the US would be unlikely to withdraw from NATO but would be even less inclined to have its power constrained by international institutions. Smaller NATO states and those not politically supportive of Trump would feel the brunt of this approach.

If the US commitment to defend liberal democratic values internationally were to become less credible, relations with China and Russia could even improve initially; that is because a crucial component of the bilateral "systemic conflict" would have

been defused. But for Germany and other European partners of the US, the question would arise as to how much they could still count on America when it came to defending a European order based on liberal-democratic values. To put it bluntly, they might even ask whether an illiberal America could still be a security guarantor of NATO.

If Kamala Harris wins the election, such concerns would recede into the background for the time being. However, the state of US democracy remains fragile amid the on-going delegitimisation of the election process, the self-disempowerment of Congress vis-à-vis the executive and the "weaponization" of the judiciary.

### **Transatlantic relations: Recalibrate or rethink?**

The decline of Pax Americana obviously has major implications for the future of transatlantic relations and will require Europeans to make significant adjustments. How far-reaching these adjustments will be and how quickly they will have to be implemented depends not least on the outcome of the US elections in November and the course adopted by the new US administration.

If Donald Trump is re-elected, there would be much more uncertainty surrounding NATO's future. Some conservative voices in the United States have gone so far as to suggest that within the framework of the Atlantic alliance, the country should focus only on nuclear deterrence and leave everything else to the Europeans. Should Kamala Harris head the next US administration, the pressure on the European NATO allies to adapt would certainly be much less than in the case of a Trump II administration — at least over the next four years.

However, the loss of the credibility of American reassurance and deterrence described above means that, regardless of the outcome of the election, Europe will have to step up its defence efforts if it wants to enjoy the same level of security in the future. The core task for Europeans must

therefore be to develop more autonomous and diversified defence and deterrence strategies — ones that are far less dependent on US military power than was the case in the past. The minimum requirement would be to build those specific capabilities for which Europeans have been particularly dependent on the US and which Washington would most likely need in the Indo-Pacific in the event of a crisis involving China. They include reconnaissance, strategic airlift, air defence systems, combat aircraft, amphibious naval capabilities, and long-range and cruise missiles.

But what is important here is not just armaments but also genuine political issues. For example, how might European NATO partners react if, under a Trump II administration, the US were to participate much less in consensual decision-making in the NATO Council or even try to play NATO allies off against one another? What would European allies do if America finally gave up its “liberal” understanding of leadership within the Alliance and behaved like a “normal” great power?

To prevent such a scenario, the Europeans would have to be much more politically united within the Alliance than they had been in the past — for example, on policy towards Russia. In the extreme, albeit unlikely case of a complete withdrawal of the US from NATO, the question would arise as to whether Europe could politically and militarily guarantee its collective defence outside the Alliance. This question has not been on the agenda since the failure of the European Defence Community in 1954.

Yet it is also the new geoeconomic thinking in Washington that poses major challenges for Germany and Europe. Under the Biden administration, the transatlantic partners have been able to defuse some of their economic and trade policy conflicts. However, the dispute over steel and aluminium tariffs has still not been fully resolved — even under Biden. For her part, Kamala Harris has expressed scepticism about tariffs because they mean additional costs for American consumers. But in the past she also opposed major trade deals,

such as the Trans-Pacific Free Trade Agreement, which she believed would harm the interests of American workers and set environmental standards too low. A Trump II administration would no doubt try to significantly expand tariffs and other trade restrictions — against friends and foes alike. In addition, it would make a much more obvious link between economic and security issues.

The increased use of sanctions, export controls and other coercive economic instruments would further increase the potential for conflict in transatlantic relations. At the same time, the deployment of such instruments raises the question of burden-sharing, albeit the reverse of what is the case in the military sphere. While the US and European NATO states (including Germany) are security policy allies, they are also economic competitors. The high energy prices in the wake of Russia’s full-scale invasion of Ukraine, which resulted from, among other things, the joint sanctions against Moscow, have placed a heavy burden on German industry in particular and thereby created a competitive disadvantage.

As regards China, demands from Washington for Europeans to reduce their economic and technological dependence on the People’s Republic are likely to grow louder, especially if Trump returns to the White House in 2025. But that dependence will remain high for the foreseeable future. Germany’s extremely ambitious goals in the area of the green energy and mobility transition alone can hardly be achieved without economic exchange with China. Depending on the extent to which economic nationalism continues to flourish in the United States, Germany and its European partners could be forced even to consider economic and technological de-risking initiatives vis-à-vis America. These might be aimed, for example, at protecting against future US punitive tariffs, sanctions or export controls that would harm European economic interests; and they might also include appropriate countermeasures.

Ultimately, the decline of Pax Americana also raises the question of what role liberal-



democratic values could and should play in foreign policy. German and European advocates of a values-based foreign policy could lose an important backer — namely, America — in the coming years. As far as the European security order is concerned, the situation is quite clear: the conflict with Russia is only superficially about territorial claims and military power relations; its real cause lies in irreconcilable values about Europe's internal and external order. From the perspective of the EU and the European NATO states, Europe's security is therefore inextricably linked to the defence of liberal-democratic values.

However, this does not apply — or at least not to the same extent — to other regions of the world. In the Indo-Pacific and even more so in the Middle East, the regional orders are supported by states that, for the most part, are not liberal democracies. There is also a lack of multilateral institutions that are based, like NATO, the EU, the OSCE and the Council of Europe, on liberal principles. Both in these regions and elsewhere around the globe, Western democracies will be more rather than less dependent on cooperation with non-democracies in future.

Thus, while the German government's Indo-Pacific Guidelines of September 2020 stress the importance of ASEAN, it is the case that this multilateral institution is made up largely of countries in which liberal-democratic values are weak or non-existent even. For this reason alone, Joe Biden's defence of democracies against autocracies is not suitable as a general principle for the West's relations with the non-Western world.

Standing up for values outside Europe should therefore focus on those norms, institutions and rules that directly affect the peaceful coexistence of states: international and maritime law, multilateralism and, consequently, the often-cited "rules-based order" at the regional and global level. These principles are also supported out of self-interest by authoritarian states

that are not major powers and therefore are confronted by more powerful neighbours. However, none of this changes the sobering fact that without the United States, it would be much more difficult to protect the remnants of the rules-based world order.



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