



'After Bush: implications for transatlantic relations and foreign policy'

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Can I first of all say thank you very much to Sir Malcolm Rifkind, one of my former bosses, for his very kind introduction and to Michael Ancram for this invitation. I do want to take this opportunity of saying that I have always valued them as two of the best and ablest people in the public debate in this country on foreign policy and security issues - we are very lucky to have them. They are also two of the most courteous people involved in that debate.

Can I also thank you for coming? There is, as Sir Malcolm has said, a rival attraction. I am very conscious, too, that I have here an audience that is very knowledgeable and very varied. So what I hope to do is paint in fairly broad brush terms how I see the Obama election, and what it means for foreign policy, and then we can have a discussion. There are certainly lots of things that I shall miss out and there are probably lots of things you will not agree with, so I hope we can have a bit of a debate.

The place to start is, of course, where Sir Malcolm started, which is the fact that we have now, at last, arrived at the 20th January. Two years of electioneering culminate today, after millions and millions of dollars have been spent and millions and millions of words have been spoken and written. And the issue is, now that we have reached the 20th January, what does it mean for international affairs and for foreign policy; and particularly for the transatlantic relationship? And I think I have to start by saying what is no doubt obvious: the international part of this puzzle does not operate in a vacuum. We need some context. We need context because it gives shape to what will inevitably

follow; and it gives us some clues as to what we may expect from the Obama Presidency and the Obama team.

The place to start with context is the election. We have read endlessly about it, but I think we need to remind ourselves of certain things about this election. Can I just say in parentheses here that I know there are Americans in the audience and I always feel slightly odd about telling Americans about their own country and their own elections, but bear with me and correct me if you feel I am wrong – all American elections are surrounded by hype, but this time I really think the hype was justified. I do think this was a mould-breaking election. The Democratic Party decided that it was going to offer America the choice of either the first black American President, the first African American President, the first multi-racial President or the first woman President. By a very narrow margin, the Party chose Barack Obama. The Republicans decided that in McCain that they would choose somebody who would have been the oldest President ever elected to a first term; and he upped the ante by choosing Sarah Palin, which would have given the Americans, had he been elected, their first woman Vice-President.

So this was an extraordinary election. It was also extraordinary for other reasons. The mobilisation of the electorate this time was done in new ways, which I suspect will have repercussions well beyond America. The fact that you saw the internet used in the way that it was - this had been pioneered to some extent in 2004 by Howard Dean, but the Obama people really went to town. You could pick up your phone and have a text message from Obama two or three hours after something had happened or somebody had said something – this is connecting with the electorate in a new way and I suspect that in this too, this was a watershed election.

I think it was also important for what did not happen – not mould-breaking perhaps, but important - in that this was not an election about the culture wars. It was not actually an election about race. People said it might be. We heard a lot about the so-called Bradley effect, which goes back to an election in California in the 80s when there was a black candidate who was well ahead in the opinion polls when he lost on the day people thought that it was, if you like, subterranean racism. I have to say, and this is not with the benefit of hindsight, I did not feel that when I left America, that this was likely to be the issue with Obama and so it has proved. But it is an extraordinary thing to think that Virginia, the heart of the old Confederacy, came out and voted for Obama in this election. That is the measure of change that this represents.

So why did he win? Throughout the election campaign, he tried to shape this as change versus experience and McCain, I think, was happy to do that. The issue was: were you going to take a punt on a new generation in power. That was going to offer you a changed approach to many of the issues domestically and internationally that we will discuss in a moment or was it too dangerous a world to do that? Should you stay with McCain, an authentic American hero, a very considerable figure with enormous

experience, who was able to say, '*Look, it's too dangerous to take a chance on this untried young man*'. In the end change is clearly what Americans preferred.

I think there was, well before the current economic crisis, an economic and financial component to this debate too. Throughout the time I was in the States, I was very struck by the degree to which middle-class Americans were suffering from a sort of malaise. It is a long time since middle-class Americans have felt that their disposable income has been going up. Middle-class Americans feel under enormous pressure over healthcare costs, over putting their kids through college. This is a time in America where you are able to look at statistics which indicate that the gap between the richest and the poorest is greater than it has been for a hundred years. And I think that this election was, if you like, a sort of revolt by middle-class Americans. They want the American dream back. They want to feel that however tough it is for themselves, it will be better for their children. And I don't think they felt that throughout the Bush period, particularly given the tax cuts which were aimed at the rich, not the poor.

It was also an election about competence, and of course this plays in to what we can expect from an Obama Administration. There was a feeling, particularly crystallised around Hurricane Katrina, that while the Bush Administration might have a vision of what it wanted to do, and you might or might not agree with it, it was not competent in producing results on the ground. Those days in which suddenly you saw pictures of Americans on the roofs of their houses, unrescued, in New Orleans, visions which looked to most Americans as if they came from somewhere else in the developing world, were a huge shock. In my view this was the moment that American politics, which had been anaesthetised since 9/11, woke up. And I think it was no surprise – of course Iraq was a huge issue at the same time - that by the time you get to the mid-term elections in 2006, politics in America is a very different politics from that of 2004. You see the Democrats begin to come back in force.

The election was also about personality. People have said that we don't know much about Obama. Actually the American process of being elected is a pretty demanding one. It is two years of the rubber chicken circuit, when you get an awful lot of exposure, and when an awful lot of issues come up. Obama had been seen criss-crossing America for over two years. He also had to respond in the final weeks of the campaign to the economic crisis. He came across to many Americans, as he did to many non-Americans, as cool and articulate: there is substance, there is style; and he looks as though he is able to grapple with the issues.

And then, of course, - and I want to explore this in a moment – the issue that is key to the election is the Bush legacy. But before coming on to that, another word about context which is the fact that the Presidential election goes hand in hand with the Congressional election. There is a tendency in Britain to think that the United States is somehow a giant

version of Britain and not to understand the profound differences in the way that American politics and government work.

But the fact is, we did not only see a President elected in November, we saw an enormous shift in the weight of the power on the Hill in the two Houses of Congress. The Democrats now have commanding majorities, both in the House of Representatives and in the Senate. They have fallen just short of having an arm lock on the Senate which requires 60 Senators – they have 59. My own view is that this is lucky for them, because if you have 60 you have got no excuses, if you have 59, it is easier to say, ‘*well, we would have done it but...*’ But that is a side issue. One of the ironies about the Bush period for historians is that Karl Rove, the President himself, I think, hoped the last eight years would usher in a period of Republican dominance both in the White House and on the Hill; but as the President leaves office today, the Democrats have captured the White House with a bigger majority than any President for a very long time and they have commanding majorities in both Houses on the Hill.

It is important when we look at this, for foreign policy as well as everything else, to contrast this with the British system. If you have a Prime Minister in commanding form, who has a commanding majority in the Commons, practically any legislation will be enacted. Things are different in America. When I was in the Embassy, I used to make the point that *‘Just because we get ‘yes’ out of the Administration, doesn’t mean that we get ‘yes’ on the Hill’*. And so when we talk about what Obama will do, all the time we have to remember that there is this added dimension. Initially, he should be in a very strong position to command what happens on the Hill. But we should not kid ourselves. There are a hundred independent minded people in the Senate. There is also the House, where all members up for re-election in two years’ time. So although the Democrats in Congress are tied to Obama, it is not automatic that they will necessarily support everything he does. And he will have to work with that. He has a very strong team in the White House. Many of them have exposure to the Hill in a way that has not been common. It is worth saying that Obama himself is the first Senator to become President since John Kennedy – it has been fifty years.

He has also put together an extremely able team. There are a lot of prima donnas in there, but an awful lot of these people really know what they are talking about. They have got enormous experience and they are dealing with massive problems. My sense is that Obama feels that while he is going to be conducting this orchestra, he absolutely wants these people to have the independence to get on and tackle the issues. At this stage, I would much rather give them the benefit of the doubt and believe that, even if there are big egos in there, it is much better to have great talent than to go for safety; much better to have experienced people who will not have to spend a couple of months looking for their desks before they can actually get to grips with the issues.

So what about the Bush legacy? What is it that Obama now faces? All of us who are in the foreign policy area need to remember that this comes second to the domestic legacy. It is not necessarily easy to draw dividing lines between domestic and foreign policy issues, of course. But before he can get through the inbox to the foreign policy issues, Obama is going to be faced above all with the economic and financial crisis. His Presidency will turn – the success of it or failure of it – on how he handles that issue. It is going to be an enormously time-consuming and difficult problem to get right. He has also promised the American electorate that by the time he is standing for re-election he will have got to grips with the healthcare issue. And this is immensely important to Americans – the idea that 40-50 million Americans have no health insurance, the idea of ever-spiralling health costs - this really is at the heart of what his campaign has been about. It is very tough to get it right – ask Hillary Clinton – but we should be in no doubt that he will have to spend a lot of time worrying about that issue, particularly since he will know that his election campaign starts today.

Obama has, too, promised that he will address the energy problem. This is massive for America – it is America's Achilles' heel: it is a problem that if he can get right, will transform many things. It will reduce America's energy dependency and therefore its strategic vulnerability, but it will also have an impact on the budget at home. And if he can really push the development of alternative sources of energy in the United States, America could find itself - over the next five, ten, fifteen years - leading a green energy revolution. This will itself bring about a new industrial revolution and create enormous economic opportunities.

Anybody who was listening to the Today programme this morning will have heard Jim Naughtie talking about infrastructure. And again, Obama has committed himself to doing something about America's crumbling roads and collapsing bridges. Very big bucks are involved. Again he will have to deliver on this. People don't want bridges to nowhere in Alaska, they want the bridge outside to stand up.

And finally, and less talked about, has been immigration. I thought George W. Bush was on the right side of that argument. But his party chose to take a different view from him on immigration. That helped to get Obama elected. If you look at the way in which the vote divided in November, you see this massive swing of the Hispanic vote behind Obama and away from the Republicans: a real change with 2000 and 2004. Obama is going to have to think hard about how he sustains that: what is America's immigration policy going to be? This is an important philosophical issue for America, because immigration is yeast for the extraordinarily experiment that has produced the American model. Tamper with it at your peril.

And now at last, I get to international relations, which is what I have been asked to talk about. And the first thing to talk about is style, because we will see a different style, a style that will certainly feel much more sympathetic to Europeans. That is the evidence

that we have from the two remarkable books that Obama has written - I commend them to you if you have not read them, especially the first one, which was not written with the election in mind, '*Dreams from my Father*'. We can expect somebody whose instincts are to be pragmatic rather than ideological and to be multi-lateralist – certainly in the second book, there is not much sign that Obama is much enamoured with the idea of American exceptionalism - and I think we should expect to work with somebody who is instinctively interested in finding consensus. And this is not just true for foreign policy - it seems to me to be very much where he is domestically too. If you look at his cabinet construction, the idea of reaching out to different elements of American politics and American society, is very clear, whether or not self-consciously modelled on Lincoln, doesn't seem to me to matter very much. This is the approach he wants to take adopt to governing America and I suspect it is very much the approach he wants to take in trying to conduct international relations. But Europeans have to be clear too that Obama is not "a free good". European enthusiasm for him is very obvious. Less clear, I suspect, is the understanding that if you are in a partnership with the new President, he may make demands on you that are both expensive and politically difficult. We can speculate about what those may be. But for governments and individuals who have been able in the last four or eight years to say, '*well, you know, I don't much want to help the Americans because I don't approve of George Bush*', that excuse is about to evaporate. Obama will come to Europe in April expecting to hear that we too have an agenda for international relations, and that we are willing to make commitments and find resources to try and deliver it.

Let me turn to specific policy areas: first of all, terrorism. 9/11 was the defining moment international and security policy for the Bush administration. This was not surprising – here was a direct, unprovoked attack on the American mainland. It gave the Bush Administration its rationale and its leitmotif for the following eight years. I think Obama will approach terrorism differently, but again I would issue a word of caution. No American President can seem soft on terrorism; no American President can seem soft on national security. And remember, when you elect your President, you elect your Commander in Chief. And remember, too, that Republicans will certainly be looking at this as a possible angle of attack, so Obama will have to be very clear that he is going to be tough in dealing with the terrorist agenda. Having said that, I think he will stick to his commitment to close Guantanamo, which is enormously important in terms of America's image. Guantanamo has done enormous damage. There are some very bad people on Guantanamo, but the price of keeping them there is far too high in terms of America's reputation as a champion of freedom and human rights. Suspending habeas corpus has done America immense damage in the common law world. I think Obama will also make it quite clear that his views on where you draw the line between interrogation and torture are where the Vienna Convention says they ought to be.

Just as important as these specific and, to some extent, symbolic things, I think he will disaggregate the problem of terrorism. One of the difficulties in the last eight years has

been the tendency to lump too many things under the heading ‘The Global War on Terror’. There are huge differences between the problems we face, whether in Africa, Asia, the far East. To refract everything through one prism in the way in which the Bush Administration has tended to do has made it very difficult to recognise and deal with this complexity.

As the media tell us endlessly, Obama inherits two wars. The first is Iraq. When the election campaign began two years ago, Iraq had great salience. It was a hugely important issue: but it has diminished day by day. This is not to say that Iraq does not remain a top priority for the new Administration – of course it does. The incoming President has promised that, over 16 months, he is going draw American forces right down. My own hunch is that it will be much harder to get everybody out than it looks, but I do think that we will see a move away from front line US activity to much more training and support. Obama will want to ensure this happens. He has promised it and needs results. He also wants to shift the effort to the second war that he inherits: Afghanistan.

Afghanistan was the war of necessity – this is where 9/11 was plotted. It has a different resonance with the American electorate, than the war in Iraq. But I am sceptical that those who voted for Obama, hoping that he was going to get them out of Iraq, were also voting for a more intense war in Afghanistan. This is going to take a lot of handling. It is going to be difficult politically, difficult militarily, and difficult financially. And there are hostages to fortune here. He will need to be very energetic in developing the political dimension as well as the military dimension. This is now a regional crisis. It is not just about Afghanistan - it is about Afghanistan and Pakistan; it is about India’s relations with Pakistan. There is a whole nexus of issues here. And if, as the media say Obama’s technique in focusing on particular crises is to put some of the ablest American diplomats and public figures to work the issues then putting Dick Holbrooke to work on Afghanistan/Pakistan is a good illustration..

I hope that the Middle East will be at the top of Obama’s agenda. There are some signs of this. Signs too, that he will be much more inclined than the present Administration has been to insist on the interconnections between the various crises in the Middle East region. I am struck by the way in which he insisted on mentioning Iran before Hillary Clinton gave her Senate testimony in her confirmation hearings. There are some signs that the new Administration will see whether it is possible to approach Iran in a different way. But, I come back to what I said about national security – Obama will have to be very careful not to appear a soft touch. But the idea that he will approach Iran to see whether a relationship in the round can be developed, so that we talk energy, security, as well as nuclear – I think that has real appeal. It will not necessarily work but we should at least try it. We might be surprised. I was one of those who was deeply sceptical that reaching out to Gaddafi would have any impact on his nuclear programme. There is a perfectly respectable hook for the new Administration to hang engagement on, which is

the Baker-Hamilton report, that came out at the end of 2006. This was ostensibly about Iraq. But in fact it was a bipartisan Democrat-Republican report, arguing that America should try and approach Iraq, Iran, the whole Middle East nexus of issues, in the round. I hope Obama will also give top priority to the Middle East peace process. We have a very, very short window left to try and resuscitate the two-state solution. I hope that he is going to bring people like Dennis Ross, Martin Indyk and Richard Haass to bear on this problem. I take encouragement from what Hillary Clinton has been saying about the priority that she wants to give to it. It is absolutely vital that this is right at the top of the agenda. Obama is going to be very preoccupied with domestic issues. It is going to be essential that Hillary plus her team of experts, really go to work on this very, very quickly.

Let me touch on one or two other things before opening the debate to the floor.

China is hugely important. There is a sort of symbiotic relationship between the US and China now. America buys Chinese goods, China buys American debt. And on a massive scale. Zbigniew Brzezinski's piece in the FT the other day about the need talking about the need for the G10, the G12, the G14, but ended up by saying we need for a special relationship between the United States and China, will have found much food for thought. It is interesting to contrast what happened during the Bush period with China and Russia. When Bush came in, there were high hopes - perhaps they were misplaced – but there were high hopes, that there would be a real chance of building a close, constructive semi-partnership with Russia. China in those days was seen as the great strategic challenge. ‘Threat’ may be too strong a word, but certainly no one was talking “stakeholders” or “potential partners”. It has flipped right round. Bush leaves office with relations with Russia in very deep trouble. The relationship with China, despite the international crisis over the economy is in a remarkably different place.

Which brings me to Russia. I hope that Obama will see whether Medvedev/Putin or the other way round perhaps, are willing to try and draw a line. For my money, the agenda is horribly like the sort of agenda I used to be dealing with when I was in our embassy in Moscow during the Cold War. We need a global agenda with Russia, not a Cold War agenda; and at the moment we are much more on a Cold War agenda than we are on a global agenda. Are the Russians willing to talk to the new Obama people seriously about Iran? I am amazed at what seems to be a lack of urgency in Russia about Iran. Iran's missiles are a lot closer to Russia than they are to us. What about non-proliferation? What about energy, particularly after the repeated episodes of interrupted Russian supplies? We want to be reliable clients; but we need a reliable supplier. Is there an agenda here that can move us off Georgia and Abkhazia; off Ukraine's membership of NATO? Important though those are, and they are not going to go away, is it possible to broaden this agenda, so that these things become more manageable rather than flashpoints in a relationship that is otherwise horribly stuck?

I hope Obama will look at the international architecture – it does not work now. G7/G8 seems may still have a role, but you need a broader membership to tackle the current global agenda whether a G12, or G16, or even G20. It is perfectly clear especially during a global economic crisis that we cannot be manage with the old architecture.

Very important for us in Europe - I expect a real shift on US policy on climate change. This is the flip side of energy, which I was talking about earlier. I expect the Obama Administration to move the United States from the back of the queue to the front. And in saying that, it is important to understand that he has plenty of domestic support. Whatever the position has been of the Bush Administration on this, I was struck by how much opinion was moved while I was in the US. Individual States of the Union, big companies, individuals, faith groups, have moved a very long way on climate change. The Obama Administration can exploit this to move to a different position. This does not mean they are suddenly going to say the inclusion of China and India doesn't matter post Kyoto: The American President has got to be seen to be fighting for American interests. But I do think Obama will take a much more forward position on all this.

Let me end with Europe. Relations between the United States and Europe are not in bad place at the end of Bush's Administration in my view. The relationship has gone through phases: there was the extraordinary solidarity during the period of 9/11 – the Le Monde moment of '*Nous sommes tous Americains*'. There was then the fracturing caused by Iraq, although not a transatlantic fracturing as such it was an internal European fracturing too. A very difficult period ensued until Bush was re-elected. As I said, nearly everything was refracted through the prism of this issue. When Bush was re-elected, the relationship improved. Bush sent Condi Rice on her first visit as Secretary of State to Europe, and he followed a few weeks later. Against the expectations of many he tucked America in behind the E3 initiative on Iran: Iran is the transatlantic crisis that did not happen in 2005-2008 in the second Bush term we actually saw much more multilateralism in the Bush Administration in the second term. The axis of evil was supposed to be Iraq, Iran and North Korea. On both Iran and on North Korea, the Americans have spent the last four years trying to negotiate their way through the problems multilaterally .

But, having said that, it is quite clear that in Europe, there is this huge wave of enthusiasm for Obama as he takes office. That does give us a chance to think about the future of NATO as it reaches 60. I understand that Lord Robertson will be addressing GSF shortly. I hope that George does think NATO has got a future, because I certainly do! But we need to think about what it is under this new President. How does NATO conduct itself? What is it going to do about relationships with Russia? How is it going to manage Afghanistan? These are big issues and Obama will have big demands to make of us. And we have to think, too, about what the relationship is between the US and the EU. We really have no proper machinery that the European Union and the United States can use to talk about big political and strategic issues. We do it round the Council table in

NATO to some extent; we do it bilaterally; we do it in the G8. But it is an anomaly that, at a time when transatlantic relations are very important for those involved, there is this curious lack of a forum to talk about big strategic things. This is why, when I was in Washington, the United States and Europe got themselves into such trouble over the issue of the arms embargo on China. There was no EU/US forum to debate it – or indeed the wider issue of the west's relations with Beijing. There is no easy solution to this. The Americans would like the EU to push ahead with institutional reorganisation and I would also say that the Administration – and that will be true of the new one as it was of the old one – want the EU countries to develop better defence capabilities and cooperation. There are big issues here that need exploring. Because, as I have said, we can expect Obama to favour multilateral engagement, it maybe that there is real progress to be made in the transatlantic relationship.

I think that Obama really does promise change. He reminds us of America's extraordinary capacity to renew itself. I am not one of those in the school of decline-ism about America. We are confused in this country between thinking that America is in decline and talking about the rise of Asia. Of course Asia is increasing its weight in the system, but I have not spent the last four years in the States to believe that America is somehow in terminal decline. I think Obama's arrival on the scene is a timely reminder of that. There is a two-year moment now, and these come pretty rarely in politics, when Obama has massive moral authority at home and abroad, massive political authority at home and abroad, to tackle the really big issues. The problem for him is this huge burden of expectations: of course it is vast. Is it crushing? I hope not. Is it very demanding? Yes, it certainly is. But I would end by saying that personally, I remain optimistic.