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The Trump Presidency: what consequences will this have on Europe?

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The election of Donald Trump as the 45th President of the United States may represent one of the greatest challenge to transatlantic relations since the end of WWII. Throughout the Cold War and since then, all US Presidents have based their foreign policy on a core set of beliefs that America's closest partners in world affairs are democracies, that US prosperity is dependent on global free trade, and that its own security is unquestionably linked to the international context, especially its ties with Europe. Thus, American commitment to European prosperity and security has never been questioned.[1] During his electoral campaign, however, Donald Trump made many statements that called into question every one of these core sets of beliefs that have formed the backbone of transatlantic relations for the last seventy years. From his strident criticism of free trade and his admiration of strong authoritarian leaders such as Russian President Vladimir Putin, to his questioning of Article 5 of the NATO Treaty, Donald Trump's rhetoric has shaken the very foundations of the Atlantic alliance. It is no wonder that his victory was greeted with shock and dismay across Europe, where several emergency summits were held to discuss how to manage this unexpected new challenge to transatlantic relations.

This paper aims to analyze the full extent of the challenge that Donald Trump's presidency represents for Europe. The second objective of this paper is to offer policy recommendations on how the European Union can manage Trump's presidency, turning adversity into opportunity in order to make the next four years a success for the Atlantic alliance. The goal of this paper is to highlight a strategy for the EU to remain visibly present on the world stage, making the most of the potential opportunities that could open-up in the next four years.

While isolationism is certainly a risk that must be taken into consideration, closer inspection reveals that Donald Trump has developed a core consistency in his understanding of world politics[2] that can be divided into three main pillars. First, Trump has been clear that he is against free trade in its current form, which he blames for impoverishing American workers and weakening the US while serving the interests of a cosmopolitan elite. Second, Trump has been consistent in his belief that the US is getting a "bad deal" from its allies, who stand accused of taking advantage of American largesse. Third, Trump appears to have a fascination for strong leadership, and seems to believe he can obtain "better deals" by negotiating bilaterally with authoritarian strong men such as Russian President Putin than by working cooperatively with democratic allies and multilateral organizations such as NATO or the EU.[3] These views represent a potential threat to the Atlantic alliance.

This is why it is essential for the EU and its Member States to respond intelligently and assertively in order to avoid a worst-case scenario. This paper will focus on several issues where Trump's presidency is likely to have the most impact on transatlantic relations: trade, NATO, Russia, Iran and China. In each case, this paper will outline possible scenarios, and then provide policy recommendations on how the EU can turn challenges into opportunities.

1. Shapiro J., *The Everyday and the Existential: How Clinton and Trump Challenge Transatlantic Relations*, European Council on Foreign Relations, 2016.

2. Wright T., "Trump's 19th Century Foreign Policy", *Politico*, 20 January 2016.

3. Shapiro J., *The Everyday and the Existential: How Clinton and Trump Challenge Transatlantic Relations*.

The Trump Presidency: what consequences will this have on Europe?

I) TRADE

Trump has been consistent in his criticism of free trade, which he accuses of having hurt American workers. [4] He insisted during the campaign that his objective of putting "America first" would involve renegotiating existing trade deals with America's partners in order to extract better terms that put US economic interests ahead of foreign interests. Trump has underlined that "Americanism, not globalism, will be our credo", indicating his support for a form of protectionism.[5] Remarkably, Trump's campaign succeeded in changing the way Republican voters think about free trade: 61% believed that free trade is a "bad thing" in 2016, compared to only 36% in 2014.[6] Trump pledged during the campaign to overturn the very foundations of US trade policy by renegotiating or, if necessary, by withdrawing from a wide range of agreements, such as the North American Free Trade Agreement (NAFTA), the Trans-Pacific Partnership (TPP) and even the World Trade Organization itself.[7]

As a result, the election of Donald Trump is likely to freeze on-going negotiations between the EU and the US over the Transatlantic Trade and Investment Partnership (TTIP), the aim of which was to create a Transatlantic Free Trade Area (TAFTA). Concrete negotiations were launched in 2013, with the hope of reviving the transatlantic economy following the global financial crisis.

It is undeniable that freezing on-going negotiations over the TTIP will do nothing to strengthen transatlantic relations. Nevertheless, this may not substantially damage or even have much of an impact on the Atlantic alliance, given that negotiations were stuck in a gridlock due to significant opposition in the US and particularly in Europe, where there have been important demonstrations involving thousands of people.

While halting negotiations over the TTIP is a likely consequence of Trump's presidency, there is another less plausible scenario, but one with far greater risks for the Atlantic alliance. Trump may decide to pursue a more radical form of protectionism, perhaps even embarking on a "trade war" with America's main

trading partners, including the EU. For example, Trump has threatened to impose tariffs as high as 45% on several of America's trading partners unless they agree to better trading terms with the US.[8] Given the fragile state of the European economy, sharp tariff hikes would be gravely damaging to the EU.

Trump's concerns are linked to the fact that the US has a significant global trade deficit that has worsened over the last few decades. The US has a negative commercial balance with 15 out of its 20 largest trading partners. Given that the US runs a substantial trade deficit with the EU that has increased over the last few years, there has been concern in Europe that Trump might implement his radical protectionist rhetoric. In fact, out of all America's trading partners, the EU represents the second highest trade deficit after China.[9]

In spite of this, Trump barely ever mentioned Europe in the context of trade throughout his campaign, focusing instead his attacks on China and Mexico. His main target was China: "China is killing us ... the money that they took out of the United States is the greatest theft in the history of our country".[10] Indeed, the US has a trade deficit with China that is nearly twice as large as the one with the EU.[11] The North American Free Trade Agreement (NAFTA) is another source of criticism; Trump has threatened to unilaterally walk away from NAFTA unless he extracts significant concessions from Canada and Mexico. This is surprising, given that the US trade deficit with the EU is nearly three times higher than that with Mexico, and four times higher than that with Canada.

One potential explanation as to why Trump has largely ignored the EU in the context of trade is that his attacks on Europe mostly target the continent's reluctance to pay for its own defense.

Nevertheless, the EU must still be prepared for a "worst case scenario". It is not because Trump omitted to attack Europe over trade during his campaign that he would necessarily ignore the fact that America's second highest trading deficit is with the EU. Moreover, Trump's temperament appears to be erratic, which makes him unpredictable. Commentators have pointed-out that

4. His views on this matter date back to the 1980's during debates over US-Japanese trade, where he believed that elites sacrificed the interests of American workers in order to entice allies (such as Japan) away from the Soviet Union. *Ibid.*

5. Blake A., "Donald Trump's strategy in three words: 'Americanism, not globalism'", *the Washington Post*, 22 July 2016. https://www.washingtonpost.com/news/the-fix/wp/2016/07/22/donald-trump-just-put-his-border-wall-around-the-entire-united-states/?utm_term=.6318fe62b549

6. Shapiro J., *The Everyday and the Existential: How Clinton and Trump Challenge Transatlantic Relations.*

7. See "Full text: Donald Trump 2016 RNC draft speech transcript", *Politico*, 21 July 2016. <http://www.politico.com/story/2016/07/full-transcript-donald-trump-nomination-acceptance-speech-at-rnc-225974>; Dyer G., "Donald Trump threatens to pull US out of WTO", *Financial Times*, 24 July 2016.

8. *The Economist*, *Dealing with Donald*, December 10th - 16th 2016.

9. In 2015, while the United States exported \$276,142 million worth of goods to the EU, it imported \$418,201 million worth of goods, causing a trade deficit of \$-142,059 million. See: U.S. Department of Commerce, *Top U.S. Trade Partners, Ranked by 2015 U.S. Total Export Value for Goods.*

10. *The Economist*, *America and the World: The Piecemaker*, November 12th - 18th 2016

11. In 2015, while the United States exported \$123,676 million worth of goods to China, it imported \$466,754 million worth of goods, resulting in a substantial trade deficit of \$-343,078 million. See: U.S. Department of Commerce, *Top U.S. Trade Partners, Ranked by 2015 U.S. Total Export Value for Goods.*

Congress and other institutions that form part of the American system of checks and balances might be able to restrain the more radical aspects of Trump's protectionism.[12] However, while Congress may be able to refrain Trump on issues such as tax policy, it has less power over international trade policy, as the US President enjoys real latitude. For example, the 1974 US Trade Act allows the President to impose quotas and tariffs as high as 15% for 150 days on countries that have large balance-of-payments surpluses vis-à-vis the US.[13] Therefore, Trump has the power to implement radical tariffs, if he so decides.

Given the potentially significant economic damage this would cause to both sides, a full-blown trade war between the EU and the US is highly unlikely. However, it is not improbable that Trump's administration could raise tariffs on certain products coming from Europe to rectify the trade deficit. The EU must respond vigorously and underline its ability to retaliate in kind. Despite the multitude of crises it is confronted with, the EU remains the largest single market in the world and the first trading partner for the US. Thus, the EU is in fact in a more solid position than may appear to negotiate trade issues with Trump. It is essential that the EU and its Member States pro-actively dialogue and engage with the new US administration in order to reach mutual understanding on trade as soon as possible. The EU must underline the central economic importance of transatlantic trade for both sides, and be ready to demonstrate good will by making some concessions to reduce the trade deficit. Even if the EU were to lose a little economically, it currently benefits from a very high trade surplus vis-à-vis the US and can afford concessions to maintain healthy trade relations with the US over the next four years. If his campaign rhetoric is any indication, Trump will probably focus on the issue of military spending and ask European countries to substantially increase their contribution to NATO.

II. NATO

Throughout his campaign, one of Trump's most consistent claims was that the US is getting a "bad deal" from its allies, particularly Japan and European

NATO members. His main critique was that the US has been left to pay the bill of global security since WWII and has received little in return.[14] Trump appears determined to secure a "better deal" from America's allies, one that would increase European members' share of defense spending. His position on NATO has been galvanized by US public opinion and a gradual decline in support for the organization. The latest study by the Pew Research Center found that just 49% of US voters and only 43% of Republican voters supported NATO.[15]

Indeed, the topic of more equitable burden sharing within NATO has been on the transatlantic agenda since the 1980s. Each successive US President has sought to persuade European countries to increase their military contribution. Following post-2008 budget-tightening, the criticism grew louder: Defense Secretary Bob Gates ended his mandate in 2011 with a sharp rebuke of Europe's "free ride" on US military spending.[16] Gates' criticism was based on the hard reality that the US pays for more than 70% of all NATO spending,[17] and contributes 3.6% of its GDP to defense, when the required NATO quota is set at 2%. Out of the organization, only four European countries meet the established GDP quota: Britain, Estonia, Greece and Poland, all of which spend a little over 2% of their GDP on defense (France comes close at 1.8%, and Turkey at 1.7%).[18] As a result, Trump's criticism of NATO may be considered fair. More than 25 years after the ending of the Cold War, there is no reason why European allies should not contribute more.

The controversial aspect of Trump's criticism of NATO is not that he wants European allies to pay more, but that he has threatened to leave the alliance or simply not to defend member states that fail to meet their "obligations" vis-à-vis the US. Trump has referred to NATO as an "obsolete organization".[19] More importantly, when asked whether he would defend the Baltic States, which are particularly vulnerable to Russian attack, he answered: "(Only) if they fulfill their obligations to us, then the answer is yes." [20] This represented the first time since NATO's creation in 1948 that a major presidential candidate, let alone a president-elect, openly questioned Article

12. *The Economist*, *Dealing with Donald*, December 10th – 16th 2016.

13. Trade Act of 1974, enacted by the Senate and House of Representatives of the United States of America in Congress assembled. <https://legcounsel.house.gov/Comps/93-618.pdf>

14. "NATO is unfair, economically, to us, to the United States. Because it really helps them more so than the United States, and we pay a disproportionate share." Trump D., Interview with *The New York Times*, transcript published on 26 March 2016.

15. Simmons K., Stokes B. and Poushter J., *NATO Publics Blame Russia for Ukrainian Crisis, but Reluctant to Provide Military Aid*, Pew Research Center, June 2015.

16. "The blunt reality is that there will be dwindling appetite and patience in the US Congress, and in the American body politic writ large, to expend increasingly precious funds on behalf of nations that are apparently so unwilling to devote the necessary resources ... to be serious and capable partners in their own defense. Birnbaum M., "Gates rebukes European allies in farewell speech", *The Washington Post*, 10 June 2011.

17. Johnston C., *Donald Trump attacked for saying he might not defend Nato countries*, *The Guardian*, 22 July 2016. <https://www.theguardian.com/us-news/2016/jul/22/donald-trump-criticised-for-objecting-to-cost-of-defending-nato-members>

18. *North Atlantic Treaty Organization, Defence Expenditures of NATO Countries (2009-2016)*, Press Release, 4 July 2016.

19. Shapiro J., *The Everyday and the Existential: How Clinton and Trump Challenge Transatlantic Relations*.

20. Sanger D. E. and Haberman M., *Donald Trump Sets Conditions for Defending NATO Allies Against Attack*, Interview with *The New York Times*, 20 July 2016. <http://www.nytimes.com/2016/07/21/us/politics/donald-trump-issues.html>

The Trump Presidency: what consequences will this have on Europe?

5 of the Washington Treaty.[21] Trump's victory sent shockwaves across the Atlantic Alliance, as US commitment to Article 5 is crucial for deterring Russian aggression in Eastern Europe, particularly for smaller countries that rely on Russia believing that the US would act rapidly and decisively in a crisis.

Maintaining NATO is in the national interest of the US, which is why it was not terminated at the end of the Cold War. NATO represents a key mechanism by which the US can project its power abroad and guarantee its security by allowing America to maintain strong influence over the Atlantic community and world affairs more generally. While previous US Presidents had asked Europeans to contribute more to defense spending, Trump will undoubtedly demand and impose organizational reform.

This should be viewed as an opportunity for Europe. If European allies significantly increase their military spending, they are also likely to enhance their influence within NATO. In fact, European countries should insist that any increase in spending be proportional to expanded influence in the organization's decision-making processes. A more equitable partnership can only be beneficial for the evolution of transatlantic relations, making the alliance more sustainable over the long run.

Moreover, given the unstable context of international relations, increased defense spending is a wise investment. Europe is currently facing a multitude of significant security threats: Russian expansionism in Eastern Europe, terrorism, cyber-attacks, and wars in the Middle East that have led to an unprecedented refugee crisis across the continent. Therefore, Trump's victory should be seen as an opportunity to galvanize Europeans to boost their defense budgets. Indeed, even before Trump's election, many European countries had already begun to make substantial increases in their military budgets. Latvia increased its defense spending by nearly 60% last year, followed by Lithuania with a 35% increase, and Estonia with a 9% increase. [22] Poland, currently positioned as the main military power in Eastern Europe, also raised defense spending by 9%, and Sweden is considering NATO membership

after outlining a plan to increase military spending by 11% over the next five years.[23]

Likewise, France has consistently increased military spending over the last few years, and the pace has accelerated following the wave of terrorism that has hit the country. French President Hollande announced an increase in defense spending by 4 billion € from 2016-20 to tackle terrorism at home and overseas,[24] a figure revised upwards following the terrorist attacks in Nice in July 2016. Similarly, Michael Fallon, the British Secretary of State for Defence, has underlined that Brexit will not modify in any way the UK's military commitments as a key NATO ally and guarantor of European security. Since the Brexit vote, the UK has reinforced its military presence in Estonia to defend NATO's eastern front, renewed its nuclear Trident submarine program, and enhanced collaboration with the US in the fight against the Islamic State. Furthermore, there appears to have been a turning point in Germany's attitude towards its armed forces, ending a taboo that dates back to WWII. For the 2017 fiscal year, the German government has planned to increase defense spending by €1.7 billion, a 6.8 percent rise.[25] This is not a short term policy, as the government is aiming to spend €39.18 billion on defense by 2020, add nearly 7000 soldiers to the German military by 2023, and purchase 130 billion € of new equipment by 2030.[26]

In order to demonstrate to Trump that Europe is serious about contributing its "fair share", all European countries should aim to meet the 2% NATO quota for military spending within the next five years. America's automatic security umbrella, which has been ongoing since WWII, can no longer be taken for granted. By significantly increasing military spending, Europe will make itself a more valuable and thus more relevant ally, decreasing the chances that Trump simply disengages from NATO. Moreover, this will also allow Europe to be in a position to defend itself without the US should a worst-case scenario materialize. High levels of national debt throughout Europe make it harder to increase defense spending, but several plans have been proposed to address this issue, including former French finance minister Thierry Breton's concept for a

21. North Atlantic Treaty Organization, *Collective defence – Article 5*. http://www.nato.int/cps/en/natohq/topics_110496.htm

22. Jones S., *Defence spending by Nato's Europe states up as uncertainty rises*, *Financial Times*, 30 May 2016.

23. O'Dwyer G., *Russian Aggression Drives Swedish Defense Spending*, *Defense News*, 7 February 2016. <http://www.defensenews.com/story/defense/policy-budget/warfare/2016/02/07/russian-aggression-drives-swedish-defense-spending/79841348/>

24. BBC news, *France increases defence spending 'to counter extremism'*, 29 April 2015. <http://www.bbc.com/news/world-europe-32509301>

25. Hoffmann L., *German Defense Spending Hike Reflects Regional Trend*, *Defense News*, 24 March 2016. <http://www.defensenews.com/story/defense/international/europe/2016/03/24/german-defense-spending-hike-reflects-regional-trend/82204164/>

26. Smale A., *In a Reversal, Germany's Military Growth Is Met With Western Relief*, *The New York Times*, 5 June 2016. http://www.nytimes.com/2016/06/06/world/europe/european-union-germany-army.html?_r=0

“European Fund for Security and Defense”. Based on the European Stability Mechanism, this fund would issue long-term bonds to buy back debt incurred by increased defense spending, taking advantage of historically low interest rates.[27]

The unstable international context and the threat of potential US disengagement under Trump make it essential to further strengthen initiatives for greater European defense cooperation. Trump’s electoral victory seems to have galvanized the European Union to accelerate plans for increased military spending. On 30th November 2016, the EU Commission announced its proposal for a “European Defense Action Plan, which aims to spend €5.5 billion euros per year to support EU member states in acquiring hardware, including helicopters, drones and the development of military technology. [28] The Defense Action Plan will also implement a pilot phase of €90 million up to 2020, and then €500 million per year after to invest in researching technologies such as drones and cyber-security systems.[29] The President of the EU Commission Jean-Claude Juncker underlined that: “If Europe does not take care of its own security, nobody else will do it for us... A strong, competitive and innovative defense industrial base is what will give us strategic autonomy”. [30]

Initiatives such as the European Defense Action Plan are laudable, but remain insufficient and must be enhanced in the years to come. Even if the plan were successfully implemented over the next few years, it still falls short of providing a sufficient framework for EU member states that are part of NATO to meet the 2% spending requirement. Moreover, it does not really reinforce the EU’s common defense policy, but rather provides a framework to support member states in paying more for their own defense. Britain’s departure from the EU will make this possible, as the UK had previously vetoed any type of integration in matters of defense, fearing loss of sovereignty and duplication with NATO.

Juncker proposed during his 2016 annual address in Strasbourg to create a “permanent EU military headquarters to work towards a common military force”

in the years to come.[31] Likewise, in early October, France and Germany signed an agreement to share an air base and transport planes as a first step in reinforcing EU defense cooperation after Brexit.[32] Despite fears of duplication, it is arguable that a stronger EU defense is not only fully compatible with NATO, it may even help to strengthen the alliance’s already formidable capacities.[33] Given the uncertainties surrounding Trump’s Presidency, developing a stronger European defense capacity may become vital for deterring potential Russian expansionism.

III. RUSSIA

Another reason why Trump’s election is potentially very significant is because it arrives at a time when US-Russian relations are at their lowest point since the ending of the Cold War. Following the collapse of the USSR, relations between Russia and the West have gone back and forth. Moments of collaboration include Russia’s participation in an international coalition in 1990 during the first Gulf War, and Kremlin cooperation in the US-led fight against Islamic terrorism in Afghanistan following the 9-11 terrorist attacks. Nevertheless, under Vladimir Putin, relations with the West have gradually taken a turn for the worst. In a reversal of the liberal years of the 1990’s, Putin has progressively hollowed out democratic institutions and created a form of “elected authoritarianism”, [34] building his popular support on a sense of humiliated nationalism following the collapse of the Soviet Union. Putin has a realist view of international relations as a zero-sum game, in which any gain for the West is tantamount to a loss for Russia. Thus, he interpreted the simultaneous EU and NATO expansion into Central and Eastern Europe as an encroachment on Russia’s historic “sphere of influence”. The 2008 NATO summit at Bucharest crossed a red line, as it offered eventual membership to Georgia and Ukraine. This probably contributed to Putin’s military intervention in Georgia in 2008, Russia’s first use of force against a neighboring state since the end of the Cold War, a maneuver that triggered a sharp rise in tensions with the West.

The situation deteriorated significantly under Obama, despite the US President’s initial desire for a “reset”

27. Breton T., *Pour un Fonds européen de sécurité et de défense*, 2016. http://www.ifrap.org/sites/default/files/articles/fichiers/fesd_fr_160712_v15.pdf
28. European Commission - Press release, *European Defence Action Plan: Towards a European Defence Fund*, 30 November 2016. http://europa.eu/rapid/press-release_IP-16-4088_en.htm
29. Kanter J., *E.U. Plans Big Increase in Military Spending*, *The New York Times*, 30 November 2016. <http://www.nytimes.com/2016/11/30/world/europe/eu-plans-big-increase-in-military-spending.html?ref=europe&r=0>
30. European Commission - Press release, *European Defence Action Plan: Towards a European Defence Fund*.
31. Speech by Jean-Claude Juncker to the European Parliament in Strasbourg, 14 September 2016. <http://www.bbc.com/news/world-europe-37359196>
32. Radio France Internationale, *France, Germany to share military facilities post Brexit*, 5 October 2016. <http://en.rfi.fr/france/20161005-france-germany-share-military-facilities>
33. Juncker confirmed that “a common (EU) military force should be in complement to NATO ... More defense in Europe doesn't mean less transatlantic solidarity.” See: BBC news, *Juncker proposes EU military headquarters*, 14 September 2016. <http://www.bbc.com/news/world-europe-37359196>
34. Niblett R., *What should Europe's policy be towards Russia?*, Chopin T. and Foucher M. (eds.), *Schuman Report on Europe*, State of the Union 2015.

The Trump Presidency: what consequences will this have on Europe?

in Russian relations. Once more, the red line of Russia's "near abroad" was crossed when Ukraine was invited to sign an association agreement with the EU in late 2013. Taking advantage of the chaos generated by pro-EU demonstrations that brought down the Ukrainian government, Putin orchestrated the annexation of Crimea in March 2014. Obama and the EU responded with a set of targeted political and economic sanctions, which were reinforced following Russia's covert support for a series of uprisings in the Donbass region in Eastern Ukraine. The nadir in Russia's foreign relations with the West was reached in September 2015 when Putin ordered the Russian air force to intervene to prop-up his ally, Syrian dictator Bashar al-Assad. This represented the first time since the end of the Cold War that Russia had used force beyond its "near abroad", revealing Putin's strategy of asserting Russia's resurgence as a global power.

Trump's victory opens the possibility for a "détente" in US-Russian relations over the next four years. Throughout his career, Trump has exhibited a fascination for strong leadership. This has naturally led him to engage in what could be described as a "bromance" (brotherly romance) with Vladimir Putin. [35] During the campaign, Trump asserted confidently that: "I think that I would probably get along with him very well." [36] Following Trump's victory, Russian lawmakers in the Duma burst into applause, and Putin was one of the first world leaders to congratulate him: "Russia is ready and wants to restore fully fledged relations with the US ... We understand the way to that will be difficult... But we are ready to play our part in it." [37]

Trump's desire for a rapprochement with Putin appears to be confirmed by his choice of Rex Tillerson as the next Secretary of State. As Chairman and CEO of ExxonMobil, Tillerson has worked in close contact with the Russian government, developing personal ties with Putin, who respects him as a "dependable" partner. [38] Together, President Trump and Secretary Tillerson may enjoy enough latitude to potentially reset US-Russian relations. Trump informed the media that he received a "very nice letter" from the Russian President, where Putin explained how he hoped that: "we will be able ...

to take real steps to restore the framework of bilateral cooperation in different areas, as well as bring our level of collaboration to the international scene to a qualitatively new level". [39]

This possibility for US-Russian détente represents either an opportunity or a risk for Europe, depending on how it is carried-out. First of all, détente with Russia may help to stimulate the European economy at a time of sluggish growth. While the sanctions have hit Russia hardest, the European economy has also been affected since Russia is the EU's third largest trading partner, and Europe is highly dependent on Russian energy resources. Russia has retaliated with its own sanctions such as an embargo on certain EU agricultural products, leading to a fall in agri-food exports. [40] Secondly, détente with Russia could also be an opportunity to reduce the threat of direct military confrontation. Ever since the sanctions were implemented, Russia has adopted a provocative stance by repeatedly intruding into European airspace. [41] More worryingly, Russia has enhanced its nuclear arsenal on Europe's border, cancelled three nuclear deals with the US, and deployed nuclear-capable missiles in Kaliningrad, a small Russian enclave at the heart of Europe. Thus, the risk of nuclear war with Russia is at its highest since the end of the Cold War, perhaps even more so given that there is no longer an established framework to contain an escalation of tensions. [42]

Furthermore, détente with Putin may open-up new possibilities to reach an agreement to end the war in Syria. The Syrian conflict has been in a gridlock for years, despite several attempts to reach an accord under the auspices of the UN. Putin's military intervention was designed to rescue his ally Syrian dictator Bashar al-Assad from imminent defeat, as well as assert Russia's position as a regional power by securing access to strategic Syrian ports. The US and the EU have supported the "moderate" opposition that is fighting Assad in the hope of democratizing the country. They have engaged in an aerial bombing campaign since mid-2014, but progress has been slow and the West is reluctant to put boots on the ground due to fear of another quagmire similar to Iraq or Afghanistan. There was an attempt in September 2016

35. Shapiro J., *The Everyday and the Existential: How Clinton and Trump Challenge Transatlantic Relations*.

36. Bradner E., "Donald Trump: I'd 'get along very well with' Vladimir Putin", CNN, 11 October 2015. <http://edition.cnn.com/2015/10/11/politics/donald-trump-vladimir-putin-2016/>

37. CNN Politics, *Russia's Putin, others pleased as Trump win shocks world*, 10 November 2016. <http://edition.cnn.com/2016/11/09/politics/us-election-the-world-reacts/>

38. The Economist, *The next Secretary of State: Oily Diplomacy*, December 17th – 23rd 2016.

39. BBC news, *Donald Trump gets 'very nice letter from Vladimir Putin'*, 23 December 2016. <http://www.bbc.com/news/world-us-canada-38409842>

40. European Parliament, *Briefing on the Economic impact on the EU of sanctions over Ukraine conflict*, October 2015. [http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/569020/EPRS_BRI\(2015\)569020_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/569020/EPRS_BRI(2015)569020_EN.pdf)

41. Each time, aircraft were scrambled to escort Russian planes away, but the number of such incidents has been increasing, raising the risk of accidental confrontation, as was the case when Turkey shot down a Russian plane in November 2015.

42. Neil B., Jones S. and Hill K., *Russia: Putting the 'nuclear gun' back on the table*, Financial Times, November 2016.

for the US and Russia to co-ordinate air strikes against ISIS and push for a ceasefire, which failed due to mutual distrust.[43] Thus, détente with Russia under Trump may facilitate efforts to coordinate air strikes against ISIS and accelerate its defeat.

The chaos in Syria has forced 4.8 million refugees to flee; while many of them have sought refuge in neighboring countries, a record of 1.3 million migrants applied for asylum in the EU in 2015.[44] The refugee crisis has been highly disruptive for Europe. It has fuelled the rise of Populist movements posing an existential threat to the European project, that accuse refugees of fomenting crime and terrorism. The situation has been somewhat contained following an accord between the EU and Turkey in March 2016 to mitigate the influx of refugees; however, it remains fragile, with President Erdogan's threat to abrogate it following the European Parliament's vote to suspend negotiations over Turkey's EU membership. Thus, the crisis in Syria poses a multitude of threats to Europe, and the current situation is not sustainable. If Trump's election allows for a US-Russian détente that makes it possible to find a solution to diminish the chaos in Syria, Europe would benefit substantially.

Nevertheless, there are many reasons to doubt that such a détente can occur over the next four years.[45] Thus, Putin needs Western sanctions to be removed in order to ease the recession that is undermining his control over Russia.[46]

Transatlantic unity has been key in securing a European consensus on Russia. The sanctions were jointly imposed by the US and the EU, and several countries remain strongly opposed to removing them, including Poland, the Baltic States and Germany, in particular. The EU remains divided, with countries such as Italy, Hungary and Bulgaria more open to compromising with Russia. However, it is far from guaranteed that Trump will succeed in striking a deal with Putin because his two immediate predecessors have failed in their attempts.

Indeed, given that ISIS is a common enemy, it is possible to imagine Europe, the US and Russia agreeing

to coordinate joint airstrikes in Syria and to renew efforts to reach a ceasefire. Trump hinted he would do so during his campaign, indicating that defeating ISIS would be a top priority, and explaining his desire for greater cooperation with Russia on this issue.[47] However, it will be far more difficult to reach an agreement over Eastern Ukraine, where the situation in the Donbass region has worsened and turned into a complex quagmire. Likewise, it is hard to see how any compromise could be found over Crimea. Because Europe considers the removal of sanctions conditional on Russia returning Crimea to Ukraine, some level of sanctions would need to be maintained, perhaps indefinitely.[48]

The main danger for Europe is that Trump's isolationist instincts and affinity for authoritarian strongmen may lead him to believe that the US national interest would be better served by striking a deal with Putin, than by working cooperatively with European countries.[49] Trump is in fact the first US President since Harry Truman who does not appear to think that the US should have a special relationship with democratic countries, which he considers prone to weakness. This is linked to Trump's belief that systems which prevent the emergence of strongmen because they overly diffuse power through bureaucracy, such as the EU, will ultimately fail.[50] Therefore, in a worst case scenario, Trump would negotiate a bilateral agreement with Putin that ignores or bypasses the interests of the EU, providing Russia with a free hand to carve out a new sphere of influence in its "near abroad".[51]

This would involve Trump essentially sacrificing his European allies for the sake of restoring good relations with Russia. Although this is a highly unlikely scenario since it would potentially destroy the transatlantic alliance, it is imperative for the EU to pro-actively engage with Trump as early as possible to begin developing a common position on Russia. The joint letter by sent by Juncker and Tusk inviting Trump to attend an EU summit "at the earliest convenience"[52] the day after his election is a step in the right direction that needs to be regularly repeated. The EU must redouble efforts to maintain a close dialogue with the US over the next four years to ensure that European

43. BBC news, Syria ceasefire: Pentagon disquiet over US-Russia air war plan, 14 September 2016. <http://www.bbc.com/news/world-middle-east-37360075>

44. Connor P., Number of Refugees to Europe Surges to Record 1.3 Million in 2015, Recent wave accounts for about one-in-ten asylum applications since 1985, Pew Research Center, 2016. <http://www.pewglobal.org/2016/08/02/number-of-refugees-to-europe-surges-to-record-1-3-million-in-2015/>

45. Guriev S., Russian Economic Realities, Chopin T. and Foucher M. (eds.), Schuman Report on Europe, State of the Union 2016.

46. It should be noted that several analysts believe that the sanctions have failed to deter Putin, and may even have emboldened him. For example, his intervention in Syria occurred after the sanctions had started to bite the Russian economy, which may have been a contributing factor. Ibid.

47. During a campaign rally in North Carolina on July 25, Trump said: "Wouldn't it be nice if we got together with Russia and knocked the hell out of ISIS?" See: Holland S., Trump says he would consider alliance with Russia over Islamic State, Reuters, 25 July 2016. <http://www.reuters.com/article/us-usa-election-trump-idUSKCN1052CJ>

48. Niblett R., What should Europe's policy be towards Russia?

49. Shapiro J., The Everyday and the Existential: How Clinton and Trump Challenge Transatlantic Relations.

50. Trump appears to think that the EU is doomed; shortly after the Brexit vote, he declared: "I think the EU is going to break-up ... the people are fed up". See: Khomami N., "Donald Trump predicts breakup of EU", The Guardian, 27 June 2016. <https://www.theguardian.com/us-news/2016/jun/27/donald-trump-predicts-breakup-of-eu>

51. The Economist, Russia's Trump fans: Our American cousin, November 12th - 18th 2016.

52. Teffer P., EU leaders invite Trump to Brussels, EU Observer, 9 November 2016. <https://euobserver.com/foreign/135838>

The Trump Presidency: what consequences will this have on Europe?

views and interests are taken into consideration. If EU Member States succeed in increasing defense spending to reach the 2% NATO quota, this would send a positive signal of goodwill to Trump. However, increasing military spending on its own is arguably insufficient, and the EU needs to make itself not only relevant, but also indispensable to the US on the world stage. One way to do this could be for the EU to try and position itself as a strategic mediator between Trump and Putin. For this to succeed, however, Europe needs to be in a position to offer potential solutions. For example, the EU could pressure Ukraine to declare itself a neutral country.[53] Given how sensitive this issue is for Russia, neutrality may be a reasonable compromise – although it is far from clear that Kiev would acquiesce. A neutral Ukraine also does not resolve the problem of Crimea and may even contribute to consolidating Russia's control over it. Another solution could be for the EU to discuss with Trump the possibility of freezing NATO's expansion for a certain period of time. Still, the EU must make it clear to Trump that NATO should consolidate and perhaps reinforce its military presence in Eastern Europe to deter any potential Russian expansionism. The EU must also emphasize that regardless of what Putin offers in exchange, any Yalta-type agreement that gives Russia the right to carve-out a new "sphere of influence" is unacceptable, as it would risk dividing Europe again behind a new "iron curtain". Overall, the EU will only succeed as a mediator if it manages to strike this delicate balance between dialogue and firmness vis-à-vis the Kremlin.

By acting as an intermediary with Russia, the EU could serve as an indispensable ally for Trump. This would significantly reduce the risk of US disengagement from Europe and of Trump striking a bilateral deal with Putin. The EU will have to be willing to impose its economic clout, as there is no guarantee it will be listened to by either side. Nonetheless, the EU is arguably well placed to take on the role of a mediator because of its very nature. On the one hand, as a regional organization, it can present itself as an impartial referee between conflicting parties. On the other hand, the EU is far more cohesive than other international organizations such as the United Nations, which makes it a potentially more effective go-between. For example, the EU was already called upon to act as a mediator to help resolve

the 2008 crisis in Georgia following Russia's military intervention.[54] While it is open to debate on whether or not it was successful, this precedent underlines the potential for the EU to act as a mediator in international affairs. The possibility for the EU to make itself an indispensable ally for Trump as an intermediary when dealing with other world powers is not restricted to Russia.

IV. IRAN

Trump's foreign policy statements indicate that he appears intent on inverting Obama's international diplomacy. At the time of writing, he seems keen on a rapprochement with Russia, while aggressively confronting both China and Iran. This represents a challenge for Europe, given that it has significant interests at stake with these latter two countries. Yet, if handled well, the EU could turn this into an opportunity to consolidate its relevance for Trump by expanding its role as a mediator on the world stage.

Regarded by Obama as one of his greatest foreign policy achievements, the Joint Comprehensive Plan of Action (JCPOA) was signed in Vienna on the 14th July 2015. The negotiations included all permanent members of the UN Security Council (the US, Russia, China, France and Britain), as well as Germany and the EU. Under the final terms of the agreement, Iran agreed to renounce the military aspect of its nuclear program in exchange for the lifting of economic and political sanctions that had been imposed following the 1979 Islamist revolution. However, Trump has been very critical towards the Iran deal, describing it as "the worst deal ever negotiated", one that was a "priority to dismantle".

Although it would be diplomatically problematic for Trump to simply drop out of the JCPOA, in theory he has the power to wreck the deal if he chooses to. The JCPOA only survives as long as all the signatories fulfill their obligations. Sanctions relief for Iran need to be renewed via presidential waiver every 120 or 180 days, and Trump could simply decide not to renew them.[55] The JCPOA is a highly complex treaty that involves several different participants, making it very difficult

53. Although the idea was proposed after the end of the Cold War, at the time both the US and Europe decided not to support it in order to provide the newly independent nations of Eastern Europe the sovereign right to choose their alliances.

See: Lefebvre M., *Russia and the West: ten disputes and an inevitable escalation?*, Policy Paper for the Robert Schuman Foundation, European Issue n°379, January 2016.

54. France, under the leadership of Nicolas Sarkozy, had relied on its turn at the presidency of the EU Council to lead diplomatic efforts to bring Putin and his Georgian counterpart to the negotiating table for a ceasefire and peace accord. *Ibid.*

55. *The Economist*, *The nuclear deal with Iran: On borrowed time*, November 19th – 25th 2016.

for Trump to just walk away from it. Moreover, officials responsible for monitoring the JPCOA, which came into effect in early 2016, have indicated that it is being successfully implemented, despite a few minor incidents.[56] Thus, in the absence of any serious violation from Iran, there is little chance that the other signatories will agree to withdraw from the JPCOA, especially since the accord has begun to yield profits for all sides. If Trump were to unilaterally withdraw from the JPCOA, the other signatories are not likely to follow him, and he will probably also face great pressure from large US companies which have already begun to make significant investments in Iran.

The EU and its Member States must seek to position themselves as indispensable partners to the US by acting as an intermediary with Iran. For example, Trump, together with his European allies, could propose to renegotiate issues having to do with researching and developing new centrifuges, or the expiry dates on centrifuge numbers.[57] EU mediation may become essential given Trump's erratic temperament, and the fact that Iran may not be willing to make any further compromise. Therefore, Europe is in a key position to safeguard the JPCOA by acting as a mediator to ensure that the diplomatic option prevails and that tensions do not escalate between Trump and Iran.

V. CHINA

Over the last few decades, relations between China, Europe and the US have been characterized by a mixture of containment and peaceful cooperation. Ever since China inaugurated its open door policy in 1978, it has engaged in unprecedented economic expansion and growth, rapidly catching-up with the West.[58] As China has gradually integrated the global economy, joining the WTO in 2001, this has allowed the country to build deep commercial relations with both the EU (China's first trading partner), and the US (China's second trading partner). Due to the level of economic interdependence, the EU and the US have learned how to develop strategic cooperation with China and have welcomed its "peaceful rise" as an emerging power. As a result, despite symbolic declarations, the West usually refrains from aggressive criticism of

China's domestic human rights abuse and repression in Tibet. However, China's growth has also made it more assertive in the South China Sea, where it is involved in a complex dispute with other Asian nations for control over the Paracel and Spratley islands. China has been reinforcing its military presence in the region by installing weapons on a set of islands it has built in the South China Sea, and the pace has accelerated since Trump's election.[59]

The EU should seek to position itself as a mediator between the US and China if tensions continue to escalate. One reason for this is the absence of any other potential mediators in the region.

Trump believes that America's real challenger is no longer Russia, but China, whose rise threatens America's status as the global hegemon. Trump's rapprochement with Russia, in effect, amounts to a reversal of Richard Nixon's foreign policy of the 1970s, which involved opening diplomatic relations with the People's Republic of China in order to contain the Soviet Union.[60] This presents both challenges and opportunities for Europe. The main challenge is that Trump's policy risks making Europe irrelevant in global politics by relegating it to the sidelines in a world dominated by the US, China and Russia. European liberal values of peaceful multilateral cooperation would be replaced by a return to "realpolitik", characterized by zero-sum nationalistic competition between great powers.

But Trump's "Nixonization in reverse" will likely prove problematic to implement. This represents an opportunity for Europe to fill in the gap and potentially replace Russia as Trump's partner of choice in Asia. Indeed, despite resentment over the colonial period, the EU has succeeded in establishing deep and enduring ties in Asia. The EU has responded to Obama's "pivot to Asia" by attempting to organize its own pivot and increase its engagement with the region. Over the last decade, the EU has succeeded in carving-out a strategic presence in Asia that could potentially allow it to assume the role of regional mediator. For example, the EU has become a prominent member of the Asia-Europe Meeting (ASEM), a bi-annual forum created in 1996 to bring together European and Asian leaders.

56. There have reportedly been issues with Iranian non-compliance in terms of exceeding the authorized cap on the production of heavy water, which can be relied on to develop plutonium. *Ibid.*

57. *Ibid.*

58. In 2014, China became the largest economy in the world in terms of purchasing power parity, and is predicted to surpass both the EU and the US on market exchange rate measurements within a decade. See: PricewaterhouseCoopers, *The World in 2050: Will the shift in global economic power continue?*, 2015. <http://www.pwc.com/gx/en/issues/the-economy/assets/world-in-2050-february-2015.pdf>

59. *The Economist*, *China and America: Warning shot*, December 24th 2016 - January 6th 2017.

60. Tisdall S., *Donald Trump attempting to play Nixon's 'China card' in reverse*, *The Guardian*, 12 December 2016.

The Trump Presidency: what consequences will this have on Europe?

Likewise, the EU is by far the largest contributor of financial and technical assistance to the Association of Southeast Asian Nations (ASEAN), and also supports other regional organizations such as the South Asia Association for Regional Cooperation (SAARC). Over the long run, the EU is also hoping to negotiate a bloc-to-bloc trade deal with ASEAN. Moreover, the EU has gradually developed strong bilateral relations with four strategic partners in Asia – China, Japan, India and South Korea. In the meantime, the EU has also successfully concluded ambitious bilateral trade deals with Singapore and Vietnam, and is currently negotiating with other countries in the region such Malaysia, Indonesia, the Philippines and Thailand (which were suspended following the military takeover). Likewise, the EU has emulated the US by concluding its own free trade agreement with South Korea, and is hoping to do the same with Japan.[61]

Regarding China, the EU's priority has been to secure a bilateral investment agreement, even though negotiations on this issue have mostly stalled this past year. Over the last decade, however, the EU has successfully negotiated with China to remove obstacles and red tape that have impeded fair access for European companies to the Chinese market. This has made it possible for the EU, as the largest single market in the world, to become China's number one trading partner. As a result, the fact that China has such a positive commercial balance with Europe may in fact contribute to providing the EU with leverage in its role as a mediator. The EU should also try to replace the US as the main force supporting free trade in Asia. Indeed, potential US disengagement through a cancellation of the TPP may encourage East Asian nations to be more open to negotiate free trade agreements with the EU, including great powers such as Japan and China, which had been reluctant up until now. This would considerably enhance the EU's strategic position in East Asia, making it an indispensable mediator if tensions were to escalate between China and Trump. Of course, it is clear that unlike the US, Europe has not had a significant military presence in Asia since the era of decolonization, thus it cannot match American armed presence in the region. Nonetheless, the EU has succeeded in asserting itself as a "soft security" actor

and a valuable contributor in terms of its diplomacy. For example, it played an important role in brokering a peace deal to end the decades-long insurgency in the Aceh province of Indonesia in 2005. Likewise, the EU has been involved in helping to end another decades-long insurgency in the Mindanao region of the Philippines. EU diplomacy has also provided consistent support for the Northeast Asia Peace and Cooperation Initiative (NAPCI) process, launched in 2013 by South Korea.[62] The EU's support for NAPCI has allowed it to take the lead on anti-piracy operations in the Gulf of Aden in cooperation with several Asian countries, as well as organize high-level seminars for ASEAN about maritime security. Furthermore, the EU has provided most of the funding for reconstruction efforts in Myanmar and Afghanistan, and was influential in pushing for further UN sanctions against North Korea following its nuclear testing.

For all these reasons, the EU's growing strategic presence in Asia makes it ideally positioned to act as a mediator should tensions between Trump and China escalate in the next four years. The EU can rely on the fact that it is the largest market in the world and the first trading partner of both China and the US, providing it with strong leverage in negotiations. The EU can also mobilize its strategic engagement with other countries across Asia to put pressure on China and bring it to the negotiating table. The EU should engage with China to persuade Beijing to resolve differences with its neighbors within the framework of international law. At the same time, Europe should rely on its strong ties with the US to dissuade Trump from relying on the military option in Asia. The EU should focus on issues of mutual concern where the US and China need to work together, such as counter-terrorism or North Korea, in order to bring them to cooperate and dialogue with one another. There is no guarantee that the EU will succeed in imposing itself as a mediator, and both Trump and China could simply choose to ignore Europe. Nonetheless, even if these attempts fail, the very act of positioning itself as a mediator will make Europe more relevant to Trump. In the case of success, the EU will become an indispensable partner for the US on the world stage. Either way, Europe must adopt an intelligent and assertive strategy to reduce the risk of a

61. *The Diplomat*, *The EU's Own 'Pivot to Asia': An interview with Fraser Cameron*, 9 December 2016. <http://thediplomat.com/2016/12/the-eus-own-pivot-to-asia/>

62. *The Diplomat*, *Northeast Asia, Trust and the NAPCI*, 18 December 2015. <http://thediplomat.com/2015/12/northeast-asia-trust-and-the-napci/>

weakening of transatlantic relations over the next four years under Trump's unpredictable presidency.

In conclusion, Donald Trump's presidency represents potentially the most significant challenge to the status quo in transatlantic relations since WWII. As with all important changes, however, there are both risks and opportunities. This policy paper has sought to outline how Europe can take advantage of the opportunities while minimizing the risks, turning challenges into a chance to build a stronger and more sustainable Atlantic alliance. Above all, given Trump's apparent lack of interest in transatlantic relations, this paper has sought to outline ways for Europe to make itself relevant for Trump. The main danger over the next four years is "death by neglect", thus the key for Europe is to succeed in making itself an indispensable ally for the United States. This paper has focused on issues where Trump's presidency is likely to have the most impact on the evolution of transatlantic relations.

Therefore, Trump's challenge to the Atlantic Alliance really forms part of a longer term questioning of its purpose following the end of the Cold War. If the EU does not handle the situation well, there is a risk that Trump's presidency could well mark a deathblow to transatlantic relations. Nevertheless, if Europe succeeds in managing the next four years in a constructive way, Trump's challenge to the status quo also presents

many opportunities to rekindle the flame of the Atlantic alliance. However, transatlantic relations would need to change, modernize and adapt to the new situation of the 21st century. This would involve two significant transformations.

First, the Atlantic alliance must be reformed so that it becomes more balanced between Europe and the US. This involves at the same time correcting the important trade deficit America has vis-à-vis the EU, as well as Europe significantly increasing spending on defense with more equitable burden sharing within NATO.

Second, it would involve expanding the reach of transatlantic relations so that the Atlantic Alliance acquires a more global role. This means that the EU should seek to position itself as a mediator, so as to become an indispensable ally to the US on the world stage when dealing with other powers such as Iran or China. Therefore, balancing and globalizing transatlantic relations represent at the same time the two most significant challenges, as well as the two greatest opportunities to rekindle the flame of the Atlantic alliance under the next US President.

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