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## How should the EU confront President Trump?

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### Theme

To what extent is the Trump Presidency just an anomaly or a symptom of something more profound? How should the EU react?

### Summary

The surly challenges that President Trump has hurled at his European partners have increased at the same rate as his disdain for the liberal international order that the EU so highly values. This paper analyses to what extent Trump is simply an atypical President whose vision will eventually fade in the US or whether, on the contrary, his foreign policy positions reflect a deeper, structural change underway in the US. In addition, the analysis explores how the EU should react. It is imperative for the Union to begin to articulate its own strategic autonomy, independently of the transatlantic relationship, and to construct a common voice in economic and security matters. This requires overcoming the EU's internal divisions and the mutual distrust between its member states.

### Analysis

Concern is spreading across European capitals and particularly within the EU's institutions. The foundations of the liberal international order that has allowed European countries to attain unprecedented levels of security and prosperity are now under pressure.<sup>1</sup> Although European decline could be expected sooner or later, because dominance of the world economy –alone or in partnership– cannot last forever, few expected to be betrayed by the American friend. But this is precisely what has happened since Donald Trump has been occupying the White House since 2017. In fact, today it appears that the US has a tighter strategic relationship with Russia than with the EU.

Since the end of World War Two, the US has been the main guarantor of European security, an important backer of the European integration process and a global leader of the rules-based liberal economic order upon which a large part of European prosperity has been built and sustained. Furthermore, even as the world became economically more multipolar, the US remained a reliable ally. In fact, initiatives like the free-trade agreement between the US and the EU (known as the TTIP) –so criticised by broad segments of European society– were intended to geopolitically rejuvenate the

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<sup>1</sup> See the special issue of *Foreign Affairs* (vol. 97, nr 4, July/August 2018) devoted to the threats currently posed to the liberal international order, in which it analyses the threats from different perspectives, exploring to what extent such an order actually exists and how resilient it might be in the face of the new challenges stemming from US foreign policy.

(cont.)

transatlantic relationship, to allow the West to maintain its global leadership and to establish the ground rules for 21<sup>st</sup> century globalisation in the face of the rise of emerging powers.<sup>2</sup> But these initiatives have not prospered. Trump has rejected the TTIP (although it now appears he wants to salvage its least controversial component, a further reduction in tariffs on merchandise trade) and he is now abandoning Europe to its own fate. He has no interest in leveraging the transatlantic space or in cooperating with other traditional allies of the US to deal with a rising China (which Trump perceives as the main threat to US hegemony). Indeed, Trump is willing to bury the very same multilateral institutional apparatus –especially NATO and the World Trade Organisation (WTO)– that the US very comfortably led until just a short time ago.

But the worst for Europe is that Trump recently switched from merely criticising the EU to attacking it outright.<sup>3</sup> His friendship with the anti-European, xenophobic and illiberal movements that have become increasingly popular within the Union –and now threaten to destroy it from within– is especially worrying for the establishment in Brussels, Paris and Berlin. For Trump, ‘the European Union is possibly as bad as China, just smaller... It’s terrible what they did to us... Last year... if you look at the trade deficit... 151 billion dollars.... On top of that, we spend a fortune on NATO to protect them’ (as Trump said in a recent interview with Fox News, 1/VII/2018). He has even said clearly that ‘the European Union is a foe (because of) what they do to us in trade’ (in another interview with CBS, 15/VII/2018). Trump is the first US President to see the Union as an economic rival rather than as a geopolitical ally. Furthermore, Trump is more comfortable with strong authoritarian leaders like Putin, Xi Jinping and Erdogan –something the elegant and diplomatic Europeans find incomprehensible– than he is with the Presidents of the G-7, whose powers are limited by the liberal democratic system’s checks and balances and the separation of powers that seem to bother Trump so much.

Although the President of the European Commission, Jean Claude Juncker, was able to come to an agreement with Trump in June 2018 to call a truce in the transatlantic trade war, his attitude towards Europe in recent months has been rude and threatening.<sup>4</sup> He has demanded that Russia be admitted again as a member of the G-7 (after having been expelled from the group in the wake of the annexation of Crimea), refused to sign the G-7’s joint communiques, accused Germany of being subject to Russia on account of its energy dependency, came up with the impossible demand that NATO’s member countries raise their defence spending to 4% of GDP if the US is to remain loyal to the organisation (the commitment is currently 2% but only a few countries meet it) and has often claimed that Brexit –a tragedy for Europe– is wonderful, adding that had Theresa May followed his advice negotiations would have been more in her favour, and that the UK should sue the EU.

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<sup>2</sup> See Federico Steinberg (2013), ‘Negociaciones comerciales entre la UE y EEUU: ¿qué hay en juego?’, ARI nr 42/2013, Elcano Royal Institute.

<sup>3</sup> In September 2018 the US-based Brookings Institution launched a new tool, the *Transatlantic Scorecard*, to evaluate the state of the transatlantic relationship. In its first edition the relationship had the noticeably low score of only 3.6 points out of 10. For details see <https://www.brookings.edu/research/trans-atlantic-scorecard-september-2018/>.

<sup>4</sup> In any case, it is only a fragile truce: the import tariffs imposed by the US on European steel and aluminium, as well as the reprisal tariffs levied by the EU on US products, have now come into effect and will not, for the moment, be rescinded.

In short, Europe's leaders feel bewildered, betrayed, uncomfortable and vulnerable. Aware that Trump's manner is particularly corrosive to international cooperation in general and to the transatlantic relationship specifically, they are in a quandary about how best to react.

### Containment or confrontation

For the EU to respond to Trump, it must first understand what it is facing. For the time being there are two competing theories: (1) that Trump is a transient anomaly; or (2) that on the contrary he is a symptom of something deeper that has come to stay, which would force European countries (and especially the EU) to modify both their foreign policy and their alliances (particularly in security and defence).

Most Europeans would prefer to think that Trump is just an accident, the result of an accumulation of circumstances that unexpectedly took him to the White House and that once his term comes to an end he will have been just a bad dream. This idea assumes that Trump would not have reached the Presidency had it not been for the anomaly that an outsider won the Republican primaries, that the winner of the popular vote –Hillary Clinton– failed to win a majority of Electoral College votes and that certain aspects of the election campaign were 'interfered with' in the social media. According to this interpretation, Trump –only the second populist and anti-establishment President in US history (the first was Andrew Jackson, President from 1829 to 1837)– will cause no lasting structural changes in US foreign policy and that the liberal international order beloved by –and convenient to– Europeans will survive. Indeed, Jackson's eight years as President did not essentially change the nature of the US at that time or its still marginal role in the world. If such a hypothesis proves correct, what Europe should do would be to weather the storm without losing its dignity while keeping up a continuous and constructive dialogue with those who continue to advocate a stronger transatlantic relationship, especially the liberal internationalists of the Republican Party. It should respond prudently to Trump's bravado, particularly on trade matters, but without significantly modifying its position in the expectation that the next US President will be 'normal', understand the value of the Atlantic Alliance, support European integration and once again be willing to sustain, with the help of others, the increasingly necessary structures of global governance. Indeed, many Europeans –perhaps confusing desire with reality– do not believe that Trump will even complete his first term due to a possible impeachment and that, in any case, he will not be re-elected in 2020.

However, there is another possibility that Europeans are reluctant to accept but might be a truer reflection of current developments: that 'Trumpism' goes beyond Trump himself and points both to the deepening fractures within American society and to **a readjustment of US national interests in an increasingly multipolar world** and the West in decline. Therefore, Trump's election might well reflect a structural discontent of American voters –with the establishment, the cosmopolitan liberals of the East and West coasts, and with the unfair distribution of the benefits of globalisation and technological change– that has come to stay. Such a sentiment is echoed in Europe by support for Brexit, the rise of political parties like Lega in Italy and the National Front in France, and in the position of the current Austrian Chancellor and the illiberal policies implemented

by the Hungarian and Polish governments without their popularity being diminished.<sup>5</sup> Beyond this leading to electorates that are more inclined to tighter border controls and protectionism (summed up by Trump's 'America First', whose effects are beginning to be felt), there is now a greater likelihood of Trump being re-elected in 2020 and of US foreign policy becoming increasingly isolationist and more focused on containing the rise of China, which would be damaging for the EU.

Under such a scenario, the US would gradually withdraw the **security umbrella** it has deployed on Europe's behalf for over 70 years, forcing Europeans to take responsibility for their own security (and, above all, for their relationship with Russia). Thus, although the next President might be better mannered and less aggressive than Trump, it is possible that the US might consider that being the main provider of global public goods –from security to the existence of legitimate rules-based international economic governance structures– is no longer in its own best interests. After all, the US economy is relatively closed compared with Europe's or China's, so that a certain erosion of economic globalisation might be less damaging to it than to others, particularly as it is well on the way to achieving energy independence, is retaining its structural power within the global financial system and can still use its power to ensure its commercial and technological interests are respected in a global economy where might is right. Furthermore, US public opinion –disenchanted with globalisation in the face of increasing inequality and rising protectionism– may not have the appetite to reverse Trump's isolationist bent.

To the extent that the key geopolitical confrontation of the 21<sup>st</sup> century will take place between China and the US, from a geostrategic point of view it might make sense for the US Administration to weaken the EU to prevent it from adopting a position of neutrality as regards disputes between the two global powers, particularly in economic issues. In fact, a careful look at Obama's foreign policy already reveals some signs of a strategic US retreat. However, because the former US President was more popular than Trump in Western Europe, his 'pivot to Asia' and his refusal to commit the US militarily to disputes near Europe's borders went relatively unnoticed (although it must be said that Obama never championed protectionism, question international institutions or try to weaken the EU, even if he did ask his European allies to increase their defence spending).

Therefore, the US has been paying increasingly less attention to international affairs for years now, while attempting to reduce its foreign policy spending in order not to suffer what the historian Paul Kennedy has called imperial overstretch. Historically the phenomenon has led to the collapse of empires that were simultaneously engaged on too many external fronts.<sup>6</sup> Trump did not begin the trend and it seems unlikely to be significantly reversed in the future.

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<sup>5</sup> See the special section of *The Economist* in its issue of 15/IX/2018.

<sup>6</sup> See Paul Kennedy (1988), *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000*, Unwin Hyman, London.

## What should the EU do?

Only time will tell whether Trump is just an accident, or even how long his presidency will last. But it does seem clear that the longer Trump is in the White House, the greater will be the erosion of the multilateral liberal order, especially of the WTO and the Atlantic Alliance, and the more difficult it will be for his successor to rebuild the relationship with Europe. The EU would do well to imagine itself in the worst possible scenario –as Angela Merkel has already suggested–, seek greater strategic autonomy, re-think its relationship with China and strengthen its alliances with countries that share its values. Such a coalition should begin with Canada, Japan and Latin America, and then try to expand from there.

The main problem facing the EU in this regard is that it is not a state and therefore lacks a real common foreign policy and security strategy. Even its enormous economic power is projected in a fragmentary way and is not integrated with other aspects of strategy. Europe is a **‘herbivorous power’** in an increasingly carnivorous world where great power rivalry is rapidly undermining the system of multilateral rules within which the Union most comfortably operates.<sup>7</sup> In such a new international context, in which international law is increasingly being displaced by the law of the jungle, the EU appears divided, a player who is slow, unwieldy and ineffective compared with the US, China, Russia and even India. While it once used to be seen as an economic giant and a political dwarf, the truth of the matter is that the EU’s economic weight is now already diminishing<sup>8</sup> while the new international geopolitical situation is condemning it to a further erosion of its political influence unless it can find a way to project itself both economically and militarily with a single and consistent voice.

In terms of defence, for instance, it is true that the sum of EU member-state military expenditure is considerable (close to US\$200 billion, nearly four times Russia’s, if only one third of the US total). However, the EU does not engage in military spending jointly and can therefore not exploit economies of scale or optimise the distribution of tasks. Any progress in integrating European defence policies more quickly would be welcome. In fact, steps have been taken in the past two year that would have been unthinkable a decade ago. At the end of 2017 25 European countries established the EU’s [Permanent Structured Cooperation \(PESCO\)](#) for security and defence. In addition, nine countries, including the UK, have agreed to create a multinational command structure to facilitate the availability and deployment of reinforcements. While it cannot yet be called a rapid intervention force, both doctrine and equipment are now shared within this structure, which allows quicker decision making. In addition, the European budget for 2021-27, currently under negotiation, will almost certainly include for the first time a line-item of €1.5 billion annually for defence-related research and development. But there is still a need to develop better strategic thinking and be more ambitious at a European level, given that presently European collective defence is still ruled out by the current European

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<sup>7</sup> For an analysis of the concept of ‘herbivore power’ see José Ignacio Torreblanca (2011), *La fragmentación del poder europeo*, cap. VII, Editorial Icaria/Política Exterior, Madrid.

<sup>8</sup> According to estimates by Alicia García Herrero and Banco Natixis, between 2015 and 2025 China will contribute 21% of global growth, India 18%, the US 10% and Europe only 6%. Over the same period, the economies of Indonesia, the Philippines and Korea will grow to jointly equal the size of the German economy, while those of Myanmar, Taiwan and Malaysia will grow to jointly surpass the economy of France.



Global Strategy. In conclusion, Europe needs to prepare for the (even if unlikely) worst-case scenario that the US withdraws from NATO without time for an orderly or progressive adjustment. But it must also lay the groundwork, if the US remains committed to Alliance, for European countries to develop the capacity to shoulder more of their share of the burden and to not depend so heavily on the US when there is a need to intervene. EU leadership is the key to achieving this goal, but for it to be possible the level of mutual trust between member states must be improved, which is a difficult prospect.

Where the EU remains a leading player and is accustomed to speaking with a single voice is in **trade matters**. It could therefore also take additional steps on this front, although it should go further and wield its commercial clout as a more active foreign policy tool. Without going so far as to accept China's offer to forge an alliance to counter Trump's protectionism (which is not in its interest either), the EU should continue to weave a network of free-trade agreements with like-minded countries that want to sustain an open, rules-based multilateral trading system. The system undoubtedly needs reform but it remains a precious asset that the EU must preserve. The agreements the Union has recently concluded with Japan, Canada, Singapore and Mexico should be added to others with MERCOSUR (now being negotiated), Australia and other Asian countries (the EU is currently negotiating a trade agreement with India and an investment agreement with China).<sup>9</sup> These new agreements should aim not only to bring together as many countries as possible under the leadership of the EU but also to provide a model for commercial relationships that more effectively balance the interests of companies and citizens in particularly sensitive areas (such as environmental and labour protection, and investor treatment) in such a way that support for free-trade agreements in particular, and globalisation in general, rises within the Union.

But these agreements should also serve to promote two further and more ambitious objectives. First, **the WTO needs reforming**, although that will require having the US on board. The idea would be to adopt the WTO to the current economic situation, strengthen the institution's surveillance of member-country trade policies so that they do not violate the rules and ensure the continued functioning of its dispute resolution mechanism, currently blocked by the US.<sup>10</sup> The aim would be to bring China to the WTO-reform negotiating table in order to agree on new more legitimate rules to ensure a balanced playing field and to prevent incipient trade wars from getting worse. Secondly, this network of trade agreements should help to start promoting the use of **the euro as a vehicle currency** for payments in international commercial transactions. As Juncker claimed in the debate on the state of the Union in September 2018, greater use of the euro in international trade would be the first step towards its wider use as a global reserve currency. But even though it would require, above all, a reform of internal euro governance –unfortunately still pending (including banking and fiscal reforms, and the creation of Eurobonds)–, greater use of the euro in international finance would also require a more significant political push to be successful.<sup>11</sup> Meanwhile, US protectionism,

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<sup>9</sup> See the complete list of the EU's trade agreements at <http://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/>.

<sup>10</sup> See the European Commission's Concept Paper on WTO reform at [http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc\\_157331.pdf](http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157331.pdf).

<sup>11</sup> See Miguel Otero-Iglesias (2014), *The Euro, the Dollar and the Global Financial Crisis*, Routledge.

coupled with the threat of sanctions recently announced by the Trump Administration against European companies doing business with Iran, provides an excellent opportunity to give the euro precisely that political boost. Beginning to pay for imported oil in euros and constructing an interbank financial transfer system beyond the reach of the SWIFT system (controlled by the US) would be two places where the EU could start.

## Conclusions

When Donald Trump arrived at the White House the EU lost the US as its main international partner and backer. Trump might be just an accident, a gap of four to eight years in the historically strong relationship between the countries of both sides of the North Atlantic that has held, with ups and downs, since at least World War Two. But it could also be the case that the EU will need to accustom itself to operating without the security umbrella historically provided by the US or the leadership of the liberal international order the US has exercised so far, which in turn has allowed the EU to achieve unprecedented levels of prosperity and security.

As noted, the Union should hope for the best but prepare for the worst. Although the Trump Administration should continue to disdain Europe, there are many politicians and civil society players in the US who continue to think that the EU should be the preferred partner of the US, that the transatlantic relationship remains key to sustaining the values and interests that the US has represented for the West for decades and that, in any case, it is more useful to work together to redefine the new international order –prompted by the rise of China– than to be divided. It is imperative, therefore, to maintain a good dialogue with such US players and to work jointly on issues where possible transatlantic consensus is discernible. Given that it remains unlikely that the US will decide to up-end the board and abandon NATO or the WTO, there might still be room for dialogue, even if it is less amicable than Europe's leaders would like.

Nevertheless, Europeans must understand that the world of the 1960s, when the 'American friend' protected Western Europe, granted economic privileges and encouraged European countries to integrate, is gone for good. Therefore, they would do well to stop yearning for it. The world is now moving towards a new international (dis)order, where the EU might aspire to play a significant role, even if it remains to be defined. What does seem clear, however, is that the new world will be marked by a more isolationist US, a more assertive China, a Russia that will continue to punch above its weight for many years and weaker multilateral institutions. In short, it will be a less cooperative world shaped by intensifying geo-economic rivalry, with emerging countries demanding greater shares of power and influence in accordance with their growing economic weight and military clout. In such a context, the EU must re-think its foreign policy tools, both on its own and in cooperation with the US and other traditional partners (and perhaps even some new ones). The EU has the necessary economic and political levers at its disposal, but it must dare to use them strategically if it is to build an authentic European foreign policy. To achieve this, however, it must strengthen its own internal cohesion and overcome the internal fractures left in the wake of the euro and migration crises. And that will not be easy.