



# ANALYSIS OF THE US ELECTION RESULTS – IMPLICATIONS FOR TRANSATLANTIC RELATIONS

## BRIEF

For many decades, transatlantic relations have been very predictable. European allies, individually or through multilateral forums as the EU and NATO, have been key partners of United States in both foreign policy and trade. Donald Trump's presidency, however, moves these relations to a new phase of uncertainty and insecurity.

Insecurities stem from the fact that with Donald Trump, there seem to be more questions than answers; what is he going to stress in his foreign policy and what kinds of trade deals is he going to negotiate? There are also concerns about his stance on environmental issues. This paper analyses the different uncertainties in future transatlantic relations and the potential effects of a Trump presidency for the EU.

### END OF FREE TRADE?

During his campaign, Trump said that America is being ripped off by its international partners. He has criticized practically all existing trade deals and feels that the US should renegotiate its deals and put its own economic interests ahead of the global ambitions, because existing trade and investment deals have impoverished American workers.

“Unacceptable” trade deals include NAFTA and the still unratified Trans-Pacific Partnership (TPP). Now it seems evident that TPP will be buried and that a renegotiation of NAFTA will take place with the new administration. Trump's criticism has focused mainly on Mexico and China, but his plans have raised fears also in Europe, even though his protectionist measures are targeted at cheap manufactured goods, rather than at the high-end services of Europe. The main short term risks in Europe look to be political rather than economic.

The Transatlantic Trade and Investment Partnership (TTIP) was barely mentioned during his campaign, but as EU trade commissioner Cecilia Malmström has already stated, TTIP will be in the freezer for quite some time. Because the U.S. is the EU's largest trade partner, the burying of TTIP is a big setback for the EU. But there are some parties also in Europe that hail the outcome.

Trump talks about a free trade deal with Britain, and his understanding of UK's post-Brexit values are also unnerving for the EU. The UK's close ties with Trump could strengthen the UK's position in Brexit negotiations, but given Trump's unpredictability, all outcomes are still possible.

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From the global perspective, his view on introducing tariffs to imports from China is extremely harmful also for Europe, because the Eurozone is heavily reliant on exports as a source of growth. The biggest fear is that Trump's policies would lead to a depression-era trade war that would harm the global economy and would weaken the fragile growth of the European economy.

There are however also many counter forces that may slow down Trump from implementing his policies. Congressional Republicans have generally been very pro-free trade and they have actually been the driving force behind TPP. Only 50 House Republicans voted against it. Even though Trump has the authority to renegotiate trade deals, he might face forceful opposition not only from the Democrats but also from the Republicans.

Many commentators and economists also feel that Trump's policies would in fact damage the U.S. economy, which is something he must consider before implementing his protectionist policies.

Another thing is that even though Trump's administration can strongly influence the deals under negotiation, it is much more difficult to change those already in effect. The current structure of the global economy is more or less based on free trade, and it may be surprisingly difficult to change direction.

Trump is likely to open negotiations with U.S. trade partners, but it remains to be seen what are his actual goals and how forcefully he will drive his policies.

## INSECURITIES IN FOREIGN AFFAIRS

Because Trump's presidential campaign focused mainly on domestic issues, it has been difficult to build a comprehensive picture about his foreign policy views. Overall, there has been a lot of inconsistency in his statements. He has avoided making specific promises or pledges, leaving the field open for speculation.

There are, however, some core issues that he has mentioned several times. He seems to approach foreign policy as a series of deals. Trump feels America is giving away more than it is getting from its alliances. In the future, European allies must be prepared to pay the United States for securing the international system. If Europeans fail to meet their "obligations", there is a chance that Americans won't come to the rescue.

Trump also spoke warmly on several occasions about Russian president Putin. His rhetoric has suggested that he admires Putin's strong leadership. Similarly, Russia seemed to prefer Trump's presidency over Clinton's. There is a good chance for new dialogue, but no one knows where it will lead. The fear is that Trump's warmer ties with Moscow could encourage Putin to somehow test the new situation – for example in Eastern Ukraine. Or Trump might recognize Russia's 2014 annexation of Crimea, or ease the sanctions on Russia. This would place the EU in a difficult position.

Baltic and Eastern European states have been especially worried about Trump's views. And even non-NATO allies like Sweden and Finland lean heavily to the security balance created by NATO. Many commentators have however reassured that U.S. is not going to abandon its obligations. Trump's ally Peter King, a Republican congressman from New York, already sent some reassurances to the USA's NATO allies in the Baltic: "America will be there. Donald Trump will be there." Trump has also talked with the leaders of Japan and South Korea assuring them of continuing alliance support.

There are weak signs that that the biggest security fears will not materialize, but even if Trump decided to impose radical changes to U.S. foreign policy, he might bump into significant opposition back home. First, U.S. foreign policy is conducted in cooperation with the Pentagon, State Department and intelligence agencies. These foreign policy bureaucracies have a strong position in formulating policies and they have the ability to disturb or slow down political agendas that they dislike.

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Second, radical changes in U.S. foreign policy would raise opposition also from many Republicans. It's not clear what specifically Congress would be called upon to decide on these issues, but traditionally the Republicans regard the NATO agreement as being very important – and Putin on the other hand is very unpopular. Getting Republicans to go along with his softer or more isolationistic policies might prove difficult. The US president has political power to reformulate foreign policy, but the political price may prove to be too big to pay, because Trump needs the GOP to implement his domestic policies.

But regardless of Trump's political agenda, there seems to be a consensus that in the future European countries must carry a heavier burden for their security, both financially and materially. U.S. Presidents even before Trump have insisted that the EU should take more responsibility in the area of security, but there is still a big gap between the security needs of the EU and its capabilities. Uncertainties at hand will likely speed up the talks about strengthening Europe's common security and defense policies.

## PARIS AGREEMENT IN TROUBLE?

While there are big question marks in U.S. trade and foreign policies under the Trump administration, it seems evident that there is going to be a big shift in U.S. environmental policies. Trump has stated several times that global warming is a hoax. He has promised to withdraw the U.S. from the Paris accord and has made it clear that he will strongly increase U.S. oil and natural gas production – environment regulations will not stand in the way. He has also promised to save the withering coal mining industry.

Trump's presidency and the Republican majority in the congress means that reducing emissions is left completely to the markets and to individual U.S. states. The biggest concern is that Trump's presidency could be damaging for the international efforts to reduce carbon

emissions from energy. If the U.S. withdraws or demands renegotiations, this could encourage some other parties or states that have not ratified the climate agreement to put up further obstacles to the process.

The U.S. withdrawing from the agreement would mean that both the EU and China would lose an important ally. The Paris agreement requires the U.S. not only to reach its own goals, but also to set the example for the rest of the world. The fear is that if U.S. does not take the agreement seriously, others will be tempted to withdraw from the agreement as well.

Because the EU has been one of the most prominent advocates of the Paris accord, the probable U.S. withdrawal is going to be a tremendous disappointment.

## TIME WILL TELL

The transition period to the presidency and to Trump's first few months in the office will shed light on his political thinking, but for now all one can do is speculate. Hopes are that he could be more pragmatic in the White House than expected, because he appears to be backing away from or adjusting some of his campaign promises. For example, he has said that he could retain some elements of Obamacare.

At the same time, he remains completely unpredictable. During his campaign, he changed position so many times that one cannot make too far-reaching conclusions about his political thinking before he makes his cabinet appointments and introduces his policies.

In this state of uncertainty, the EU's best option would be to start building common ground on security, foreign policy, migration, and the economy. That would be the best option to tackle insecurities.

The tragedy is that at the same time Europe is deeply divided, with France afraid of terrorism, Poland and Baltic states dreading Russia, Germany struggling with

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a refugee crisis, the United Kingdom heading towards Brexit and several European countries facing their own brand of populist nationalism. The biggest fear, perhaps, is that Trump's success will fuel the populist and nationalist movements across Europe.

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