

POLICY PAPER

Europe can spearhead a new cycle in transatlantic relations, not President Trump

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- **Transatlantic cooperation has, ever since the election of President Donald Trump, been a topic of contention and concern in Europe, and created a lot of questions regarding whether the fundamentals of the transatlantic relationship were being questioned. Concerns about US engagement in NATO, a potential dissonant threat perception towards and relationship with China and Russia, and the tensions around trade agreements, and in general a perceived defiance of international liberal order are all issues that have ranked high on the agenda of European leaders since early 2017, and that continue to represent - among other issues - topics that require a deeper discussion at the political and the expert level.**

**Transatlantic
Policy Forum**



This is why EUROPEUM Institute for European Policy (Prague, Czech Republic) and the Center for European Policy Analysis (CEPA, Washington D.C.) have decided to organize the first Transatlantic Policy Forum, held under the patronage of the Ministry of Foreign Affairs of the Czech Republic. This private roundtable, held over the course of a day of discussions, intends to create a space for candid and open discussion about the issues that are at the heart of transatlantic cooperation and to better understand positions on both sides of the Atlantic, in order to defuse any misunderstanding or tension that may have arise.

The following paper reads as a debrief and analysis of the discussions that were held, respecting the Chatham House Rule and therefore preserving the anonymity of participants. It is not an exhaustive verbatim of the discussion, but rather highlights the main agreements and disagreements between participants, in an effort to better gauge the challenges towards improved transatlantic cooperation in the next years.

Transatlantic Relations After the NATO Summit

Concerns about American engagement in NATO, as was agreed by a majority of European participants, were on the very top of the agenda in the list of issues that structured transatlantic cooperation, because of the proclamations made by President Trump during the presidential campaign and after his election. Questions were therefore abound about whether this signaled a structural, long-term shift in the U.S. position towards NATO and what this meant for NATO's deterrence strategy, a concern arising especially from countries of the Eastern flank. A related, and repeated, question concerned the extent to which any credence should be paid to tweets sent by President Trump, and how - if at all - to react to them. On the last point, a consensus emerged that while the letter of the tweets should be looked at lightly, the political and societal messages that are hidden behind the tweets shall be taken extremely seriously, as they represent a clear consensus within the American political class, as well as American citizens. On the other hand, support for NATO on

Capitol Hill generally remains strong, funding for the European Deterrence Initiative has increased, and a third Brigade Combat Team has been redeployed on the eastern flank of the Alliance. It is clear that the message on burden sharing and the efforts that Europeans should make on their contributions has not fallen in deaf ears, as was echoed by all European participants. To this extent, the Brussels NATO Summit in the summer of 2018 served as the last wake-up call for European NATO allies regarding spending, but also was an opportunity for the Europeans to speak in a much more united way regarding the necessity to look at the output metric rather than the simple figure of the share of defense spending in the GDP.

It is however worth discussing whether these efforts should be credited to the veiled threats that were issued by President Trump on Twitter; some argued that it may be necessary to bite the bullet and give the President credit for a movement that predates his election, as the overall increase in defense spending started in 2015. In following, a disagreement existed on how to react to the sometimes unorthodox presidential communication, and whether to grant the President what can be called "small wins" in order to assuage him. The question is however how to characterize those wins, and secondly how expensive and rational they would be. The actions that would be taken should be done in accordance with the capability targets that are fixed by the NDPP and should not be short sighted political messages addressed to the U.S. administration that may contradict the long-term defense goals of certain Allies. There is a subsequent concern that quick defense spending may also contradict the longer-term goals of building up an efficient European defense industrial and technological base, and that too much spending on American capabilities could hamper this essential process in which the EU has taken the first steps. It is on this issue that European divides are the most strongly visible, especially between countries whose immediate security depends heavily on NATO's deterrence measures, and those who are further from the immediate security concerns created by the Russian federation and have invested (politically) heavily in EU initiatives to improve the EU's abilities to act as a leader in the future. This is a fault line that will continue to structure transatlantic relations in the future, that the U.S. has shown concern over,

and has already used in the last year in order to try to cast shadows on the EU efforts.

From the Central European perspective, continued U.S. engagement in the region is welcome and desired, to the extent that it has the effect of keeping the Allies in the region on a virtuous path concerning spending, recognizing that there is the need for a combination of external and internal pressure on these issues. There is however, both within the region and within Europeans, a divide on the opportunity of U.S. permanent presence in Poland; the divide takes place largely along political lines, but also centers around issues of symbolism and the image that it would reflect of European defense efforts: would it further disincentivize western European nations from concerns coming from their eastern counterparts, based on the premise that the security of the region is principally a U.S. concern?

Overall, the combination of these two questions led to discussions about NATO's continued relevance and role in answering current global challenges: the management of the global shift and redistribution, of power; the slow but certain unraveling of the International liberal order, and whether transatlantic relations can remain strong in the face of upcoming security challenges, including first and the foremost the competition that is looming with China. At the end, the main question that was agreed upon as being the framework of NATO's future was the following: can we, as transatlantic partners, compartmentalize issues in order to avoid the spillover of negative feelings that may arise from other agendas such as trade, in order to preserve the current good functioning and solid fundamentals of the Atlantic Alliance, which were unanimously recognized by participants? And secondarily, can the U.S. provide political support to EU efforts towards further defense integration? This question is echoed by an increasing number of EU member states, and will also be a test of the vitality of transatlantic security cooperation in the near future.

Session I - Interpretations of Russia and Russian presence in Europe, the Middle East and the West

Russia is one issue where transatlantic cooperation remains fairly unspoiled by other issues, and where there is a high level of consensus on the actions to take, whether in the NATO framework or bilaterally. The spoiler of course consists in the U.S. withdrawal from the INF treaty, which has questioned, in Europe and other parts of the world, the commitment of the U.S. to the agreements have structured the transatlantic relationship's place in the world.

In general, the discussion was structured around two main strands: how to ensure a transatlantic commitment to raising the costs of Russia's aggression on the European continent, and the role that transatlantic partners can play in preventing Russia from gaining dominance on other agendas, whether in the Middle East or in Asia. It was identified that Russia has time and again tried to keep partners away from one another and tried to splinter the West on all the issues on which it has exerted influence, in Europe and elsewhere in the world, such as Syria, Iran, or on the Asian continent. It is therefore key for transatlantic unity and messaging to remain as strong as possible in order not to concede any ground to Russia and validate its tactics.

There is notably a stronger U.S. messaging on the relationship with Russia, along the lines that "those that the U.S. helps cannot help our rivals", which, understood from Europe, is a clear signal to countries who deal with Russia regarding energy supply, especially Germany in the framework of the Nordstream II project and Greece and Bulgaria in the Turkstream II project. A European participant notably mentioned that there are "too many business opportunities (with Russia) without seeing liabilities", which makes it harder to carry out the tough but necessary task of compartmentalizing issues with the U.S. Continuing concerns about corruption in central and eastern Europe were also identified as a potential destabilization tool that should be acted upon, an agenda that has been especially important for U.S. chancelleries in the region, with the clear expectation that efforts should also be made by their European counterparts.

On a different dossier, this message can also be applied to the European countries who have remained intent to strike commercial deals with Iran despite clear U.S.

pressure. There is still some doubt whether this messaging would not also divide Europeans, as the subsequent European efforts to create a special purpose vehicle for investment in Iran have shown; however, Europeans do not want their American partners to believe that this will erode the transatlantic relationship : it should rather be seen as an issue on which Europe sees it is in its interest to express its independence and show to its citizens that it is able to carry out its foreign policy goals despite pressure and that Europe will remain a stakeholder of principled multilateralism.

In relation to furthering deterrence towards Russia besides the realm of territorial defense, an intent focus was put in the discussion on how to ensure that Russia could no further destabilize European Allies on the lower spectrum of cross domain coercion. The ability of NATO and its Allies to operate in the cyberspace was hailed as a necessary step forward that would only improve the Alliance's overall deterrence. A potential step forward that was identified consists in the role NATO can - and should - play in creating a more robust cyber diplomacy toolbox, including serving as a coordination platform to set an appropriate sanctions regime for any cyber intrusions on Allied vital interests. In parallel, Article 222 of the Lisbon Treaty, the solidarity clause which provides that EU countries are obliged to act jointly where an EU country is the victim of a terrorist attack or a natural or man-made disaster, was also identified as a useful tool for the EU to play an active role in support of NATO and to strengthen cooperation within the EU.

Russia's domestic woes, especially economic, were highlighted frequently, but a European participant lamented that the opportunity to reform the country had been lost, and that the efforts of the Putin regime to ensure its survival were plainly incompatible with strengthened cooperation, in any sector, with the U.S. or European states, which serves as further criticism of the countries who engage in business with the regime.

Interestingly, conversations about Russia often had the tendency to derive towards a discussion of how to deal with China, which one European participant noted critically, highlighting that "we have a tendency to bunch them together in terms of challenges" and asking to be more clear

about "where Russian and Chinese interests are aligned". One area where this convergence was observed was very clearly in the downfall of multilateralism, which allows them to survive and thrive in a situation where relations shift towards unchecked power - military but especially - struggles between nation states. At the end, this void allows actors such as Russia and China to set their own rules, and to set their own vision and interpretation of multilateralism. It can even provide an opportunity for outside forces to attempt to divide transatlantic partners: take Iranian Foreign Minister Zarif who, at the 2019 Munich Security Conference, called on Europeans to play a stronger role in rescuing the Iran nuclear deal: 'Europe needs to be willing to get wet if it wants to swim against a dangerous tide of U.S. unilateralism'. Similarly, any attempt by Europeans to restart discussions about the disarmament regime were stopped in their tracks by the Russians and Chinese.

Finally, it was identified that the EU receives more Chinese foreign direct investments than the U.S., which led to concerns being raised about central and eastern European participation in the 16+1 (now 17+1) format. Participants from the region noted the very unequal penetration of Chinese investments in the region and highlighted that the Czech Republic had played a strong role in leading the opposition against Huawei providing data services in the country, in a prelude the discussion that has animated transatlantic relations in 2019, making it a topic to follow further.

Session II - Euroatlantic Economic Ties: A Strong Anchor or Missing Link?

As the discussion about Russia has shown, economic issues provoke a bigger debate, and sometimes opposition, than security issues. It is therefore natural that EU-US trade disagreements represented a main concern for participants, especially with the three main concerns that were identified on the EU side.

Firstly, the steel and aluminum tariffs and the rationale of national security that was used by President Trump to impose them are seen as the main issue, and a real political shock that can cast a shadow on the trust between

Europeans and the administration. Besides the macroeconomic impact that is limited at the European scale, this has created a real unity in Europe, as symbolized by the EU's retaliatory tariffs. President Trump's threat to impose tariffs of up to 25 per cent on imports of automobiles and automotive parts is on hold for now, but remains another source of tension. Secondly, the prospect of secondary sanctions on Iran, already discussed above, has also been a "huge irritant", in the words of a European participant. The establishment of the special purpose vehicle will serve as a very interesting precedent regarding how to deal with any future similar situation that may arise in the future. Finally, The EU and its member states also regard the Trump administration's attitudes and actions towards the rules-based international trading architecture – especially the WTO – as a great challenge. It was therefore recommended that in response to the current and any future unilateral tariffs imposed by the US, a balanced strategy for the EU would be to retaliate in accordance with WTO rules but without escalating the dispute.

These three points lead to an oft repeated question from Europeans, which is to understand what the aims of the Trump presidency are, and making it clear that the rhetoric, especially towards specific states such as Germany, can distract from the greater goal, namely a new transatlantic trade deal. Put differently, the question is whether President Trump is actually looking to change the rules or simply to score "tweetable" wins, such as the one that he claimed after the visit of Commission President Jean-Claude Juncker, which did in effect only delay the negotiations to after the latter's term. However, another participant pointed that quick mutual wins can serve a key purpose in temporarily diminishing the lack of trust between the parties. However, the EU, in its principles approach to multilateralism, is committed to fighting any downfall of the liberal order in order to preserve the system that supports its relationship with other countries, a system that also sets the norms and standards that it adheres to. It is therefore clear that the EU has a role in saving the maximum of this system, but at the same time still needs the U.S. in order to ensure compliance with China in the future. The emergence of China as a global player will continue to force the EU to think how well it can compete in the world, specifically

regarding the tools it has in place and how it should use them to prevent what it considers to be unfair advantages arising from state intervention.

Going forward, it was made clear that in the perspective of a future transatlantic trade deal, calling anything a new Transatlantic Trade and Investment Partnership is doomed to failure, and also that there will be no movement of U.S. congress on a deal without agriculture being included. Therefore, it looks like very similar issues than encountered on TTIP may plague a new transatlantic deal. The EU needs to ask itself whether it is willing to renege on its commitment not to sign free-trade agreements with countries that do not ratify the 2015 Paris Agreement on climate change, from which the US has withdrawn under President Trump. This is a commitment that represents a very hard line for French President Emmanuel Macron, which he will not waver on for a number of reasons, domestic and linked to his engagement towards turning the clock on climate change.

Therefore, participants agreed that both the fraught history of TTIP and the tendencies displayed by the U.S. administration make the prospect of a single-track trade agreement virtually impossible. Momentum could be created by creating parallel track discussion, with each issue being discussed on a different timetable, in order not to pressure Europeans into a deal that they will be slighted to refuse, even with the looming imposition of automotive tariffs. The main risk at play is that future efforts to further integrate the transatlantic market will backfire and that, rather than strengthening transatlantic ties, a futile attempt to negotiate a free-trade agreement would further divide the US and the EU at a time when other issues require the undivided attention and unity of the transatlantic partnership. Similarly, the EU should - like on other issues - not cede to the temptation of thinking that President Trump may serve only one term or think that protectionist tendencies may disappear in the next administration.

This issue appears to be the one where European and American interests seem to be the most divergent, and which creates the highest level of unity in the EU institution, as shown later in 2019 when the European Parliament decided not to endorse negotiating mandates for the

European Commission to start formal trade talks with the U.S. Some may see this as a sign of a fractured EU, but it mostly shows that economic antagonisms with the U.S. have sown doubt in a lot of EU minds regarding the U.S. role as a global leaders. Under these circumstances, it seems unlikely that any momentum will be found for trade talks in the course of 2019.

Session III - To-Do List in Transatlantic Relations

The previous discussion sessions provided useful food for thought in further operationalizing challenges and desired progress in transatlantic relations.

Four main points were discussed, based on the main points of the debates of the day. All participants insisted that these four points need to be, to the extent possible, treated independently from one another in order to enhance the chances of a continued improvement of transatlantic relations.

- 1) It is easy to improve transatlantic coordination on Russia sanctions, as (while?) there is still a broad political agreement within EU leaders to maintain them, and it is just as easy for Europeans to spin this as a way to showcase its desire to work more closely with the U.S. administration. U.S. participants insisted heavily and repeatedly on the necessity to continue to put pressure on Russia via economic means, and also changing energy delivery agreements. The goal is not to bring Russia to its feet but rather to coerce a change of behavior from Moscow. Finally, if the sanctions regime were to crumble, an alternate solution should already be discussed at the transatlantic level.
- 2) On trade, there seems to be scope for a limited deal that would include for example only industrial goods. As discussed above, this would create the conditions for a renewal of trust, and assuage fears that exist especially in Germany and central Europe about potential effects of a trade war on their economic vitality, if their automotive industry is hit by high tariffs. This would only feed further anti-Americanism and

embolden some opponents of the transatlantic alliance. Therefore, a dialogue needs to remain open, perhaps outside of official EU channels given the decision of the European Parliament on the discussion mandate on EU-US trade talks, on future economic opportunities that respect both sides' red lines. This may even include a conversation about trade imbalances with Germany, which other EU countries are interested in. A US-EU driven reform of the WTO was also floated as a potential focus point for transatlantic cooperation in the future.

- 3) A convergence of views on China (the "real threat", according to a U.S. participant) has become sorely necessary, given the vital defense, security, and economic ramifications of the relationship. It represents a great opportunity for the U.S. to properly use the EU channel and its leverage on trade issues, and can serve as a corrective for what some have identified as underinvestment by the U.S. in the EU, on energy infrastructure. For the EU, playing a role in dealing with China is also a big test in moving towards a truly active foreign policy. Furthermore, the risk of inaction for the EU is higher than anything else.
- 4) From the EU side only, it is clear that the EU needs to define what it means by strategic autonomy in order to put an end to any confusion or issues that the term may engender in Washington, as well as it should limit the use of futile terms such as "EU Army" which distract from the actual challenges at hand, including internal cohesion challenges for increased EU defense cooperation. There is therefore a need for increased communication from the EU towards the U.S. regarding what its long term goals are for EU defense; in parallel, any U.S. pressure on the EU to stop its efforts will be, from now on, met with a strong pushback, especially on industrial issues where U.S. market access for EU companies remains a (long-term) unsolved concern. Finally, it was agreed that any sort of geographical division of labor between the EU and NATO would have terrible consequences for transatlantic cohesion, given the current challenges in the relationship.

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