



Liberalism under attack: Is the EU a fortress or a sandcastle?

by Ian Bond
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In his first six months in office, US President Donald Trump has given heart to the European Union's internal and external adversaries. The international system is now threatened by an American president who thinks his country is losing out to foreigners and responds by attacking shared values and institutions. The EU has not yet adapted to this erosion of the international liberal order from which the Union has benefited.

The EU prides itself on being a community of values. These values are listed in Article 2 of the Treaty on European Union (TEU): "human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities". It has tried to extend these values to other parts of the world. Despite differences of view on some issues – notably the death penalty – it has generally done so in company with the US. The reshaping of Europe after the Cold War ended relied on the partnership between the EU and (US-led) NATO: both organisations played a vital role in integrating newly democratic Central European states into the Western community.

The EU is also the world's largest single market and the world's largest trading partner, with its trade in goods (excluding intra-EU trade) 67 per cent higher than China's and 77 per cent higher than America's. It has had a number of trade disputes with the US over the years: an analysis in 2002 found that although EU-US trade accounted for less than 22 per cent of EU trade, it comprised almost half the disputes involving the EU dealt with at the World Trade Organisation (WTO). But whatever their specific conflicts, the EU and US have always agreed on the overall value of the multilateral trading system as an engine of growth.

Internal challenges to the EU have been growing since the start of the global economic crisis in 2008. They culminated in the UK's June 2016 vote to leave the Union, and in the rise, especially in Central Europe, of populist parties and nationalist governments hostile to the EU's institutions. Though opinion polls show that across the EU as a whole the Union is consistently more trusted than national

governments or parliaments, the EU has not found a way to use this support against governments that try to undermine EU norms. And with Trump in power, Europe can no longer assume that it shares a world view with the US administration.

On security and defence, American presidents and officials have been pressing allies for decades to spend more. But Trump is unique in his belief that NATO is not so much an alliance as a means of funnelling cash contributions from its members to the US. In his speech at the new NATO headquarters on May 25th, Trump argued that the failure of allies to meet their commitment to spend 2 per cent of GDP on defence was “not fair to the people and taxpayers of the United States. And many of these nations owe massive amounts of money from past years and not paying in those past years”. Though he eventually backed NATO’s Article 5 mutual defence commitment (in a press conference two weeks after the NATO Summit), he had previously suggested that the US might only defend allies who had “fulfil[led] their obligations to us”. Such comments undermine NATO’s deterrent posture by creating uncertainty about whether the US would respond to an attack on an ally.

At the same time, Trump is reluctant to confront Russian bad behaviour. In his Warsaw speech on July 6th he referred to Russia’s “destabilising activities in Ukraine and elsewhere”, but said nothing about the 300,000 troops Russia has in its Western Military District, facing much smaller NATO forces in the Baltic States and Poland. Even after the deployment of contingents of American, British, Canadian, German and other forces, NATO is heavily outnumbered in the region. Trump has also repeatedly refused to accept the findings of US intelligence agencies about Russia’s interference in the American presidential election campaign.

Trump’s attitude to international trade is just as problematic. In his inaugural address he called for the US to protect itself “from the ravages of other countries making our products, stealing our companies, and destroying our jobs”. He has withdrawn the US from the Trans-Pacific Partnership, a twelve-country agreement to reduce tariffs and non-tariff barriers to trade. He toyed with the idea of withdrawing from the North American Free Trade Agreement (NAFTA) with Canada and Mexico, before settling for renegotiating parts of it. Negotiations with the EU on the Transatlantic Trade and Investment Partnership (TTIP) are stalled. The Trump administration’s Trade Policy Agenda for 2017 stresses “reciprocity” (reflecting Trump’s view that a trade deficit equates to a ‘loss’ for the US). Not all US criticism of the EU’s trading record is unjustified (though much of it is, and Trump’s proposed solutions would not help). But for the EU, which is the US’s largest trade partner and runs a significant surplus in both goods and services trade, Trump’s protectionist stance is a major economic threat.

Trump’s hostility to multilateralism includes international organisations. During his election campaign he described the World Trade Organisation (WTO) as a “disaster”; his trade policy agenda suggests that the US should not be bound by WTO rulings in trade disputes. In an interview before his inauguration he claimed that “the EU was formed, partially, to beat the United States on trade”, and said that it would not matter to him if it broke up. In Warsaw, Trump seemed to be aiming at the EU when he said that the West “became great not because of paperwork and regulations, but because people were allowed to chase their dreams and pursue their destinies”. Perhaps taking this as a signal of American support, the Polish government stepped up its confrontation with Brussels after Trump’s visit to Warsaw.

Trump’s world view and that of the EU are at odds. The EU Global Strategy (EUGS) endorsed in 2016 states: “We have an interest in promoting agreed rules to provide global public goods... The EU will

promote a rules-based global order with multilateralism as its key principle". Trump and those around him see instead a world of disconnected rival powers. Trump's national security advisor, H R McMaster, and the director of his National Economic Council, Gary Cohn, wrote in the Wall Street Journal in May "the world is not a 'global community' but an arena where nations, nongovernmental actors and businesses engage and compete for advantage... Rather than deny this elemental nature of international affairs, we embrace it". McMaster and Cohn said that America was open to working with its friends and partners "where our interests align". That is not a recipe for lasting relationships with countries that share common values, but at best for ad hoc co-operation.

The message that many of America's European partners have taken away from six months' experience of Trump is that the US may not always be alongside them in future. As Angela Merkel said after the NATO summit: "The times when we could completely rely on others are, to an extent, over". So what should Europeans do in response?

They should start close to home, by devising better ways to ensure compliance with EU values. A Union divided over its values will struggle to defend those values in the world. The last 20 years have shown that the EU has plenty of leverage before a country completes the accession process, and little afterwards.

In theory, under Article 7 TEU the EU can determine by consensus minus one "the existence of a serious and persistent breach of EU values" in a member-state; and suspend some of its membership rights, including voting rights. But this is regarded as a nuclear option, and has never been attempted. Even Article 7's "warning mechanism", under which four-fifths of the member-states may determine that there is a clear risk of a serious breach of EU values in another member-state, triggering a dialogue with the offender, has never been used.

As an alternative, in 2014 the Commission introduced a new 'Rule of Law Framework'; this is similar to Article 7's warning mechanism, but avoids the need for the member-states to vote against one of their number. The Commission invoked the framework against Poland in January 2016, but that has not stopped the Polish government's attacks on the independent judiciary. And before Poland, Hungary had already trodden the path towards becoming an "illiberal state", as its prime minister, Viktor Orban, proclaimed in 2014, and had suffered no consequences. Either member-states' governments must take more responsibility for persuading their peers to behave; or they must come up with a way to link objective assessments of governance in member-states to concrete measures against those who violate European norms. Budget Commissioner Günther Oettinger is apparently willing to consider making disbursement of EU funds conditional on observance of the rule of law, as suggested in an internal German government paper, even though European Commission president Jean-Claude Juncker is against the idea.

Next, the EU must reduce its reliance on the US for its defence, without turning its back on the transatlantic alliance. Increased European defence capabilities should be of value for NATO as well as EU operations but investment in what the EUGS calls "strategic autonomy" makes sense as an insurance policy. Co-operation between the the EU and NATO has increased in the last year, with a joint declaration issued by the two in the margins of the July 2016 NATO summit in Warsaw; and a list of 42 action points adopted by both in December 2016, covering areas such as cyberdefence and consistency between their

respective defence planning processes. Even under Trump, EU and US security interests will overlap more often than not (and Trump will not be in power forever); but Europe should not have to keep its fingers crossed that the US president will do the right thing in every crisis.

Third, the EU will have to work more with likeminded countries such as Japan or Canada, and with countries that share some of its aims without sharing its values, such as China, to defend individual international institutions and agreements. The EU needs to implement the Comprehensive Economic and Trade Agreement (CETA) with Canada successfully, and to conclude and ratify the EU-Japan Economic Partnership Agreement quickly. With China, the EU has already found itself on the same side in opposing Trump's decision to pull out of the Paris climate change agreement. It also needs to use the threat that Trump poses to the international trading system to persuade Beijing to lower barriers to Western trade with and investment in China, in line with President Xi Jinping's pro-trade and pro-globalisation rhetoric. At the same time, as John Springford and Christian Odendahl wrote in February 2017, where US criticism of the EU is justified (for example, over the eurozone's persistent current account surplus), the EU should be prepared to respond constructively.

Trump may turn out to be a temporary phenomenon, and transatlantic co-operation may return to normal. The EU should do all that it can to promote that outcome. It should build bridges to America beyond the Trump administration, including Congress and the individual states. Equally, America's change of direction could turn out to be long-lasting. As EU leaders head for the beach this summer, they should be making contingency plans. They need to agree on ways to defend European values and interests, whatever storms may blow across the Atlantic.

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