



## US ELECTION REGIONAL IMPLICATIONS EUROPE: UNEASE OVER TRADE AND NATO

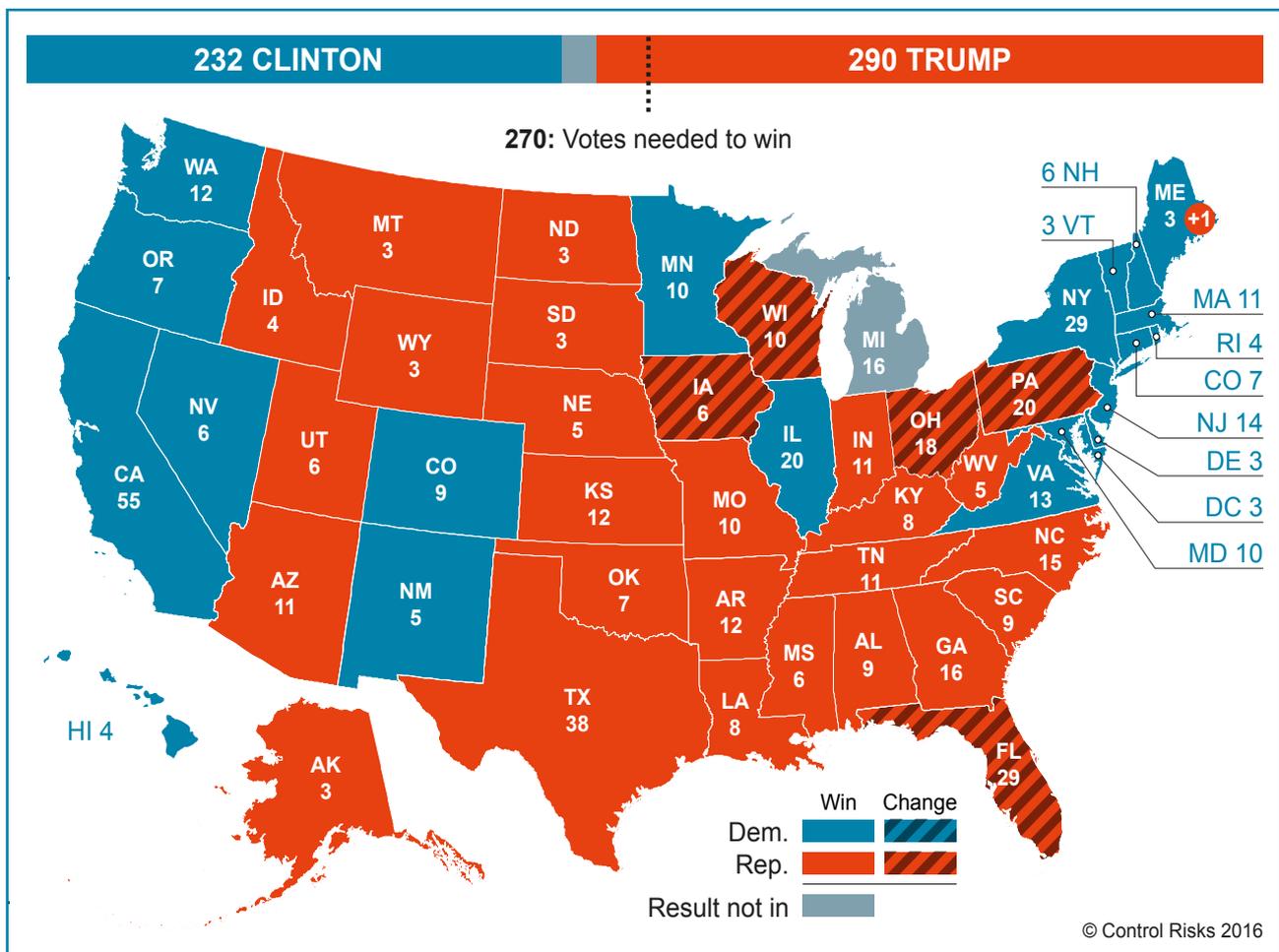
# US ELECTION REGIONAL IMPLICATIONS

Republican candidate Donald Trump was elected as the next US president on 9 November, defeating the Democrats' Hillary Clinton. Due in part to Trump's strong showing, Republicans also retained a slim majority in the Senate (upper house) and a strong majority in the House of Representatives (lower house).

Narrow margins separated the two candidates in many states, as well as in the nationwide vote (separated by around 600,000 votes – 0.4% – out of more than 120m cast), underscoring the polarisation of the electorate. Both candidates, as well as outgoing President Barack Obama, issued pleas for national unity and a smooth political transition in the wake of a lengthy and often divisive campaign.

Unlike Clinton, Trump did not comprehensively outline his domestic and foreign policies. As a result, there is considerable uncertainty about which policies he will pursue in office, and how aggressively he will do so. In this report, we explore how the incoming administration is likely to approach and influence regional politics.

## US Presidential elections results



# EUROPE:

## UNEASE OVER TRADE AND NATO

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Throughout the campaign, European politicians were generally keen to say as little as possible about the contest across the Atlantic – with the obvious exception of Nigel Farage (UK Independence Party) and Geert Wilders (Dutch Party for Freedom), whose support was as vocal as it was predictable. This was despite an avalanche of, mostly negative, media coverage from even conservative outlets for whom a Republican win would normally be a matter of quiet satisfaction, if not gaudy celebration.

In the ten weeks until Trump's inauguration, European business faces the unavoidable question: 'What does it mean for us?' There will be a strong temptation to focus on Trump's politics, but most governments will keep practical issues front and centre when considering what it means for them.

### TRADE IN FOCUS

Trade has been a hot topic in Europe for most of 2016. This shows no signs of abating in 2017, with the planned start of UK negotiations to leave the EU (Brexit) and the probable demise of the proposed US-EU Transatlantic Trade and Investment Partnership (TTIP). Even in the unlikely event that more orthodox Republicans prevail on the new president to embrace the deal, public opinion in Europe remains unconvinced, as the troubled campaign to ratify a similar Canada-EU free trade agreement in late 2016 indicates.

Ironically, the UK may find itself in a slightly stronger position with regard to trade with the US. Bilateral trade talks with the new administration could represent a serendipitous chance to strike a huge early success in the Brexit era and establish a model for the next generation of trade agreements. The key personnel in the UK's international trade ministry are notably close to mainstream Republican opinion on the issue, and Trump – among many others – has drawn parallels between the politics of Brexit and the US election. However, the new administration's prioritisation of US interests in any negotiations may frustrate the UK's desire for a good deal that also survives public scrutiny.

### NATO NERVOUSNESS

Trump's commitment to NATO and the collective defence of US allies in Europe was notably uncertain during the election campaign. As president, he is likely to take a more pragmatic view, with institutional, economic and political concerns ensuring that some of the nightmare scenarios of an undefended eastern frontier prove unfounded.

Nevertheless, the new administration is likely to seek to improve relations with Russia, with relatively little weight given to European sentiment. This will inevitably cause disquiet, particularly in the Baltic states, not least because the administration may well put NATO Article 5 – committing members to mutual assistance – on the table, even if only as a negotiating position. (Europe will recall that it heeded Article 5 obligations on the only occasion it was triggered: by the US after the 11 September 2001 terrorist attacks.) However, a new era of relations with Russia is likely to involve quid pro quo on all sides, and Russia's new assertiveness on its western and south-western frontiers may be reined in if a successful 're-reset' can be achieved.

There are implications beyond Europe's borders too. Trump has called the Iran nuclear deal – considered a major EU foreign policy success – into question. The EU will not sacrifice the gains from the deal lightly, creating a clear point of tension on a defining foreign policy objective on both sides of the Atlantic, particularly if the future of NATO emerges as a talking point in any EU-US dialogue over Iran.

### EUROPE'S POPULISTS TRIUMPHANT

'Brexit won, Trump won, we can win' will now be the mantra among populist parties across the continent, particularly in the three most significant countries with elections in 2017: France, Germany and the Netherlands. However, we caution against reading across too directly from the upstart successes of 2016 into the big votes of 2017, in part because US and European moves across the political spectrum rarely run in sync.

There is no doubt that some of the factors that propelled Trump to victory – particularly messages on immigration and employment, as also seen in the Brexit vote – have appeal in some parts of Europe. But none of the European politicians who aim to follow his path have the same mix of outsider appeal and establishment heft (in the shape of the Republican party machine, as reluctant as much of it was) as the president-elect enjoyed. Moreover, the existing successes of populists on the eastern side of the Atlantic suggest that Trump is following the trend as much as he is setting it.

The closest comparison is in [France](#), where Marine Le Pen of Front National (FN) has been consistently in the top two of opinion polls for the presidential election, due in May. However, it is this strength that may work against her in converting this

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to an outright win in the French system where a run-off against a more moderate candidate is likely. Le Pen's existing popularity will limit her room for growth, particularly if faced with a candidate around whom all non-Le Pen voters can rally without reluctance. Moreover, identifying herself too closely with the US president-elect may lose her some votes among French conservatives, who, polling suggests, were reluctant to favour him. So while a Le Pen presidency may be more likely than it was before the US election, it is still not a likely outcome.

In **Germany**, the result is likely to give a further morale boost to the anti-euro, anti-Islam Alternative für Deutschland (AfD) party that has emerged since 2014 to provide the first credible challenge to Chancellor Angela Merkel's conservative alliance on the right. However, with all other parties in varying degrees of crisis and almost a year to go to the election, this is unlikely to translate into a fundamental threat to Merkel's position – if she is the candidate. Indeed, just as with FN in France, the sense is that the AfD may already be relatively near its ceiling, without much prospect of being taken to the next level by events in the US.

Despite fears about a weakening of the US commitment to NATO, the president-elect's rhetoric tends to resonate well among Central and Eastern European states. His victory is likely to be used by some of the region's leaders – such as Poland's Jaroslaw Kaczynski and Hungary's Viktor Orban, whose styles he most closely resembles – to legitimise their own socially conservative and nationalist policies.

#### **NEW STATE OF PLAY FOR US-EUROPEAN RELATIONS**

Trump's election changes the state of play between Europe and the US, particularly in terms of relations with Russia. While there is no doubt that US-Russia relations will change, we would caution against some of the more extreme reactions, both from those who opposed him and from those who might seek to follow his lead. His campaign has been vague on policy detail, leaving scope for the legislative branch to influence his position after 20 January, particularly with mid-term campaign beginning so soon thereafter. Much of what he represents is old news in Europe and much of the rest might be difficult to translate into actual policy.

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