

Transatlantic Relationship: Toward a Loose Alliance?

Jin Ling

A series of policies introduced by the Trump administration have triggered conflicts between the United States and Europe in many fields. The transatlantic relationship is facing the most serious crisis since the Iraq war. Currently, the core debate on the trend of transatlantic relations centers around whether the conflicts between the two sides on issues such as globalization and security cooperation are caused by the “Trump phenomenon” or rooted in some structural contradiction. The opinion attributing the conflicts to Trump’s policies argues that the structural pillars in transatlantic relations, composed of security reliance, economic interdependence and shared values, have not changed, and that the “Trump phenomenon” is only temporary. Despite conflicts in the short term, the transatlantic relations will maintain the status quo under the balance of the US establishment in mid-to-long terms without qualitative changes.¹ On the contrary, the opposing view claims that the “Trump phenomenon” is essentially a symptom of the “deterioration” of the transatlantic relationship. The US and Europe had already been alienated before Trump took office. Due to the separation of their positions and security interests in the process of globalization, the US-Europe conflicts are structural, endogenous and inevitable.²

Jin Ling is Associate Research Fellow and Deputy Director of the Department for European Studies, China Institute of International Studies (CIIS).

1 Jeremy Shapiro and Dina Pardijs, “The Transatlantic Meaning of Donald Trump: A US-EU Power Audit,” September 2017, http://www.ecfr.eu/page/-/US_EU_POWER_AUDIT.pdf.

2 Jeanne Metivier, Mattia Di Salvo and Jacques Pelkmans, “Transatlantic Divergences in Globalization and the China Factor,” CEPS Policy Insight, May 30, 2017, https://www.ceps.eu/system/files/PI2017-19_TransatlanticDivergencesGlobalisation.pdf; Robin Niblett, “Europe: Transatlantic Relations Still Drifting,” May 2010, https://www.chathamhouse.org/sites/default/files/public/Research/Americas/us0510_niblett_europe.pdf.

The above two opinions basically depict the two-sided nature of the current transatlantic relationship. On one hand, endogenous conflicts do exist between the US and Europe due to changes in international structure and reconfiguration of their respective domestic political and social forces. This will influence the short-term development and long-term trajectory of the transatlantic relations. On the other hand, there is no qualitative change to the structural factors that maintain the resilience of US-Europe relations, namely Europe's security reliance on the US, the high level of economic interdependence, and the shared values of Western democracy and liberalism. The dual features will shape the direction of US-Europe relations for quite a long time, with the alliance sustained but becoming increasingly loose. The coexistence of conflicts and cooperation will be a highlight in the relations, and the European Union will have a stronger motivation to pursue strategic autonomy and cooperation with other emerging powers.

Endogeneity of US-Europe Conflicts

Since Trump took office, the US and Europe have been in conflict with each other in a series of issues, including climate change, defense spending, trade disputes, and the Iranian nuclear agreement. The root of the conflicts lies in the colliding views and separated interests caused by different identities, strategic positions and governance systems in the changing international landscape.

Different international status behind conflicts over multilateralism

For the European Union, who enjoys soft-power advantages in terms of institution and rules, multilateralism is the best way to exert its influence and realize its interests, and the multilateral international order is considered as the basis of European peace and prosperity. The EU has neither the will nor the ability to take unilateral actions. "...European values and interests 'are best served in an international system based on rules and on multilateralism.' As a result, the EU has invested much of its financial and diplomatic

resources in a strategy encouraging ‘effective multilateralism.’³ The EU stated in its Global Strategy for Foreign and Security Policy in 2016: “As a Union of medium-to-small sized countries, we have a shared European interest in facing the world together. Through our combined weight, we can promote agreed rules to contain power politics ... A multilateral order grounded in international law ... is the only guarantee for peace and security at home and abroad.”⁴

By contrast, the United States, as a hegemonic power, has never been bound by multilateralism. The multilateral mechanisms have only instrumental value for the US. “Very few of them believed that the US should be subject to binding rules – they were just keener to impose them on other countries.”⁵ Unilateralism has long existed in American history. The core of “Jacksonism” is “America First,” unilateralism and the favor of hard power. “Jacksonians believe that Americans must remain vigilant and well-armed in a dangerous world. They are ready and willing to do whatever it takes to defend the United States ... they do not believe in institutional constraints on America’s freedom to act, unilaterally if necessary, in self-defense.”⁶ The Jacksonian “America First” policy was first manifested in the opposition to the United States’ involvement in the World War II during the 1940s. The Tea Party Movement in the Obama era, though composed of different political groups, was also under the banner of “America First.”

In the post-war era, the United States and Europe had both benefited from the international order they dominated. Maintaining the existing order was once the consensus of the two sides despite several times of disputes over unilateralism and multilateralism. However, the consensus fell apart due to

3 Peter Van Ham, “Trump’s Impact on European Security: Policy Options in a Post-Western World,” January 3, 2018, https://www.clingendael.org/sites/default/files/2018-01/Report_Trumps_Impact_on_European_Security.pdf.

4 EEAS, “Shared Vision, Common Action: A Stronger Europe – A Global Strategy for the European Union’s Foreign and Security Policy,” June 2016, https://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf.

5 Anthony Dworkin and Mark Leonard, “Can Europe Save the World Order?” May 24, 2018, http://www.ecfr.eu/publications/summary/can_europe_save_the_world_order.

6 Daniel S. Hamilton, “Trump’s Jacksonian Foreign Policy and its Implications for European Security,” UI Brief, No. 2, 2017, <https://www.ui.se/globalassets/butiken/ui-brief/2017/hamilton-ui--brief.-05-23.pdf>.

the rise of emerging powers and the respective internal economic and social crises within the US and Europe. Europe still believes that its peace and prosperity depends on the multilateral international order. With advantages in institution and rules, it hopes to regulate emerging powers through multilateral mechanisms to safeguard its own influence and respond to internal and external crises. Therefore, it also believes that the damage of multilateral mechanisms threatens its interests. However, the United States is increasingly seeing existing multilateral mechanisms as an obstacle to its interests. Since he took office, Trump has not only withdrawn from the Paris Agreement on climate change, but also exited the UNESCO and the UN Human Rights Council. Moreover, he has taken unilateral actions to weaken the legitimacy of the World Trade Organization (WTO). The Trump administration's National Security Strategy builds its foreign policy on the basis of realism and sovereign states, which is drifting away from Europe's political ideas.

Different involvement in globalization behind trade disputes

European countries show greater competitiveness and deeper involvement in the global trade system. "Global trade drives European economic growth, promotes European prosperity, and helps maintain its competitiveness."⁷ According to the latest statistics from the World Bank, the exports value of the EU is much larger than that of the US. Exports account for 43% of the EU's GDP compared to only 12% for the US.⁸ The EU is also more competitive than the US in fields such as capital goods, intermediate commodities, and machinery and electronic industries. Compared with the US, the EU member states have achieved higher added value through exports. Taking their respective economic and trade cooperation with China as an example, China's demand for high value-added products from Europe has been rising since 1995, and it had been twice as large as the demand for American products by

7 International Monetary Fund, World Bank and WTO, "Making Trade an Engine of Growth for All: the Case for Trade and for Policies to Facilitate Adjustment," 2017, https://www.wto.org/english/news_e/news17_e/wto_imf_report_07042017.pdf.

8 Jeanne Metivier, Mattia Di Salvo and Jacques Pelkmans, "Transatlantic Divergences in Globalization and the China Factor."

2011. In terms of investment, statistics show that as of 2015, the European investment stock in China, which reached 168.4 billion euros, was more than twice that of the United States. American investment in other countries is further less than that of Europe, indicating that Europe is a more important force driving globalization.⁹

Trade is a greater promoter of jobs in Europe than in the US as well. According to statistics from the European Commission, every one billion euros of EU exports can generate 14,000 jobs¹⁰ while every one billion US dollars of exports can only support 6,000 jobs.¹¹ From 1995 to 2011, jobs created by US exports increased by 21% while the rate was as high as 67% for the EU during the same period.¹² Foreign trade's strong promotion of employment has been the reason why Europe has always taken a more ambitious global trade policy as an important means to create jobs.

Different labor policies also make the US and Europe face diverse pressures of anti-globalization. Open trade policy will not automatically benefit all industries. Rather, it calls for adjustments of corresponding domestic policies. Although the EU's rigid labor policy and generous unemployment relief policy have always been criticized, they have served as a means of social adjustment and alleviated trade imbalance. As for the United States, despite the existence of trade adjustment assistance, its stringent standards have lowered the percentage of the unemployed to benefit from it. In the 2016 fiscal year, only about 45,000 of the 7.8 million unemployed people in the US received the assistance. Among developed economies, the US has the lowest proportion of project budgets for active labor markets, accounting for only 0.1% of GDP, compared with 2.05% in Denmark, 1.01% in France, and 0.63% in Germany. Research by the World Bank, the International Monetary Fund (IMF) and the WTO shows that the US

9 "Transatlantic Divergences in Globalization and the China Factor."

10 European Commission, "EU Exports to the World: Effects on Employment and Income," June 2015, http://trade.ec.europa.eu/doclib/docs/2015/june/tradoc_153503.pdf.

11 International Trade Administration, "Employment and Trade," March 19, 2018, <https://www.trade.gov/mas/ian/employment>.

12 European Commission, "EU Exports to the World: Effects on Employment and Income."

public spending on active labor market policy is almost at the bottom. At the same time, American industrial workers are more vulnerable to globalization due to the flexible labor market policy. The research by the Organization for Economic Cooperation and Development (OECD) ranked the US at 69th among 71 countries in the indicators of employment protection.¹³

In addition, the United States' unique market integration experience has made it a stronger opponent against free trade. Compared with the criticism on the US promotion of the North American Free Trade Area, especially the agreement's impacts on the US labor market, the EU has better drawn on each country's strengths in the process of deepening trade cooperation between Eastern and Western Europe and promoting outbound investment, without serious impacts on the employment of Western European countries.¹⁴

Differentiated security interests behind conflicts on burden sharing

After the Cold War, the US-Europe security cooperation has always been affected by their different security understandings and policy priorities. The transatlantic relationship crisis triggered by the Iraq war, the disputes over Europe's share of responsibility in the Afghan war, and the US-EU division of labor in the Libya war and the Ukraine crisis are all results of shifting security understandings and policy priorities between the two sides.

During the Obama era, the eastward pivot of US strategic focus was a sign of their differentiation of security strategies. As then US Secretary of State Hillary Clinton said, "It is becoming increasingly clear that in the 21st century, the world's strategic and economic center of gravity will be the Asia Pacific ... one of the most important tasks of American statecraft over the next decades will be to lock in a substantially increased investment – diplomatic, economic, strategic, and otherwise – in this region."¹⁵ An important factor

13 Quoted from Jeanne Metivier, Mattia Di Salvo and Jacques Pelkmans, "Transatlantic Divergences in Globalization and the China Factor." The OECD indicators of employment protection measure the procedures and costs involved in dismissing individuals or groups of workers and the strength of related laws and regulations.

14 *Ibid.*

15 Hillary Clinton, "America's Pacific Century," US Department of State (2009-2017), November 10, 2011, <https://2009-2017.state.gov/secretary/20092013clinton/rm/2011/11/176999.htm>.

behind the US strategic rebalance eastward is Washington's view on China's rise from a perspective of geopolitical competition and the strategic anxiety over it. The US believes that China threatens the Asia-Pacific security order it has built since the end of World War II, and challenges its bilateral relations and military alliances in the region. By comparison, China's "threat" to Europe, unlike the US, is less obvious. The EU seldom regards the rise of China as a security threat.¹⁶ European governments have paid more attention to the economic opportunities brought by China rather than geopolitical challenges.

The US strategic shift to the east and the deterioration of the EU's security environment, which took place almost simultaneously, has accelerated the differentiation of their security understandings and policy priorities. Since the Ukraine crisis, the EU has encountered both traditional security concerns and non-traditional security threats. Its long-running "arc of stability and prosperity" is evolving into an "arc of turmoil". In the areas on its eastern boundary, countries between the EU and Russia are divided, with some joining the EU-led integration, while others participating in the Russia-led Eurasian Economic Union. The EU-Russia conflicts triggered by the Ukraine crisis marks the return of traditional security concerns. To the EU's south, the prolonged civil war in Syria, factional conflicts in Libya and frequent occurrence of terrorist attacks have made Brussels more deeply aware of the rising threat of terrorism while suffering from the impact of illegal immigration on internal security. "Looking around the world, no region is more likely to fall into conflicts than Europe."¹⁷ In the face of multiple crises and chaos in its neighborhood, the EU has clearly put protecting its own security and maintaining a resilient periphery as the top priority in its global strategy.

The current US-EU dispute over the Iranian nuclear agreement is the result of a structural differentiation regarding the two sides' security interests. For Europe, the signing of the agreement is not only the victory of multilateral

16 Robin Niblett, "Europe: Transatlantic Relations Still Drifting."

17 "Mogherini, Steinmeier Denounce Black-and-White Foreign Policy," *Euractiv*, November 12, 2014, <https://www.euractiv.com/section/global-europe/news/mogherini-steinmeier-denounce-black-and-white-foreign-policy..>

diplomacy, but also where its core interests lie. The priority of the EU's Iran policy is to avoid triggering large-scale conflicts and further worsening the regional situation. Since the chaos in West Asia and North Africa took place, the rising threat of terrorism and the refugee crisis have seriously threatened the security, stability and unity of the EU and become the major concern of European people. Meanwhile, they are also the main factor contributing to the rise of populist forces within the EU. Therefore, maintaining the stability of its southern periphery is the security priority and core interest of the EU. Engaging with Iran, a major actor with influence on Europe's peripheral security, is in accordance with its interest.

While Europe is concerned about security and stability in its surrounding areas, the US has detached its own interests to some degree from the chaos in the Middle East after achieving energy self-sufficiency. Whether it is the eastward strategic shift during the Obama era or the "America First" of the Trump administration, it is obvious that the importance of the Middle East in the US security strategy has dropped significantly. Trump's withdrawal from the Iranian nuclear agreement and stricter sanctions on Iran not only cater to the demands of Jewish voters in the US, but also support his traditional allies in the region, which is in line with his preference of contraction to exert influence through allies. Meanwhile, Trump can also strengthen the United States' bargaining power against the EU on trade issues, which is completely consistent with the demand of "America First."

The differentiation in terms of security focus is also manifested in their conflicts on the sharing of security responsibilities. The United States has long been dissatisfied with Europe's "consumption", rather than "provision," of security. In 2011, then US Secretary of Defense Robert Gates had called on Europe to assume its political and financial responsibilities in transatlantic security affairs, and further warned Europe that future US leaders, if they had no memories of the Cold War, would question the meaning of huge investment to Europe under the NATO framework.¹⁸ Since taking office,

18 Quoted from Olaf Wientzek and Leonie Arzberger, "The Security Policy Dimension of Transatlantic Relations in the Context of the Ukrainian Crisis and the Strengthening of the CSDP," June 3, 2015, http://www.kas.de/wf/doc/kas_41574-544-2-30.pdf?150608113142.

Trump has increased pressure on European allies. He repeatedly claimed that NATO's fund sharing was unreasonable and unfair to US taxpayers. Therefore, contradictory information from the US was witnessed from time to time on the collective defense commitment under the NATO framework.

Pillars of US-Europe Relations Still Solid

For a long time, security cooperation, economic interdependence and shared values have been the pillars of transatlantic relations. Although the adjustment of the international order as well as the internal political and social changes in the US and Europe are constantly eroding the pillars of US-Europe relations, the foundation has not been shaken and the transatlantic relationship remains resilient. As reiterated by the experts present in a discussion about the assessment of transatlantic relations organized by the US Atlantic Council, "Despite the challenges facing the US relationship with Europe, there remains a strong transatlantic foundation of institutions and ideas—bolstered by economic interdependence, defense cooperation, and shared democratic values—upon which to build."¹⁹

EU's security dependence on US under NATO unchanged

The major conflicts caused by the differentiation of security interests between the US and Europe are mainly reflected in their policies on the security south of Europe and the sharing of security responsibilities. As for the threat of Russia, the consistency of the two sides has not weakened significantly. In the National Security Strategy issued by the Trump administration, Russia is still defined as the main security threat to the United States. After the Ukraine crisis, the EU also believes that Russia not only threatens its border security, but also erodes the internal security and stability of Europe by means of mixed war. Therefore, Russia is also the main

19 Ellen Scholl, "Taking Stock of the Transatlantic Relationship after One Year of Trump," February 7, 2018, <http://www.atlanticcouncil.org/blogs/new-atlanticist/taking-stock-of-the-transatlantic-relationship-after-one-year-of-trump>.

security threat to Europe. In this regard, there is an opinion that “It is not the US, but Putin that decides the future of NATO and how much the US will involve in the defense of Europe.”²⁰

Although Trump’s remarks on Europe’s security since he took office have increased doubts in Europe, he has been coherent in fulfilling the commitment to Europe’s security. The number of NATO troops along the Europe-Russia border in 2017 was four times the figure before. NATO’s command structure is also adjusted to facilitate the deployment of US troops in Europe. Under the Trump administration, the US has not reduced its military presence in Europe, but instead increased the defense budget on Europe through the European Deterrence Initiative.²¹ In the budgets for 2018 and 2019 fiscal years, the spending requested for the initiative has grown by nearly 40% to reach US\$6.5 billion. The main actions in the initiative include increasing military presence, enhancing exercises and training, strengthening prepositioning, improving infrastructure and building partnership capacity.²² In view of the strong anti-Russian forces within the United States, Trump still lacks a strategy to end the stalemate in his Russia policy, and the presence of NATO in Europe will continue in the direction of strengthened containment against Russia, which is in line with Europe’s expectation for security assurance from the US.

In recent years, facing the deterioration of the security situation, although Europe has stepped up efforts to achieve strategic autonomy and taken practical actions to strengthen security and defense cooperation, the autonomy of its security and defense policy in terms of strategy, capacity and operation can hardly be realized in the short term. From the 2008 Georgia conflict to Libya, Mali and Syria, the EU has mainly relied on the support of individual member states or NATO while its defense and security policy becomes marginalized. Therefore, as long as the EU-Russia

20 Peter Van Ham, “Trump’s Impact on European Security: Policy Options in a Post-Western World.”

21 The European Deterrence Initiative is an extension of the European Reassurance Initiative launched by the Obama administration in 2015.

22 “European Deterrence Initiative,” February 2018, https://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2019/fy2019_EDI_JBook.pdf.

relationship remains strained, and the chaos in West Asia and North Africa continues, Europe's security dependence on the United States is unlikely to change, and their security relationship under the NATO framework will not be shaken.

Although Trump criticized his European allies for taking free ride on military spending, the US has maintained coherence in key aspects of US foreign policy. Washington has not given up or limited its actions and leadership under the NATO framework. For Europe, although it has repeatedly expressed disappointment with the United States, it still emphasizes the pillar role of NATO in its security and defense policy. The consensus that "NATO is the cornerstone of European security" remains strong. The Defense and National Security Strategic Review issued by France in October 2017 identified the United States as a "fundamental partner," emphasizing the convergence of their security and defense interests and their close bilateral relations.²³

Economic interdependence and endogenous cooperation maintained

The rising influence of emerging powers in the international trade structure has not fundamentally changed the high level of economic interdependence between the US and Europe. They remain the most important trade and investment partners of each other. In 2017, the total trade in goods and services between the US and Europe reached US\$1 trillion, twice the total trade volume between China and the US.²⁴ The EU is the largest export market and the second largest import source for the US, while the US is also the EU's largest export market and the second largest import source. In 2017, the EU exported 375.5 billion euros of goods to the US, which accounted for 20% of the EU's total exports, much higher than

23 The Strategic Review Committee of the French Republic, "Defense and National Security Strategic Review," October 2017, <https://www.defense.gouv.fr/layout/set/popup/content/download/520198/8733095/version/2/file/DEFENCE+AND+NATIONAL+SECURITY+STRATEGIC+REVIEW+2017.pdf>.

24 Patricia Lewis, et al., "The Future of the United States and Europe, an Irreplaceable Partnership," CSIS Research Paper, April 2018, https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180411_future_us_europe_partnership_finalpaper.pdf?wm3grLre0wqziCi5C7oOn3AnaKVPb7kt.

China's share of 11%.²⁵

Mutual investment remains the fundamental driving force for transatlantic relations. The United States and Europe enjoy absolute status in attracting foreign investment from each other, which is the endogenous driving force for growth of bilateral trade. In fact, one third of the US-Europe trade comes from intra-company transfers. The US investment in Europe is three times the size of its input in Asia. In 2016, only 21% of US investment entered the Asia-Pacific market, while 70% went to Europe.²⁶ Europe is also the largest source of foreign investment in the US, accounting for 69% of the latter's total foreign investment. The European investment in the US is eight times the size of Indian and Chinese investment combined.²⁷

Democratic and human rights shared values still in place

As US diplomacy becomes more strength-based and the EU's foreign policy becomes more pragmatic, value-oriented diplomacy and the US-EU coordination have weakened in transatlantic relations. However, they are still bonds for the two sides' identity. The conflicts between the US and Europe over multilateralism fundamentally stem from interests, rather than ideological disputes on democracy and human rights. Although Trump's remarks and practices, especially his support and sympathy for European populist forces, have damaged the value identity between the two sides, most Europeans tend to distinguish Trump from the mainstream American political forces and public. They believe that their shared values still enjoy a broad political and social foundation. The European External Action Service (EEAS) defines shared values (including the common maintenance of the rule of law, democracy and human rights) as a solid foundation for the 60-

25 European Commission, "EU and United States Trade Picture," <http://ec.europa.eu/trade/policy/countries-and-regions/countries/united-states>.

26 Quoted from Mike Scrafton, "Troubles on the 'Sea of Atlas': the Transatlantic Partnership," March 6, 2018, https://www.realcleardefense.com/articles/2018/03/06/troubles_on_the_sea_of_atlas_the_transatlantic_partnership_113154.html.

27 European Commission, "EU and United States Trade Picture".

year boom of EU-US partnership.²⁸

In terms of policy practice, the values of the US and Europe show a high degree of consistency in the diplomatic field. Taking the two sides' China policies as an example, shared values remain the consensus basis of their policy toward China. The argument of Chinese "sharp power" from US think tanks and its immediate acceptance in Europe have together formed the foundation of the new "China threat" rhetoric. In addition, the US and the EU are highly consistent in the sanctions outside the UN framework on countries that "violate human rights and democracy."

Loose Agenda Alliance: Future of US-Europe Relationship

The endogenous conflicts in US-Europe relations and the resilience in their bilateral relations will jointly shape the direction of transatlantic relations. On one hand, the differences in interests and ideas caused by endogenous conflicts will continue to impact the foundation for strategic alliance in traditional transatlantic relations. On the other hand, the resilience in US-Europe relations will remain the basis for coordination and cooperation between the two sides. Transatlantic relations will stay at the intermediate status between traditional strategic allies and equal partners for a long time, and will head for an increasingly loose "agenda alliance."

Under the "agenda alliance" status, the US and Europe, sharing basically the same values, will have generally consistent assessment of major strategic security threats. However, on specific issues, the two sides will adopt different policies due to their different interests, which may lead to a strategic consensus crisis and coordination dilemma. Without the objective of strategic unanimity, the partnership will be more "agenda-driven" under the loose alliance, separating different issues areas and demonstrating multi-faceted forms including conflict, competition and cooperation. Europe, with strengthened autonomy, will be more open to strategic cooperation with

28 EEAS, "The United States and The EU," September 6, 2017, https://eeas.europa.eu/headquarters/headquarters-homepage/27291/united-states-and-eu_en.

other actors. Transatlantic relations will appear differently under different pillars of cooperation.

Conflicts and co-opetition most obvious in economic and trade field

The current economic nationalist policy of the United States, including promoting “fairer” bilateral trade negotiations, protecting US industries, reducing deficits of trade in goods, and unilateral pressure through assertive tariff threats, have strong prints of Trump’s personalities. However, there is undeniably a more profound social foundation for this. Rather than a short-term policy behavior, it may be a long-term trend. Therefore, the US-Europe economic and trade conflicts will mainly be manifested at two levels.

At the multilateral level, their differences on the role and future development of the WTO will be more prominent. The EU regards the WTO as a major foundation for the post-war liberal international order, and an institutional guarantee for realizing its interests. Therefore, it will continue to support free and open trade for a long time. However, the current US economic nationalist policy, which prioritizes bilateral “fair trade” negotiations and unilateral tariff threats, has seriously eroded the legitimacy of the WTO, which is considered by Europe to be “a threat to free order.”²⁹ Their conflicts on the multilateral international trade system have been reflected by the United States’ invocation of Section 232 of the Trade Expansion Act of 1962 regarding national security to impose tariffs on steel and aluminum imports from the EU, its refusal to appoint or reappoint judges on the WTO Appellate Body, and Trump’s position in his 2017 trade policy agenda that international arbitration rules did not automatically trigger the adjustment of US laws and practices.³⁰ In response to the US tariff threats, while Europe is seeking exemption through negotiations, it still

29 Maria Demertis, Andre Sapir and Guntram B. Wolf, “Europe in a New World Order,” February 17, 2017, <http://bruegel.org/2017/02/europe-in-a-new-world-order>.

30 Quoted from Claudia Schmucker, “Stagnant Global Trade, Rising Protectionism and Anti-Globalization Are Threatening Germany’s Stance as an Economic Power,” Summer 2017, https://dgap.org/sites/default/files/article_downloads/2_schmucker.pdf.

insists on a solution under the WTO framework.³¹ In the face of Trump's threat to withdraw from the WTO, the mainstream position in Europe is to strengthen cooperation with other countries and defend the multilateral trade system.

At the bilateral level, economic and trade disputes between the US and Europe will be intensified. Out of domestic political needs, the US will continue to pay attention to the imbalance of trade in goods. The deficit has become the core concern of its trade policy. As a result, it has continuously exerted pressure on Europe to implement "fairer trade," and find a solution to the bilateral trade deficit of US\$150 billion. However, the trade imbalance is also a structural problem that cannot be solved by punitive tariffs. In addition, the "trade war" has a major impact on the employment and welfare of downstream industries and their employees, which has political implications. With the rise of populist forces in both the US and Europe, the political space concerning the "trade war" for the two sides is rather limited. Recently, Europe has retaliated against the US steel and aluminum tariffs, while the US threatened to impose a tariff of up to 35% on European automobiles. The trade conflicts between the two sides are likely to escalate.

In addition, in the field of digital economy, tension of bilateral trade relations has increased due to conflicts of ideas and rules. In terms of data and privacy protection, the US adopts industry-specific policies, which features enterprises' dominant role and relies on a comprehensive range of measures such as different industrial legislation and regulation as well as self-restraint. By contrast, the EU heavily relies on the data law, and hopes to protect personal and commercial privacy while maintaining national security and promoting economic growth. The fact that major US technology companies such as Alpha and Apple have recently been under judicial

31 The three principles that the French President has proposed to deal with the US tariffs on steel and aluminum include: avoiding trade wars through dialogue, trusting multilateral trade norms, and taking action and strengthening European solidarity under the WTO framework. See "EU Rejects US Trade 'Gun to the Head'," *EU Observer*, March 23, 2018, <https://euobserver.com/economic/141435>.

investigations by EU competition authorities reflects their conflicts in ideas and rules.

Of course, the abovementioned frictions and conflicts will not completely hinder the economic and trade cooperation between the US and Europe. Under the multilateral framework, the two sides have consensus on regulating the economic and trade policies of emerging actors.³² For example, in response to China's WTO action against the EU for its non-market economy status, Europe calls on the US to together adopt a common policy approach to maintain a rules-based international order and promote fair trade. The US and Europe will also strengthen coordination under the WTO framework in response to trade practices of third parties. In a recent joint statement issued by trade ministers of the US, the EU and Japan, the three sides announced that they would seek common positions on non-market-oriented policies, fair competitive conditions and technology transfer.³³ These are manifestations of their coordination. At the bilateral level, digital economy and service economy are also the key areas for Europe to promote cooperation with the US. First, with US advantages in service trade, Europe wants to persuade the US into easing conflicts. Second, Europe seeks for better coordination with the US regarding the standards and rules of trade in service. Since the EU-US Privacy Shield Framework took effect in July 2016, most US data companies have joined the framework.

A more “balanced” model of security burden sharing

Although both the United States and Europe reaffirm NATO's fundamental role for their security, both sides are aware of the adjustment and transformation of their security relations. As stated in the EU's 2016 Global Strategy for Foreign and Security Policy, “European security and

32 Patricia Lewis, et al., “The Future of the United States and Europe, an Irreplaceable Partnership.”

33 “Joint Statement on Trilateral Meeting of the Trade Ministers of the United States, Japan, and the European Union,” Office of the United States Trade Representative, May 31, 2018, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/may/joint-statement-trilateral-meeting#>.

defense efforts should enable the EU to act autonomously.”³⁴ In response to Trump’s multiple comments on transatlantic relations, German Chancellor Angela Merkel said, “The era in which we could fully rely on others is over to some extent. We Europeans truly have to take our fate into our own hands — naturally in friendship with the United States of America.”³⁵ The US National Security Strategy also pointed out that European allies should fulfill their commitments, increase defense and modernization spending, and enhance the alliance’ capability to address common security concerns.³⁶

Regarding the division of labor between the two sides, Europe has shouldered more responsibilities for its surrounding security, and its policy autonomy in this regard has strengthened. Such division of labor had emerged under the Obama administration. The “Normandy model” dominated by France and Germany in the Ukraine crisis and the US tactic to stay behind the scene in the Libya war are both results of the US promotion of more European responsibilities.

With the increasingly clear division of labor, the EU has significantly enhanced its security capacity building. It has not only launched structural cooperation, but also established the European Defense Fund. Recently, the European Intervention Initiative promoted by French President Emmanuel Macron has received a positive response from Germany. In the future, a more inward-looking Europe which focuses on security of itself and its neighborhood, and the US, which aims to contain China and Russia strategically, will move toward a looser and more flexible security partnership with both sides sharing responsibilities. The EU will shoulder more responsibilities for the security along its borders, and will guard its security red line more independently. Although there will be cooperation when it comes to the US strategy of containing China and Russia, it may not simply follow the

34 EEAS, “Shared Vision, Common Action: A Stronger Europe – A Global Strategy for the European Union’s Foreign and Security Policy.”

35 “Angela Merkel: Europe Must Take ‘Our Fate’ into Own Hands,” *Politico*, May 29, 2017, <https://www.politico.eu/article/angela-merkel-europe-cdu-must-take-its-fate-into-its-own-hands-elections-2017>.

36 The White House, *The National Security Strategy of the United States of America*, December 2017, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

US suit. The characteristics of an “agenda alliance” will be obvious.

Importance of value diplomacy in decline

Value diplomacy used to be the “label” of US and European foreign policy. For a long time, the United States and Europe had not only promoted value diplomacy among developing countries through conditional trade and aid, but even directly interfered in the internal affairs of other countries in the name of human rights, democracy and the rule of law. However, driven by a series of internal and external factors and in the process of summarizing experience and lessons from their foreign policies, the value diplomacy of both the US and Europe have been largely readjusted to focus more on obtain real benefits. In its neighborhood and Africa policies, the EU has to pay more attention to realistic security interests in the choice between value and interests. The domestic public support for value diplomacy in the US has also significantly weakened. The “value factors” in the US foreign policy is in decline.³⁷ According a survey by the Pew Research Center in April 2016, 57% of Americans agreed that the US should focus on domestic issues, while other countries’ problems should be their own responsibilities. The proportion of people upholding “domestic first” positions increased by 11% from 2010 to 2016.³⁸

Therefore, although value identity still enjoys a broad social foundation in the United States and Europe, due to the influence of realistic political demands and domestic economic and social conflicts, the foreign policies of both sides are clearly shifting in a more pragmatic direction, and the importance of value diplomacy on the agenda of transatlantic relations is declining. In areas where serious disputes exist, common values can hardly be the basis for their policy coordination. The coordination of their value diplomacy will be based on specific issues and become more “instrumental.”

37 Patricia Lewis, et al., “The Future of the United States and Europe, an Irreplaceable Partnership.”

38 Xenia Wickett, “Transatlantic Relations: Converging or Diverging?” January 18, 2018, <https://www.chathamhouse.org/publication/transatlantic-relations-converging-or-diverging>.

Conclusion

Europe is currently adopting a double-track strategy toward the United States. It is using checks and balances to hedge the influence of US unilateralism, while actively seeking dialogue and making compromise to avoid the breakdown of US-Europe relations. In the trade issue, although Europe has expressed its position of “no negotiation under threats,” it has agreed to set up a working group for consultation. Moreover, it has taken the initiative to meet Trump’s demands, and proposed targeted measures, including strengthening US-Europe energy cooperation, improving market access, promoting WTO reforms, and seeking coordination with the US on the trade policy toward China. In terms of security, on one hand, Europe has strengthened its security and defense building to emphasize strategic autonomy. On the other hand, it has actively increased military spending to meet the US requirements.

Europe’s strategic swing and its double-track strategy for the US have affected its relations with other major powers, especially China. At present, Europe is similarly in a period of strategic confusion with China, which is reflected in the contradictory nature of its current China policy. On one hand, Europe hopes to cooperate with China to seize development opportunities, and use China to hedge the influence of the US. On the other hand, its strategic doubts about China have apparently increased. The Europeans are worried that China would export its development model and weaken the influence of the European model. Therefore, it has strengthened coordination with the US to address the Chinese challenges. With respect to Russia, Europe’s policy also shows a two-sided character. While stressing the security threats from Russia, it also actively seeks to expand economic and energy cooperation with Russia. There is to some extent a “separation of politics and economy” in the Europe-Russia relations. With the transatlantic relationship gradually becoming a loose alliance, Europe’s strategic ambiguity and two-sided policy will gradually change the US-centered post-war alliance system, which will facilitate the evolution of great-power relations toward a kind of partnership characterized by co-opetition. 